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APPLICATION FOR ACQUISITION OF CONTROL OF AVIVA LIFE AND ANNUITY COMPANY BY APOLLO GLOBAL MANAGEMENT, LLC, LEON BLACK, JOSHUA HARRIS AND MARC ROWAN

CONFORMED COPY OF

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

Aviva Life and Annuity Company,
a Domestic Insurer
and a Subsidiary of
Aviva USA Corporation,
an Iowa corporation,

and

Aviva Re Iowa, Inc., Aviva Re Iowa II, Inc., and Aviva Re Iowa III, Inc.,
each a Domestic Insurer
and a Subsidiary of
Aviva Life and Annuity Company,
an Iowa corporation,

(collectively referred to herein as the "Domestic Insurers")

by

Apollo Global Management, LLC
9 West 57th Street, 43rd Floor
New York, New York 10019

and

Leon Black, Joshua Harris, and Marc Rowan
c/o Apollo Global Management, LLC
9 West 57th Street, 43rd Floor
New York, New York 10019

(collectively referred to herein as the "Applicants")

Filed with the Insurance Division of Iowa

Dated as of June 25, 2013

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Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

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FORM A

ITEM 1. INSURER AND METHOD OF ACQUISITION.

This Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (this "Form A") is being submitted to the Insurance Commissioner (the "Commissioner") of the Insurance Division of Iowa (the "Division") by Apollo Global Management, LLC, a Delaware limited liability company ("AGM"), Leon Black, Chief Executive Officer and Chairman of the Board of Directors of AGM, Joshua Harris, Senior Managing Director and member of the Board of Directors of AGM, and Marc Rowan, Senior Managing Director and member of the Board of Directors of AGM (Mr. Black, Mr. Harris and Mr. Rowan, collectively, the "Individual Applicants," and collectively with AGM, the "Applicants").

As described more fully below, the acquisition of control of Aviva Life and Annuity Company, an Iowa-domiciled insurance company ("ALAC"), Aviva Re Iowa, Inc., an Iowa-domiciled limited purpose subsidiary life insurance company and a wholly owned subsidiary of ALAC ("Aviva Re"), Aviva Re Iowa II, Inc., an Iowa-domiciled limited purpose subsidiary life insurance company and a wholly owned subsidiary of ALAC ("Aviva Re II"), and Aviva Re Iowa III, Inc., an Iowa-domiciled limited purpose subsidiary life insurance company and a wholly owned subsidiary of ALAC ("Aviva Re III" and together with Aviva Re, Aviva Re II and ALAC, the "Domestic Insurers"),[1] will result from the proposed acquisition of 100% of the issued and outstanding capital stock of Aviva USA Corporation, an Iowa corporation and ALAC's direct parent company ("AUSA"), by Athene Holding Ltd., a Bermuda exempted company under the control of AGM ("Athene Holding").[2] As described in Item 1(b) of this Form A, subject to receipt of required regulatory approvals, immediately following the closing of the proposed acquisition of control of the Domestic Insurers (the "Proposed Acquisition"), Athene Holding expects to effect certain internal restructuring transactions with respect to its U.S. subsidiaries. Therefore, following the closing of the Proposed Acquisition and the occurrence of the proposed restructuring transactions immediately thereafter, (i) AUSA will be a direct, wholly owned subsidiary of Athene Holding, (ii) AUSA will be the direct parent company of Athene Annuity & Life Assurance Company, an insurance company organized under the laws of the state of Delaware ("Athene Annuity"), (iii) Athene Annuity will directly own all of the outstanding stock of ALAC, and (iv) ALAC will directly own all of the outstanding stock of Aviva Re, Aviva Re II, Aviva Re III, the New Domestic Insurer and Presidential Life Insurance Company, a New York-domiciled insurance company ("PLIC"). Promptly following the filing of this Form A, the Applicants will submit a filing with the New York Superintendent of Financial Services pursuant to Section 1506 of the New York Insurance Law (the "New York Form A")

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[1] As further described in Item 5(b)(iii) of this Form A, in connection with the CMA Restructuring (as defined herein), ALAC plans to form a new, wholly owned, Iowa-domiciled subsidiary insurance company (the "New Domestic Insurer"). The Applicants plan to acquire control of the New Domestic Insurer through their acquisition of control of ALAC. The Applicants respectfully request that approval of this Form A be deemed to include approval of the acquisition of control of the New Domestic Insurer as well as the Domestic Insurers.

[2] AGM is the ultimate parent of the general partner or manager, as the case may be, of certain shareholders of Athene Holding and therefore "controls" Athene Holding within the meaning of Section 521A.1(3) of the Iowa Code.

with respect to the Applicants' proposed acquisition of control of ALAC's subsidiary, Aviva Life and Annuity Company of New York, a New York-domiciled insurance company ("ALACNY").[3]

AGM is a publicly traded company that is managed, operated and controlled by AGM Management, LLC, a Delaware limited liability company ("AGM Management"), and BRH Holdings GP, Ltd., a Cayman Islands company ("BRH"). Each of AGM Management and BRH are wholly owned, managed and controlled, directly or indirectly, by the Individual Applicants. AGM, its affiliates and/or funds managed by AGM or its affiliates control, directly or indirectly, a class of shares of Athene Holding, which, in the aggregate, accounts for 45% of the voting power of Athene Holding's equity. No other shareholder has a voting interest in Athene Holding that exceeds 9.9% of the voting power of Athene Holding's equity.[4] Therefore, upon the closing of the Proposed Acquisition, the Applicants will control the Domestic Insurers and the New Domestic Insurer.

(a) Domestic Insurers

The names and addresses of the Domestic Insurers to which this Form A relates are:

Aviva Life and Annuity Company (NAIC #: 61689)
P.O. Box 14539
Des Moines, Iowa 50309

Aviva Re Iowa, Inc. (Iowa Company Code #: 3136)
7700 Mills Civic Parkway
West Des Moines, Iowa 50266

Aviva Re Iowa II, Inc. (Iowa Company Code #: 3130)
7700 Mills Civic Parkway
West Des Moines, Iowa 50266

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[3] The New York Form A contemplates that, immediately prior to the closing of the Proposed Acquisition, PLIC, which is an indirect subsidiary of Athene Holding, will pay ALAC an amount in cash or other marketable securities equal to ALAC's statutory carrying value for ALACNY (which, as of December 31, 2012, was $91.8 million) in exchange for 100% of the issued and outstanding capital stock of ALACNY. Accordingly, on the Closing Date (as defined herein), ALACNY will be a direct, wholly owned subsidiary of PLIC. The Applicants understand that ALACNY and the New York State Department of Financial Services are currently discussing a potential increase in ALACNY's required reserves. Upon resolution of such discussions, the Applicants will notify the Division of changes (if any) to the Applicants' present plans or proposals with respect to ALAC.

[4] In a disclaimer letter that will be submitted separately to the Division (the "Disclaimer Letter"), Athene Holding plans to request that the Division grant certain disclaimers of control and affiliation with respect to the interests of certain parties related to AGM and the Individual Applicants in the Domestic Insurers.

Aviva Re Iowa III, Inc.[5]
7700 Mills Civic Parkway
West Des Moines, Iowa 50266

(b) Method of Acquisition

Set forth below is a summary of the Proposed Acquisition. The summary of the principal terms of the Proposed Acquisition is qualified in its entirety by reference to the Stock Purchase Agreement, dated as of December 21, 2012, as amended by Amendment No. 1 to Stock Purchase Agreement, dated as of April 8, 2013, which is attached hereto as Exhibit 1(b) (the "SPA").

On December 21, 2012, Athene Holding entered into the SPA with Aviva plc, a public limited company organized under the laws of England and Wales ("Aviva"). Subject to the conditions set forth in the SPA, on the closing date thereunder (the "Closing Date"), Athene Holding will acquire 100% of the issued and outstanding capital stock of AUSA. Subject to receipt of required regulatory approvals, immediately following the closing of the Proposed Acquisition, Athene Holding plans to (i) contribute Athene Annuity to AUSA and (ii) cause AUSA to contribute ALAC to Athene Annuity, such that Athene Annuity will directly own all the outstanding stock of ALAC.

The parties desire to close the Proposed Acquisition as soon as possible, subject to receipt of required approvals from, and the making of required filings and notices with, governmental and regulatory authorities (including approval by the New York State Department of Financial Services of the acquisition of ALACNY) and other customary closing conditions. As previously discussed with the Division, the timeline for closing the Proposed Acquisition may be adjusted in the event that, prior to closing, the Applicants enter into one or more definitive agreements to sell all or a portion of ALAC's life insurance business. The Applicants will promptly respond to the Division's requests to provide additional information regarding the status of the potential sale of all or a portion of ALAC's life insurance business and its effect (if any) on the closing timeline. A sale of the ALAC life business to a third party is not a closing condition for Athene Holding's acquisition of ALAC. (See Item 5(b)(i) for additional discussion of the Applicants' future plans with respect to ALAC's life insurance business.)

Following the combination of AUSA and Athene Annuity, Athene Holding's U.S. subsidiaries will constitute, on an aggregate basis, a leader in the fixed annuity business in the United States.

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[5] On March 11, 2013, Aviva Re III filed an application (the "LPS Formation Application") with the Division requesting approval for Aviva Re III to be formed as a wholly owned subsidiary of ALAC to transact business as an Iowa limited purpose subsidiary life insurance company pursuant to Section 508.33A of the Iowa Code, which application is currently pending before the Division. The Applicants plan to acquire control of Aviva Re III through their acquisition of control of ALAC. The Applicants respectfully request that approval of this Form A be deemed to include approval of the acquisition of control of Aviva Re III as well as the other Domestic Insurers.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS.

(a) <u>Name and Address of Non-Individual Applicant</u>

The name and address of AGM, the only Applicant that is not an individual, is Apollo Global Management, LLC, a Delaware limited liability company, which has its principal executive offices at 9 West 57th Street, 43rd Floor, New York, New York 10019.

(b) <u>Business Operations of the Applicants</u>

The only Applicant that is not an individual is AGM, which is a publicly traded company founded in 1990. AGM and its subsidiaries (together, "<u>Apollo</u>") operate as a global alternative investment manager, raising, investing and managing private equity, credit and real estate funds, with significant distressed investment expertise. As of December 31, 2012, Apollo had total assets under management of approximately $113 billion. The Individual Applicants are each managing partners of Apollo and lead a team of over 600 employees. Apollo's objective is to achieve superior long-term risk-adjusted returns for its fund investors, by following a value-oriented investment approach that focuses on nine core industries in which Apollo has considerable knowledge and experience.

(c) <u>Organization Chart</u>

Organization charts that present the identities of, and inter-relationships among, AGM and its affiliates that are in the chain of control of the Domestic Insurers before and after giving effect to the Proposed Acquisition and the Life Sale (as defined in Item 5(b)(i) below) are attached hereto as <u>Exhibit 2(c)</u>. The organization charts indicate the type of organization and the state or other jurisdiction of domicile of each entity listed or depicted therein, and the percentage of voting securities of each entity owned (or to be owned) by an affiliate in the chain of control of the Domestic Insurers. Unless otherwise indicated, the entities identified in the organization charts own or control 100% of the voting securities or membership interests of their immediate downstream affiliates identified therein.

There are no court proceedings involving a reorganization or liquidation pending with respect to any of the entities depicted in the organization charts.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS.

(a) <u>Names and Business Addresses</u>

The names and business addresses of the directors and executive officers of AGM are set forth in <u>Exhibit 3(a)</u>. The names and business addresses of the Individual Applicants are:

(i) Leon Black, Chief Executive Officer and Chairman of the Board of Directors of AGM, c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019;

(ii) Joshua Harris, Senior Managing Director and member of the Board of Directors of AGM, c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019; and

(iii) Marc Rowan, Senior Managing Director and member of the Board of Directors of AGM, c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.

(b), (c), (d) <u>Background Information Regarding AGM's Directors and Executive Officers and the Individual Applicants</u>

(i) AGM's Directors and Executive Officers

The Individual Applicants, through their ownership of BRH, beneficially own the Class B share of AGM and consequently are able to exercise control over all matters requiring the approval of shareholders of AGM. As of December 31, 2012, the Class B share represented 77.4% of the total voting power of AGM's shares entitled to vote. The Class B share does not represent an economic interest in AGM. The Individual Applicants' economic interests are instead represented by their indirect limited partnership interests in various indirect subsidiaries of AGM. AGM's operating agreement provides that so long as AGM Management, the Individual Applicants, the officers, directors, investment professionals and employees of AGM and its subsidiaries (past, present or future) and certain family members, estate planning vehicles and affiliates of any of the foregoing beneficially own at least 10% of the aggregate number of votes that may be cast by holders of AGM's outstanding voting shares (the "<u>AGM Control Condition</u>"), AGM Management has the power to conduct, direct and manage all activities of AGM. Accordingly, for so long as the AGM Control Condition is satisfied, AGM Management is entitled to, among other things, (i) nominate and elect all directors to AGM's board of directors, (ii) set the number of directors of AGM's board of directors and (iii) fill any vacancies on AGM's board of directors. AGM's board currently consists of seven members—the three Individual Applicants and four independent directors (such independent directors, the "<u>Outside Directors</u>"). For so long as the AGM Control Condition is satisfied, AGM Management may remove any director, with or without cause, at any time.

Based on this structure, for so long as the AGM Control Condition is satisfied, AGM Management will manage all of AGM's operations and activities, and AGM's board of directors will have no authority other than that which AGM Management chooses to delegate to it (e.g., pursuant to a delegation of authority from AGM Management, which may be revoked, AGM's board of directors has established and will maintain audit and conflicts committees). Accordingly, for so long as the AGM Control Condition is satisfied, the Outside Directors will have limited powers. In this regard, in the Disclaimer Letter, Athene Holding respectfully seeks confirmation that, for so long as the AGM Control Condition is satisfied, the Outside Directors will not be considered individuals for whom information is required to be provided under this Item 3 or in ALAC's Form Bs.

A listing of all directors and executive officers of AGM is set forth in <u>Exhibit 3(a)</u>. Biographical affidavits of each of the individuals identified in <u>Exhibit 3(a)</u>, other than the Outside Directors, setting forth each such individual's current employment information (including position held and business address) and material employment information during the past five years (including position held, business address and starting and ending dates of employment) will be provided to the Division promptly following the filing of this Form A. None of the individuals with respect to whom biographical affidavits will be provided, including the Individual Applicants, have been convicted of any crimes, other than minor traffic violations, during the past ten years, except as otherwise provided in the biographical affidavits.

(ii) Leon Black

Mr. Black's business address is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019. A biographical affidavit of Mr. Black setting forth Mr. Black's current employment information (including position held and business address) and material employment information during the past five years (including position held, business address and starting and ending dates of employment) will be provided to the Division promptly following the filing of this Form A. The following is a summary of Mr. Black's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Black is the Chairman of the Board, Chief Executive Officer and a Director of AGM. Mr. Black co-founded Apollo in 1990 to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as Managing Director, head of the Mergers & Acquisitions Group and co-head of the Corporate Finance Department. He is the general partner of AP Alternative Assets.

Mr. Black is a trustee of The Museum of Modern Art, The Mount Sinai Medical Center, The Metropolitan Museum of Art and The Asia Society. He is also a member of The Council on Foreign Relations and The Partnership for New York City and a member of the boards of FasterCures and the Port Authority Task Force. He graduated summa cum laude from Dartmouth College with a major in Philosophy and History and received an MBA from Harvard Business School.

(iii) Joshua Harris

Mr. Harris's business address is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019. A biographical affidavit of Mr. Harris setting forth Mr. Harris's current employment information (including position held and business address) and material employment information during the past five years (including position held, business address and starting and ending dates of employment) will be provided to the Division promptly following the filing of this Form A. The following is a summary of Mr. Harris's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Harris is a Senior Managing Director and Director of AGM and co-founded Apollo in 1990. Prior to 1990, Mr. Harris was a member of the Mergers & Acquisitions Group of Drexel

Burnham Lambert Incorporated. Mr. Harris currently serves on the boards of directors of Berry Plastics Group Inc., LyondellBasell Industries B.V., CEVA Group plc, Momentive Performance Materials Holdings LLC, EPE Acquisitions, LLC and the holding company for Constellium. Mr. Harris has previously served on the boards of directors of Verso Paper Corp., Metals USA Inc., Nalco Corporation, Allied Waste Industries Inc., Pacer International Inc., General Nutrition Centers Inc., Furniture Brands International Inc., Compass Minerals International Inc., Alliance Imaging Inc., NRT Inc., Covalence Specialty Materials Corp., United Agri Products Inc., Quality Distribution Inc., Whitmire Distribution Corp., and Noranda Aluminum Holding Corporation.

Mr. Harris is actively involved in charitable and political organizations. He is a member and serves on the Corporate Affairs Committee of the Council on Foreign Relations. Mr. Harris serves as Chairman of the Department of Medicine Advisory Board for The Mount Sinai Medical Center and is on the Board of Trustees of the Mount Sinai Medical Center. Mr. Harris is a member of The Federal Reserve Bank of New York Investors Advisory Committee on Financial Markets. He is also a member of The University of Pennsylvania's Wharton Undergraduate Executive Board and is on the Board of Trustees for The Allen-Stevenson School and the Harvard Business School. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a Bachelor of Science degree in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

(iv) Marc Rowan

Mr. Rowan's business address is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019. A biographical affidavit of Mr. Rowan setting forth Mr. Rowan's current employment information (including position held and business address) and material employment information during the past five years (including position held, business address and starting and ending dates of employment) will be provided to the Division promptly following the filing of this Form A. The following is a summary of Mr. Rowan's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Rowan is a Senior Managing Director and Director of AGM and co-founded Apollo in 1990. Prior to 1990, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of directors of the general partner of AP Alternative Assets, L.P., Athene Holding, Athene Life Re Ltd., Caesars Entertainment Corporation and Norwegian Cruise Lines. He has previously served on the boards of directors of AMC Entertainment, Inc., Cablecom GmbH, Culligan Water Technologies, Inc., Countrywide Holdings Limited, Furniture Brands International Inc., Mobile Satellite Ventures, LLC, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc.

Mr. Rowan is also active in charitable activities. He is a founding member and serves on the executive committee of the Youth Renewal Fund and is a member of the boards of directors of the National Jewish Outreach Program and the Undergraduate Executive Board of the University of Pennsylvania's Wharton School of Business. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in Finance.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION.

(a) Nature, Source and Amount of Funds or Other Considerations Used or to be Used in Effecting the Proposed Acquisition

Pursuant to the terms and conditions of the SPA, Aviva will receive aggregate consideration of approximately $1.55 billion, subject to certain adjustments as set forth in the SPA (the "Purchase Price"), in connection with the sale of AUSA.

The Purchase Price will be paid to Aviva as provided in Table 1 below. Such steps will occur on the Closing Date and will occur at approximately the same time. The steps assume (i) receipt of approval of each constituent step requiring a distinct regulatory approval from the applicable regulatory authorities; (ii) that ALAC has recaptured all of the business it previously ceded to its affiliate, Curelife Ltd., a Bermuda reinsurance company in the process of being redomesticated to Barbados and a direct, wholly owned subsidiary of AUSA ("Curelife")[6]; and (iii) that as of the Closing Date, the Applicants have not entered into a definitive agreement to sell all or a portion of ALAC's life insurance business. The amounts included in Table 1 and Table 2 below are based on financial information of Aviva and its U.S. subsidiaries as of June 30, 2012, and the outstanding loan balance under AUSA's credit agreement with certain third-party banks as of December 31, 2012; therefore, the actual amounts payable on the Closing Date will change based on financial information as of the Closing Date and applicable adjustments.

Table 1—Purchase Price Components

1. Transfer of Surplus Notes of ALAC	• AUSA will distribute to Aviva Group Holdings Limited, a company organized under the laws of England and Wales and an indirect, wholly owned subsidiary of Aviva ("AGHL"), certain issued and outstanding surplus notes of ALAC originally issued to AUSA, in an aggregate principal amount of **$250 million**.[7]
2. Repayment of Intercompany Loans	• AUSA will pay cash in an amount equal to **$896 million** to AGHL in repayment of all loans

[6] Immediately after such recapture, Curelife is expected to distribute its remaining assets to AUSA via an extraordinary dividend, subject to the approval of the Barbados Office of the Supervisor of Insurance.

[7] The transfer of ALAC's surplus notes will not occur in the event that new captive insurance companies are established under PLIC-USA prior to the closing of the Proposed Acquisition. (See Item 5(b)(i) for additional information regarding the proposed PLIC-USA Reinsurance Transaction (as defined herein).)

	made by AGHL to AUSA as borrower under an intercompany loan agreement.[8]
3. Redemption of Shares by AUSA	• AUSA will pay approximately **$207 million**[9] (the "Share Redemption Cash Consideration") to purchase from AGHL a portion of the shares of AUSA held by AGHL.
4. Athene Holding's Purchase of Unredeemed Shares	• Athene Holding will pay approximately **$197 million**[10] in cash to purchase from AGHL all remaining shares of AUSA held by AGHL and not redeemed by AUSA as described above. Such cash payment will be made from available assets of Athene Holding and/or its subsidiaries. Athene Holding does not currently expect that any debt financing will be required in connection with the cash payment.
5. Total Purchase Price	• **$1.55 billion**

The sources of consideration for the redemption of shares by AUSA are as described below in Table 2.

Table 2—Share Redemption Components

A. Athene Annuity's Purchase of Surplus Notes of ALAC	• Subject to the approval of Athene Annuity's board of directors, Athene Annuity expects to purchase certain issued and outstanding surplus notes of ALAC originally issued to AUSA, in an aggregate principal amount of **$140 million**. Such purchase will be made with available assets of Athene Annuity. Athene Annuity does not currently expect that any debt financing will be required in connection with such purchase.
B. Extraordinary Distribution	• ALAC is separately applying to the Division for approval to pay an extraordinary distribution in an aggregate amount equal to $1.4 billion to AUSA (the "Extraordinary Distribution"). The proposed Extraordinary Distribution is

[8] Accrued interest will also be paid in connection with repayment of the intercompany loan agreement.

[9] See row C in Table 2 below.

[10] Subject to change based on closing financial information and adjustments.

	comprised of (i) cash in an amount equal to **$1.2 billion** and (ii) an outstanding note of AUSA issued to ALAC (which will be cancelled following the distribution) in an aggregate principal amount of **$200 million**. o Only the amount of the cash will increase the total amount AUSA has available for the Share Redemption Cash Consideration.
C. Total Amount of Cash Available for the Share Redemption Cash Consideration	• Following receipt of the Extraordinary Distribution and payment from Athene Annuity for the ALAC surplus notes, AUSA's total cash on hand is approximately $1.34 billion.[11] o AUSA's total cash on hand decreases dollar for dollar to reflect the $896 million repayment to AGHL of the intercompany loans. (See row 2 of Table 1 above.) o AUSA's total cash on hand also decreases dollar for dollar to reflect repayment of loan amounts owed to certain banks under the credit agreement to which AUSA is a party. The outstanding loan balance is variable, but as of December 31, 2012, the balance was $237 million. • After the above-described loan repayments totaling approximately $1.133 billion, the total amount of cash available for the Share Redemption Cash Consideration is approximately **$207 million**.[12]

(b) Criteria Used in Determining the Nature and Amount of Such Consideration

The nature and amount of the consideration to be paid in connection with the Proposed Acquisition was determined in connection with an auction process, by arm's-length negotiations among the parties to the SPA. The major items considered in determining the Purchase Price were actuarial projections, net investment earned rates, tax considerations and various contribution analyses including relative premium, relative capital, relative profitability and relative return on equity contributions.

[11] Excludes previously existing cash on hand and any amounts received in connection with the expected extraordinary dividend from Curelife.

[12] Subject to change based on closing financial information and adjustments.

ITEM 5. FUTURE PLANS FOR INSURER.

(a) Introduction

Other than as described below in this Item 5, the Applicants have no present plans or proposals to: (i) cause the Domestic Insurers to declare an extraordinary dividend; (ii) liquidate the Domestic Insurers; (iii) sell their assets (except for investment transactions and minor asset dispositions in the ordinary course of business and except with respect to the life reinsurance transactions described under Items 5(b) and (c)) to or merge them with any person or persons; or (iv) make any other material change in their business operations or corporate structure or management. During the pendency of this Form A, the Applicants will keep the Division apprised of any changes to the Applicants' present plans or proposals with respect to the Domestic Insurers, as described herein. From time to time following the closing of the Proposed Acquisition, the Applicants and the management of the Domestic Insurers may evaluate the business and operations of the Domestic Insurers.

The Applicants' present plans or proposals with respect to the future operations of ALAC, as described in this Item 5, are set forth in greater detail in the business plan, including pro forma financial statements, which are being separately filed under confidential cover as Exhibit 5(a). The Applicants respectfully request that (i) such materials be afforded confidential treatment, (ii) the Applicants be notified in advance of any proposed disclosure by the Division and (iii) the Applicants be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure.

(b) Transactions Proposed to Occur Immediately Prior to or at the Closing of the Proposed Acquisition

(i) Potential Sale of All of ALAC's Life Insurance Business; Capitalization of Presidential Life Insurance Company – USA

On April 30, 2013, Athene Holding entered into the Purchase and Sale Agreement (the "PSA") with Commonwealth Annuity and Life Insurance Company, a corporation organized under the laws of the Commonwealth of Massachusetts ("CALIC"), to sell all of ALAC's life insurance business to CALIC (the "Life Sale"). Set forth below is a summary of the principal terms of the Life Sale. Such summary is qualified in its entirety by reference to the PSA, a copy of which is attached hereto as Exhibit 5(b)(i)(A).

First, pursuant to the terms of the PSA, two business days prior to the Closing Date, Athene Holding plans to sell, or cause to be sold, to CALIC 100% of the issued and outstanding capital stock (the "Shares") of Presidential Life Insurance Company – USA, a Delaware insurance company in the process of redomesticating to Iowa ("PLIC-USA"). Pursuant to the terms of the PSA, in exchange for the Shares, Presidential Life LLC, a limited liability company organized under the laws of the State of Delaware and a subsidiary of Athene Holding, will receive aggregate consideration equal to $2 million, plus PLIC-USA's statutory capital and surplus as of the Shares Closing Date (as defined in the PSA). Under the PSA, following its purchase of the Shares and on or prior to the closing of the Proposed Acquisition, CALIC will contribute capital to PLIC-USA in an amount sufficient to ensure PLIC-USA's total adjusted capital is at least equal to 350% of company-action-level risk-based capital after giving effect to the transactions contemplated by the Transaction Documents (as defined in the PSA). The proposed acquisition of control of PLIC-USA by CALIC will be the subject of a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, which CALIC will file separately with the Division.[13]

Prior to the PLIC-USA Reinsurance Transaction (as defined below), the Applicants anticipate that ALAC will recapture 100% of the business currently ceded to Aviva Re, Aviva Re II and Aviva Re III, and new limited purpose subsidiary life insurance companies will be formed as subsidiaries of PLIC-USA.[14] Immediately prior to the closing of the Proposed Acquisition, PLIC-USA, the new limited purpose subsidiary life insurance companies and certain financing counterparties plan to enter into a series of captive reinsurance agreements (the "Captive Reinsurance Agreements") on substantially similar terms to the captive reinsurance agreements currently in place under ALAC. The parties anticipate that under the Captive Reinsurance Agreements, ALAC will have the right to make payments of financing fees and costs in the event that PLIC-USA fails to pay such amounts and no alternative financing or other means of supporting reserves is in effect.

Immediately prior to the closing of the Proposed Acquisition and subject to the receipt of required regulatory approvals, ALAC plans to cede or retrocede, as applicable, its liabilities under substantially all of its life insurance business to PLIC-USA (such reinsurance transaction, the "PLIC-USA Reinsurance Transaction"). A copy of the form of the Coinsurance and Assumption Agreement to be entered into by and between ALAC and PLIC-USA to effect the PLIC-USA Reinsurance Transaction is attached hereto as Exhibit 5(b)(i)(B) (the "Reinsurance Agreement"). PLIC-USA will reinsure on a coinsurance basis 100% of the Reinsured Liabilities (as defined in the Reinsurance Agreement), except that PLIC-USA will reinsure the Closed Block Policies (as defined in the Reinsurance Agreement) on a funds withheld basis and ALAC will allocate to a notional funds withheld account established in its books and records (the "Funds Withheld Account") an amount in cash, cash equivalents and assets, as determined in accordance with the Reinsurance Agreement. ALAC will record the balance of the Funds Withheld Account on its statutory financial statements as a payable to PLIC-USA. Upon the effectiveness of the Reinsurance Agreement, pursuant to the terms of the PSA, CALIC or one or more of its affiliates will acquire the Purchased Assets (as defined in the PSA) from ALAC or one or more of its affiliates in exchange for the Purchased Assets Purchase Price (as defined in the PSA).

In connection with the Reinsurance Agreement, PLIC-USA, as grantor, ALAC, as beneficiary, and a trustee acceptable to each of them, will enter into a Trust Agreement, the form of which agreement is being separately filed under confidential cover as Exhibit 5(b)(i)(C) (the "Trust Agreement"). Pursuant to the Trust Agreement, as security for the payment of amounts due from PLIC-USA to ALAC under the Reinsurance Agreement (other than with respect to the

[13] The Applicants expect PLIC-USA's redomestication from Delaware to Iowa to be complete prior to the sale of the Shares, and accordingly, CALIC expects to file with the Division its application to acquire control of PLIC-USA.

[14] Completion of the Life Sale, the PLIC-USA Reinsurance Transaction and the related transactions with the existing and new limited purpose subsidiary life insurance companies are not conditions to the obligations of any party under the SPA.

Closed Block Policies, as defined in the Reinsurance Agreement), PLIC-USA will transfer to a trust account cash and assets in an amount not less than the Required Balance (as defined in the Reinsurance Agreement), which includes an overcollateralization amount of approximately 2.75%. With respect to the Indy Life Closed Block Policies (as defined in the Reinsurance Agreement), subject to the receipt of required regulatory approvals, the liabilities associated with such policies will be coinsured by ALAC to PLIC-USA and PLIC-USA, as grantor, will establish a separate trust for the benefit of ALAC as security for the payment of amounts due from PLIC-USA to ALAC with respect to the Indy Life Closed Block Policies, which trust will not be subject to the above-described overcollateralization requirement.

For an interim period up to 24 months following the Closing Date, AUSA will provide or cause to be provided certain services to CALIC and its affiliates (including PLIC-USA) pursuant to a Transition Services Agreement to be entered into by and between AUSA and CALIC, the form of which is being separately filed under confidential cover as Exhibit 5(b)(i)(D). Pursuant to an Administrative Services Agreement by and between ALAC and PLIC-USA, the form of which is being separately filed under confidential cover as Exhibit 5(b)(i)(E), PLIC-USA will perform certain administrative services with respect to the life insurance policies reinsured under the Reinsurance Agreement. To facilitate PLIC-USA's administration of the life insurance business, certain employees of AUSA and its affiliates may receive offers of employment with CALIC or a subsidiary of CALIC (including PLIC-USA), as further described in the PSA.

(ii) Modified Coinsurance Agreement

At the closing of the Proposed Acquisition, pursuant to a Modified Coinsurance Agreement (the "Modco Agreement") to be entered into by ALAC and Athene Life Re Ltd., a reinsurance company organized under the laws of Bermuda and a wholly owned subsidiary of Athene Holding ("ALRe"), ALAC plans to cede to ALRe, on a modified coinsurance basis, an 80% quota share of certain of its liabilities in respect of its annuity business. The liabilities ceded under the Modco Agreement will include the guaranteed minimum death benefits riders and guaranteed living income benefit riders, in each case, identified in the Modco Agreement, and ALRe will not be obligated to pay any ceding commission to ALAC. The Applicants, on behalf of ALAC, will file a Form D seeking the Division's approval of the new Modco Agreement.

(iii) CMA Restructuring

On or prior to the Closing Date, ALAC plans to enter into (i) a coinsurance agreement with the New Domestic Insurer pursuant to which the New Domestic Insurer will coinsure 100% of all annuities issued by ALAC (and its predecessor by merger, Aviva Life Insurance Company) to Aviva London Assignment Corp., (ii) a capital and surplus maintenance agreement with AUSA and the New Domestic Insurer, under which ALAC and AUSA will agree, jointly and severally, to maintain the capital and surplus of the New Domestic Insurer at no less than an agreed-upon level and (iii) a letter agreement with the New Domestic Insurer and Aviva International Insurance Limited ("AII"), pursuant to which ALAC and the New Domestic Insurer will make certain covenants to AII and will grant AII certain rights of enforcement and inspection (the transactions contemplated by clauses (i), (ii) and (iii), collectively, the "CMA

Restructuring"). The CMA Restructuring requires organization and licensing of the New Domestic Insurer. ALAC will submit filings to the Division regarding the CMA Restructuring under separate cover. As noted above, the Applicants respectfully request that approval of this Form A be deemed to include approval of the acquisition of control of the New Domestic Insurer.

(iv) Extraordinary Distribution

As described above in Item 4(a), on or prior to the Closing Date, ALAC is proposing to pay to AUSA the Extraordinary Distribution in an aggregate amount equal to $1.4 billion, comprised of (i) cash in an amount equal to $1.2 billion and (ii) an outstanding note of AUSA issued to ALAC (which will be subsequently cancelled) in an aggregate principal amount of $200 million. Following payment of the Extraordinary Distribution, the closing of the Proposed Acquisition and the occurrence of the proposed restructuring transactions described in Item 5(c)(i) below, ALAC expects to have total adjusted capital in an amount at least equal to 350% of company-action-level risk-based capital on the Closing Date, and the Applicants expect to maintain total adjusted capital in an amount at least equal to 350% of company-action-level risk-based capital on an ongoing basis thereafter. The request for approval of the Extraordinary Distribution will be filed separately by ALAC.

(c) Transactions Proposed to Occur Immediately After the Closing of the Proposed Acquisition

(i) Internal Restructuring of Athene Holding's Insurance Holding Company System

As noted in Item 1(b), subject to receipt of required regulatory approvals, immediately following the closing of the Proposed Acquisition, Athene Holding expects to effect certain internal restructuring transactions with respect to its U.S. subsidiaries. First, Athene Holding plans to contribute Athene Annuity to AUSA. Then, Athene Holding plans to cause AUSA to contribute ALAC to Athene Annuity (the "Proposed ALAC Contribution"), such that Athene Annuity will directly own all the outstanding stock of ALAC. Contemporaneously with the Proposed ALAC Contribution, Athene Annuity plans to contribute PLIC[15] to ALAC (the "Proposed PLIC Contribution"). The organization charts attached hereto as Exhibit 5(c)(i) set forth the steps involved in the proposed internal restructuring of Athene Holding's organizational structure, including ownership of each of ALAC and PLIC following the Proposed ALAC Contribution and the Proposed PLIC Contribution, respectively. Each of the Proposed ALAC Contribution and the Proposed PLIC Contribution is part of a plan to simplify Athene Holding's organizational structure following the acquisition of AUSA.[16]

The Applicants respectfully submit that no separate Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer is required relating to the Proposed

[15] It is currently contemplated that, with the prior written consent of Aviva, PLIC will directly acquire ALACNY immediately prior to the closing of the Proposed Acquisition.

[16] Completion of the Proposed ALAC Contribution and the Proposed PLIC Contribution are not conditions to the obligations of any party under the SPA.

ALAC Contribution and the resulting interposition of Athene Annuity as an intermediate holding company in ALAC's ownership chain, based on the fact that, following the Proposed ALAC Contribution, ALAC will remain under the ultimate control of the Applicants. On behalf of ALAC, the Applicants also respectfully request that the Division confirm that no Form D Prior Notice of a Transaction is required in connection with the Proposed PLIC Contribution.

(ii) Novation of Life Insurance Policies Reinsured Under the Reinsurance Agreement

Following the closing of the Proposed Acquisition, and subject to the receipt of required regulatory approvals, PLIC-USA will pursue novation of all of the life insurance policies reinsured under the Reinsurance Agreement, other than (A) such policies that are the subject of litigation or arbitration proceedings and (B) the Closed Block Policies (as defined in the Reinsurance Agreement). With respect to each applicable life insurance policy, upon satisfaction of all requirements for novation and assumption, as set forth in the Reinsurance Agreement, such policy shall be deemed assumed by novation and shall no longer be deemed indemnity coinsured under the Reinsurance Agreement.

(iii) Affiliate Agreements

Immediately following the closing of the Proposed Acquisition, the Applicants plan to cause ALAC and the New Domestic Insurer to become party to certain affiliate agreements between various insurers and service providers in Athene Holding's insurance holding company structure. These affiliate agreements include (i) an investment management agreement (including disclosure with respect to a master sub-advisory agreement), (ii) a shared services and cost sharing agreement and (iii) a tax allocation agreement. The affiliate agreements to which ALAC and the New Domestic Insurer are proposed to become party will be submitted to the Division for its approval under a separate transmittal. ALAC is currently party to (i) an investment management agreement, (ii) an administrative services agreement and (iii) a tax allocation and indemnification agreement with certain affiliates of Aviva, which will be terminated effective as of the closing of the Proposed Acquisition.

Aviva Re and Aviva Re II (and, following approval of the LPS Formation Application, Aviva Re III) are party to (i) an investment management agreement, (ii) tax allocation and indemnification agreements and (iii) an administrative services agreement with certain affiliates of Aviva, which will be terminated effective as of the closing of the Proposed Acquisition (subject to receipt of required approvals and consents). The Applicants plan to cause any new limited purpose subsidiary life insurance companies formed as subsidiaries of PLIC-USA to become parties to the following affiliate agreements: (i) an investment management agreement (including disclosure with respect to a master sub-advisory agreement) (ii) a tax allocation agreement and (iii) a shared services and cost sharing agreement. Iowa-domiciled limited purpose subsidiary life insurance companies are exempt from Form D filing requirements, but the details of such agreements will be described in such companies' plans of operation, to be filed separately with the Division in connection with the formation of such companies.

(d) **Competitive Impact**

As set forth in more detail in Exhibit 5(d) attached hereto, applying the criteria set forth in the NAIC Insurance Holding Company System Regulatory Model Act, the market shares of Athene Holding's and AUSA's U.S. subsidiaries doing business in Iowa do not constitute prima facie evidence of a violation of the competitive standard.

(e) **Proposed Directors and Executive Officers of the Domestic Insurers and the New Domestic Insurer**

Upon the closing of the Proposed Acquisition, certain members of the Domestic Insurers' and the New Domestic Insurer's respective Boards of Directors and certain executive officers will be replaced, and new directors and executive officers will be selected from among those individuals currently serving as executive officers and/or directors (or managers, as applicable) of the Applicants or Athene Holding's U.S. subsidiaries. A list of the individuals that the Applicants anticipate will constitute the directors and executive officers of the Domestic Insurers and the New Domestic Insurer follows.

The proposed directors of each Domestic Insurer and the New Domestic Insurer after the Proposed Acquisition are:

James Richard Belardi
Grant Kvalheim
Guy Hudson Smith III
Imran Mohsin Siddiqui
Matthew Russell Michelini
Joshua Max Black
Hope Schefler Taitz
James Andrew Betts
Francis Patrick Sabatini

The proposed executive officers of each Domestic Insurer and the New Domestic Insurer after the Proposed Acquisition are:

James Richard Belardi	Chief Executive Officer and President
Brenda Jean Cushing	Executive Vice President and Chief Financial Officer
Stephen Eric Cernich	Executive Vice President and Head of Corporate Development
Christopher James Grady	Executive Vice President and Head of Retail
Christopher Lewis Jones	Executive Vice President and Chief Marketing Officer
Christopher Robert Welp	Executive Vice President, Insurance Operations
Matthew Stephen Easley	Executive Vice President and Chief Actuary
Jeffrey Ronald Boland	Executive Vice President and Chief Risk Officer
Richard Carlton Cohan, Jr.	Executive Vice President, General Counsel and Corporate Secretary
William Jeffrey Heng	Senior Vice President and Appointed Actuary

With respect to any new proposed directors and executive officers of the Domestic Insurers and the New Domestic Insurer, information about such persons (including, without limitation, the present principal business activity, occupation or employment, including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on) will be provided to the Division promptly following the filing of this Form A (other than the following individuals, (i) who currently serve as officers or directors of ALAC: Brenda Jean Cushing, Christopher Lewis Jones, Christopher Robert Welp, Richard Carlton Cohan, Jr. and William Jeffrey Heng or (ii) whose information is already on file with the Division in connection with PLIC-USA's application to redomesticate from Delaware to Iowa: James Richard Belardi, Guy Hudson Smith III, Imran Mohsin Siddiqui, Matthew Russell Michelini and Joshua Max Black).

ITEM 6. VOTING SECURITIES TO BE ACQUIRED.

ALAC is authorized to issue 10,000,000 voting shares and has issued and outstanding 10,000,000 voting shares. Currently, all stock of ALAC is owned by AUSA. Following the closing of the Proposed Acquisition and proposed internal restructuring transactions, Athene Annuity, which will be a direct, wholly owned subsidiary of AUSA and an indirect wholly owned subsidiary of Athene Holding, will own 100% of the voting securities of ALAC, and ALAC will own 100% of the voting securities of Aviva Re, Aviva Re II, Aviva Re III and the New Domestic Insurer. As described further in Item 4(a), the SPA provides that upon completion of the Proposed Acquisition, Aviva will be entitled to receive the Purchase Price in exchange for 100% of the issued and outstanding capital stock of AUSA.

Aviva Re and Aviva Re II are each authorized to issue 25,000 voting shares, respectively, and have issued and outstanding 25,000 voting shares, respectively. Currently, all stock of Aviva Re and Aviva Re II is owned by ALAC. As described in the LPS Formation Application, Aviva Re III is authorized to issue 25,000 voting shares, and upon approval of the LPS Formation Application, will issue 25,000 voting shares to ALAC.

The New Domestic Insurer is currently in the process of being formed. A filing for the formation and licensing of the New Domestic Insurer will be submitted to the Division under separate cover. Prior to the Closing Date, the New Domestic Insurer will be wholly owned by ALAC. On the Closing Date, the Applicants will acquire control of the New Domestic Insurer through their acquisition of control of ALAC.

As described further in Item 4(b), the nature, amount and method of determination of the fairness of the consideration to be paid in connection with the Proposed Acquisition was determined in connection with an auction process, by arm's-length negotiations among the parties to the SPA.

ITEM 7. OWNERSHIP OF VOTING SECURITIES.

To the knowledge of the Applicants, except pursuant to the SPA, none of the Applicants, AGM's affiliates, or any person listed in Item 3, beneficially owns or has the right to acquire beneficial ownership of, voting securities of the Domestic Insurers.

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER.

The Proposed Acquisition will be effected pursuant to the terms of the SPA. To the knowledge of the Applicants, other than as described in the SPA and as described in Item 5 of this Form A, there are no contracts, arrangements or understandings with respect to any voting securities of the Domestic Insurers in which the Applicants, AGM's affiliates or any person listed in Item 3 is involved, including, without limitation, to transfer any of the securities involved in the Proposed Acquisition, or involving any joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against losses or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES.

To the knowledge of the Applicants, there have been no acquisitions, direct or indirect, during the twelve calendar months preceding the filing of this Form A, of any voting securities of the Domestic Insurers that were effected by the Applicants, AGM's affiliates or any person listed in Item 3.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE.

To the knowledge of the Applicants, none of the Applicants, AGM's affiliates, any person listed in Item 3 or any person based upon interviews or at the suggestion of the Applicants, AGM's affiliates or any person listed in Item 3, has made any recommendations to purchase any voting securities of the Domestic Insurers during the twelve (12) calendar months preceding the filing of this Form A, except as set forth herein.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS.

To the knowledge of the Applicants, no agreement, contract or understanding has been made by the Applicants, AGM's affiliates or any person listed in Item 3, with any broker-dealer as to solicitation of voting securities of the Domestic Insurers for tender, and no fees, commissions or other compensation will be paid to any broker-dealer in connection with the same.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS.

(a) <u>Exhibits</u>

All exhibits referenced in this Form A are itemized below:

<u>Exhibit 1(b)</u> ....Stock Purchase Agreement, as Amended by Amendment No. 1 to Stock Purchase Agreement

<u>Exhibit 2(c)</u> ....Organization Charts of AGM Prior to and After the Proposed Acquisition

Exhibit 3(a) .... Directors and Executive Officers of AGM

Exhibit 5(a) .... Business Plan, Including Pro Forma Financial Statements **(submitted confidentially under separate cover)**

Exhibit 5(b)(i)(A) .... Purchase and Sale Agreement by and Between Athene Holding and CALIC

Exhibit 5(b)(i)(B) .... Form of Coinsurance and Assumption Agreement by and Between ALAC and PLIC-USA

Exhibit 5(b)(i)(C) .... Form of Trust Agreement by and Among ALAC, PLIC-USA and the Trustee **(submitted confidentially under separate cover)**

Exhibit 5(b)(i)(D) .... Form of Transition Services Agreement by and Between AUSA and CALIC **(submitted confidentially under separate cover)**

Exhibit 5(b)(i)(E) .... Form of Administrative Services Agreement by and Between ALAC and PLIC-USA **(submitted confidentially under separate cover)**

Exhibit 5(c)(i) .... Organization Charts of Athene Holding Reflecting the Proposed Internal Restructuring Transactions

Exhibit 5(d) .... Competitive Impact

Exhibit 12(b)(1) .... Financial Statements of AGM

Exhibit 12(b)(2) .... Unaudited Financial Statements of the Individual Applicants **(submitted confidentially under separate cover)**

Exhibit 12(c) .... AGM Form 10-K Annual Reports

The materials filed as Exhibit 5(a), Exhibit 5(b)(i)(C), Exhibit 5(b)(i)(D), Exhibit 5(b)(i)(E) and Exhibit 12(b)(2) are being separately filed in a sealed envelope marked "Confidential." As further explained in the request for confidential treatment set forth in the cover letter accompanying this Form A, the Applicants request that (i) such materials be afforded confidential treatment, (ii) the Applicants be notified in advance of any proposed disclosure by the Division, and (iii) the Applicants be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure.

(b) Financial Statements

Attached as Exhibit 12(b)(1) are the audited annual financial statements of AGM for the periods ending December 31 of each of 2008, 2009, 2010, 2011 and 2012.

Unaudited financial statements with respect to each of the Individual Applicants will be separately filed as Exhibit 12(b)(2) in a sealed envelope marked "Confidential." The Applicants respectfully request that (i) any such unaudited financial statements of the Individual Applicants be afforded confidential treatment, (ii) the Applicants be notified in advance of any proposed disclosure by the Division and (iii) the Applicants be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure.

(c) Tender Offers

Other than as described above in Item 5, the Applicants do not currently intend to cause the Domestic Insurers to enter into any new employment, consulting, advisory or management agreements. Attached as Exhibit 12(c) are AGM's Form 10-K Annual Reports for the fiscal years ended December 31, 2011 and 2012, respectively. There have been no other Forms 10-K filed by AGM. None of the Domestic Insurers has produced an annual report to stockholders with respect to the last two fiscal years.

ITEM 13. SIGNATURE AND CERTIFICATION.

The signature and certification of the Applicants is set forth on the immediately following pages.

<u>Exhibit 1(b)</u>

Stock Purchase Agreement, as Amended by Amendment No. 1 to Stock Purchase Agreement

Please see attached.

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

BETWEEN

AVIVA PLC

AND

ATHENE HOLDING LTD.

DATED AS OF DECEMBER 21, 2012

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of December 21, 2012 (this "Agreement"), between Aviva plc, a public limited company organized under the laws of England and Wales ("Seller"), and Athene Holding Ltd., a Bermuda exempted company ("Buyer").

WHEREAS, Seller indirectly owns 100% of the issued and outstanding capital stock of Aviva Group Holdings Limited, a company organized under the laws of England and Wales ("AGHL"), which directly owns 100% of the issued and outstanding capital stock (the "Shares") of Aviva USA Corporation, a corporation organized under the laws of the State of Iowa ("AUSA");

WHEREAS, AUSA directly owns 100% of the issued and outstanding capital stock of Aviva Life and Annuity Company, an insurance company organized under the laws of the State of Iowa ("ALAC"), and ALAC directly owns 100% of the issued and outstanding capital stock of Aviva Life & Annuity Company of New York, an insurance company organized under the laws of the State of New York ("ALACNY" and, together with ALAC, the "Insurance Companies");

WHEREAS, Seller desires to cause AGHL to sell to Buyer, and Buyer desires to acquire from AGHL, all the Shares;

WHEREAS, after the date hereof, Buyer may enter into an agreement (the "LR Reinsurance Framework Agreement") with a reinsurer ("Life Reinsurer") pursuant to which, at the Closing but prior to the purchase and sale of the Transferred Shares (as defined below) hereunder, the Insurance Companies will enter into one or more reinsurance agreements (the "Life Business Reinsurance Agreements" and, together with the LR Reinsurance Framework Agreement, the "Life Business Agreements") with Life Reinsurer or one of its Affiliates pursuant to which the Insurance Companies will cede to Life Reinsurer or such Affiliates some or all of the liabilities in respect of their life insurance business;

WHEREAS, at the Closing but prior to the purchase and sale of the Transferred Shares (as defined below), (i) ALAC will recapture the business ceded to Curelife Ltd. (the "Curelife Recapture") and each of ALAC and ALACNY will, if all applicable conditions to the Captive Recapture as set forth in this Agreement are met, recapture the business ceded to the AUSA Captives and use its reasonable best efforts to obtain releases, to be effective as of the Closing, from the respective financing counterparties reasonably satisfactory to Buyer (the "Captive Recapture"), in each case, under the respective reinsurance agreements between the applicable parties; and (ii) subject to Section 2.1(c), ALAC will enter into a reinsurance agreement with Buyer Affiliate Reinsurer in the form attached as Annex A hereto (with such changes as are mutually acceptable to Buyer and Buyer Affiliate Reinsurer in their sole discretion, provided that the substance of such changes would not be reasonably likely to affect adversely the likelihood of the satisfaction of the closing conditions to this Agreement), pursuant to which ALAC will cede to Buyer Affiliate Reinsurer, on a modified coinsurance basis, a quota share of certain of its liabilities in respect of its annuity business, other than the ALAS Policies (the "Buyer Affiliate Reinsurance Agreement");

WHEREAS, after the date hereof, Buyer may enter into an agreement (the "AR Reinsurance Framework Agreement") with a Third Party reinsurer ("Annuity Reinsurer") pursuant to which, at the Closing but prior to the purchase and sale of the Transferred Shares (as defined below) hereunder, ALAC will enter into a reinsurance agreement (the "Annuity Business Reinsurance Agreement" and, together with the AR Reinsurance Framework Agreement, the "Annuity Business Agreements") with Annuity Reinsurer pursuant to which ALAC will cede to Annuity Reinsurer no more than 40% of the liabilities in respect of its annuity business, other than the ALAS Policies (the "Annuity Business Transaction");

WHEREAS, at the Closing but prior to the purchase and sale of the Transferred Shares, AUSA will (i) distribute to AGHL an aggregate principal amount of the ALAC Surplus Notes calculated in accordance with Section 2.1(a)(v) and (ii) sell to Athene Annuity & Life Assurance Company ("Athene Annuity") the remainder of the ALAC Surplus Notes at par in accordance with the terms and conditions of this Agreement;

WHEREAS, at the Closing but prior to the purchase and sale of the Transferred Shares, ALAC will pay the Extraordinary Distribution to AUSA and in connection therewith the AUSA Note will be cancelled and discharged, in accordance with the terms and conditions of this Agreement;

WHEREAS, at the Closing but prior to the purchase and sale of the Transferred Shares, (i) AUSA will repay the Intercompany Loans and Credit Agreement Loans and (ii) AUSA will effect the Closing Date Share Redemption (the transactions contemplated to be taken at the Closing and described in, or contemplated by, this recital and the preceding five recitals (together with the Identified Mixed Straddle Transaction (as defined herein)), are referred to herein as the "Pre-Closing Transactions"); and

WHEREAS, immediately after the Closing, Buyer will cause AUSA and the other Companies party thereto, to enter into each Buyer Affiliate Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I.
DEFINITIONS

SECTION 1.1. Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"1940 Act" means the Investment Company Act of 1940, as amended.

"Action" means (i) any civil, criminal or administrative action, suit, claim, litigation or similar proceeding, in each case before a Governmental Entity, or (ii) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a Tax audit, in each case other than complaint activity by or on behalf of policyholders unless and until any such policyholder complaint activity results in any civil, criminal or administrative action, suit, claim, litigation or similar proceeding before a

Governmental Entity, in which case it shall, without duplication, be treated as an Action hereunder.

"Advisers Act" means the Investment Advisers Act of 1940, as amended.

"Affiliate" of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person; provided that, with respect to Buyer, the term "Affiliate" shall (A) include Apollo Global Management, LLC ("AGM"), Subsidiaries of AGM, including Athene Manager, engaged in alternative asset management (the "Apollo Entities") and any Subsidiaries and other controlling Affiliates of Buyer (including pooled investment funds invested in Buyer) and (B) not include (x) any of the other pooled investment vehicles, funds, managed accounts or other clients to whom Apollo Entities provide investment advice or otherwise serve in a fiduciary capacity or (y) any of the other portfolio companies in which the entities described in clause (x) directly or indirectly hold investments.

"Affiliate Agreements" means Contracts between (a) any Company, on the one hand, and any officer, director, employee or consultant who is a natural Person (in each case, who is not an employee of the Companies) of Seller or any Subsidiary of Seller (other than the Companies), or any Person related by blood or marriage to such natural Person, on the other hand, and (b) Seller or any Affiliate of Seller (other than the Companies), on the one hand, and any Employees, on the other hand.

"AIA" means Aviva Investors Americas LLC, a Delaware limited liability company.

"AIA Asset Purchase Agreement" means the Asset Purchase Agreement, dated as of the date hereof, between AINA and AIA.

"AIA Employees" shall have the meaning set forth in the AIA Asset Purchase Agreement.

"AINA" means Aviva Investors North America, Inc., a wholly-owned subsidiary of AUSA.

"AINA Loan Restructuring Steps Plan" means the steps plan described on Section 4.10(c) of the Seller's Disclosure Schedule.

"ALAC Surplus Notes" means the issued and outstanding surplus notes of ALAC issued to AUSA, in an aggregate principal amount of $390,000,000.

"ALAS Policies" means the structured settlement annuity Contracts issued by ALAC to Aviva London Assignment Corporation.

"Ameritas" means Ameritas Investment Corp., a minority of the capital stock of which is owned by Centralife Annuities Service, Inc., which is a wholly owned subsidiary of ALAC.

"Ancillary Agreements" means the Transition Services Agreements, the Trademark License Agreement, the Buyer Affiliate Reinsurance Agreement, the Buyer Affiliate Agreements and the Assignment Agreements.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"Appointed Actuary" means, with respect to an Insurance Company or AUSA Captive, the actuary appointed by such Insurance Company or AUSA Captive in accordance with Applicable Law to provide the actuarial opinion and supporting memorandum in respect of the liability reserve of such Insurance Company or AUSA Captive.

"Assignment Agreements" means, collectively, (a) the assignment agreement between Seller and Buyer, effective as of the Closing Date, pursuant to which Seller assigns to Buyer its rights under each Pre-Closing Confidentiality Agreement, to the extent assignable, (b) the assignment agreement between the applicable Companies and Seller or one of its Affiliates, effective as of the Closing Date, pursuant to which the Companies assign their rights in the Seller Trademarks to Seller or one of its Affiliates and (c) assuming receipt of all necessary consents, the assignment agreement between the applicable AUSA Advisers and Athene Manager, and any other necessary parties thereto, effective as of the Closing Date, pursuant to which such AUSA Advisers assign to Athene Manager the Transferred Advisory Agreements.

"Athene Manager" means Athene Asset Management, LLC, a Delaware limited liability company.

"AUSA Advisers" means AINA and Client One.

"AUSA Broker-Dealers" means Aviva Securities, LLC, a wholly-owned subsidiary of ALAC, Client One and Advisor One Securities LLC, a wholly-owned subsidiary of Creative Marketing.

"AUSA Captives" means, collectively, Aviva Re USA II, Inc., Aviva Re USA III, Inc., Aviva Re USA VI, Inc., Aviva Re Iowa, Inc., Aviva Re Iowa II, Inc. and any Subsidiary of AUSA established by an Insurance Company after the date hereof to enter into a Redundant Reserve Financing Transaction as permitted by Section 4.1 or contemplated by Section 4.30.

"AUSA Note" means the issued and outstanding note of AUSA issued to ALAC, in an aggregate principal amount of $200,000,000.

"Base Price" means $1,550,000,000.

"Books and Records" means the books, ledgers, files, reports, customer lists, policy information, contracts, administrative and pricing manuals, claims records, sales records, underwriting records, financial records, personnel files, compliance records (including those prepared for or filed with any Governmental Entity), plans and operating records (in whatever form maintained), Tax Returns (including work papers with respect to any Company), Tax records and all other records and information of or related to any Company or the conduct of the business of any Company, each in the possession or control of Seller, the applicable Company or their respective Affiliates, whether or not stored in hardcopy form or on electronic, magnetic, optical or other media.

"Broker-Dealer Activities" means activities by a Person that would require such Person to register with the SEC as a broker or dealer under the Exchange Act, except activities conducted pursuant to an exemption from such registration.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York City or London are required or authorized by Applicable Law to be closed.

"Buyer Affiliate Agreements" means each of (i) the investment management agreements between the Clients party to the Replaced Advisory Agreements and Athene Manager, (ii) the master sub advisory agreement among Athene Manager and certain Affiliates of AGM that are also Affiliates of Buyer, (iii) the shared services and cost sharing agreement between each Insurance Company and AUSA and (iv) the tax allocation agreement between each Insurance Company and Athene Annuity, in each case, forms of which are attached hereto as Exhibit A and Exhibit D, as applicable (with such changes as are (A) acceptable to Buyer in its sole discretion; provided, that the substance of such changes pursuant to this clause (A) would not be reasonably likely to affect adversely the likelihood of the satisfaction of the conditions set forth in Article VI, or (B) required by a Governmental Entity, except to the extent such changes would result in a Burdensome Condition).

"Buyer Affiliate Reinsurer" means Athene Life Re Ltd., a reinsurance company organized under the laws of Bermuda.

"Cash Adjustment Amount" means $1,133,000,000 less the sum of the Intercompany Loan Balance and the outstanding principal amounts of all Credit Agreement Loans, together with all accrued and unpaid interest thereon, in each case as of the Closing Date.

"Client" means any party to a Transferred Advisory Agreement or Replaced Advisory Agreement that receives investment advice or investment management services from a AUSA Adviser under such agreement.

"Client One" means Client One Securities LLC, a wholly-owned subsidiary of Creative Marketing.

"COBRA" means Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code.

"Code" means the Internal Revenue Code of 1986, as amended.

"COLI Policies" means, collectively, the variable life insurance policy purchased on October 31, 2000 by American Investors Life Ins. Co. (n\k\a ALAC) through a trust from American General life Insurance Companies, as amended, and the variable life insurance policy purchased on June 19, 2001 by Indianapolis Life Ins. Co. (n\k\a ALAC) through a trust, as amended.

"Companies" means, collectively, AUSA and its Subsidiaries.

"Company Benefit Plan" means each Employee Benefit Plan which is sponsored or maintained by any of the Companies for the benefit of officers, Employees, directors, consultants, agents or independent contractors (or their dependents and beneficiaries), but not including any Producer Agreement with an Independent Producer (other than, for the avoidance of doubt, any deferred compensation, retirement, welfare benefit or similar plan or arrangement maintained by any of the Companies for the benefit of Independent Producers) or Producer commission schedule.

"Confidentiality Agreement" means the confidentiality agreement dated May 24, 2012, between Athene Annuity and AGHL, as supplemented from time to time.

"Contract" means any agreement, contract, instrument, guarantee, undertaking, lease, note, mortgage, indenture, license or other legally binding commitment or obligation, whether written or oral.

"Controlled Group Liability" means any and all liabilities (a) under Title IV of ERISA, (b) under the minimum funding requirements of Section 302 of ERISA or Section 412 of the Code or (c) under Section 4971 of the Code, other than such liabilities that arise solely out of, or relate solely to, the Company Benefit Plans maintained or sponsored solely by one or more of the Companies.

"Creative Marketing" means Creative Marketing International Corporation, a wholly-owned subsidiary of AUSA.

"Credit Agreement Loans" means, collectively, all loans made to AUSA under that certain Credit Agreement among AUSA, as borrower, and the banks party thereto, dated February 9, 2011.

"Disclosure Schedule" means the Seller's Disclosure Schedule or the Buyer's Disclosure Schedule (in each case, including any attachments thereto) and "Disclosure Schedules" means, collectively, the Seller's Disclosure Schedule and the Buyer's Disclosure Schedule.

"Employee" means each individual who is or was employed by any of the Companies; provided that, "Employee" shall not include any of Seller's employees who are paid through the payroll systems of the Companies.

"Employee Benefit Plan" means a written or unwritten plan, policy, program, agreement and arrangement, whether covering a single individual or a group of individuals, that is (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA, (b) a stock bonus, stock purchase, stock option, restricted stock, stock appreciation right, phantom stock or similar equity-based plan or (c) any other employment, severance, change-in-control, deferred compensation, retirement, welfare benefit, bonus, incentive, vacation or fringe benefit plan, policy, program, agreement or arrangement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means a corporation or other trade or business that, together with any entity, at the relevant time is or would have been treated as a single employer with such entity under Section 414 of the Code or Section 4001 of ERISA.

"ERISA Client" means (i) each Client that has represented to the applicable Company that it is a "benefit plan investor" within the meaning of Section 3(42) of ERISA and (ii) any Client not described in clause (i) to whom Section 404 or 406 of ERISA is deemed to apply by Contract between the Client and the applicable Company and is described on Schedule 1.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder (or under any successor statute).

"Excluded Advisory Agreements" means the advisory agreements set forth on Schedule 1.1(a).

"Extraordinary Distribution" means an extraordinary dividend or distribution in an aggregate amount equal to $1,400,000,000 and approved by the Iowa Insurance Division to be declared and paid by ALAC to AUSA on the Closing Date. The Extraordinary Distribution will comprise (i) cash in an amount equal to $1,200,000,000 and (ii) cancellation of the AUSA Note.

"Facility Agreement" means the Facility Agreement dated December 15, 2006, between Aviva International Holdings Limited (n/k/a AGHL) and AmerUS Group Co. (n/k/a AUSA), as amended and restated to the date hereof.

"FINRA" means the Financial Institution Regulatory Authority, Inc, its predecessor, the National Association of Securities Dealers, Inc., and any successor thereto.

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self regulatory body or arbitral body or arbitrator.

"Governmental Order" means any order, writ, judgment, injunction, declaration, decree, stipulation, determination, award, agreement or permitted practice entered by or with any Governmental Entity.

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed by the European Union and effective for accounting periods beginning on or after January 1, 2011; provided that any International Financial Reporting Standards that could have been applied early for accounting periods of any

Company beginning on or after January 1, 2011 but that have not been applied as of December 31, 2011 shall be disregarded for the purposes of this Agreement.

"Independent Producer" means any Producer who is not a salaried Employee of the Companies and who is not restricted to acting as a Producer only for the Companies.

"Insurance Contract" means any contract or policy of insurance, binder, slip, endorsement or certificate, and forms with respect thereto, including any life, health, accident and disability insurance policy, variable, fixed, indexed or payout annuity, guaranteed investment contract, synthetic guaranteed investment contract and any other insurance policy or insurance or annuity contract or certificate issued by or novated to an Insurance Company.

"Insurance Regulator" means, with respect to an Insurance Company, the Governmental Entity charged with the supervision of insurance companies in such Insurance Company's jurisdiction of domicile.

"Intellectual Property" means: (a) patents, applications for patents and statutory invention registrations (in each case including continuations, divisions, continuations-in-part, renewals, extensions, reexaminations or reissues of patent applications and statutory invention registrations and patents issuing thereon), documented unpatented invention disclosures and all rights therein provided by Applicable Law; (b) unregistered and registered Trademarks and applications for trademark registration; (c) protectable works of authorship, including all copyrights, copyright registrations and applications for copyright registration; (d) Internet domain names; (e) rights in trade secrets, know-how and other proprietary and confidential data and information provided by Applicable Law; (f) rights in Software provided by Applicable Law; (g) the tangible and electronic embodiments of any of the foregoing; and (h) all administrative and legal rights arising therefrom and relating thereto, including the right to prosecute and perfect such interests and rights to sue, oppose, cancel, interfere, and enjoin based upon such interests.

"Intercompany Agreements" means any Contract between a Company, on the one hand, and Seller or any Affiliate of Seller (other than any Company), on the other hand, including, without limitation, the Facility Agreement, but excluding the Shared Contracts.

"Intercompany Loans" means, collectively, all loans made by AGHL to AUSA as borrower under the Facility Agreement.

"Intercompany Obligation" means any loan, note, advance, receivable, payable or other obligation between Seller or any Affiliate of Seller (excluding any Company), on the one hand, and a Company, on the other hand.

"Investment Assets" means any interest in bonds, notes, debentures, mortgage loans, real estate, instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts, derivatives or other assets acquired for investment or hedging purposes.

"IRS" means the Internal Revenue Service.

“Knowledge” means the actual knowledge after reasonable inquiry of (a) with respect to Seller, those Persons listed in Section 1.1 of the Seller’s Disclosure Schedule and (b) with respect to Buyer, those Persons listed in Section 1.1 of the Buyer’s Disclosure Schedule.

“LILO Interest” means the “Lease In/Lease Out” transaction entered into by AmerUs Life Insurance Company that is subject to that certain Closing Agreement with the Internal Revenue Service, which was signed by the Internal Revenue Service on February 22, 2006.

“Material Adverse Effect” means, (a) with respect to the Companies, a material adverse effect on the business, financial condition or results of operations of the Companies, taken as a whole, but shall exclude any such effect to the extent resulting from (i) general political, economic or securities or financial market conditions (including changes in interest rates or changes in equity prices), (ii) any occurrence or condition generally affecting participants in the life or annuity insurance industry in the United States, (iii) any change or proposed change in GAAP, SAP, IFRS, Applicable Law or the interpretation or enforcement thereof, (iv) natural catastrophe events, hostilities, acts of war or terrorism, or any escalation or worsening thereof, (v) the public announcement of any of the transactions contemplated by this Agreement, (vi) the identity of or facts related to Buyer (including the fact that Buyer does not have an established life insurance business), Life Reinsurer or Annuity Reinsurer, or the effect of any action (1) taken (x) by any of them, (y) by any Affiliate of Buyer or (z) by any Person that directly or indirectly owns a majority of the capital stock of Life Reinsurer, Annuity Reinsurer or any direct or indirect Subsidiary of any such Person, or (2) taken by Seller, the Companies or any of their respective Affiliates at the request of Buyer or with Buyer’s prior consent or (vii) any downgrade or threatened downgrade in the rating assigned any Company by any rating agency (provided that the facts and circumstances underlying any such downgrade or threatened downgrade shall not be excluded by virtue of this clause (vii) in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur); provided that notwithstanding the foregoing, with respect to clauses (i), (ii), (iii) and (iv) above, any such effect shall be taken into account in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur only to the extent such effect disproportionately adversely affects the Companies; and (b) with respect to Buyer or Seller, a material adverse effect on the ability of Buyer or Seller or any Affiliate of Buyer or Affiliate of Seller, as the case may be, to perform its obligations under any Transaction Document to which it is a party or to consummate the transactions contemplated thereby.

“Permitted Lien” means, (a) with respect to Real Property, covenants, conditions, restrictions, encroachments, encumbrances, easements, rights of way, licenses, grants, building or use restrictions, exceptions, reservations, limitations or other imperfections of title (other than a Lien securing any indebtedness) that, individually or in the aggregate, do not materially detract from the value of, or materially interfere with the present occupancy or use of, such Real Property and the continuation of the present or any reasonably contemplated occupancy or use of such Real Property, (b) a Lien with respect to Real Property which is a zoning, entitlement or other land use regulation by any Governmental Entity (or that otherwise arises or is created by municipal or zoning ordinances) which is not violated in any material respect as of the date of this Agreement, (c) unfiled mechanic’s, materialmen’s and similar Liens with respect to amounts not yet due and payable or that are being contested in good faith through appropriate proceedings or (d) Liens for Taxes or governmental assessments, charges or claims of payment not yet delinquent or that are being contested in good faith through appropriate proceedings and, if and to the extent that reserves with respect thereto are required to be maintained under the applicable accounting principles with respect to any such Company, for which adequate reserves are maintained on the financial statements of the Companies.

"Person" means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization, Governmental Entity or other entity.

"Post-Closing Tax Periods" means any and all Tax periods that begin on the day after the Closing Date and the portion of any Straddle Period beginning on the day after the Closing Date.

"Pre-Closing Confidentiality Agreements" means those agreements by and between Seller or any of its Affiliates (including the Companies), on the one hand, and Persons expressing an interest in acquiring an ownership interest (whether by merger, sale or purchase of capital stock, sale or purchase of assets, reinsurance or otherwise) in the capital stock or assets of the Companies, on the other hand, in connection with the process leading to the transactions contemplated by this Agreement, with respect to the confidentiality of information about the Companies.

"Pre-Closing Tax Periods" means any and all Tax periods that end on or before the Closing Date and the portion of any Straddle Period ending at the end of the Closing Date.

"Pro Rata Amount" means, with respect to each Redundant Reserve Financing Transaction, the product obtained by multiplying (i) $250,000,000 by (ii) the pro rata portion attributable to such Redundant Reserve Financing Transaction as set forth on Annex B.

"Producer Agreements" means Contracts between a Company and any Producer.

"Prospective AIA Employees" shall have the meaning set forth in the AIA Asset Purchase Agreement.

"Purchase Price" means the Base Price (i) plus the excess, if any, of the Final Combined Net Worth over the Reference Combined Net Worth or (ii) minus the excess, if any, of the Reference Combined Net Worth over the Final Combined Net Worth, each as defined and determined in accordance with Annex C.

"Real Property" means, collectively, the Owned Real Property and the Leased Real Property.

"Recapture Transactions" means the Curelife Recapture and the Captive Recapture.

"Redeemed Shares" means the total Shares outstanding as of the Closing Date multiplied by the quotient obtained by dividing the Share Redemption Cash Consideration by the sum of the Adjusted Initial Amount plus the Share Redemption Cash Consideration, rounded to the nearest whole share.

"Redundant Reserve Financing Transactions" means the Regulation AXXX and Regulation XXX redundant reserve financing transactions entered or to be entered into by ALAC, ALACNY and the AUSA Captives.

"Reinsurance Agreements" means any reinsurance or retrocessional treaty or agreement, including facultative certificates, other than the Buyer Affiliate Reinsurance Agreement, the Life Business Reinsurance Agreement and the Annuity Business Reinsurance Agreement, to which any Insurance Company is a party or under which it has any existing rights, obligations or liabilities and which (a) is accepting new business as of the date hereof, (b) is not accepting new business as of the date hereof but with respect to which such Insurance Company had gross ceded reserves of more than $5,000,000 as of December 31, 2011 or was entered into after such date and involved gross ceded reserves of more than $5,000,000 (in each case as calculated in accordance with SAP), (c) is a yearly renewable term or non-proportional reinsurance agreement that has gross ceded annual premiums of more than $5,000,000 or (d) is an assumption reinsurance agreement.

"Replaced Advisory Agreements" means advisory agreements set forth on Schedule 1.1(b).

"Representative" means any Person's Affiliates, directors, officers, employees, agents, advisors, attorneys, accountants, consultants and representatives.

"Resolution Process" means, with respect to any condition or conditions that Buyer or Seller believes would result in a Burdensome Condition, including any requirement that the terms of any of the transactions contemplated hereby or by any of the other Transaction Documents be changed in a manner that Buyer or Seller believes would result in a Burdensome Condition, (i) a process under which each of Buyer and Seller will negotiate in good faith to attempt to agree to alternative terms or requirements that would substantially eliminate such condition or conditions or mitigate its effect so that it would no longer constitute a Burdensome Condition and (ii) if the parties are unable to agree to such alternative terms or requirements pursuant to clause (i), the third-party review process described on Annex E hereto.

"SAP" with respect to any Insurance Company means statutory accounting practices prescribed or permitted by the applicable Insurance Regulator with respect to such Insurance Company (including, where adopted, the accounting practices described in the Accounting Practices and Procedures manual of the National Association of Insurance Commissioners).

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller Guaranties" means the guaranties set forth in Schedule 4.15.

"<u>Seller Incentive Award</u>" means an award granted under any of the Seller Incentive Plans.

"<u>Seller Incentive Plans</u>" means the plans set forth in Section 5.4(a) of the Seller's Disclosure Schedule.

"<u>Seller Retention Award</u>" means an award granted under any of the Seller Retention Agreements.

"<u>Seller Retention Agreements</u>" means the agreements listed under the headings "Executive Committee Panther Retention Agreements" and "Other Panther Retention Agreements" in Exhibit 3.1(i) to the Seller's Disclosure Schedule.

"<u>Share Redemption Cash Consideration</u>" means $433,000,000 plus (if positive) or less (if negative) the absolute value of the Cash Adjustment Amount, minus, the aggregate principal amount of the ALAC Surplus Notes, if any, distributed to AGHL pursuant to Section 2.1(a)(v)(A).

"<u>Specified Transaction Documents</u>" means the AIA Asset Purchase Agreement, the Transition Services Agreements and the Trademark License Agreement.

"<u>Software</u>" means any and all of the following: (i) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source-code, object-code, human readable form or other form, including firmware, operating systems and specifications; (ii) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons; and (iii) documentation, including programmer notes, user manuals and other training materials, relating to any of the foregoing.

"<u>Straddle Period</u>" means any Tax period that includes, but does not end on, the Closing Date.

"<u>Subsidiary</u>" of any Person means another Person more than 50% of the total combined voting power of all classes of capital stock or other voting interests of which, or more than 50% of the equity securities of which, is owned directly or indirectly by such first Person.

"<u>Tax Return</u>" means any report, estimate, extension request, information statement, claim for refund, or return relating to, or required to be filed in connection with, any Tax, including any schedule or attachment thereto, and any amendment thereof.

"<u>Taxes</u>" means (i) any and all federal, state, local, or foreign income, premium, property (real or personal), sales, excise, employment, payroll, escheat, withholding, gross receipts, license, severance, stamp, occupation, recording, retaliatory, windfall profits, environmental, customs duties, capital stock, franchise, profits, social security (or similar, including FICA), unemployment, disability, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition thereto and (ii) any liability for the payment of amounts determined by reference to amounts described in clause (i) as a result of being or having been a member of any group of corporations that files, will file, or has filed Tax Returns on a combined, consolidated or unitary basis on or prior to the Closing Date, as a result of any obligation under any agreement or arrangement (including any Tax sharing arrangement, but excluding customary tax gross-up provisions in lease or commercial lending arrangements) entered into on or prior to the Closing Date or as a result of being a transferee or successor on or prior to the Closing Date.

"Third Party" means any Person other than Buyer, Seller, any Company or any of their respective Affiliates.

"Trademarks" means any trademarks, service marks, service names, trade names, trade dress, logos and other brand or source identifiers, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith.

"Transaction Documents" means this Agreement and the Ancillary Agreements.

"Transaction Expenses" means, without duplication, all liabilities (except for any Taxes, including Conveyance Taxes) incurred by any party hereto for fees, expenses, costs or charges as a result of the contemplation, negotiation, efforts to consummate or consummation of the transactions contemplated by this Agreement, including any fees and expenses of investment bankers, attorneys, accountants or other advisors, and any fees payable by such parties to Governmental Entities or other Third Parties, in each case, in connection with the consummation of the transactions contemplated by this Agreement.

"Transferred Advisory Agreements" means advisory agreements set forth on Schedule 1.1(c).

"Transferred Shares" means Shares that are not Redeemed Shares.

"Transition Services Agreements" means, collectively, the transition services agreements in the forms set forth as Exhibits B-1 and B-2.

"Treasury Regulations" means the regulations prescribed under the Code.

"WARN Act" means the federal Worker Adjustment and Retraining Notification Act of 1988, as amended, and each comparable state, local or foreign Applicable Law.

In addition, the following terms shall have the respective meanings set forth in the following sections of this Agreement:

Term	Section
2013 Transactions	4.30(b)
Acceptable Proposal	4.19(b)
Accounting Principles	Annex C
Acquisition Proposal	4.21(c)

Term	Section
Actuarial Report	3.1(q)(i)
ACL	3.2(g)(ii)
After-Acquired Business	4.17(b)(iv)
Aggregate After-Acquired Revenues	4.17(b)(iv)
AGHL	Recitals
Agreement	Preamble
ALAC	Recitals
ALACNY	Recitals
Annual Statutory Statements	3.1(f)(ii)
Annuity Business Agreements	Recitals
Annuity Business Reinsurance Agreement	Recitals
Annuity Business Transaction	Recitals
Annuity Reinsurer	Recitals
Applicable Percentage	5.3
AR Reinsurance Framework Agreement	Recitals
Athene Annuity	Recitals
AUSA	Recitals
AUSA Severance Plan	5.1(b)
Burdensome Condition	4.4(a)
Business Assets	3.1(ee)(iv)
Buyer	Preamble
Buyer Affiliate Reinsurance Agreement	Recitals
Buyer Benefit Plans	5.2
Buyer’s Disclosure Schedule	3.2
Buyer Indemnified Persons	7.2(a)
Buyer Specified Representations	7.1(a)
Cap	7.3(a)
Captive Actuarial Reports	3.1(q)(i)
Captive Recapture	Recitals
Capital Support	4.31(a)
CFTC	3.1(t)(ii)
CMA Restructuring	4.25
Closing	2.2
Closing Date	2.2
Closing Date Share Redemption	2.1(a)(v)
Commitments	3.2(g)(ii)
Company Intellectual Property Rights	3.1(v)(i)
Competing After-Acquired Revenues	4.17(b)(iv)
Competing Business	4.17(a)
Condition Satisfaction	2.2
Conveyance Taxes	8.5
Covered Employees	5.1(b)
Curelife Recapture	Recitals
CTA	3.1(t)(ii)
D&O Indemnified Person	4.14

ARTICLE II.
PURCHASE OF THE SHARES

SECTION 2.1. Purchase and Sale of Shares.

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, the following shall occur, in the following sequential order:

(i) Seller shall cause the board of directors of each of AUSA, ALAC, ALACNY and the AUSA Captives to be reconstituted such that all of the members of such boards of directors immediately prior to the Closing will cease to be members of such boards of directors and each such board of directors will comprise only employees of Buyer who are designated by Buyer at least two Business Days prior to the Closing, and such reconstituted board of directors shall authorize each of the transactions contemplated by clauses (ii) through (ix) of this Section 2.1(a), to the extent any authorization of any such board of directors is required in connection therewith;

(ii) (x) the Curelife Recapture shall be consummated and (y) if (A) Buyer enters into an LR Reinsurance Framework Agreement with a Life Reinsurer prior to the Filing Date that calls for the recapture of one or more Redundant Reserve Financing Transactions and (B) either (1) the Specified Lender under each such Redundant Reserve Financing Transaction consents to the establishment of a Replacement Facility with respect thereto and the termination at the Closing of such Redundant Reserve Financing Transaction or (2) the conditions to early termination of such Redundant Reserve Financing Transaction are otherwise satisfied, then the Captive Recapture with respect to each such AUSA Captive shall be consummated;

(iii) the transactions contemplated by the LR Reinsurance Framework Agreement, if any, to be consummated at the Closing thereof shall be consummated, including the entry by the parties thereto into the Life Business Reinsurance Agreements;

(iv) (A) the transactions contemplated by the AR Reinsurance Framework Agreement, if any, to be consummated at the Closing thereof shall be consummated, including the entry by the parties thereto into the Annuity Business Reinsurance Agreement and (B) subject to Section 2.1(c), ALAC shall enter into the Buyer Affiliate Reinsurance Agreement with Buyer Affiliate Reinsurer;

(v) (A) AUSA shall distribute to AGHL an aggregate principal amount of the ALAC Surplus Notes equal to the sum of the Pro Rata Amounts of each Redundant Reserve Financing Transaction that has not been terminated as of the Closing; <u>provided</u> the ALAC Surplus Notes distributed to AGHL pursuant to this Section 2.1(a)(v) shall not include any of the ALAC Surplus Notes that were issued by AmerUs Life Insurance Company on December 11, 1996 and (B) Buyer shall cause Athene Annuity to purchase the remainder of the ALAC Surplus Notes for a price equal to the par amount thereof by wire transfer of immediately available funds to an account of AUSA designated by Seller;

(vi) ALAC shall pay the Extraordinary Distribution to AUSA and the AUSA Note shall be discharged in connection therewith;

(vii) AUSA shall repay the Intercompany Loans and Credit Agreement Loans;

(viii) (A) AGHL shall surrender to AUSA for cancellation, stock certificates representing the Redeemed Shares and (B) AUSA shall (1) redeem and cancel the Redeemed Shares and (2) pay the Share Redemption Cash Consideration to AGHL or its designee by wire transfer of immediately available funds (the "Closing Date Share Redemption"); and

(ix) Buyer shall purchase the Transferred Shares from AGHL pursuant to Section 2.1(b).

Each such transaction shall be consummated on the same day immediately after the preceding transaction and shall be conditioned upon the completion of the prior transaction or transactions; provided that no Person shall be obligated to consummate any such transaction unless it shall have received reasonable assurances that the subsequent transactions will be so consummated on such day. Notwithstanding the foregoing or anything to the contrary in this Agreement, neither the termination of any Redundant Reserve Financing Transaction (except as provided in Section 4.30(a)), the consummation of any Captive Recapture nor the sale (by reinsurance or otherwise) of the Companies' life insurance business to Life Reinsurer or any Third Party or the permitted portion of its annuity business to Annuity Reinsurer or any other Third Party (pursuant to any LR Reinsurance Framework Agreement, AR Reinsurance Framework Agreement, Life Business Reinsurance Agreement, Annuity Business Reinsurance Agreement or otherwise, and regardless of whether any such agreement is executed after the date hereof) will be a condition to the obligations of any party or any party's Affiliates under this Section 2.1(a).

(b) Upon the terms and subject to the conditions of this Agreement, at the Closing and after giving effect to the Closing Date Share Redemption, Seller agrees to cause AGHL to sell to Buyer, and Buyer agrees to purchase from AGHL, all of the Transferred Shares for an aggregate purchase price in cash equal to the Adjusted Initial Amount (as defined in Annex C), as adjusted pursuant to Annex C.

(c) Notwithstanding Section 2.1(a)(v)(B), Buyer may notify Seller on or before making the applications called for by Section 4.4(b)(1) with respect to ALAC, of its intention to cause ALAC and the Buyer Affiliate Reinsurer to enter into the Buyer Affiliate Reinsurance Agreement following the day of the Closing rather than on the Closing Date. Unless any relevant Governmental Entity indicates that the execution of the Buyer Affiliate Reinsurance Agreement at the time specified by Buyer in such notification would prevent or materially delay receipt of any consents, approvals or authorizations of such Governmental Entity in connection with the transactions contemplated hereby, the Buyer Affiliate Reinsurance Agreement shall be entered into at such time; otherwise the Buyer Affiliate Reinsurance Agreement will be entered into at the time specified in Section 2.1(a). If the Buyer Affiliate Reinsurance Agreement is executed after the Closing, the transactions effected pursuant to the Buyer Affiliate Reinsurance Agreement shall not be treated as Pre-Closing Transactions for purposes of this Agreement.

SECTION 2.2. Closing. The closing of the purchase and sale of the Transferred Shares (the "Closing") shall take place at 10:00 a.m. local time at the offices of Willkie Farr & Gallagher LLP, 787 7th Avenue, New York, New York 10019, on the date that is the first Business Day of the month following the month in which the last of the conditions set forth in

Article VI has been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing) in accordance with this Agreement (the "Condition Satisfaction") or, if the Condition Satisfaction occurs less than three Business Days prior to the first Business Day of any month and the parties do not have prior notice that the Condition Satisfaction will likely take place during that time period, then the Closing shall take place on the first Business Day of the immediately succeeding month, or at such other time, date and place as the parties hereto may mutually agree in writing. The Closing shall be deemed to be effective as of 11:59 p.m. New York City time on the last calendar day of the month prior to the month in which the Closing occurs, and such date and time are referred to herein as the "Closing Date."

SECTION 2.3. Closing Deliveries.

(a) Seller's Closing Deliveries. At the Closing, Seller shall deliver or cause to be delivered to Buyer:

(i) certificates representing the Transferred Shares, duly endorsed in blank or accompanied by sufficient instruments of transfer with all appropriate Tax transfer stamps attached;

(ii) a certificate or certificates evidencing the cancellation of all of the Redeemed Shares;

(iii) a certificate of the Secretary, Assistant Secretary or other duly authorized officer of Seller, dated the Closing Date, as to the resolutions duly and validly adopted by the Board of Directors of Seller evidencing its authorization of the execution, delivery and performance of this Agreement and the other Transaction Documents to which Seller or its Affiliates, as applicable and other than as contemplated by Section 2.1(a)(i), is a party;

(iv) a certificate of Seller duly executed by an authorized signatory of Seller, dated as of the Closing Date, certifying as to Seller's compliance with the conditions set forth in Section 6.2(a) and Section 6.2(b);

(v) each other Transaction Document, duly executed by Seller or any Affiliate that is a party thereto;

(vi) the written resignations of the directors of each of the Companies from their positions as directors of the Companies to the extent requested by Buyer, to be effective as contemplated by Section 2.1(a)(i);

(vii) a statement for each of AUSA and ALACNY in accordance with Treasury Regulation §§ 1.1445-2(c)(3) and 1.897-2(h), dated not earlier than 20 days prior to the Closing Date, each certifying that AUSA or ALACNY (as the case may be) is not, and has not been, a "United States real property holding corporation" for purposes of Sections 897 and 1445 of the Code, with respect to which Buyer shall have no actual knowledge that such statement is false or receive a notice that the statement is false pursuant to Treasury Regulation § 1.1445-4; and the notification to the Internal Revenue Service described in

Treasury Regulation § 1.897-2(h)(2) regarding delivery of the statement referred to in the preceding sentence, signed by a responsible corporate officer of AUSA. Seller acknowledges that Buyer may cause AUSA to file such notification with the Internal Revenue Service on or after the Closing Date;

(viii) a copy (or originals to the extent required to be maintained by the Companies in accordance with Applicable Law) of the Books and Records of the Companies (other than Books and Records in the possession or control of the Companies at the Closing);

(ix) the releases contemplated by Section 4.10(a); and

(x) a copy of each Pre-Closing Confidentiality Agreement, to the extent permitted thereby.

(b) Buyer's Closing Deliveries. At the Closing, Buyer shall make or cause to be made the payments contemplated by Section 2.4 and deliver to Seller:

(i) each other Transaction Document, duly executed by the parties thereto, other than Seller or any of its Affiliates;

(ii) a certificate of the Secretary, Assistant Secretary or other duly authorized officer of Buyer, dated the Closing Date, as to the resolutions duly and validly adopted by the Board of Directors of Buyer evidencing the authorization of the execution, delivery and performance of this Agreement and the other Transaction Documents to which Buyer or its Affiliates, as applicable, is a party; and

(iii) a certificate duly executed by an authorized officer of Buyer, dated as of the Closing Date, certifying as to Buyer's compliance with the conditions set forth in Section 6.3(a) and Section 6.3(b).

SECTION 2.4. Payments at Closing. In addition to the deliveries contemplated by Section 2.3, at the Closing, Buyer (i) shall pay to AGHL or its designee the Adjusted Initial Amount in accordance with Annex C and (ii) shall cause Athene Annuity to pay the amount contemplated by Section 2.1(a)(v) to be paid by it.

SECTION 2.5. Post-Closing Adjustment. The Adjusted Initial Amount shall be adjusted after the Closing in accordance with the terms of Annex C.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

SECTION 3.1. Representations and Warranties of Seller. Subject to and as qualified by the matters set forth or, as contemplated by Section 10.3, deemed to be set forth in correspondingly numbered sections or subsections of the Seller's Disclosure Schedule delivered by Seller to Buyer on the date hereof (the "Seller's Disclosure Schedule"), Seller makes the following representations and warranties to Buyer as of the date of this Agreement and as of the

Closing Date; provided, however, that any representations and warranties that are made as of a specific date or as of the date of this Agreement are made only as of such date:

(a) Organization, Standing and Corporate Power.

(i) Seller (1) is a public limited company duly incorporated, validly existing and in good standing under the laws of England and Wales, (2) has all requisite corporate power to operate its business as now conducted and (3) is duly qualified as a foreign corporation to do business, and is in good standing (if applicable), in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, except where failure to so qualify or be in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Seller. Each of the Companies (1) is an organization duly organized, validly existing and in good standing (to the extent such concept is applicable) under the laws of the jurisdiction of its organization and (2) has the requisite corporate or other entity power and authority to own, lease or otherwise hold the assets and properties owned, leased or otherwise held by it and to carry on its business as now being conducted and (3) is duly qualified as a foreign corporation or other entity to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, except, in the case of clause (2) and (3), where the failure to have such power and authority or to be so qualified or in good standing, as the case may be, would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect with respect to the Companies.

(ii) Seller has made available to Buyer true, complete and correct copies of the certificate of incorporation and bylaws (or other organizational documents), each as amended to date (collectively, the "Organizational Documents"), of each of the Companies. The Organizational Documents of the Companies that have been so made available are in full force and effect.

(b) Capital Structure. The issued and outstanding capital stock of AUSA as of the date hereof consists of 116 shares, no par value per share, which constitute the Shares. Except for the Shares, no shares of capital stock or other equity interests of AUSA are issued, reserved for issuance or outstanding. All outstanding shares of capital stock or other equity interests of each Company are duly authorized, validly issued and are fully paid and nonassessable and were not issued in violation of any preemptive or subscription rights, Applicable Law, contract or any of the Companies' Organizational Documents. AGHL is the record and beneficial owner of 100% of the Shares, free and clear of any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, claim, lien or charge of any kind (collectively, "Liens"). There are no restrictions upon the voting or transfer of any shares or other equity interests pursuant to any of the Companies' Organizational Documents or any agreement to which Seller, AGHL or any Company is a party. Assuming Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery of and payment for the

Shares at the Closing as herein provided, good and valid title to the Shares will pass to Buyer, free and clear of all Liens. There are no capital appreciation rights, phantom stock plans or securities with participation rights or features, or similar obligations and commitments with respect to the Companies (other than the Shares and the outstanding shares of capital stock of the Companies). There are no obligations, contingent or otherwise, to repurchase, redeem (or establish a sinking fund with respect to redemption) or otherwise acquire any shares of capital stock or other equity interests of any of the Companies. As of the date hereof, (i) the aggregate outstanding principal amount of the Intercompany Loans is $896,000,000 and (ii) the aggregate outstanding principal amount of the Credit Agreement Loans is $237,000,000.

(c) Subsidiaries. Except as disclosed in Section 3.1(c) of the Seller's Disclosure Schedule, all of the outstanding shares of capital stock and other equity interests of each Subsidiary of AUSA are owned by AUSA or a Subsidiary of AUSA, free and clear of all Liens. Except as set forth in Section 3.1(c) of the Seller's Disclosure Schedule, there are not any securities, options, warrants, rights, commitments or agreements of any kind to which any Company is a party or by which any of them is bound obligating any of them to issue, sell or deliver shares of capital stock or other equity interests of any of them. Except as set forth in Section 3.1(c) of the Seller's Disclosure Schedule, none of the Companies owns, directly or indirectly, any stock of, or any other equity interest in, any Person, except that the Companies may own interests held for investment purposes not exceeding 5% of the voting securities of any such single Person.

(d) Authority.

(i) Seller has the requisite corporate power and authority to enter into this Agreement and each other Transaction Document to which it is a party and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents to which it is a party. The execution and delivery of this Agreement and each other Transaction Document to which it is a party by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Seller. No action by the stockholders of Seller is necessary to authorize the execution and delivery by Seller of this Agreement and each of the other Transaction Documents to which it is a party and the consummation by Seller of the transactions contemplated hereby and thereby. This Agreement and each other Transaction Document to which it is a party have been duly executed and delivered by Seller and, assuming this Agreement and such other Transaction Documents constitute valid and binding agreements of Buyer and any other party (other than the Companies or any other Affiliate of Seller) thereto, constitute valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(ii) The execution and delivery by any Affiliate of Seller (including each Company) of each Specified Transaction Document to which such Affiliate is or will be a party and the consummation of the transactions contemplated thereby are within the corporate powers, as applicable, of each such Affiliate and have been, or will be, duly authorized by all necessary corporate action on the part of each such Affiliate. As of the Closing Date, each Specified Transaction Document to which each such Affiliate will be a party will constitute, assuming such Specified Transaction Documents constitute a valid and binding agreement of each other party thereto that is not an Affiliate of Seller, a valid and binding agreement of each such Affiliate, enforceable against such Affiliate in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(e) <u>Noncontravention; Consents</u>. Except as disclosed in Section 3.1(e) of the Seller's Disclosure Schedule, the execution and delivery by Seller of this Agreement and by Seller or any of its Affiliates (including each Company) of each other Transaction Document to which it will be a party do not, and the consummation of the transactions contemplated by this Agreement and each of the other Transaction Documents will not, (i) conflict with any of the provisions of the Organizational Documents of any Company or of Seller or AGHL, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation of, or a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination under, or result in the creation of any Lien on any property or asset of any Company or any acceleration of remedies, penalty or change in the terms under, or require the consent of any Third Party under, any Material Contract to which Seller, AGHL or any Company is a party, Reinsurance Agreement or Lease or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to Seller, AGHL or any Company, except, in the case of clauses (ii) and (iii) above, as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to Seller or the Companies. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required by or with respect to Seller, AGHL or any Company in connection with the execution and delivery of this Agreement by Seller or of any other Transaction Document by Seller or any of its Affiliates (including each Company), as the case may be, or the consummation by Seller or any of its Affiliates (including each Company) of the transactions contemplated hereby and thereby, except for (i) the filing required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "<u>HSR Act</u>"), (ii) the approvals, filings and notices required under the insurance laws as set forth in Section 3.1(e) of the Seller's Disclosure Schedule, (iii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 3.1(e) of the Seller's Disclosure Schedule and (iv) such other consents, approvals or authorizations from, declarations by, filings with, or notices to, any Governmental Entity that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect with respect to Seller or the Company. To the Knowledge of Seller as of the date hereof, no fact or circumstance exists with respect to Seller or any of its Affiliates (other than the Companies) that would render them unable promptly to obtain any approval, authorization or consent of a Governmental Entity to be obtained to consummate the transactions contemplated by this Agreement or any other Transaction Document.

(f) Financial Statements.

(i) Seller has previously made available to Buyer true and complete copies of the audited consolidated balance sheet of AUSA and its Subsidiaries as of December 31, 2011, 2010 and 2009 and related audited consolidated statements of income and shareholder's equity of such Companies for the years ended December 31, 2011, 2010 and 2009 (collectively, the "GAAP Financial Statements"). The GAAP Financial Statements (A) were derived from the Books and Records, (B) were prepared in conformity with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods presented and (C) except as set forth in Section 3.1(f)(i) of the Seller's Disclosure Schedule and except that they do not include statements of cash flows, fairly present in all material respects in conformity with GAAP, the consolidated financial position and results of operations of AUSA and its Subsidiaries as of the respective dates of, and for the periods referred to in, the GAAP Financial Statements.

(ii) Seller has previously made available to Buyer true and complete copies of (1) the audited annual statutory financial statements of each Insurance Company as of and for the years ended December 31, 2011, 2010 and 2009 (the "Annual Statutory Statements") and (2) the unaudited financial statements of each Insurance Company as of and for the six-month and nine-month periods ended June 30, 2012 and September 30, 2012, respectively (the "Quarterly Statutory Statements" and, together with the Annual Statutory Statements, the "Statutory Statements"). Except as disclosed in Section 3.1(f)(ii) of the Seller's Disclosure Schedule, the Statutory Statements (A) were derived from the Books and Records, (B) were prepared in conformity with SAP applied on a consistent basis during the periods presented and (C) fairly present, in all material respects, in accordance with SAP, the statutory financial position of such Insurance Company at their respective dates and the results of operations and changes in cash flows of such Insurance Company for the periods covered thereby, subject, in the case of the Quarterly Statutory Statements referred to in clause (2) above, to normal recurring year-end adjustments that are not material. No material deficiency has been asserted by any Governmental Entity with respect to any of the Statutory Statements.

(iii) Seller has previously made available to Buyer true and complete copies of the balance sheet information of AUSA and its Subsidiaries as of December 31, 2011, June 30, 2012 and September 30, 2012 (collectively, the "Historical IFRS Balance Sheets"). The Historical IFRS Balance Sheets were prepared in accordance with IFRS consistently applied in a manner sufficient to allow such information to be incorporated into the consolidated IFRS balance sheets of Seller and its Subsidiaries as of their respective dates and fairly present in all material respects the financial position of AUSA and its Subsidiaries as of their respective dates, subject to the matters described in Section 3.1(f)(iii) of the Seller's Disclosure Schedule, the absence of footnotes, the use of a materiality threshold appropriate for Seller and its Subsidiaries taken as a whole and, in the case of the Historical IFRS Balance Sheet as of June 30, 2012, normal year-end adjustments.

(iv) Except as disclosed in Section 3.1(f)(iv) of the Seller's Disclosure Schedule, (1) no Insurance Company has applied for nor obtained any permitted accounting practice from the applicable Insurance Regulator that is currently in effect or was in effect at any time since December 31, 2011 and (2) the Statutory Statements as of December 31, 2011 and June 30 and September 30, 2012 were not prepared on the basis of any permitted accounting practice other than as set forth in Section 3.1(f)(iv) of the Seller's Disclosure Schedule.

(g) No Undisclosed Liabilities. None of the Companies (other than the Insurance Companies) has any liability that is required to be reflected in a consolidated balance sheet (or the notes thereto) of AUSA and its Subsidiaries prepared in accordance with IFRS and none of the Insurance Companies has any liability that is required to be reflected in statutory statements (or the notes thereto) of such Insurance Company prepared in accordance with SAP except (i) those liabilities provided for or disclosed in (1) the Historical IFRS Balance Sheet as of and for the period ended September 30, 2012 or (2) the Statutory Statements as of and for the period ended September 30, 2012 or in the notes thereto, (ii) liabilities disclosed in Section 3.1(g) of the Seller's Disclosure Schedule, (iii) liabilities incurred in the ordinary course of business since September 30, 2012, (iv) liabilities under this Agreement or incurred in connection with the transactions contemplated hereby or by the other Transaction Documents and (v) Tax liabilities.

(h) Absence of Certain Changes or Events.

(i) Except as disclosed in Section 3.1(h)(i) of the Seller's Disclosure Schedule, from December 31, 2011 through the date hereof, (1) the Companies have conducted their business in the ordinary course, (2) there has not been any event or change having, or that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to the Companies and (3) none of Seller or any of its Affiliates (including each Company) has taken any action or failed to take any action that, if taken or failed to have been taken after the date hereof, would require Buyer's consent under any of paragraphs (iii), (iv), (v), (viii), (ix), (x), (xi), (xvi) (other than clause (C) thereof), (xvii), (xviii) or (xix) (with respect to such identified paragraphs) of Section 4.1(a).

(ii) Except as set forth in Section 3.1(h)(ii) of the Seller's Disclosure Schedule and except for the Extraordinary Distribution, since December 31, 2011, no Company has declared, set aside or paid any dividend or distribution on any shares of its capital stock or other equity interest, or purchased, redeemed, repaid, repurchased or otherwise acquired any shares of its capital stock or other equity interest.

(iii) Since June 30, 2012, none of Seller or any of its Affiliates (including each Company) has taken any action or failed to take any action that, if taken or failed to have been taken after the date hereof, would violate Section 4.1(a)(xiii).

(iv) As of the Closing Date, the Insurance Companies have conducted their business since January 1, 2013 consistently in all material respects as described in Section 3.1(h)(iv) of the Seller's Disclosure Schedule.

(i) Employees and Benefit Plans.

(i) Section 3.1(i)(i) of the Seller's Disclosure Schedule includes a list of all material Company Benefit Plans. With respect to each material Company Benefit Plan, Seller has made available to Buyer true and complete copies of (a) each writing constituting such Company Benefit Plan (including the plan document, related trust agreements, insurance contracts and policies, and all amendments thereto), (b) the most recent summary plan description for each Company Benefit Plan for which such a summary plan description is required, (c) the most recent favorable determination letter from the Internal Revenue Service with respect to each Company Benefit Plan intended to qualify under Section 401(a) of the Code, (d) the Form 5500 annual reports and accompanying schedules and actuarial reports, as filed, for the most recently completed three plan years and (e) summaries of any material Company Benefit Plans for which there is not a plan document. The Aviva USA Severance Plan has not been amended (including by any extension of its term) to apply to any position elimination or other employment termination occurring (based on release date, as defined in such plan) at any time after December 31, 2013.

(ii) Except as disclosed on Section 3.1(i)(ii) of the Seller's Disclosure Schedule, there are no material claims or disputes pending, or to the Knowledge of Seller, threatened with respect to any Company Benefit Plan, other than claims for benefits in the ordinary course of business and other than Actions that would not, individually or in the aggregate with other Actions arising from the same facts or circumstances or from a series of substantially similar actions taken by the same Third Party or a group of Third Parties acting in concert, reasonably be expected to result in a loss to the Companies of at least $2,000,000.

(iii) Except as disclosed in Section 3.1(i)(iii) of the Seller's Disclosure Schedule or to the extent required by COBRA, no Company Benefit Plan provides medical, dental, or life insurance coverage or any other welfare benefits after termination of employment.

(iv) There does not now exist, nor do any circumstances exist that would reasonably be expected to result in, any Controlled Group Liability that would be a liability of the Companies following the Closing. Without limiting the generality of the foregoing, except as set forth on Section 3.1(i)(iv) of the Seller's Disclosure Schedule, none of Seller, any Company or any of their respective ERISA Affiliates maintains, has ever maintained, contributes to or contributed to, or been required to contribute to any "multiemployer plan" as defined in Section 3(37) of ERISA or a multiple employer plan within the meaning of Sections 4063 and 4064 of ERISA or Section 413(c) of the Code.

(v) Each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code is the subject of a favorable determination letter by the Internal Revenue Service and, to the Knowledge of Seller, no event has occurred and no condition exists that has adversely affected or would reasonably be expected to adversely affect the tax qualification of any such Company Benefit Plan.

(vi) Each Company Benefit Plan (i) has been maintained and administered in all material respects in accordance with its terms and (ii) is in compliance in all material respects with all Applicable Laws. Each Company Benefit Plan that is subject to Section 409A of the Code has been documented, operated and administered in compliance in all material respects with Section 409A of the Code. There are no pending audits, investigations or inquiries by any Governmental Entity with respect to the Company Benefit Plans.

(vii) Seller has provided to Buyer a true and complete list as of December 18, 2012 that sets forth all outstanding Seller Incentive Awards and Seller Retention Awards granted to officers, Employees, directors, consultants, agents or independent contractors of the Companies or their beneficiaries prior to the date hereof.

(viii) Except as set forth in Section 3.1(i)(viii) of the Seller's Disclosure Schedule, neither the execution nor delivery of this Agreement or any other Transaction Document nor the consummation of the transactions contemplated by this Agreement or any other Transaction Document will, either alone or in conjunction with any other event (whether contingent or otherwise), (i) result in any payment or benefit becoming due or payable, or required to be provided, to any officer, Employee, director, consultant, agent or independent contractor of the Companies, (ii) increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such officer, Employee, director, consultant, agent or independent contractor, (iii) result in the acceleration of the time of payment, vesting or funding of any such benefit or compensation payable to, or forgiveness of any debt of any officer, Employee, director, consultant, agent or independent contractor or (iv) result in payments under any Company Benefit Plan that would not be deductible as a result of the application of Section 162(m) of the Code. No amount paid or payable (whether in cash, in property, or in the form of benefits) by AUSA or its Subsidiaries in connection with the transactions contemplated hereby (either alone or in conjunction with any other event) will be an "excess parachute payment" within the meaning of Section 280G of the Code, or would constitute an "excess parachute payment" if such amounts were subject to the provisions of Section 280G of the Code. No Person is entitled to receive any additional payment from AUSA or its Subsidiaries as a result of the imposition of a Tax under Section 4999 of the Code.

(ix) Neither the Companies nor any ERISA Affiliate has any material liability, whether direct, indirect, contingent or otherwise, (i) on account of any violation of the health care requirements of Part 6 or 7 of Title I of ERISA or Section 4980B or 4980D of the Code;(ii) under Section 502(i) or 502(l) of ERISA or Section 4975 of the Code or (iii) under Section 4971, Section 4972, Section 4979 or Section 4980 of the Code, and to the Knowledge of Seller, no fact or event exists that would give rise to any such liability.

(x) All material contributions required to be made under each Company Benefit Plan have been properly accrued and reflected in the financial statements.

(xi) None of the assets of the Company Benefit Plans are the subject of any Lien arising under ERISA or the Code, and none of the Companies or Seller, or any of their ERISA Affiliates, has been required to post any security under ERISA or Section 401(a)(29) or 436 of the Code with respect to any Company Benefit Plan, and no fact or event exists that might give rise to any such Lien or requirement to post any such security.

(xii) Except as set forth on Section 3.1(i)(xii) of the Seller's Disclosure Schedule, (i) no steps have been taken to terminate any Pension Plan (as defined under Section 3(2) of ERISA and that is covered by Title IV of ERISA) and (ii) no termination of any Pension Plan has occurred pursuant to which all liabilities have not been satisfied in full. No proceeding has been initiated by the Pension Benefit Guaranty Corporation to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan. Except as set forth on Section 3.1(i)(xii) of the Seller's Disclosure Schedule, with respect to each Pension Plan, (i) there has been no "reportable event" within the meaning of Section 4043 of ERISA, (ii) no plan has applied for or received a waiver of the minimum funding standards or an extension of any amortization period within the meaning of Section 412 of the Code or Sections 302 or 303 of ERISA; (iii) there has been no determination that any such plan is, or is expected to be, in "at risk" status (within the meaning of Section 303(i)(4) of ERISA or Section 430 of the Code) and (iv) the present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA) does not exceed the current fair market value of the assets of such plan (determined by using the actuarial assumptions used for the most recent actuarial valuation).

(xiii) Seller has provided to Buyer a true and complete list, dated and current as of December 14, 2012 containing, for each Employee of any of the Companies, the Companies' classification of such Employee's employer, division or business unit (if applicable), position, location (including, for remote employees, home city/state and office to which they report), date of hire, classification by the Companies as full-time or part-time, classification by the Companies as exempt or non-exempt for overtime purposes, current annual salary, hourly rate of pay, commission or bonus arrangement (as applicable), dates of service, current classification by the Companies as either active or on leave of absence and, if on a leave of absence, the type and commencement date of such leave and anticipated return-to-work date, if known, and whether the employee is employed on a work authorization, such as a visa or green card, issued by a Governmental Entity.

(xiv) Seller has provided to Buyer a true and complete list, dated and current as of December 14, 2012 containing, for each former Employee of any of the Companies whose employment with any of the Companies terminated at any time within the twelve (12) months prior to such date the individual's employer, division or business unit (if applicable), employment location (including, for remote employees, home city/state and office to which they report), position, date of hire, classification by the Companies as full-time or part-time, date of termination, reason for termination, as classified by the Companies (e.g., voluntary, for performance, reduction in force, position elimination), whether WARN Act notice was given, and whether the Employee signed a release of claims. Within the twelve (12) months prior to the date hereof, no Employee of any of the Companies has had his or her normal hours of work, as classified by the Companies, reduced on an indefinite basis (or otherwise for a period of six months or more) by fifty percent (50%) or more (other than pursuant to any bona fide part-time employment arrangement voluntarily agreed to by any such Person, leave of absence or termination of employment), or is or has been on a layoff subject to recall. With respect to each work location of any of the Companies where any Employee is employed as of the date hereof, except as set forth on Section 3.1(i)(xiv) of the Seller's Disclosure Schedule, no current or former employee of Seller or of any Affiliate of Seller (other than the Companies) is or has been employed at any such work location as of or within the twelve (12) months prior to the date hereof.

(xv) Except as set forth on Section 3.1(i)(xv) of the Seller's Disclosure Schedule, no condition exists that would prevent AUSA or its Subsidiaries from amending or terminating any Company Benefit Plan in accordance with its terms.

(xvi) Except as set forth on Section 3.1(i)(xvi) of the Seller's Disclosure Schedule, none of the Company Benefit Plans limits or restricts a Company's ability to terminate the employment or service of any officer, director, Employee, consultant, agent or independent contractor of a Company at any time for any or no reason without liability.

(xvii) Each of the Companies is and has been in compliance, in all material respects, with all Applicable Laws regarding employment, labor and wage and hour matters, including discrimination, sexual harassment, civil rights, immigration, safety and health, workers' compensation, classification of employees and independent contractors, classification of exempt and non-exempt status for overtime eligibility purposes, plant closing and layoff or other notices including under the WARN Act, and the collection and payment of withholding taxes, Social Security taxes and similar Taxes. None of the Companies is or ever has been a party to any collective bargaining agreement or other labor agreement. No labor organization or group of Employees of the Companies has made a demand for recognition or certification, and there are no representation, election or certification proceedings or petitions seeking any such proceeding presently pending or threatened to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority. There are no, nor have there been in the three years preceding the date hereof, union organizing activities, organized strikes, organized work stoppages, organized slowdowns or lockouts, pending or, to the Knowledge of Seller, threatened against or involving the Companies.

(j) Taxes. Except as disclosed in Section 3.1(j) of the Seller's Disclosure Schedule:

(i) (A) All material Tax Returns required to be filed by or filed on behalf of each of the Companies have been properly prepared and duly and timely filed (after giving effect to any valid extensions of time in which to make such filings) with the appropriate Tax authorities in all jurisdictions in which such Tax Returns are required to be filed (B) all such Tax Returns are complete and accurate in all material respects and disclose all Taxes required to be paid by or with respect to any Company for the periods covered thereby, and (C) all material Taxes required to be shown on such Tax Returns have been timely paid. No Company is currently the beneficiary of any extension of time within which to file any material Tax Return.

(ii) Each of the Companies has complied in all material respects with all Applicable Laws relating to the payment and withholding of Taxes and has duly and timely withheld from employee salaries, wages and other compensation and other amounts. All material amounts required to be withheld or collected therefrom have been paid to the appropriate Governmental Entity or have been accrued, reserved against and entered on the books of such Company.

(iii) No material deficiencies, audits, actions, suits, investigations or claims with respect to Taxes are pending, have been proposed, asserted or assessed in writing against or with respect to the income or assets of any Company. No agreement, waiver, written request for waiver, or other document or arrangement is currently in effect extending the period for assessment or collection of Taxes (including any applicable statute of limitation) by or on behalf of any Company.

(iv) Since December 31, 2009, no claim has ever been made by a Governmental Entity in a jurisdiction where a Company has never paid Taxes or filed Tax Returns asserting that such Company is or may be subject to Taxes assessed by such jurisdiction. There are no Tax rulings, requests for rulings, closing agreements or other similar agreements or requests (including any gain recognition agreements under Section 367 of the Code and applications for a change in accounting method or to change the basis for determining items under Section 481 or Section 807 of the Code) in effect or filed with any Governmental Entity relating to any Company which could materially affect such Company's liability for Taxes following the Closing Date. No election under Section 108(i) of the Code will affect any item of income, gain, loss or deduction of any Company after the Closing.

(v) With respect to each of the Insurance Companies: (A) it is and has been a life insurance company under Section 816(a) of the Code and subject to United States federal income taxation under Section 801 of the Code; (B) its Tax reserves have been computed and maintained in the manner required under Sections 807, 817, 817A and 846 of the Code and any Treasury Regulations and administrative guidance issued thereunder; and (C) all reinsurance contracts entered into by it are insurance contracts for purposes of the Code and are not subject to recharacterization under Section 845 of the Code.

(vi) None of the Companies is a party to any agreement dealing primarily with Tax sharing, allocation, indemnity or distribution pursuant to which it will have any obligation to make any payments after the Closing, other than any agreement between or among two or more of the Companies.

(vii) No Company has any liability for the Taxes of any Person (other than another Company) under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign law. To the Knowledge of Seller, any powers of attorney granted by any Company prior to the Closing relating to Taxes will terminate and be of no effect following the Closing.

(viii) There are no material Liens for Taxes as a result of any unpaid Taxes upon the assets of any Company other than Permitted Liens.

(ix) During the past three years, none of the Companies has been a "distributing corporation" or a "controlled corporation" within the meaning of Code Section 355(a)(1)(A).

(x) None of the Companies has ever engaged in any "listed transactions" within the meaning of Treasury Regulation Section 1.6011-4(b)(2) and none of the Companies has ever participated in any other "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b) that has not been property disclosed to the appropriate Governmental Entity.

(xi) As of June 30, 2012, (1) the net operating loss carryovers or operations loss carryovers (within the meaning of Section 172 or Section 810 of the Code, respectively), (2) the unamortized specified acquisition expense balance, (3) tax credit carryforwards (with the amounts in clauses (1) – (3) referred to herein as, the "Tax Attributes") of the Companies, in each case determined on a closing of the books basis, were not less than the amounts identified in Section 3.1(j)(xi) of Seller's Disclosure Schedule and, as of such date, such Tax Attributes were not subject to any limitations on their use under Section 382, 383, 384 or 1502, or any provision of any Treasury Regulation promulgated under such Code provisions.

(xii) Seller has made available to Buyer a schedule reflecting the Insurance Companies' treatment for tax purposes of "specified policy acquisition expenses," which schedule was correct in all material respects as of June 30, 2012 and was properly computed in all material respects in accordance with Section 848 of the Code.

(xiii) As of June 30, 2012, (A) the amount of the Insurance Companies' policyholders surplus account was not more than the amount set forth on Section 3.1(j)(xiii)(A) of Seller's Disclosure Schedule and (B) the amount of the Insurance Companies' shareholders surplus account (as defined in Section 815 of the Code) was not less than the amount set forth on Section 3.1(j)(xiii)(B) of Seller's Disclosure Schedule.

(k) Insurance Product-Related Tax Matters. Except as disclosed in Section 3.1(k) of the Seller's Disclosure Schedule and except as would not, individually or in the aggregate, have a Material Adverse Effect with respect to the Companies:

(i) Each Insurance Company has substantially complied with all applicable requirements under the Code with respect to the Insurance Contracts issued, assumed, entered into as insurer or sold by or novated to, such Company, including reporting, withholding and disclosure requirements, and has reported all distributions under such Insurance Contracts substantially in accordance with the Tax laws relevant to such Insurance Contracts.

(ii) Each item of hardware and software used by any Insurance Company to maintain such Insurance Contracts' qualification (but only as to Insurance Contracts which were entered into prior to, or in effect as of, in each case, the Closing Date) for Tax treatment under the Code for which such policies, plans or contracts purported by their terms or, to the Knowledge of Seller, were represented by the Independent Producers of the Insurance Companies, to qualify at the time of their issuance or purchase has been properly designed and implemented to maintain such qualification.

(iii) No Company is party to any "hold harmless," Tax sharing or indemnification agreements regarding the Tax qualification or treatment of any product or plan sold, issued, entered into as insurer or administered by such

Company (whether developed by, administered by, or reinsured with any Third Party).

(iv) There are no currently pending U.S. federal, state, local or foreign audits or other administrative or judicial proceedings against any of the Companies, or, to Seller's Knowledge, against any other party, with regard to the Tax treatment of any Insurance Contract issued, reinsured to or sold by any Insurance Company.

(v) Each Insurance Contract issued, assumed, exchanged, modified or sold by, or novated to, each Insurance Company provides, and since the date of issuance, assumption, exchange, modification, sale or novation, as applicable, of such Insurance Contract has provided, the purchaser, policyholder, account holder, other holder or intended beneficiary thereof with Tax treatment under the Code that is not materially less favorable than the Tax treatment (1) that was purported to apply in materials provided by the Insurance Companies or, to the Knowledge of Seller, by their Independent Producers at the time of issuance, assumption, exchange, modification, purchase or novation or (2) for which such policies or contracts were intended or reasonably expected by the Insurance Companies to qualify under the Code at the time of issuance, assumption, exchange, modification, purchase or novation.

(vi) No Insurance Contract constitutes or has constituted a "modified endowment contract" under Section 7702A of the Code except where the holder of the contract was timely notified in writing upon its issuance, assumption, exchange or modification of its status or future status as a "modified endowment contract" under Section 7702A.

(vii) Since December 31, 2009, no Insurance Company has requested relief from the IRS concerning the qualification of any Insurance Contract issued by such Insurance Company under, or in compliance with, the Code and the Treasury Regulations promulgated thereunder, and the IRS has not asserted in writing that any such policy or contract fails to so qualify or comply. Since December 31, 2009, no Company has requested relief from the IRS concerning the treatment of any life insurance policy issued by such Company as a modified endowment contract within the meaning of Section 7702A of the Code, and the IRS has not asserted in writing that any such policy not known or intended to be a modified endowment contract is a modified endowment contract.

(viii) With respect to each Insurance Company, the assets of any Separate Account maintained by such Insurance Company that is required to be diversified pursuant to Section 817(h) of the Code are and, at all times required under the Code and the Treasury Regulations, have been adequately diversified within the meaning of Section 817(h) of the Code and Treasury Regulations promulgated thereunder, and such Insurance Company is treated for U.S. federal income tax purposes as the owner of the assets underlying the respective Insurance Contracts issued by such Company.

(l) Compliance with Applicable Laws.

(i) Except as disclosed in Section 3.1(l)(i) of the Seller's Disclosure Schedule, each of the Companies is, and at all times since December 31, 2009 has been, in compliance with all Applicable Laws, including all applicable requirements of Applicable Law related to federal and state securities laws, except as would not, individually or in the aggregate, be expected to have a Material Adverse Effect with respect to the Companies. Except as disclosed on Section 3.1(l)(i) of the Seller's Disclosure Schedule, no Company has at any time since December 31, 2009 (1) received any written notice or other written communication from any Governmental Entity regarding any actual or alleged violation of, or failure on the part of the Companies to comply with, any Applicable Laws, including all applicable requirements of Applicable Law related to federal and state securities laws, or (2) received any written notice or other written communication from any Governmental Entity alleging any deficiency in its reserves (other than any such written notice or other written communication received from a Governmental Entity in connection with the process of obtaining the permits, orders or other consents, approvals or authorizations of Governmental Entities set forth in Section 4.4(b)), in each case other than any such item that has been cured or otherwise resolved to the satisfaction of such Governmental Entity, that is no longer being pursued by such Governmental Entity following a response by the relevant Company or that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Companies.

(ii) The Companies have filed all material reports, statements, documents, registrations, filings or submissions required to be filed with any Governmental Entity since December 31, 2009, and all such material reports, statements, documents, registrations, filings and submissions were in material compliance with all Applicable Laws when filed or as amended or supplemented, and no material deficiencies that remain unsatisfied have been asserted by any Governmental Entity with respect to such material reports, statements, documents, registrations, filings or submissions. Seller has previously made available to Buyer true and complete copies of the annual statutory statements of each Insurance Company, as filed with the Insurance Regulators, as of and for the years ended December 31, 2011, 2010 and 2009, and such statements did not omit any material information required to be disclosed in such statements.

(iii) Each of the Companies owns, holds, possesses or lawfully uses in its business all Governmental Entity permits, licenses, approvals, authorizations, consents, registrations and similar documents (collectively, "Permits") necessary for the conduct of its business as now conducted or the ownership and use of its assets or properties, in compliance with all Applicable Laws, except for those Permits the failure to hold or loss of which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Companies. Each of the Companies is, and at all times since December 31, 2009 has been, in material compliance with all of the terms and requirements of each such Permit. With respect to the Permits of the Companies, none of the Companies has at any time since December 31, 2009 received any written notice from any Governmental Entity regarding any actual or proposed revocation, suspension or termination of, or material modification to, any such Permit, in each case other than any such item that has been cured or otherwise resolved to the satisfaction of such Governmental Entity, that is no longer being pursued by such Governmental Entity following a response by the relevant Company or that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to the Companies. No Company is the subject of any pending or, to the Knowledge of Seller, threatened Action seeking, or that would reasonably be expected to lead to, the revocation, cancellation, suspension, limitation, amendment, termination, modification, restriction, impairment or non-renewal of any material Permit.

(iv) Each of the Companies has implemented and maintains an information security program that complies with Applicable Law in all material respects and includes administrative, technical and physical safeguards to protect against reasonably anticipated threats or hazards to the privacy, security, integrity and confidentiality of personally identifiable information of customers. Except as disclosed in Section 3.1(l)(iv) of the Seller's Disclosure Schedule, to the Knowledge of Seller, since December 31, 2009, there has been no material (i) loss or misuse of personally identifiable information, (ii) inadvertent, unauthorized, and/or unlawful processing, disclosure, access, alteration, corruption, transfer, sale or rental, destruction, or use of personally identifiable information, or (iii) any other act or omission that compromises the security, confidentiality, or integrity of personally identifiable information, in each case of (i), (ii) and (iii), requiring under Applicable Law that a Company notify its customers thereof.

(v) The Companies are not party to any Contract with a Governmental Entity that grants to the Companies any permanent or temporary exemption from any Applicable Law that by its terms would terminate as a result of the consummation of the transactions contemplated by this Agreement and the other Transaction Documents.

(m) <u>Litigation</u>.

(i) Except as disclosed in Section 3.1(m)(i) of the Seller's Disclosure Schedule, there is no Action pending or, to the Knowledge of Seller, threatened, against any of the Companies or any of their respective assets, properties or businesses, other than (1) Actions relating to claims under policies or contracts of insurance written by any Insurance Company which involve claims that are within applicable policy limits and do not allege bad faith or extra-contractual obligations and (2) Actions that would not, individually or in the aggregate with other Actions arising from the same facts and circumstances or from a series of substantially similar actions taken by the same Third Party or a group of Third Parties acting in concert, reasonably be expected to result in a loss to the Companies of at least $2,000,000 in excess of the related policy reserves.

Except as disclosed in Section 3.1(m)(i) of the Seller's Disclosure Schedule, as of the date hereof, there are no pending Actions against any Company as to which certification as a class is being sought or has been granted.

(ii) There is no Action pending or, to the Knowledge of Seller, threatened, against Seller, any of its Affiliates (including each Company) or any of their respective assets, properties or businesses that questions the validity of, or seeks injunctive relief with respect to, this Agreement or any of the other Transaction Documents or the right of Seller or any of its Affiliates (including each Company) to enter into this Agreement or any of the other Transaction Documents to the extent Seller or any of its Affiliates (including each Company) is or will be a party thereto.

(iii) Except (x) as disclosed in Section 3.1(m)(iii) of the Seller's Disclosure Schedule, (y) for Governmental Orders issued after the date hereof in connection with the transactions contemplated by this Agreement or any other Transaction Document and (z) for limitations imposed by Applicable Law that are applicable to each Company's industry generally, no Company is party or subject to any Governmental Order (and no Company has received any written notice from a Governmental Entity that is still pending that such Governmental Entity intends to issue any Governmental Order) (A) that is applicable to any of its assets, properties or businesses, including its reserve adequacy, in each case other than any such items that are not, individually or in the aggregate, materially adverse to the Companies taken as a whole or to any Insurance Company individually, or (B) that would be binding on such Company following the Closing and would (1) prohibit or restrict the payment of shareholder dividends or other shareholder distributions by such Company, (2) require the maintenance of any employees or physical location or (3) require the maintenance of an Insurance Company's surplus at any particular level.

(n) Contracts. Section 3.1(n)(i) of the Seller's Disclosure Schedule sets forth a complete and accurate list of all Material Contracts in effect on the date hereof or pursuant to which a Company has any rights or obligations as of the date hereof. The term "Material Contracts" means all of the following types of Contracts to which any Company is a party or by which any of the Companies' respective assets are bound (excluding any Insurance Contract, any Reinsurance Agreement and any Lease):

(i) any Contract that restricts or limits any Company's ability to freely engage in any line or type of business in any particular geographic area or any particular medium, or provides for "exclusivity" or any similar requirement in favor of any Person other than a Company;

(ii) any Contract for the acquisition or disposition by any Company of any company or business or a material portion of the assets of any company or business (whether by merger, sale of stock, sale of assets or otherwise), other than Investment Assets in the ordinary course of business;

(iii) mortgages, indentures, loan or credit agreements, security agreements and other agreements and instruments relating to the borrowing of money or extension of credit to any Company (other than any such Contract with any Company or an extension of credit from any Company) or the direct or indirect guarantee, capital maintenance agreement or keep-well by any Company of any obligation for borrowed money of any Person (other than a Company) or any other liability of any Company in respect of indebtedness for borrowed money of any Person (other than a Company);

(iv) Contracts and agreements that provide for the imposition of any Lien, other than a Permitted Lien, on any tangible assets of any Company;

(v) agency, broker, selling, marketing or similar agreements between any Insurance Company and any Producer of the Insurance Companies who or which was responsible for placing 1% or more of the aggregate statutory gross written premium of the Insurance Companies for the year ended December 31, 2011 (each a "Specified Producer");

(vi) Contracts and agreements with the five largest vendors (measured by total annual payments made to vendors) of the Companies, taken as a whole, for the year ended December 31, 2011;

(vii) any Intercompany Agreement or Affiliate Agreement;

(viii) any Contract pursuant to which any Third Party provides third party administration or claims administration services with respect to any Insurance Contracts, or investment management services to the Companies;

(ix) any master ISDA agreements under which any Company has outstanding derivatives, any prime brokerage agreement and any futures customer agreement to which any Company is a party;

(x) any joint venture or partnership contract binding on any Company, in each case except for Investment Assets;

(xi) any Contract under which any Company may become obligated to pay any brokerage or finder's or similar fees or expenses in connection with the transactions contemplated hereby;

(xii) any collective bargaining agreement;

(xiii) any Contract for the purchase or sale of real property (other than any Contract relating to the Companies' REO activities);

(xiv) any Transferred Advisory Agreement or Replaced Advisory Agreement;

(xv) (A) the five highest grossing (as measured by commission payments or fees paid to or earned by an AUSA Broker-Dealer since January 1, 2011) selling or distribution Contracts to which an AUSA Broker-Dealer is a party and (B) any wholesaling Contract to which an AUSA Broker-Dealer is a party;

(xvi) any Contract required to be disclosed by Section 3.1(v)(i)(B) or 3.1(v)(i)(C);

(xvii) any other Contract of any Company (other than any Contract between any Company and any Producer and other than Contracts constituting Investment Assets) that requires or is reasonably likely to require payments in aggregate to or from a Company in excess of $1,000,000 in any prospective (12) twelve-month period, or $5,000,000 throughout the term of such contract after the Closing, or the delivery or receipt by a Company of goods or services with a fair market value in excess of $1,000,000 in any prospective twelve (12) month period, or $5,000,000 throughout the term of such contract after the Closing, and is not terminable by a Company upon sixty (60) days or less notice without penalty or premium; and

(xviii) a Contract that obligates one or more Companies to enter into any of the foregoing.

Seller has made available to Buyer true and complete copies of the Material Contracts, in each case as amended or otherwise modified and in effect as of the date hereof. Each of the Material Contracts constitutes a valid and binding obligation of the applicable Company and, to the Knowledge of Seller, each other party thereto, enforceable against the applicable Company and, to the Knowledge of Seller, each other party thereto in accordance with its terms (except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought) and is in full force and effect. No Company has received written notice of cancellation of any Material Contract, the cancellation of which would, individually or in the aggregate, have a Material Adverse Effect with respect to the Companies. There exists no material breach or event of default with respect to any Material Contract on the part of any Company or, to the Knowledge of Seller, any other party thereto. No Material Contract grants to any Third Party a right of first refusal or first offer with respect to any material asset or service sold or provided by the Companies, or "most favored nation" status with respect to the pricing or terms of any such material asset or service. Section 3.1(n)(ii) of the Seller's Disclosure Schedule sets forth a complete and accurate list of the Excluded Advisory Agreements in effect on the date hereof or pursuant to which a Company has any material rights or obligations as of the date hereof.

(o) Insurance Regulatory Matters.

(i) All policy and contract forms on which an Insurance Company has issued Insurance Contracts that are currently in effect or were in effect at any time after December 31, 2009 and all amendments, applications, marketing materials, brochures, illustrations and certificates pertaining thereto prepared by the Companies or at the request or direction of, or otherwise approved by, the Companies have, to the extent required by Applicable Law, been approved by all applicable Governmental Entities or filed with and not objected to by such Governmental Entities within the period provided by Applicable Law for objection, subject to such exceptions as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to the Companies. All Insurance Contracts that are currently in effect or were in effect at any time after December 31, 2009 and all such policy and contract forms, amendments, applications, marketing materials, brochures, illustrations and certificates prepared by the Companies or at the request or direction of, or otherwise approved by, the Companies comply with, and have been administered in accordance with, Applicable Law, in each case except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to the Companies. Any rates with respect to Insurance Contracts and all amendments pertaining thereto issued by an Insurance Company which are required to be filed with or approved by any Governmental Entity have been so filed or approved, in each case except for as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to the Companies. Seller has previously made available to Buyer a list of all forms of Insurance Contracts that appear on the Insurance Companies' internal policy administration systems and that either (1) are currently used by an Insurance Company or (2) have been used by an Insurance Company for business which is still in force, including specific categorization of such forms by product line and range of dates during which each such policy form was used.

(ii) Except as set forth in Section 3.1(o)(ii) of the Seller's Disclosure Schedule, neither Insurance Company is, as of the date hereof, subject to any pending financial, market conduct or other examination by an Insurance Regulator. Seller has made available for inspection of Buyer true and complete copies of (1) all examination reports (including financial, market conduct and similar examinations) issued by any Insurance Regulator with respect to an Insurance Company or its business which have been completed and issued since December 31, 2009, (2) any draft or incomplete examination reports (including financial, market conduct and similar examinations) provided to an Insurance Company by any Insurance Regulator with respect to such Insurance Company or its business pursuant to any examinations that are incomplete or ongoing and (3) all material Holding Company System Act filings or submissions made by an Insurance Company with any Insurance Regulator since December 31, 2009. No Insurance Company is deemed "commercially domiciled" under the Applicable Laws of any jurisdiction and is not otherwise treated as domiciled in a jurisdiction other than, in the case of ALAC, the State of Iowa and, in the case of ALACNY, the State of New York.

(iii) Except as set forth in Section 3.1(o)(iii) of the Seller's Disclosure Schedule, all benefits payable (including by credit) to, any Person under any Insurance Contract have in all material respects been paid or credited (or provision as required under SAP for payment thereof has been made) in accordance with the terms of the applicable Insurance Contract, and such payments, credits or provisions were not materially delinquent, except for any such claim for benefits for which there is a reasonable basis to contest payment.

(iv) There are no unpaid claims or assessments made against an Insurance Company by any state insurance guaranty association or similar organizations in connection with such association's insurance guaranty fund.

(v) True and complete copies of the underwriting standards and guidelines utilized since December 31, 2009 and rates and rating factors and criteria applied since December 31, 2009 by each Insurance Company with respect to Insurance Contracts outstanding as of the date hereof have been previously made available to Buyer by Seller.

(vi) True and complete copies of all printed advertising materials used between January 1, 2011 and the date hereof by each Insurance Company and that were generated by the Insurance Companies for the purpose of marketing Insurance Contracts to customers have been previously made available to Buyer by Seller. Seller has also made available to Buyer a list of all printed advertising materials generated by Independent Producers for the purpose of marketing Insurance Contracts that were submitted to the Insurance Companies for approval between January 1, 2011 and the date hereof, and has made available to Buyer true and correct copies of all the printed advertising materials set forth on such list that Buyer has prior to the date hereof requested to review.

(vii) Except as set forth in Section 3.1(o)(vii) of the Seller's Disclosure Schedule and except as would not, individually or in the aggregate, reasonably be expected to be materially adverse to the Companies, taken as a whole, each Insurance Company has since December 31, 2009, marketed, sold and issued the Insurance Contracts in compliance with Applicable Law, including (1) all applicable requirements and prohibitions under Applicable Law relating to suitability of sales and replacement of policies and annuity products, (2) all applicable requirements of Applicable Law relating to the disclosure of the nature of insurance products as policies of insurance, (3) all applicable requirements of Applicable Law related to federal and state securities laws, (4) all applicable requirements of Applicable Law relating to insurance product projections and illustrations, and (5) all applicable requirements of Applicable Law relating to the advertising, sales and marketing of insurance and annuity products and guaranteed investment contracts.

(viii) The Insurance Companies have not received any written notice with respect to any retained asset account audit or investigation from any Governmental Entity or Third Party representing a Governmental Entity. The Insurance Companies maintain and have maintained retained asset account policies, procedures and guidelines which comply and have complied in all material respects with the terms of the applicable Insurance Contracts and all Applicable Laws. Each Insurance Company is and at all times has been in compliance in all material respects with all such policies, procedures and guidelines and any Applicable Laws related thereto.

(p) Reinsurance.

(i) Section 3.1(p)(i) of the Seller's Disclosure Schedule sets forth a list, as of the date hereof, of all Reinsurance Agreements. Seller has made available to Buyer true and complete copies of the Reinsurance Agreements, in each case as amended or otherwise modified and in effect as of the date hereof. Each of the Reinsurance Agreements constitutes a valid and binding obligation of the applicable Company and, to the Knowledge of Seller, each other party thereto, enforceable against the applicable Company and, to the Knowledge of Seller, each other party thereto in accordance with its terms (except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought) and is in full force and effect. All reinsurance premiums due under any such Reinsurance Agreements pursuant to which any Insurance Company cedes risk to a reinsurer have been paid in full or were adequately accrued or reserved for by the applicable Insurance Company.

(ii) Except as set forth in Section 3.1(p)(ii) of Seller's Disclosure Schedule, (1) since December 31, 2009 neither Seller nor the applicable Insurance Company has received any written notice from any ceding party or reinsurer party to a Reinsurance Agreement that any amount of reinsurance ceded or assumed by such Insurance Company pursuant to such Reinsurance Agreement will be uncollectible or otherwise defaulted upon or that there is a dispute that is unresolved as of the date hereof with respect to any material amounts recoverable or payable by such Insurance Company pursuant to such Reinsurance Agreement, (2) to the Knowledge of Seller, no counterparty to any such Reinsurance Agreement is in default in any material respect under any Reinsurance Agreement and (3) no Insurance Company party to any such Reinsurance Agreement is in default in any material respect under any such Reinsurance Agreement, other than defaults in respect of the matters which are the subject of Section 3.1(p)(vi).

(iii) Except as set forth on Section 3.1(p)(iii) of the Seller's Disclosure Schedule, to the Knowledge of Seller, none of the Reinsurance

Agreements is or would be deemed to be finite reinsurance, financial reinsurance or such other form of reinsurance that does not meet the risk transfer requirements under Applicable Law.

(iv) Section 3.1(p)(iv) of the Seller's Disclosure Schedule sets forth a list of all Liens, collateral or security arrangements, including by means of a credit for reinsurance trust or letter of credit, to or for the benefit of any cedent under any Reinsurance Agreement.

(v) Except as set forth in Section 3.1(p)(v) of the Seller's Disclosure Schedule, as of the date hereof, there are no pending or, to the Knowledge of Seller, threatened, Actions with respect to any Reinsurance Agreement.

(vi) With respect to any Insurance Contracts reinsured in whole or in part under any Reinsurance Agreement, except as set forth in Section 3.1(p)(vi) of the Seller's Disclosure Schedule, the underwriting standards and guidelines utilized and rates and rating factors applied by the applicable Insurance Company conform in all material respects to the standards, rates and rating factors required pursuant to the terms of such Reinsurance Agreement, except where the failure to utilize such standards or guidelines or apply such rates or rating factors would not permit the assuming reinsurer to deny coverage for, force the recapture of, or otherwise terminate with respect to, a substantial portion of the liabilities ceded under such Reinsurance Agreement.

(q) Actuarial Report and Reserves.

(i) Seller has made available to Buyer a complete and correct copy of (1) the actuarial report dated May 27, 2012, and the addendum thereto dated June 6, 2012, each prepared by Towers Watson with respect to the Insurance Companies for the benefit of Seller and its Affiliates (collectively, and together with any exhibits and other addenda thereto, the "Actuarial Report"), (2) each Regulatory Asset Adequacy Issues Summary, actuarial opinion from the Appointed Actuary of each Insurance Company supporting the applicable Regulatory Asset Adequacy Issues Summary, actuarial memorandum supporting the applicable actuarial opinion, and actuarial report prepared for the benefit of the Insurance Companies, Seller or any of their respective Affiliates by other independent actuaries, with respect to an Insurance Company, in each case that are described on Section 3.1(q)(i) of the Seller's Disclosure Schedule, including all attachments, addenda, supplements and modifications thereto (the "Other Actuarial Materials") and (3) the actuarial reports prepared by Towers Watson with respect to each AUSA Captive on or around the date on which the Redundant Reserve Financing Transaction entered into by such AUSA Captive first become effective (the "Captive Actuarial Reports"). Other than as described on Section 3.1(q)(i) of the Seller's Disclosure Schedule, Towers Watson has not issued any new report or errata with respect to the Actuarial Report, nor has it notified Seller or its Affiliates that the Actuarial Report is inaccurate in any material respect. The factual information and data furnished by Seller and each of its Affiliates, including, without limitation, each of the Insurance Companies, to their respective actuaries in connection with the preparation of the Actuarial Report and the Other Actuarial Materials, including the factual information and data furnished to Towers Watson in connection with the preparation of the Actuarial Report, was based upon inventories of policies and contracts for the Insurance Companies that were accurate in all material respects at their respective times of preparation and upon the Books and Records of the Insurance Companies. The factual information and data furnished by Seller and its Affiliates to Towers Watson in connection with the preparation of the Captive Actuarial Reports were accurate in all material respects. The Other Actuarial Materials have not been supplemented, modified, amended or replaced with any similar summary, opinion, memorandum or report not itself included in the Other Actuarial Materials.

(ii) The policy reserves of the Insurance Companies recorded in the Statutory Statements and the policy reserves of the AUSA Captives recorded in their statutory financial statements, as of their respective dates: (1) have been computed in all material respects in accordance with generally accepted actuarial principles consistently applied; (2) have been based in all material respects on actuarial assumptions which produced reserves at least as great as those called for in any Insurance Contract provision as to reserve basis and method, and are in accordance with all other Insurance Contract provisions; (3) in all material respects met the requirements of Applicable Law and regulatory requirements of each Insurance Company's and AUSA Captive's Insurance Regulator and are at least as great as the minimum aggregate amounts required by such Insurance Regulator; (4) included provision for all actuarial reserves and related statement items which were certified by the actuaries of each Insurance Company and AUSA Captive pursuant to applicable insurance Laws and (5) included all Additional Actuarial Reserves recommended by the Appointed Actuary as a result of each Insurance Company's Annual Asset Adequacy Analysis.

(iii) For clarity, Seller makes no express or implied representation or warranty hereby or otherwise under this Agreement (including in Sections 3.1(f), (g) or (r) hereof) as to the future experience or profitability arising from the business of the Companies or that the reserves held by or on behalf of any of Insurance Companies or AUSA Captives or the assets supporting such reserves are or will be adequate or sufficient for the purposes for which they were established or that the reinsurance recoverables taken into account in determining the amount of such reserves will be collectible.

(iv) Seller has made available to Buyer a complete and correct copy of the MG-ALFA actuarial model.

(v) The statements set forth on Section 3.1(q)(v) of the Seller's Disclosure Schedule are true and correct in all material respects.

(r) Risk-Based Capital. Seller has made available to Buyer true and complete copies of all material filings submitted by the Insurance Companies to any Insurance Regulator during the twelve (12) months preceding the date of this Agreement that report risk-based capital calculations. The risk-based capital calculations were made in accordance with, and met all requirements of, Applicable Law in all material respects at the time such filings were made.

(s) Producers.

(i) Except as set forth in Section 3.1(s)(i) of the Seller's Disclosure Schedule, since December 31, 2009, each Person, including salaried Employees, performing the duties of insurance producer, agency, managing general agent, third party administrator, broker, securities broker or dealer, solicitor, marketer, underwriter, wholesaler or distributor for a Company (collectively, "Producers"), at the time such Producer wrote, sold, solicited, produced or serviced business, or performed such other act for or on behalf of any Company that may require a producer's, solicitor's, broker's, securities broker's or dealer's, or other insurance license, was (to the Knowledge of Seller in the case of Independent Producers only) duly licensed and appointed, where required, as an insurance producer, managing general agent, third party administrator, broker, securities broker or dealer, or solicitor, as applicable (for the type of business written, sold or produced by such Producer), in the particular jurisdiction in which such Producer wrote, sold, produced, solicited or serviced such business, as may be required by any applicable Governmental Entity, except as would not, individually or in the aggregate, be materially adverse to the Companies taken as a whole.

(ii) Except as set forth in Section 3.1(s)(ii) of the Seller's Disclosure Schedule, since December 31, 2009, neither Seller nor any Insurance Company has made a filing with any Governmental Entity seeking an exemption under 18 USC §1033(e)(2) with respect to any Producer.

(iii) Except as set forth in Section 3.1(s)(iii) of Seller's Disclosure Schedule, as of the date hereof no Insurance Company has received written notice from any Specified Producer to the effect that such Specified Producer will be unable or unwilling to continue its relationship with the applicable Insurance Company after the Closing, except as would not be materially adverse to the Insurance Companies, taken as a whole.

(iv) Except as set forth in Section 3.1(s)(iv) of the Seller's Disclosure Schedule, no Producer nor any Affiliate of any Producer has any right (1) to receive any payment based on the profitability or financial performance of any of the Insurance Contracts and (2) that requires an Insurance Company to reinsure or otherwise transfer the economic benefits of the Insurance Contracts (or any portion thereof) to any Person.

(t) Investment Advisers.

(i) Each AUSA Adviser is registered with the SEC as an investment adviser under the Advisers Act or is exempt from such registration and is registered as an investment adviser in each state in which such registration is required, and each AUSA Adviser is a member in good standing of such other organizations in which its membership is required in order to conduct its business as now conducted, in each case except such failures which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Companies.

(ii) AINA is registered as a commodity trading adviser (a "CTA") with the U.S. Commodity Futures Trading Commission (the "CFTC") and is a member of the National Futures Association (the "NFA"). No other AUSA Adviser is required to register as a CTA or become a member of the NFA. No AUSA Adviser is required to register with the CFTC as a commodity pool operator.

(iii) Each AUSA Adviser has filed a Form ADV with the appropriate Governmental Entities, which form at the time of filing, and as amended and supplemented as of the date hereof is, in effect pursuant to and in material compliance with the requirements of the Advisers Act or applicable state investment adviser laws. Seller has heretofore made available to the Buyer true and correct copies of such Forms ADV as amended or supplemented as of the date hereof.

(iv) AINA has adopted a code of ethics, which complies in all material respects with all applicable provisions of the Advisers Act (including Section 204 thereof and Rule 204A-1 thereunder), and each AUSA Adviser has adopted a written policy regarding insider trading and other material policies as required by Applicable Law, copies of which have been made available to Buyer. Since December 31, 2009, there have been no material violations or, to the Knowledge of Seller, allegations of material violations of such code of ethics, insider trading policies and material policies.

(v) Except as disclosed on Section 3.1(t)(v) of the Seller's Disclosure Schedule, no Company, no separate account of any Company, nor any "affiliated person" (within the meaning of the 1940 Act), is required to be registered with the SEC under the 1940 Act.

(vi) No AUSA Adviser and, to the Knowledge of Seller, no "person associated" (within the meaning of the Advisers Act) with an AUSA Adviser is ineligible pursuant to Section 203(e) of the Advisers Act to act as an investment adviser or as a person associated with a registered investment adviser.

(vii) The officers and employees of the AUSA Advisers who are required to be approved, licensed or registered for the activities conducted by them on behalf of the Companies are and at all times since December 31, 2009 have been duly approved, licensed or registered in each state or jurisdiction in which and with each Governmental Entity with whom such approval, licensing or registration is so required, except where the failure to be so approved, licensed or registered, individually or in the aggregate has not had and would not be reasonably expected to result in a Material Adverse Effect.

(viii) All material exemptive orders, "no-action letters" or similar exemptions or regulatory relief that the AUSA Advisers have obtained and that are currently relied upon have been identified to Buyer.

(ix) Each ERISA Client to which an AUSA Adviser provides investment management, advisory or sub-advisory service has, since December 31, 2009, been managed or advised by such AUSA Adviser such that the exercise of such management or provision of such advisory services is in compliance in all material respects with (A) the applicable requirements of ERISA and Section 4975 of the Code and (B) the applicable Contract. Each AUSA Adviser satisfies the requirements of Prohibited Transaction Class Exemption 84-14 for a "qualified professional asset manager" (as such term is used in Prohibited Transaction Class Exemption 84-14) and, to the Knowledge of Seller, no event has occurred or circumstance exists with respect to such AUSA Adviser that would reasonably be expected to cause any AUSA Adviser to fail to satisfy Part I(g) of Prohibited Transaction Class Exemption 84-14.

(x) Other than as disclosed in the AUSA Advisers' Form ADV, as of the date hereof, there is no event which would require any AUSA Adviser or any "affiliated person" of such AUSA Adviser or, to the Knowledge of Seller, Ameritas or any "affiliated person" of Ameritas, to give an affirmative response to any of the questions in Item 11 to Part I of its Form ADV (or any similar or successor form).

(u) Broker-Dealers.

(i) Each AUSA Broker-Dealer and, to the Knowledge of Seller, Ameritas, is and has been, since December 31, 2009, duly registered as a broker-dealer under the Exchange Act and in all jurisdictions where such registration, licensing or qualification is so required. Since December 31, 2009, none of the Companies other than the AUSA Broker-Dealers engages or has engaged in Broker-Dealer Activities. Each AUSA Broker-Dealer and, to the Knowledge of Seller, Ameritas, is a member in good standing of FINRA and such other organizations in which its membership is required in order to conduct its business as now conducted, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to the Companies. All of the "registered representatives" (as such term is defined under the rules of FINRA (the "FINRA Rules")) of each AUSA Broker-Dealer as of the date hereof are set forth on Section 3.1(u)(i) of the Seller's Disclosure Schedule. Seller has made available to Buyer true and complete copies of each AUSA

Broker-Dealer's Form BD as most recently filed with the SEC and all state registration forms, each as amended to date. The information contained in each such form was true and complete in all material respects at the time of filing and each AUSA Broker-Dealer has made all amendments to such form as it is required to make under any Applicable Law, except as would not reasonably be expected, individually or in the aggregate, to be materially adverse to the Companies, taken as a whole.

(ii) No AUSA Broker-Dealer and, to the Knowledge of Seller, neither Ameritas nor any "associated person" (within the meaning of the Exchange Act) of any AUSA Broker-Dealer is ineligible or disqualified pursuant to Section 15(b) of the Exchange Act to act as a broker-dealer or as an associated person of a registered broker-dealer. There is no Action pending or, to the Knowledge of Seller, threatened in writing that would reasonably be expected to result in any AUSA Broker-Dealer or any "associated person" (as defined in the Exchange Act or FINRA Rules) thereof becoming ineligible to act in such capacity. To the Knowledge of Seller, there is no Action pending or threatened in writing that would reasonably be expected to result in Ameritas becoming ineligible to act in such capacity.

(iii) Set forth on Section 3.1(u)(iii) of the Seller's Disclosure Schedule is each "branch office" and "office of supervisory jurisdiction" (as defined under the FINRA Rules) of each AUSA Broker-Dealer.

(iv) No security holder, officer or director of any AUSA Broker-Dealer or, to the Knowledge of Seller, of Ameritas, has engaged in any conduct which could reasonably be expected to give rise to an affirmative answer to any of the questions in Item 11 of the Form BD of such AUSA Broker-Dealer or Ameritas, as applicable, except as would not be material to the Companies, taken as a whole.

(v) Except as disclosed in any Form BD filed by an AUSA Broker-Dealer or Ameritas prior to the date of this Agreement, none of the AUSA Broker-Dealers or their respective directors, officers, employees, or "associated persons" (as defined in FINRA Rules) or, to the Knowledge of Seller, Ameritas, is subject to any order of any Governmental Entity that permanently enjoins such Person from engaging in or continuing any conduct or practice in connection with any activity involving or in connection with Broker-Dealer Activities, except as would not be material to the Companies, taken as a whole.

(vi) Each of the AUSA Broker-Dealers' respective officers, employees, "associated persons" (as defined in FINRA Rules) and independent contractors, or any other natural persons who are "associated persons" of a Company and who are parties to any selling, distribution or wholesaling agreement to which an AUSA Broker-Dealer is a party, who are required under Applicable Law to be registered, licensed or qualified as a "registered representative" (as such term is defined under FINRA Rules) are, and have been since December 31, 2009, duly registered as such and such registrations are and were, since December 31, 2009, in full force and effect, or are or were in the process of being registered as such within the time periods required by any Governmental Entity, as applicable, except as would not be material to the Companies, taken as a whole.

(vii) Each AUSA Broker-Dealer and, to the Knowledge of Seller, Ameritas, maintains its minimum net capital (A) in compliance in all material respects with all Applicable Law imposed by the SEC or any other Governmental Entity and (B) in an amount sufficient to ensure that it has not been required to file notice under Rule 17a-11 under the Exchange Act.

(viii) Ameritas is and has been operated in a manner such that no common law claim based on "piercing the corporate veil" would be reasonably likely to impose liability on any Company for the liabilities of Ameritas.

(v) Intellectual Property.

(i) Other than as set forth in Section 3.1(v)(i) of the Seller's Disclosure Schedule: (I) the Companies shall, immediately after the consummation of the transactions contemplated by this Agreement, own, or have the right to use pursuant to a valid and enforceable license, sublicense, agreement, or permission, all Intellectual Property rights necessary for the operation of their business as presently conducted that such Companies owned or had the right to use pursuant to a valid and enforceable license, sublicense, agreement, or permission (including pursuant to any Shared Contract pursuant to which any Company received any rights to use Intellectual Property) immediately prior to the consummation of the transactions contemplated by this Agreement; and (II) the Companies shall, immediately after the consummation of the transactions contemplated by this Agreement, receive from Seller and its Affiliates (other than the Companies) all services that prior to the date hereof had been performed by the employees now employed by Seller or its Affiliates (other than the Companies) or provided pursuant to contracts to which Seller or its Affiliates (other than the Companies) is a party, or assets now owned by Seller or its Affiliates (other than the Companies) that, in each case, are necessary for the operation of the Companies' businesses as presently conducted. Section 3.1(v)(i) of the Seller's Disclosure Schedule sets forth, as of the date hereof: (A) all issued patents and pending applications for patents, all registered Trademarks and all pending applications to register Trademarks, all material unregistered Trademarks, all registered copyrights and all applications for copyrights, all Internet domain names and all material Software, in each case owned by any Company (the foregoing, together with all material trade secrets, know-how and other proprietary and confidential information of any Company, the "Company Intellectual Property Rights"); (B) all licenses granting to a Third Party any right to use any Company Intellectual Property Rights, other than non-exclusive rights granted to customers and agents in the ordinary course of business; (C) all licenses granting to a Company or an Affiliate of a Company the right to use

Intellectual Property, including Software, owned by a Third Party and used in the conduct of the business of a Company, excluding Software that is licensed under agreements for a fee of less than $1,000,000, or under which the Companies paid during the year ended December 31, 2011, or reasonably expect to pay during the year ending December 31, 2012, amounts (including license fees and maintenance charges) of less than $1,000,000. With respect to each item of the Company Intellectual Property Rights, except as set forth in Section 3.1(v)(i)(I) of the Seller's Disclosure Schedule, the Companies possess all right, title, and interest in and to the item, free and clear of any Lien, other than a Permitted Lien. To the Knowledge of Seller, all Intellectual Property that has been licensed by or on behalf of a Company that is set forth in Section 3.1(v)(i) of the Seller's Disclosure Schedule is being used substantially in accordance with the applicable license pursuant to which the Company has the right to use such Intellectual Property and there exists no material breach or event of default with respect to any such license by such Company.

(ii) Except as disclosed in Section 3.1(v)(ii) of the Seller's Disclosure Schedule and since December 31, 2009, none of the Companies has received any written notice that it has infringed, misappropriated, diluted or otherwise violated any Intellectual Property rights owned by any Third Party, and there are no claims pending or, to the Knowledge of Seller, threatened, alleging any such infringement, misappropriation, dilution or violation. The conduct of the businesses of the Companies as currently conducted and as conducted since December 31, 2009 does not infringe, misappropriate, dilute or otherwise violate and has not infringed, misappropriated, diluted or otherwise violated any Intellectual Property rights of any Third Party, except to the extent that any such infringement, misappropriation, dilution or violation would not, individually or in the aggregate, reasonably be expected to be materially adverse to the Companies, taken as a whole.

(iii) To the Knowledge of Seller, no Third Party is infringing, misappropriating, diluting or otherwise violating any Company Intellectual Property Rights. There are no pending claims by any Company against any Third Party alleging infringement, misappropriation, dilution or other violation of any material Company Intellectual Property Right, and no Company has made any such written claim since December 31, 2009.

(iv) Except as set forth in Section 3.1(v)(iv) of the Seller's Disclosure Schedule: (i) there are no claims pending or, to the Knowledge of Seller, threatened, challenging the ownership, validity or enforceability of any of the registered Company Intellectual Property Rights; and (ii) a Company has the sole and exclusive right to bring actions for infringement or unauthorized use of the Company Intellectual Property Rights.

(v) To the Knowledge of Seller, all employees and consultants who contributed to the discovery or development of any material Company Intellectual Property Rights used in the conduct of the business of any Company did so either (a) within the scope of his or her employment such that, in accordance with Applicable Law, such Intellectual Property arising therefrom became the exclusive property of a Company or (b) pursuant to written agreements assigning such Intellectual Property arising therefrom to a Company.

(vi) Except as disclosed in Section 3.1(v)(vi) of the Seller's Disclosure Schedule, the use and dissemination by any Company of any and all data and information concerning consumers of its services or users of any websites operated by any Company is in compliance with all applicable privacy policies and terms of use, and Applicable Laws, except to the extent that any such failure to comply would not, individually or in the aggregate, reasonably be expected to be materially adverse to the Companies, taken as a whole. The Companies use reasonable best efforts to protect the secrecy of all trade secrets, know-how and other proprietary and confidential information used in the business of the Companies, including personal information concerning such consumers that they collect and maintain.

(w) <u>Real Property</u>.

(i) Other than as set forth in Section 3.1(w)(i) of the Seller's Disclosure Schedule and other than Investment Assets, the Companies do not own any real properties nor are they obligated or bound by any option, obligation or right of first refusal or contractual rights to (1) sell or lease any real property owned by the Companies or (2) acquire or lease any real property. The real properties listed in Section 3.1(w)(i) of the Sellers Disclosure Schedule are referred to herein as the "<u>Owned Real Property</u>." The applicable Company set forth in Section 3.1(w)(i) of the Seller's Disclosure Schedule with respect to an Owned Real Property has good and marketable fee simple title to such Owned Real Property, free and clear of all Liens other than Permitted Liens and other Liens set forth in Section 3.1(w)(i) of the Seller's Disclosure Schedule.

(ii) Section 3.1(w)(ii) of the Seller's Disclosure Schedule sets forth a true and complete list of all real property (other than any Investment Assets) leased, subleased, licensed or occupied by the Companies from or to any Third Party (the "<u>Leased Real Property</u>") and also identifies each lease, sublease, license or occupancy agreement under which such Leased Real Property is leased, subleased, or licensed or otherwise used or occupied by the Companies or such Owned Real Property is leased, licensed or otherwise used or occupied by a Third Party (the "<u>Leases</u>"). The Company that is a party to any such Lease has a valid leasehold interest in the Leased Real Property, free and clear of all Liens other than Permitted Liens or any Liens created by the landlord under such Leases or the owner of the Leased Real Property. Each of the Leases constitutes a valid and binding obligation of the applicable Company and, to the Knowledge of Seller, each other party thereto, enforceable against the applicable Company and, to the Knowledge of Seller, each other party thereto in accordance with its terms (except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought) and is in full force and effect. No material breach or default exists with respect to any Lease on the part of the applicable Company and, to the Knowledge of Seller, no event has occurred that, with notice or lapse of time, would constitute such a breach or default. Seller has made available to Buyer true and complete copies of the Leases, in each case as amended or otherwise modified and in effect as of the date hereof. The Companies have the right to use all the Leased Real Property for the full term of each such Lease. None of the Companies has assigned, transferred or pledged any interest in any of the Leases.

(iii) Neither the whole nor any part of the Owned Real Property is subject to any pending suit for condemnation or other taking by any Governmental Entity, and, to the Knowledge of the Seller, no such condemnation or other taking is threatened or contemplated. To the Knowledge of Seller, (1) there are no leases, subleases, licenses, or other agreements granting to any Person the right of use or occupancy of any portion of the Owned Real Property (except under the Leases); (2) all buildings, structures, facilities and improvements located on the Owned Real Property, including buildings, structures, facilities and improvements which are under construction (collectively, "Improvements") comply in all material respects with valid and current certificates of occupancy or similar permits to the extent required by Applicable Law; and (3) the Improvements are in all material respects (A) in good operating condition and repair (ordinary wear and tear excepted) and (B) suitable and adequate for continued use in the manner in which they are presently being used. No written notice from any Governmental Entity has been received by the Companies concerning the possible imposition of any special assessments on the Owned Real Property.

(x) Environmental Matters.

(i) The Companies are and have been in compliance with all Applicable Laws concerning pollution, the protection of the environment or human health, worker health and safety, or Hazardous Substances (as defined herein) (collectively, "Environmental Laws"), except as would not, individually or in the aggregate, reasonably be expected to result in a material liability to the Companies, taken as a whole.

(ii) There are no pending or, to the Knowledge of Seller, threatened Actions against any of the Companies that seek to impose, or that are reasonably likely to result in, any material liability or obligation on the part of any of the Companies under any Environmental Laws, and none of the Companies is subject to any Governmental Order imposing any liability or obligation on such entity under any Environmental Laws.

(iii) There has been no release, discharge, or disposal by the Companies of any substance, material, or waste that is defined, listed or identified as a pollutant or contaminant, or as hazardous, toxic, explosive, corrosive, radioactive or carcinogenic under any Environmental Law or that is otherwise regulated pursuant to Environmental Laws, including asbestos, polychlorinated biphenyls, petroleum, petroleum derived substances, by-products or wastes (collectively "Hazardous Substances") nor are Hazardous Substances present in, on, or under any Owned Real Property, or to the Knowledge of Seller, on any Leased Real Property or Investment Assets, in quantities or conditions which, in each case, would constitute a material violation of or non-compliance with, or require remediation or result in material liability of the Companies, taken as a whole, under any Environmental Laws.

(iv) Since December 31, 2009, neither Seller nor any Company has received any written claim or demand relating to the presence of asbestos in or on any Leased Real Property, Owned Real Property or Investment Asset.

(y) Brokers. Seller is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement or any of the Transaction Documents based upon arrangements made by or on behalf of Seller or any Affiliate.

(z) Insurance. Section 3.1(z) of the Seller's Disclosure Schedule sets forth a list of all insurance policies covering any Company or any of its properties, assets, employees or operations that are in effect as of the date of this Agreement, other than policies procured by Seller or any of its Affiliates that name any Company as an insured, and such policies have previously been made available to Buyer. All such insurance policies are in full force and effect (and all premiums due and payable thereon have been paid in full on a timely basis); and no written notice of cancellation, termination or revocation or other written notice that any such insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder has been received by Seller or any Company; and there is no claim by Seller or any Company pending under any of such insurance policies as to which coverage has been denied by the insurer or that, after reviewing the information provided with respect to such claim, the insurer has advised Seller or such Company in writing that it intends to deny; and neither Seller nor any Company is in material default under any provision of such insurance policies, except such defaults as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to the Companies.

(aa) Affiliate Transactions. Section 3.1(aa) of the Seller's Disclosure Schedule sets forth a list of (a) all Intercompany Agreements in effect as of the date hereof, (b) all material Affiliate Agreements in effect as of the date hereof and (c) each Intercompany Obligation as of June 30, 2012.

(bb) Separate Accounts; Regulatory Filings. Section 3.1(bb) of the Seller's Disclosure Schedule sets forth a list of all separate accounts maintained by the Insurance Companies (collectively, the "Separate Accounts"). Except as set forth in Section 3.1(bb) of the

Seller's Disclosure Schedule, (1) each Separate Account is duly and validly established and maintained under the Applicable Laws of the applicable Insurance Company's state of domicile, is operated in compliance with Applicable Laws and is not an investment company as defined in Section 3(a) of the Investment Company Act or is excluded from the definition of an investment company pursuant to Sections 3(c)(1), 3(c)(7) or 3(c)(11) of the Investment Company Act; (2) the portion of the assets of each Separate Account equal to the reserves and other contract liabilities of such Separate Account is not chargeable with liabilities arising out of any other business the applicable Insurance Company may conduct or may have conducted; and (3) the Insurance Contracts under which any Separate Account's assets are held are duly and validly issued and are exempt from registration under the Securities Act, pursuant to Section 3(a)(2), 3(a)(8) or 4(2) of the Securities Act or Regulation D thereunder. None of the Separate Accounts are maintained for or with respect to Insurance Contracts which are life insurance products.

(cc) Bank Accounts. Seller has previously made available to Buyer a list of the bank names, locations and account numbers of all bank and safe deposit box accounts of each Company, including any custodial accounts for securities owned by a Company, and the names of all persons authorized to draw thereon or to have access thereto.

(dd) Internal Controls.

(i) The Companies maintain financial books and records reflecting their assets and liabilities that are accurate in all material respects, and maintain, in all material respects, systems of internal accounting controls designed to provide reasonable assurance that: (1) transactions are executed with management's general or specific authorization; (2) transactions are recorded as necessary to permit preparation of its financial statements in conformity in all material respects with SAP or IFRS, as applicable, and to maintain accountability for their assets; (3) access to their assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate actions are taken with respect to any differences.

(ii) Except as set forth in Section 3.1(dd)(ii) of the Seller's Disclosure Schedule, to the Knowledge of Seller, since December 31, 2010, no Company nor any of its Representatives has received any non-frivolous complaint, allegation, assertion or claim, whether written or oral, regarding deficiencies with respect to the accounting, reserving or auditing practices, procedures, methodologies or methods of a Company or its internal accounting controls, including any complaint, allegation, assertion or claim that any Company has engaged in questionable accounting, reserving or auditing practices.

(iii) Each Company has in place risk management and disaster recovery policies and procedures that are reasonably sufficient in scope and operation to protect against risks of the types reasonably expected to be incurred by Persons similarly situated.

(ee) Material Shared Contracts; Business Assets.

(i) Section 3.1(ee)(i) of the Seller's Disclosure Schedule sets forth a list of (1) all material Contracts to which Seller or any of its Affiliates (other than the Companies) is a party under which any Company receives material benefits (the "Material Shared Contracts") and (2) all assets owned by Seller or its Affiliates (other than the Companies) which are material to the operation or conduct of the businesses of the Companies.

(ii) Section 3.1(ee)(ii) of the Seller's Disclosure Schedule sets forth a list of (1) any employee of Seller or any of its Affiliates (other than the Companies) who predominantly provides services to the business of any Company and (2) any employee of the Companies who predominantly provides services to the business of Seller or any of its Affiliates (other than the Companies).

(iii) The Companies are in possession of and have valid title to or have a valid leasehold interest in or valid rights under contract to use, all material tangible personal property and assets used as of the date hereof in the conduct of their respective businesses, or shown on the balance sheets included in the Statutory Statements for the quarter ended September 30, 2012, free and clear of all Liens (other than Permitted Liens), except for properties and assets disposed of in the ordinary course of business consistent with past practice since September 30, 2012 or as otherwise contemplated by this Agreement (the "Business Assets").

SECTION 3.2. Representations and Warranties of Buyer. Subject to and as qualified by the matters set forth or, as contemplated by Section 10.3, deemed to be set forth, in correspondingly numbered sections or subsections of the Buyer's Disclosure Schedule delivered by Buyer to Seller on the date hereof the "Buyer's Disclosure Schedule"), Buyer makes the following representations and warranties to Seller as of the date of this Agreement and as of the Closing Date; provided, however, that any representations and warranties that are made as of a specific date or as of the date of this Agreement are made only as of such date:

(a) Organization and Standing. Buyer (a) is an exempted company duly incorporated, validly existing and in good standing under the laws of Bermuda, (b) has all requisite corporate power to operate its business as now conducted and (c) is duly qualified as a foreign corporation to do business, and is in good standing (if applicable), in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, except where failure to so qualify or be in good standing would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to Buyer.

(b) Authority.

(i) Buyer has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement, each other Transaction Document, each Life Business Agreement and each Annuity Business Agreement to which it is a party by Buyer and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer. No action by the stockholders of Buyer is necessary to authorize the execution and delivery by Buyer of this Agreement, any of the other Transaction Documents to which it is a party, any of the Life Business Agreements or Annuity Business Agreements or the consummation by Buyer of the transactions contemplated hereby or thereby. This Agreement and each other Transaction Document to which it is a party have been duly executed and delivered by Buyer and, assuming this Agreement and such other Transaction Documents constitute the valid and binding agreement of Seller and each other party thereto that is not an Affiliate of Buyer, constitute valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(ii) The execution and delivery by any Affiliate of Buyer of each Transaction Document, Life Business Agreement or Annuity Business Agreement to which such Affiliate is or will be a party and the consummation of the transactions contemplated thereby are within the corporate powers, as applicable, of each such Affiliate and have been, or will be, duly authorized by all necessary corporate action on the part of each such Affiliate. As of the Closing Date, each Transaction Document, Life Business Agreement and Annuity Business Agreement to which each such Affiliate will be a party will constitute, assuming such Transaction Documents, Life Business Agreements or Annuity Business Agreements constitute a valid and binding agreement of each other party thereto that is not an Affiliate of Buyer, a valid and binding agreement of each such Affiliate, enforceable against such Affiliate in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(c) Noncontravention; Consents. Except as disclosed in Section 3.2(c) of the Buyer's Disclosure Schedule, the execution and delivery of this Agreement and each other Transaction Document, Life Business Agreement or Annuity Business Agreement to which it is a party do not, and the consummation of the transactions contemplated by this Agreement and such other Transaction Documents, Life Business Agreements or Annuity Business Agreement will not, (i) conflict with any of the provisions of the Organizational Documents of Buyer or the comparable documents of any of its Subsidiaries, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation of, or a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination under, or result in the creation of any Lien on any property or asset of Buyer or any of its Subsidiaries or any acceleration of remedies, penalty or material change in the terms under, or require the consent of any Third Party under, any agreement, permit, license or instrument to which Buyer or any of its Subsidiaries is a party or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to Buyer or any of its Subsidiaries, except, in the case of clauses (ii) and (iii) above, as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect with respect to Buyer. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required by or with respect to Buyer or any of its Affiliates in connection with the execution and delivery of this Agreement by Buyer or any of the other Transaction Documents by Buyer or any of its Affiliates or the consummation by Buyer or its Affiliates of any of the transactions contemplated hereby or thereby, except for (i) the filing required under the HSR Act, (ii) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 3.2(c) of the Buyer's Disclosure Schedule, (iii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 3.2(c) of the Buyer's Disclosure Schedule and (iv) such other consents, approvals or authorizations from, declarations by, filings with, or notices to, any Governmental Entity that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect with respect to Buyer. To the Knowledge of Buyer as of the date hereof, no fact or circumstance exists with respect to Buyer or any of its Affiliates that would render them unable promptly to obtain any approval, authorization or consent of a Governmental Entity to be obtained to consummate the transactions contemplated by this Agreement, any other Transaction Document or any Life Business Agreement or Annuity Business Agreement.

(d) Purchase Not for Distribution. The Transferred Shares to be acquired under the terms of this Agreement will be acquired by Buyer for its own account and not with a view to distribution. Buyer will not resell, transfer, assign, pledge or otherwise dispose of any Transferred Shares, except in compliance with the registration requirements of the Securities Act and any applicable state securities laws, or pursuant to an available exemption therefrom.

(e) Litigation. There is no Action pending or, to the Knowledge of Buyer, threatened in writing against or affecting Buyer or any Affiliate of Buyer that (i) seeks to restrain or enjoin the consummation of any of the transactions contemplated by this Agreement or any of the other Transaction Documents or (ii) would reasonably be expected to impair materially the ability of Buyer to consummate any of the transactions contemplated by this Agreement or any of the other Transaction Documents. Neither Buyer nor any Affiliate of Buyer that is a party to a Transaction Document, nor, to the Knowledge of Buyer, any officer, director or employee of Buyer or any such Affiliate has been permanently or temporarily enjoined or barred by any Government Order from engaging in or continuing any conduct or practice in connection with the business conducted by the Companies or otherwise that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to Buyer.

(f) Brokers. Buyer is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement, any of the other

Transaction Documents, any Life Business Agreement or any Annuity Business Agreement based upon arrangements made by or on behalf of Buyer or any Affiliate.

(g) Financial Ability. (i) Buyer has, and on the Closing Date will have (whether or not any sale of the Companies' life insurance business is consummated or any reinsurance to Annuity Reinsurer is consummated) sufficient funds available to purchase the Transferred Shares on the terms contemplated by this Agreement, to consummate the other transactions contemplated by this Agreement and to pay all associated costs and expenses required to be paid by Buyer or any of its Affiliates. Athene Annuity has, and on the Closing Date will have, sufficient funds available to purchase the ALAC Surplus Notes as contemplated by Section 2.1(a)(v).

(ii) Buyer has delivered to Seller true, correct and complete copies of (A) a commitment letter dated the date hereof from Apollo Principal Holdings III, L.P. in which it has agreed to provide equity financing in the amount set forth therein (the "ACL") and (B) certain redacted subscription agreements, under which certain parties are obligated to purchase an aggregate of $82.14 million of additional equity securities of Buyer (the "Remaining LP Equity Commitments" and, together with the ACL, the "Commitments"). The Commitments are in full force and effect and constitute the legal, valid and binding obligations of Buyer and the other parties thereto and are enforceable against such parties in accordance with their terms. Buyer has no reason to believe that the financing provided for in the Commitments will not be available when drawn.

ARTICLE IV.
COVENANTS

SECTION 4.1. Conduct of Business of the Companies.

(a) Ordinary Course of Business; Preservation and Maintenance. Except as contemplated or expressly permitted by this Agreement or the other Transaction Documents, as required by Applicable Law, as set forth in Section 4.1 of the Seller's Disclosure Schedule or as Buyer otherwise consents in writing in advance, from the date of this Agreement to the Closing, Seller shall cause the Companies to carry on their respective businesses only in the ordinary course of business and, to the extent consistent therewith, use reasonable best efforts to preserve intact their current business organizations and their material relationships with Third Parties (including insureds, Producers, Governmental Entities, suppliers, creditors and others having business dealings with them) and employees. Without limiting the generality of the foregoing, from the date of this Agreement to the Closing, except as contemplated or expressly permitted by this Agreement, as required by Applicable Law or as set forth in Section 4.1 of the Seller's Disclosure Schedule, Seller shall not permit the Companies, without the prior written consent of Buyer (which consent, with respect to paragraphs (i), (ii), (vii), (ix), (xii), (xiii), (xiv), (xv), (xvi)(C) and (xix) (with respect to such specified paragraphs) will not be unreasonably withheld, conditioned or delayed), to:

(i) modify or amend in any material respect or terminate any of the Material Contracts or waive, release or assign any material rights or claims thereunder or enter into any Contract (A) which would, if entered into prior to the date hereof, have been a Material Contract or (B) that is an advisory agreement pursuant to which AINA would provide advisory services, except as otherwise permitted by Section 5.2(c) of the AIA Asset Purchase Agreement;

(ii) other than Investment Assets of an Insurance Company, sell, pledge, exchange, or otherwise dispose of any property or assets for which the aggregate consideration in any individual transaction is in excess of $2,500,000 or in the aggregate in excess of $10,000,000;

(iii) (A) split, combine or reclassify any of the Companies' outstanding capital stock or equity securities or issue or authorize the issuance of any other stock or securities in respect of, in lieu of or in substitution for shares or other interests representing any of the Companies' outstanding capital stock or equity securities, (B) declare, set aside or pay any dividend or distribution on any shares of capital stock or other equity interest, (C) whether directly or indirectly, purchase, redeem or otherwise acquire any shares or other interests representing outstanding capital stock or equity securities of the Companies or any rights, warrants or options to acquire any such shares or interests or (D) amend the Organizational Documents, or adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, of any of the Companies;

(iv) issue, sell, grant, pledge or otherwise encumber any shares or other interests representing the capital stock of or equity interests in the Companies, any other voting securities or any securities convertible into or exchangeable for any such shares or interests, or issue, sell, grant or enter into any subscription, warrant, option, conversion or other right, agreement, commitment, arrangement or understanding of any kind, contingent or otherwise, to purchase or otherwise acquire, any such shares or interests, or any securities convertible into or exchangeable for any such shares or interests;

(v) acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any other Person or substantially all the assets of any other Person;

(vi) increase or decrease, promise, grant or agree to increase, take any action to accelerate the vesting or payment or fund or in any other way secure the payment of, the compensation (including any bonus or other incentive opportunity) or benefits of, or forgive the indebtedness of, any current or former Employee, officer, director, consultant, agent or independent contractor of any of the Companies (other than any compensation paid to an Independent Producer), other than as required by any Company Benefit Plan in force as of the date hereof, or with respect to the top 50 Employees (measured by annual base salary), with the consent of Buyer (which consent may not be unreasonably withheld, conditioned or delayed) or, with respect to all other Employees, in the ordinary course of business consistent with past practice;

(vii) (A) hire, retain, terminate or transfer to any Affiliate (other than as contemplated by the AIA Asset Purchase Agreement and Section 5.1(a)) any Employee, officer, director, or consultant (other than a consultant with twenty (20) or more employees), other than in the ordinary course of business consistent with past practice, (B) enter into any employment, consulting, severance (other than in accordance with any Company Benefit Plan in force as of the date hereof) or other Contract with any Employee, officer, director or consultant (other than a consultant with twenty (20) or more employees), other than an offer of employment or consulting Contract prepared or entered into in the ordinary course of business consistent with past practice that can be terminated by the Companies (1) in the case of an Employee, without notice or cost (other than severance benefits pursuant to a Company Benefit Plan in force as of the date hereof) or (2) in the case of a consultant, upon reasonably short notice and for immaterial cost (other than the continued payment of fees and compensation through the effective date of the termination of such consultant's Contract), (C) adopt, terminate, amend, extend or renew the term or expiration date of (other than pursuant to an existing (as of the date hereof) express auto-renewal provision that does not require any action by Seller or any of its Affiliates to renew or permit renewal), any Company Benefit Plan, other than in connection with an action expressly permitted or contemplated by the terms of this Agreement, or (D) take or omit to take any action with respect to any Employee that creates any notice obligation or any liability in each case under the WARN Act (without regard to any actions or omissions of Buyer);

(viii) (A) make any material change in the accounting, actuarial, investment, reserving, underwriting or claims administration policies, practices or principles of the Companies, except as may be required by IFRS, GAAP, SAP or Applicable Law, (B) change the Investment Guidelines Aviva USA dated December 7, 2012, the Policy for OTTI (AUSA & AINA) effective October 25, 2005, as updated June 19, 2012 or the Aviva USA Investment Policy Statement for the Commercial Mortgage Loans Strategy September 2012 or (C) make any investment not in compliance with such policies;

(ix) other than Investment Assets of an Insurance Company, purchase, lease or otherwise acquire property or assets for which the aggregate consideration paid or payable is, or otherwise make or authorize any capital expenditures that are, in the aggregate, in excess of $10,000,000;

(x) other than incurring additional short-term indebtedness for borrowed money under, and in accordance with the terms of, AUSA's existing bank credit facility to fund ordinary course working capital needs or amounts needed to consummate the transactions contemplated hereby, incur, assume or guarantee any indebtedness for borrowed money or guarantee the obligations of another Person, in each case in excess of $5,000,000;

(xi) other than in connection with the management of Investment Assets of an Insurance Company, make any loans, advances or capital contributions to, or investments in, any other Person, other than to another Company and other than loans and advances to Producers in the ordinary course of business consistent with past practice;

(xii) pay, settle or compromise any Action or threatened Action, except for claims under policies and certificates of insurance within applicable policy limits and other than any settlement or compromise of an Action that involves solely monetary damages not exceeding $2,000,000 individually, or in the aggregate with other Actions arising from the same facts and circumstances or from a series of substantially similar actions taken by the same Third Party or a group of Third Parties acting in concert, in excess of the related policy reserves;

(xiii) make, change or revoke any election (other than a tax election that will not (i) have the effect of reducing Tax Attributes or (ii) materially impact any of the Companies in a Post-Closing Tax Period) related to Taxes, settle or compromise any Tax liability (other than state and local Tax liabilities arising in the ordinary course of business the settlement or compromise of which would not cause a reduction in Tax Attributes), enter into any closing agreement related to Tax (other than closing agreements entered into in the ordinary course of business consistent with past practice that, would not (i) have the effect of reducing Tax Attributes or (ii) materially impact any of the Companies in a Post-Closing Tax Period), consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment, change any taxable period or any Tax accounting method, or, without limiting the generality of the foregoing, engage in any transaction, or otherwise take any action, outside the ordinary course of business that would have the effect of reducing the Tax Attributes of the Companies (including, for the avoidance of doubt, engaging in any transaction (1) in respect of (A) the LILO Interest, (B) the COLI Policies or (C) the Redundant Reserve Financing Transactions) or (2) that would require recognition of income previously deferred);

(xiv) amend in any material respect, extend or terminate any Lease or enter into a new real property lease, sublease, license or other occupancy agreement or acquire any real property or enter any agreement obligating any of the Companies to do the same, in each case other than in connection with the Companies' REO activities in accordance with the Aviva USA Investment Policy Statement for the Commercial Mortgage Loans Strategy September 2012;

(xv) amend in any material respect, extend or terminate any Reinsurance Agreement or enter into a new Reinsurance Agreement;

(xvi) (A) enter into any new line of business, (B) introduce any new products or services, or (C) change in any material respect existing products or services, except as may be required by Applicable Law;

(xvii) modify or amend in any material respect or terminate any of the Intercompany Agreements or Affiliate Agreements or waive, release or assign any material rights or claims thereunder or enter into any Contract which would, if entered into prior to the date hereof, have been an Intercompany Agreement or an Affiliate Agreement;

(xviii) incur any Intercompany Obligations other than in the ordinary course of business consistent with past practice; or

(xix) authorize or enter into a binding agreement to take any of the foregoing actions.

SECTION 4.2. Access to Information; Confidentiality; Public Announcements; Access to Books and Records.

(a) Prior to the Closing Date, Seller shall and shall cause the Companies to afford to Buyer and its Representatives reasonable access upon reasonable notice during normal business hours to all of the properties of the Companies and, during such period, Seller shall and shall cause the Companies to provide to Buyer access to the Books and Records and to furnish such other information that relates to the business, properties, financial condition, operations and senior personnel of the Companies as Buyer may from time to time reasonably request, other than (i) as prohibited by Applicable Law and (ii) any such properties, books, contracts, records and information that are subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to Seller would be impaired by such disclosure. The access afforded pursuant to the foregoing sentence shall be for any reasonable business purpose, including with respect to matters relating to the anticipated integration of the business of the Companies with Buyer and its Affiliates following the Closing, matters relating to personnel evaluation, work relating to purchase accounting under GAAP, information technology systems strategies and potential Third Party administrator analysis. All requests for access or information pursuant to this Section 4.2(a) shall be directed to such Person or Persons as Seller shall designate. Notwithstanding the foregoing, Seller and the Companies will not be required to, and Seller shall use its reasonable best efforts to ensure that it and the Companies do not, prior to the Closing Date, disclose to Buyer, its Representatives or any of its Affiliates, any medical information regarding any Employees or other current or former employees, agents, consultants or independent contractors of any of them, including any "genetic information" within the meaning of the Genetic Information Nondiscrimination Act of 2008 ("GINA"), further including an individual's family medical history except as otherwise permitted by GINA and the Family and Medical Leave Act, the results of an individual's or family member's genetic tests, the fact that an individual or an individual's family member sought or received genetic services, and genetic information of a fetus carried by an individual or an individual's family member or an embryo lawfully held by an individual or family member receiving assistive reproductive services.

(b) Seller will afford Buyer and its Representatives cooperation and assistance in connection with a reserve audit conducted, at Buyer's cost, by an accounting or actuarial firm of national reputation selected by Buyer covering the policy reserves of ALAC, ALACNY and the AUSA Captives. The scope of such audit will comprise a review (by reference to a representative sample of policies, to be selected by Buyer, being not fewer than 200 in number) of (i) the statutory policy reserves for the life business in its entirety, to verify that such reserves have been calculated in all material respects in accordance with SAP with respect to the Insurance Companies and generally accepted actuarial principles applied on a basis consistent with the relevant Company's past practice and (ii) the economic reserves in respect of each AUSA Captive, to verify that such reserves have been calculated in all material respects in accordance with the transaction documents for the financing of such AUSA Captive. The full report and working papers relating to such audit will be made available to Seller no later than forty-five (45) calendar days after Buyer's receipt from ALAC and ALACNY of complete reserve documentation and a seriatim extract that supports the applicable statutory balance sheet as of September 30, 2012. Buyer may take any findings from the foregoing reserve audit into account in its preparation of the Subject Balance Sheets (as defined in Annex C), which nevertheless must be prepared in all events in accordance with Annex C. Any disagreement between Seller and Buyer in relation thereto shall be resolved in accordance with the provisions of Annex C.

(c) Through the Closing Date, Seller shall, and shall cause the Companies to, preserve and maintain the Books and Records in all material respects in the same manner and with the same care that the Books and Records have been maintained prior to the execution of this Agreement. At the Closing, Seller shall, or shall cause its Affiliates to, deliver to Buyer or its designee, or cause the Companies to have possession of, (1) all original corporate records of the Companies, including but not limited to, any such corporate records relating to the Companies' legal existence, stock or other equity ownership and corporate governance and (2) all Permits of the Companies.

(d) Buyer acknowledges that the information provided to it in connection with this Agreement (including, for the avoidance of doubt, any information received by it from any potential Life Reinsurer or from Annuity Reinsurer relating to the Companies) is subject to the Confidentiality Agreement. The Confidentiality Agreement shall terminate at the Closing. If, for any reason, the transactions contemplated by this Agreement and the other Transaction Documents are not consummated, the Confidentiality Agreement shall nonetheless continue in full force and effect in accordance with its terms.

(e) Seller, Buyer and their respective Affiliates shall not make public the terms or conditions of this Agreement or the negotiations relating to this Agreement or any documents referred to herein or the transactions contemplated hereby; provided, however, that the foregoing obligation of Seller, Buyer and their respective Affiliates shall not prohibit disclosure of any such information (1) if required by Applicable Law, stock exchange rules or any Governmental Entity, in which case the party required to make such disclosure shall, if practical, allow the other party a reasonable opportunity to comment on such disclosure in advance of such disclosure, (2) to auditors or ratings agencies; provided, that such auditors or ratings agencies are made aware of the provisions of this Section 4.2(e), (3) to an advisor for the purpose of advising in connection with the transactions contemplated by this Agreement and the other Transaction Documents; provided, further, that such advisor is made aware of the provisions of this Section 4.2(e), (4) by Seller and its Affiliates to custodians, retrocessionaires or investment managers of the Companies or the business of any Company, in order to facilitate the transactions contemplated by this Agreement and the other Transaction Documents, (5) to the extent that the information has been made public by, or with the prior consent of, the other party, (6) in connection with any Action or in any dispute with respect to this Agreement or any other Transaction Document and (7) by Buyer and its Affiliates to any potential Life Reinsurer that has executed a confidentiality agreement with Seller or one of its Affiliates as contemplated by Section 4.28 or to Annuity Reinsurer in connection with the Annuity Business Transaction; provided, that if either party or any of their respective Affiliates becomes legally compelled by Applicable Law, stock exchange rules, any Governmental Entity, deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar judicial or administrative process to disclose such confidential information, such party shall provide the other party with prompt written notice of such requirement prior to such disclosure if practical and, to the extent reasonably practicable, cooperate with such other party and its Affiliates to obtain a protective order or similar remedy to cause such information not to be disclosed. In the event that such protective order or other similar remedy is not obtained, the party compelled to disclose any confidential information shall furnish only that portion of such confidential information that has been legally compelled, and shall exercise its reasonable best efforts to obtain assurance that confidential treatment will be accorded such disclosed information. Buyer shall ensure that any LR Reinsurance Framework Agreement and any AR Reinsurance Framework Agreement will include a confidentiality provision for the benefit of Seller substantially consistent with this Section 4.2(e).

(f) For a period of five years after the Closing, (i) Seller and its Affiliates shall, and shall cause each of their Representatives to, maintain in confidence any written, oral or other confidential information relating to the Companies or the business of any Company or obtained from Buyer or its Affiliates (including the Companies) and (ii) Buyer and its Affiliates shall, and shall cause each of their Representatives to, maintain in confidence any written, oral or other confidential information relating to Seller or its Affiliates (other than the Companies) or the business of any of them, except that the foregoing requirements in clauses (i) and (ii) of this Section 4.2(e) shall not apply to the extent that (1) any such information is or becomes generally available to the public other than as a result of disclosure by Seller or its Affiliates (in the case of clause (i)) or Buyer and its Affiliates (in the case of clause (ii)) or any of their respective Representatives, in violation of this Section 4.2(f), (2) any such information is required by Applicable Law, stock exchange rules, Governmental Order or a Governmental Entity to be disclosed after prior notice has been given to Seller (in the case of clause (i)) or Buyer (in the case of clause (ii)), as applicable (including any report, statement, testimony or other submission to such Governmental Entity), if practical, (3) any such information was or becomes available to Seller or its Affiliates (in the case of clause (i)) or Buyer or its Affiliates (in the case of clause (ii)) on a non-confidential basis and from a source (other than the other party or any Affiliate (including the Companies) or Representative of such other party or its Affiliates) that is not bound by a confidentiality agreement with respect to such information or is not otherwise obligated to keep such information confidential or (4) any such information is reasonably necessary to be disclosed in connection with any Action or in any dispute with respect to this Agreement or any other Transaction Document; provided, that if either party or any of its Affiliates becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar judicial or administrative process to disclose such confidential information, such party shall provide the other party with prompt written notice of such requirement prior to such disclosure if practical and, to the extent reasonably practicable, cooperate with the other party and its Affiliates, at such other party's expense, to obtain a protective order or similar remedy to cause such information not to be disclosed. In the event that such protective order or other similar remedy is not obtained, the party required to make such disclosure or its Affiliates shall furnish only that portion of confidential information that has been legally compelled, and shall exercise its reasonable best efforts to obtain assurance that confidential treatment will be accorded such disclosed information. Each party shall instruct its Affiliates and its and their respective Representatives having access to such confidential information of such obligation of confidentiality. This Section 4.2(f) shall not apply to Confidential Information as defined in the AIA Asset Purchase Agreement, as to which the provisions of such agreement shall apply.

(g) Until the later of the sixth anniversary of the Closing, Buyer shall afford to Seller and its Representatives access, upon reasonable notice at reasonable times during normal business hours and at Seller's expense, to the Books and Records of the Companies and the books, records, officers, employees, auditors and other advisors of the Companies, and provide information with respect to the Companies in a readily accessible form (including financial information in a form consistent with the Companies' historical practice for the preparation of such financial information), to the extent relating to periods prior to the Closing Date and reasonably required by Seller for any litigation (except litigation involving Buyer or its Affiliates), disputes (except disputes involving Buyer or its Affiliates), compliance, financial reporting (including financial audits of historical information), loss reporting, regulatory and accounting matters (including for any such matters related to the Transition Services Agreements), or for any other reasonable business purpose relating to Seller's prior ownership of the Companies, Buyer shall cooperate with Seller and its Representatives to furnish such books and records and information and make available such officers, employees, auditors and other advisors of the Companies; provided that (i) such access does not unreasonably interfere with the conduct of the business of Buyer or the Companies and (ii) such books, records and information are not subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to Buyer would be impaired by such access and (iii) Buyer will not be required to, and Buyer shall use its reasonable best efforts to ensure that it does not, afford access or disclose to Seller, any of its Representatives or any of their respective Affiliates, any medical information regarding any Employees or other current or former employees, agents, consultants or independent contractors of Buyer, the Companies or any of their respective Affiliates, including any "genetic information" within the meaning of GINA, further including an individual's family medical history except as otherwise permitted by GINA and the Family and Medical Leave Act, the results of an individual's or family member's genetic tests, the fact that an individual or an individual's family member sought or received genetic services, and genetic information of a fetus carried by an individual or an individual's family member or an embryo lawfully held by an individual or family member receiving assistive reproductive services. Seller shall, and shall cause its Representatives to, maintain such books, records and information in confidence using the same internal policies used for maintaining confidential information of Seller. Notwithstanding the foregoing, access to records relating to Taxes shall be governed exclusively by Section 8.4. All requests for access or information pursuant to this Section 4.2(g) shall be directed to such Person or Persons as Buyer shall designate. Buyer shall, and shall cause the Companies to, implement an internal process to ensure the deletion of all data relating to Seller or its Affiliates from any computers, hard drives or other similar electronic devices prior to disposing of any such device, and such internal process shall conform in all material respects to the internal process currently in place at the Companies for deletion of data prior to disposition of such devices.

(h) Until the period provided for in Section 4.2(g) has expired, Seller shall afford promptly to Buyer and its Representatives the same access to be provided by Buyer to Seller and its Representatives under Section 4.2(g), upon the same terms and conditions in Section 4.2(g), with respect to any written, oral or other information relating to the Companies, the Transferred Advisory Agreements, the Replaced Advisory Agreements or the business of any Company that Seller has in its possession after the Closing, other than any such information that is included in the Books and Records or is otherwise in the possession of Buyer or the Companies at or after the Closing Date.

(i) Seller shall, and shall cause the Companies to, cooperate with Buyer in Buyer obtaining on or before the Closing Date an update, dated and current as of no earlier than five (5) Business Days prior to the Closing Date, of the information provided to Buyer or scheduled pursuant to Section 3.1(i)(xiv) (it being understood that such update need not itself be scheduled) so that such updated information covers the twelve (12)-month period prior to the date of such update.

(j) Seller shall, and shall cause the Companies to, cooperate with Buyer in Buyer obtaining on or before the Closing Date an update, dated and current as of no earlier than five (5) Business Days prior to the Closing Date, of the information provided to Buyer pursuant to the last sentence of Section 3.1(o)(i) (it being understood that such update need not itself be scheduled).

(k) Any cooperation by Seller or any of the Companies with Buyer's efforts to enter into or consummate an Annuity Business Transaction shall not unreasonably interfere with the operation of the business of the Companies.

SECTION 4.3. Reasonable Best Efforts. Upon the terms and subject to the conditions and other agreements set forth in this Agreement, each of Buyer and Seller (1) shall use its reasonable best efforts to take, or cause to be taken, all further actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated by this Agreement and the other Transaction Documents, including payment of the Extraordinary Distribution and (2) not in limitation of any other provision of this Agreement, shall use their respective reasonable best efforts to cause all the conditions to the obligations of the parties to consummate the transactions contemplated by this Agreement to be met as soon as reasonably practicable.

SECTION 4.4. Governmental Consents, Approvals and Filings.

(a) Seller and Buyer shall each use, and shall cause their respective Affiliates to use, their reasonable best efforts, and shall cooperate (and cause their respective Affiliates to cooperate) fully with each other (i) to comply as promptly as practicable with all governmental requirements applicable to the transactions contemplated by this Agreement or any other Transaction Document and (ii) to obtain as promptly as practicable all necessary permits, orders or other consents, approvals or authorizations of Governmental Entities necessary in connection with the consummation of the transactions contemplated by this Agreement or any other Transaction Document. For the avoidance of doubt, Buyer's reasonable best efforts as used in the foregoing sentence shall include filing, or causing the filing, of disclaimers of control or similar filings as requested by a Governmental Entity or as otherwise required by Applicable Law, in respect of any Person that is not an Affiliate of Buyer but which may otherwise be deemed by a Governmental Entity to be a controlling Person of the Insurance Companies upon consummation of the Closing absent such filing and approval or non-disapproval thereof. In connection therewith, Seller and Buyer shall make and cause their respective Affiliates to make all legally required filings as promptly as practicable in order to facilitate prompt consummation of the transactions contemplated by this Agreement or any other Transaction Document, shall provide and shall cause their respective Affiliates to provide such information and communications to Governmental Entities as such Governmental Entities may request, shall take and shall cause their respective Affiliates to take all steps that are necessary, proper or advisable to avoid any Action by any Governmental Entity with respect to the transactions contemplated by this Agreement or any other Transaction Document, shall defend or contest in good faith any Action by any Third Party (including any Governmental Entity), whether judicial or administrative, challenging this Agreement, any of the other Transaction Documents or the transactions contemplated hereby or thereby, or that could otherwise prevent, impede, interfere with, hinder or delay in any material respect the consummation of the transactions contemplated hereby or thereby, including by using its reasonable best efforts to have vacated or reversed any stay or temporary restraining order entered with respect to the transactions contemplated by this Agreement or any other Transaction Document by any Governmental Entity. Each of Seller and Buyer shall not (and shall cause its Affiliates not to) take or cause to be taken any action that, to its knowledge, would be reasonably likely to materially delay or impair the receipt of any such permits, orders or other consents from a Governmental Entity. Notwithstanding anything to the contrary contained in this Agreement, whether in this Section 4.4(a), Section 4.3 or otherwise, neither Seller nor Buyer shall be obligated to take or refrain from taking or to agree to it, its Affiliates or any Company taking or refraining from any action if taking or refraining from taking such action, as applicable, would, or to suffer to exist any condition, limitation, restriction or requirement that, individually or in the aggregate with any other actions, conditions, limitations, restrictions or requirements would, or would reasonably be expected to, result in a Burdensome Condition. As used herein, "Burdensome Condition" means any condition that, to the extent it cannot be mitigated through the Resolution Process, (A) with respect to Seller, (1) is imposed in connection with the CMA Restructuring and results in a severe impairment of the aggregate economic benefits that as of the date hereof Seller and its Subsidiaries, taken as a whole, reasonably expect to obtain from the transactions contemplated hereby, or (2) is otherwise imposed in connection with the transactions contemplated by this Agreement (other than the CMA Restructuring) and results in an adverse effect on the aggregate economic benefits that as of the date hereof Seller and its Subsidiaries, taken as a whole, reasonably expect to obtain from the transactions contemplated by this Agreement or (B) with respect to Buyer, (1) results in a severe impairment of the aggregate economic benefits that as of the date hereof Buyer and its Affiliates, taken as a whole, reasonably expect to obtain from the transactions contemplated by this Agreement, (2) requires that Buyer sell, transfer or divest to a Third Party any insurance company owned by Buyer or any of the Insurance Companies, or any substantial portion of the assets or liabilities of any such insurance company or any of the Insurance

Companies (in each case other than a sale in accordance with Buyer's Form A filings of the Companies' life insurance business to Life Reinsurer and the cession of less than a majority of the Companies' annuities business to Annuity Reinsurer or another Third Party) or (3) results in the loss, disallowance or expiration of any of the permitted accounting, actuarial or reporting practices of an Insurance Company identified on Schedule 4.4(B)(3); it being understood that no condition imposed in connection with any sale or reinsurance of all or part of the Life Business or of any portion of the Companies' annuities business to Annuity Reinsurer proposed by Buyer shall, individually or in the aggregate, constitute a "Burdensome Condition." For the avoidance of doubt, Seller and Buyer shall each be obligated to take or refrain from taking, to cause its Affiliates to take or refrain from taking or to agree to it, its Affiliates or any Company taking or refraining from, any action imposed or requested by a Governmental Entity in connection with obtaining any permit, order or consent of such Governmental Entity in connection with the transactions contemplated hereby, if taking and refraining from taking such action, as applicable, would not, and to suffer to exist and cause its Affiliates to suffer to exist any condition, limitation, restriction or requirement that would not, result in a Burdensome Condition.

(b) Without limiting the generality of the foregoing, as promptly as practicable after the date hereof each party shall make (and shall cause its respective Affiliates to make) all filings and notifications with all Governmental Entities that may be or become reasonably necessary, proper or advisable for the execution and delivery of, and the performance of the obligations pursuant to, and the consummation of the transactions contemplated by, this Agreement and the other Transaction Documents, including (1) subject to Section 4.4(d), Buyer causing "Form A" or similar change of control applications to be filed in each jurisdiction where required by applicable insurance laws with respect to the transactions contemplated by this Agreement and the other Transaction Documents, (2) Seller and Buyer each causing to be made an appropriate filing of a notification and report form pursuant to the HSR Act (which filing, including the exhibits thereto, notwithstanding anything contained herein to the contrary, need not be shared or otherwise disclosed to the other party) with respect to the transactions contemplated by this Agreement and the other Transaction Documents, (3) promptly following the filings required by clause (1) above, Seller causing ALAC to request approval for payment of the Extraordinary Distribution, (4) Seller and Buyer each making any other filing that may be required under any other antitrust or competition law or by any Governmental Entity with jurisdiction over enforcement of any applicable antitrust or competition laws and (5) Seller and Buyer each causing to be made any other filing that may be required under any insurance or financial services law, federal law governing broker-dealers or similar Applicable Law or by any Governmental Entity with jurisdiction over enforcement of any applicable insurance, financial services or similar law, including those listed in Sections 3.1(e) of the Seller's Disclosure Schedule or 3.2(c) of the Buyer's Disclosure Schedule. Buyer shall ensure that such filings and requests for approval to be made by Buyer or its Affiliates as contemplated by the previous sentence, unless otherwise required by the applicable Governmental Entity or consented to in writing by Seller, be consistent with the points set forth on Annex D. Buyer and Seller shall as promptly as reasonably practicable make any and all other filings and submissions of information and documentary materials with such Governmental Entities which are required or requested by such Governmental Entities in order to obtain the approvals required by such Governmental Entities to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Buyer shall have responsibility for the filing fees associated with any "Form A" or similar change of control application and any filings associated with the Pre-

Closing Transactions; subject to the foregoing and to Section 4.22, Seller and Buyer shall have responsibility for their other respective filing fees associated with any other required filings, except that Seller and Buyer shall have equal responsibility for the filing fees associated with the HSR Act filing.

(c) Subject to Applicable Laws relating to the sharing of information, each of Seller and Buyer shall promptly notify each other of any communication it receives from any Governmental Entity relating to the matters that are the subject of this Agreement, any of the other Transaction Documents, any Life Business Agreement or Annuity Business Agreement and, to the extent practicable, permit the other party to review in advance, and consider in good faith the views of the other party in connection with, any proposed material communication to any Governmental Entity in connection with the transactions contemplated hereby or thereby, and promptly provide each other with true and complete copies of all correspondence, filings or written communications between such Party or any of its Representatives, on the one hand, and any Governmental Entity or members of the staff of any Governmental Entity, on the other hand. Prior to submitting any substantive letter, filing or other written communication with any Governmental Entity relating to the matters that are the subject of this Agreement, the other Transaction Documents, the Life Business Agreements and the Annuity Business Agreements, each party shall allow the other party, to the extent practicable, not less than three Business Days to review and provide comments on a draft of such written communication in advance of submitting such written communication to such Governmental Entity. Neither party shall participate, agree to participate or permit its Representatives to participate or agree to participate, in any substantive in-person or telephonic meeting or hearing with any Governmental Entity relating to the matters that are the subject of this Agreement unless it consults with the other party in advance and, to the extent permitted by the applicable Governmental Entity, gives the other Party the opportunity to attend and participate in any such meeting or hearing. Subject to the Confidentiality Agreement, Seller and Buyer shall coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing (including in seeking early termination of any applicable waiting periods under the HSR Act); provided, however, that neither party nor any of their respective Affiliates shall be required (1) to disclose any information that in the reasonable judgment of such party would (x) result in the disclosure of any trade secrets of Third Parties or (y) violate any of its contractual obligations or obligations with respect to confidentiality owing to Third Parties (other than Life Reinsurer (if a Third Party) and Annuity Reinsurer) or (2) to disclose any privileged information or confidential competitive information. Neither party shall be required to comply with any of the foregoing provisions of this Section 4.4(c) to the extent that such compliance would be prohibited by Applicable Law.

(d) Buyer shall use its reasonable best efforts to enter into an LR Reinsurance Framework Agreement, as soon as practicable after the date hereof and, in connection therewith, Seller shall cooperate with Buyer in such efforts as and to the extent contemplated by Section 4.28. Buyer shall keep Seller reasonably informed on an ongoing basis of, and all material developments with respect to, any discussions or negotiations with an Annuity Reinsurer and with potential Life Reinsurers. Buyer shall cause the applications described in clause (1) of Section 4.4(b) to be filed with the applicable Governmental Entities on or prior to the earliest of (i) the date that is 15 Business Days after the date on which Buyer or any of its Affiliates enters into an LR Reinsurance Framework Agreement with a Life Reinsurer, (ii) the date that is 15

Business Days after the date on which Buyer ceases to use its reasonable best efforts to enter into an LR Reinsurance Framework Agreement with a Third Party reinsurer and (iii) March 31, 2013; provided that the date specified in this clause (iii) may be extended to April 30, 2013 with the consent of Seller, which consent may not be unreasonably withheld, conditioned or delayed if Buyer is engaged in ongoing discussions with a potential Third Party Life Reinsurer that are reasonably likely to lead to the execution by Buyer and such potential Life Reinsurer of an LR Reinsurance Framework Agreement, and the filing of such applications, on or prior to April 30, 2013. The date on which the last of such applications is filed with the applicable Governmental Entities is referred to herein as the "Filing Date." If such applications are made with such Governmental Entities at a time when Buyer has not entered into an LR Reinsurance Framework Agreement or has not entered into an AR Reinsurance Framework Agreement, then Buyer shall not, and shall cause its Affiliates not to, make any filing with or proposal to any Governmental Entity with respect to any Life Business Transaction or any aspect thereof, or any Annuity Business Transaction or any aspect thereof, as applicable, until after the Closing. In the event that it becomes reasonably apparent that the Iowa Insurance Division or any other applicable Governmental Entity will not grant its approval to the transactions contemplated hereby in whole or in part due to any facts related to the Life Business Transaction or Annuity Business Transaction, then Buyer shall, upon the written request of Seller, abandon the Life Business Transaction or the Annuity Business Transaction, as applicable, promptly submit any new or amended filings, applications or other documents with the applicable Governmental Entities to exclude any Life Business Transaction or the Annuity Business Transaction, as applicable, from the applications and other filings it previously submitted to such Governmental Entities in connection with the transactions contemplated by this Agreement and use its reasonable best efforts to promptly consummate the transactions contemplated by this Agreement.

SECTION 4.5. Other Third Party Consents; Shared Contracts.

(a) Seller and Buyer shall use their reasonable best efforts to obtain any consents, waivers and approvals of Third Parties (other than Governmental Entities) and make any other notifications that may be required in connection with the transactions contemplated by this Agreement and the other Transaction Documents; provided, that, except as otherwise provided in the Transition Services Agreements, Buyer shall be responsible for all out-of-pocket costs (including any license or other fees and expenses) associated with obtaining any such consents, approvals or waivers; provided that Seller must obtain Buyer's prior written consent before incurring any out-of-pocket costs which are expected to exceed $20,000. Seller's reasonable best efforts shall include encouraging Third Parties with which it has existing relationships at AUSA and the wider Seller group level to expedite obtaining such approval and to minimize such out-of-pocket costs. Each party shall promptly advise the other party of any communication that causes such party to believe that there is a reasonable likelihood that any such consent or approval will not be obtained or that the receipt of such consent or approval will be materially delayed or conditioned.

(b) Seller shall identify and cause its Affiliates to identify all Material Shared Contracts and other Contracts to which Seller or any of its Affiliates (other than the Companies) is a party and that are necessary for the operation of the Companies' business (collectively, "Shared Contracts"), and Seller shall cooperate and cause its Affiliates to cooperate with Buyer in the development of a plan to enable Buyer, its designated Affiliate or Life Reinsurer to receive such benefits or replacements therefor. Upon Buyer's request to Seller, Seller and Buyer shall each use its reasonable best efforts to cause the counterparties to such Shared Contracts to (a) enter into new Contracts with Buyer, its designated Affiliate or Life Reinsurer, as applicable, to receive the applicable benefits and (b) transfer to such new Contracts (or such existing Contracts between Buyer or one of its Affiliates, on the one hand, and the counterparty to such Contract, on the other hand) the benefit of any pre-paid expenses or other amounts under such Shared Contracts that are allocable to the Companies. If the parties are not able to obtain any such new Contract with a counterparty prior to Closing, then: (i) Seller and Buyer shall and shall cause their respective Affiliates to use their reasonable best efforts to secure an arrangement reasonably satisfactory to both parties under which the Companies would, in compliance with Applicable Law, obtain the benefits associated with the applicable Shared Contracts, which arrangement may include Seller and its Affiliates providing the Companies with such benefits for a transitional period reasonably acceptable to both parties pursuant to the Transition Services Agreements; and (ii) the parties will (A) for a period of three months after Closing use their reasonable best efforts to cause the applicable counterparty to such Shared Contract to enter into a new Contract with Buyer, its designated Affiliate or the Life Reinsurer, as applicable, to receive the applicable benefits and (B) for a period of six months after Closing use their reasonable best efforts to cause the applicable counterparty to such Shared Contract to transfer to such new Contract (or such existing Contracts between Buyer or one of its Affiliates and the counterparty to such Contract) the benefit of any pre-paid expenses or other amounts under such Shared Contract that are allocable to the Companies. Buyer shall be responsible for any fees or other expense paid to Third Parties in connection with the actions contemplated by this Section 4.5(b); provided, however, that the foregoing shall not relieve Seller of its obligation to use reasonable best efforts with respect to pre-paid expenses or other amounts, as set forth in this Section 4.5(b)(ii)(B), and shall not require Buyer to convey the benefit of such pre-paid amount to Seller or its Affiliates, or otherwise to reimburse such amount.

SECTION 4.6. Delivery of Financial Information. As soon as practicable, but in any event within 47 days following the end of each calendar quarter that is not a year-end that is completed prior to the Closing Date, commencing with the quarter ended March 31, 2013, Seller shall cause to be delivered to Buyer the unaudited quarterly financial statements of each Insurance Company as of and for the end of such quarter prepared in accordance with SAP and required to be filed with the Insurance Regulators. As soon as practicable, but in any event within 62 days following the end of each calendar year that is completed prior to the Closing Date, commencing with the year ended December 31, 2012, Seller shall cause to be delivered to Buyer the annual statutory financial statements of each Insurance Company as of and for the end of such year prepared in accordance with SAP and required to be filed with the Insurance Regulators. As soon as practicable, but in any event on or prior to June 1st following each calendar year that is completed prior to the Closing Date, commencing with the calendar year ended December 31, 2012, if the Closing has not yet occurred, Seller shall cause to be delivered to Buyer a true and complete copy of the Insurance Companies' audited annual statutory financial statements as of and for the end of such year together with the report of the Insurance Companies' independent certified public accountant with respect thereto.

SECTION 4.7. Investment Assets. AUSA shall, or shall cause its applicable Subsidiaries to, deliver to Buyer, on a weekly basis, a summary report of (i) all transaction activity and other significant events with respect to the Investment Assets and (ii) the cash management strategy and activities of AUSA and its Subsidiaries, in each case in form and substance as such weekly or similar reports have historically been prepared by the Companies in the ordinary course of business consistent with past practice. From and after the date hereof until the Closing, AUSA shall cause the applicable executives or managers having primary responsibility for the matters set forth in the foregoing clauses (i) and (ii) to consult with Representatives of Buyer as reasonably requested by Buyer, not to exceed once per week, with respect to such matters, including future planned or potential purchases and sales of Investment Assets and the treatment of any impaired or potentially impaired Investment Assets. In such meetings with management, Buyer or its Representative may make recommendations to AUSA with respect to such matters.

SECTION 4.8. Certain Securities. Prior to the Closing, AUSA shall cause ALAC to sell its Morgan Stanley Managed ACES securities in exchange for cash.

SECTION 4.9. Ancillary Agreements. Upon the terms and subject to the conditions in this Agreement, at the Closing, Buyer shall and shall cause its relevant Affiliates to, and Seller shall and shall cause its relevant Affiliates (including any Company) to, enter into each of the Ancillary Agreements and to consummate the transactions described in Section 2.1(a).

SECTION 4.10. Intercompany Agreements.

(a) Except as set forth in Section 4.10(a) of the Seller's Disclosure Schedule, Seller shall, and shall cause its Affiliates to, take all actions as may be necessary (including executing one or more instruments evidencing such termination and one or more releases, in each case, in form and substance reasonably satisfactory to Buyer) prior to or concurrent with the Closing to terminate the Companies' participation in, and to procure mutual releases of the Companies, on the one hand, and Seller and its Affiliates on the other hand, from any and all liabilities to each other arising in connection with (1) all Material Shared Contracts and (2) all Intercompany Agreements, after giving effect to Section 4.10(b); provided, however, that this Section 4.10(a) shall not apply to any Intercompany Agreement set forth in Section 4.10(a) of the Seller's Disclosure Schedule. At the Closing, Seller shall provide evidence of the termination and release of, and indemnification for, of any and all liabilities, including liabilities to any Third Party, of the Companies with respect to, the Intercompany Agreements (other than any Intercompany Agreement set forth in Section 4.10(a) of the Seller's Disclosure Schedule), in form and substance reasonably satisfactory to Buyer.

(b) Seller shall, and shall cause its Affiliates to, take all actions as may be necessary (including executing one or more releases in form and substance reasonably satisfactory to Buyer) so that, immediately prior to the Closing, the Companies, on the one hand, and Seller and its Affiliates (other than the Companies), on the other hand, shall settle, discharge, offset, pay, repay in full, terminate or extinguish all Intercompany Obligations, regardless of their maturity, for the amount due, including any accrued and unpaid interest to but excluding the date of payment, fees and other amounts due or outstanding thereunder; provided, however, that this Section 4.10(b) shall not apply to the Intercompany Loans (which shall be repaid as part of the Closing as set forth in Section 2.1) or to any Intercompany Obligations (1) set forth in Section 4.10(a) of the Seller's Disclosure Schedule or (2) arising under any Intercompany

Agreement set forth in Section 4.10(a) of the Seller's Disclosure Schedule; and provided, further, that if each such item is not paid in full in cash, the method of discharge must be satisfactory to Buyer in Buyer's sole discretion.

(c) Seller shall cause the actions contemplated by the AINA Loan Restructuring Steps Plan to be effected prior to the Closing.

SECTION 4.11. Use of Names.

(a) Prior to or at the Closing, the Companies shall transfer any and all right, title or interest, including all associated goodwill, which any of them may have in or to the names, trademarks and service marks set forth on Section 4.11(a) of the Seller's Disclosure Schedule or any name, trademark, service mark, acronym or logo based on or incorporating any of such names, trademarks or service marks (collectively, the "Seller Trademarks"), or any Internet domain name containing all or a portion of a Seller Trademark or set forth on Section 4.11(a) of the Seller's Disclosure Schedule, to Seller or as Seller may direct. Prior to or at the Closing, Seller or an Affiliate of Seller shall enter into a royalty-free license agreement with the Companies in the form attached hereto as Exhibit C (the "Trademark License Agreement"). Buyer shall, within the time period set forth in the Trademark License Agreement, cause each Company to change its name to a name that does not include any Seller Trademark or any confusingly similar name or derivative thereof.

(b) Except as otherwise provided in the Trademark License Agreement, (i) following the Closing Date, Buyer shall cause the Companies promptly to cease and discontinue any and all uses of the Seller Trademarks, whether or not in combination with other words, symbols or other distinctive or non-distinctive elements, and all trade, corporate or business names, trademarks, tag-lines, identifying logos, trade dress, monograms, slogans, service marks, domain names, brand names and other name or source identifiers that are derivations, translations, adaptations, combinations or variations of the Seller Trademarks or embodying any of the foregoing whether or not in combination with other words, symbols or other distinctive or non-distinctive elements and (ii) Buyer, for itself and its Affiliates, agrees that any and all rights of the Companies to the Seller Trademarks, including any such rights licensed to the Companies pursuant to any agreements or other arrangements, whether written or oral, with Seller or its Affiliates, shall terminate on the Closing Date without recourse by Buyer or the Companies. Neither Buyer nor any of its Affiliates shall seek to register in any jurisdiction any trade, corporate or business name, trademark, tag-line, identifying logo, trade dress, monogram, slogan, service mark, domain name, brand name or other name or source identifier that is a derivation, translation, adaptation, combination or variation of the Seller Trademarks.

(c) Beginning at the time that Buyer notifies Seller of the Trademarks of Buyer and/or Life Reinsurer to which it will transition after the Closing Date, Seller shall, and shall cause each of its Affiliates to, use its reasonable best efforts to prepare the Companies to transition from the use of the Seller Trademarks to such Trademarks designated by Buyer, including: (i) cooperating in the identification of all forms, documents, marketing materials, signage, websites and other materials using the brand and name, and identifying changes that may be necessary to administrative, print and other systems; and (ii) cooperation in preparing state filings; provided that (1) Buyer shall compensate Seller for reasonable fees, costs or other expenses payable by Seller or its Affiliates to any Third Parties that are related directly to such actions, to the extent such actions would not, absent the pendency of the transactions contemplated by this Agreement, otherwise have been performed by Seller or its Affiliates; and (2) such actions shall not unreasonably interfere with the operation of the Companies' business. In any event, Seller and its Affiliates shall, prior to Closing, remove the term "Aviva Investors" from all marketing, advertising, promotional or branding materials of the Companies intended to be provided to Third Parties, other than use solely to identify the legal name of a Company; provided that Buyer designates the Trademarks and other necessary branding information concerning the brand to which the Companies will transition after the Closing Date by a date that is at least six weeks prior to the Closing Date. For the avoidance of doubt, nothing herein shall grant Seller or any of its Affiliates a license or any other right to any Trademark of Buyer, its Affiliates or any Life Reinsurer.

SECTION 4.12. Further Assurances. Seller and Buyer agree, and Seller, prior to the Closing, and Buyer, after the Closing, each agrees to cause the Companies, to use their reasonable best efforts to execute and deliver, at no cost to the other party, such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 4.13. Notice of Certain Events.

(a) Each party shall give prompt written notice to the other party of (a) the occurrence, or failure to occur, of any event or the existence of any condition that has caused or would reasonably be likely to cause any of its representations or warranties contained in this Agreement to be inaccurate or breached in any material respect at any time from and after the date of this Agreement, up to and including the Closing Date, (b) any notice or other communication received by such party from any Governmental Entity or Third Party in connection with the transactions contemplated under this Agreement or the other Transaction Documents or the transactions contemplated by the Life Business Agreements or Annuity Business Agreements, (c) any Action commenced or, to the Knowledge of Seller or Buyer, as applicable, threatened, relating to or involving the Companies or in respect of this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby or the transactions contemplated by the Life Business Agreements or Annuity Business Agreements and (d) any failure on its part to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement.

(b) From the date hereof through the Closing Date, each of Seller and Buyer shall notify the other of any event or change that has resulted in or would reasonably be expected to have, in the case of Seller, a Material Adverse Effect with respect to Seller or the Companies and, in the case of Buyer, a Material Adverse Effect with respect to Buyer.

(c) Notwithstanding the foregoing, neither Seller nor Buyer shall have any liability for any breach or alleged breach of this Section 4.13, and the failure of Seller or Buyer to comply with the terms of this Section 4.13, in and of itself, shall not cause the failure of the condition set forth in Sections 6.2(b) or 6.3(b), as applicable. Any notification delivered pursuant to this Section 4.13 will be subject to the terms of Section 7.3(d).

SECTION 4.14. D&O Liabilities. For a period of six (6) years after the Closing Date and, with respect to any claims made prior to the end of such six-year period with respect to which any D&O Indemnified Person may be entitled to indemnification or expense reimbursement from any Company under Applicable Law or such Company's Organizational Document, for such longer period as such claim may remain pending, Buyer and Seller shall not, and shall cause the Companies (in the case of Buyer) or Seller's Affiliates (in the case of Seller) not to, take any steps that would reasonably be expected to affect adversely the rights of any individual who served as a director or officer of any of the Companies at any time prior to the Closing Date (each, a "D&O Indemnified Person") to be indemnified, either under Applicable Law (to the extent not inconsistent with the Organizational Documents) or the Organizational Documents of the Companies as they existed prior to the Closing Date, against any costs or expenses (including attorneys' fees and expenses of investigation, defense and ongoing monitoring), judgments, penalties, fines, losses, charges, demands, actions, suits, proceedings, settlements, assessments, deficiencies, Taxes, interest, obligations, damages, liabilities or amounts paid in settlement incurred in connection with any claim, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Closing Date and relating to the fact that the D&O Indemnified Person was a director or officer of a Company, whether asserted or claimed prior to, at or after the Closing Date.

SECTION 4.15. Guaranties.

(a) From and after the date of this Agreement, the parties shall use their respective reasonable best efforts to obtain, on or prior to the Closing, the termination of, and full release of Seller and its Affiliates (other than the Companies) from, the Seller Guaranties. For the avoidance of doubt, (i) such efforts shall include an offer by Buyer to substitute its own obligations effective as of the Closing for those of Seller and its Affiliates (other than any of the Companies) on no less favorable terms to Buyer, AUSA or their respective Affiliates, as applicable, than those that exist as of the date hereof under the Seller Guaranties or the transactions to which the Seller Guaranties relate and (ii) if and to the extent that the parties are unable to obtain the full release contemplated by the first sentence of this Section 4.15(a) before the Closing, the parties shall, for a period of one year after the Closing, continue to use their respective reasonable best efforts to obtain such full release. From and after the Closing, Buyer shall indemnify and hold harmless Seller and each such Affiliate from and against any and all liabilities, costs, expenses or obligations (including any attorneys' fees) under or in respect of the Seller Guaranties whether or not a termination thereof and release with respect thereto has been obtained pursuant to this Section 4.15(a). Seller shall reimburse Buyer and its Affiliates for all costs and expenses incurred in connection with effecting such terminations and releases that are approved in advance by Seller, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) From and after the Closing, Seller shall indemnify and hold harmless ALAC from and against any and all liabilities, costs, expenses or obligations (including any attorneys' fees) under or in respect of the guaranty identified in Section 4.15(b) of the Seller's Disclosure Schedule.

SECTION 4.16. Seller Employees. Immediately prior to the Closing Date, Seller shall cause each of Seller's employees to cease being paid through the payroll systems of the Companies.

SECTION 4.17. Noncompetition.

(a) Except as contemplated by this Agreement or the other Transaction Documents, from the Closing until the second (2nd) anniversary of the Closing Date (the "Non-Compete Period"), Seller agrees not to, and shall cause each of its controlled Affiliates not to, directly or indirectly, engage, as a principal or jointly with others or otherwise, in the business of writing, issuing or selling any annuity or life products within the United States (a "Competing Business") or grant any Third Party a license to use any Trademark using the term "Aviva" or any derivation thereof in connection with conducting any Competing Business.

(b) Notwithstanding anything to the contrary set forth in Section 4.17(a), and without implication that the following activities otherwise would be subject to the provisions of this Section 4.17, nothing in this Agreement shall preclude, prohibit or restrict Seller from engaging, or require Seller to cause any of its controlled Affiliates not to engage, in any manner in any of the following:

(i) making investments in the ordinary course of business, including in a general or separate account of an insurance company, in Persons engaging in a Competing Business; provided, that each such investment is a passive investment where Seller or such Affiliate of Seller: (A) does not have the right to designate a majority of the members of the board of directors or other governing body of such entity or to otherwise direct the operation or management of any such entity, (B) is not a participant with any other Person in any group (as such term is used in Regulation 13D of the Exchange Act) with such intention or right, and (C) owns less than 10% of the outstanding voting securities (including convertible securities) of such entity, excluding any investment held in a separate account of any insurance company or in any portfolio managed for or on behalf of a Third Party;

(ii) selling any of its assets or businesses to a Person engaged in lines of business that compete with the Competing Business; provided, that Seller does not sell, transfer or license any Trademark using the term "Aviva" or any derivation thereof to such Person for use in connection with such Person's Competing Business;

(iii) engaging in any activity that does not constitute the business of insurance in the applicable jurisdiction; or

(iv) acquiring any assets, or acquiring, merging or combining with any Person, that would cause Seller and its controlled Affiliates (as then constituted) to violate this Section 4.17 after the Closing Date (an "After-Acquired Business");

provided that, either (A) at the time of such acquisition, merger or combination, the revenues derived from the Competing Business by the After-Acquired Business (the "Competing After-Acquired Revenues") constitute no more than 20% of the gross revenues of the After-Acquired Business (for the avoidance of doubt, including the revenues of all Persons directly or indirectly acquired as a result of such acquisition, merger or combination) in the most recently completed fiscal year immediately prior to the date of such acquisition, merger or combination (the "Aggregate After-Acquired Revenues"), or (B) if at the time of such acquisition, merger or combination, the Competing After-Acquired Revenues constitute more than 20% of the Aggregate After-Acquired Revenues then, within one (1) year after such acquisition, merger or combination, (x) Seller or such Affiliate of Seller signs a definitive agreement to dispose, and subsequently disposes of, the relevant portion of the business or securities of such After-Acquired Business, (y) Seller or such Affiliate of Seller otherwise modifies the After-Acquired Business such that the Competing After-Acquired Revenues constitute not more than 20% of the Aggregate After-Acquired Revenues, or (C) the business of such After-Acquired Business otherwise complies with this Section 4.17; in each case, only if any Trademark using the term "Aviva" or any derivation thereof are not used during the Non-Compete Period in connection with the portion of such After-Acquired Business that is the Competing Business.

SECTION 4.18. Non-Solicitation.

(a) During the Non-Compete Period, Seller shall not, and shall cause its controlled Affiliates not to, directly or indirectly, solicit for employment or hire any Person who is at the Closing employed by the Companies at the Closing; provided, however, that nothing in this Section 4.18(a) shall prohibit Seller or any of its Affiliates from (a) engaging in general advertising or (b) soliciting for employment or hiring any Person who is employed by the Companies at the Closing (i) who contacts Seller or any of its Affiliates on his or her own initiative without direct solicitation or only as a result of a general solicitation to the public or general advertising, (ii) whose employment has been terminated by the Companies, or, as applicable, Life Reinsurer, Annuity Reinsurer or any of their respective Affiliates, (iii) who voluntary left his or her employment by the Companies, Life Reinsurer, Annuity Reinsurer or any of their respective Affiliates more than six months prior to the time of such employment or hire by Seller or any of its Subsidiaries. For the avoidance of doubt, the restrictions in this Section 4.18(a) do not apply with respect to any of Seller's employees referred to in Section 4.16.

(b) During the Non-Compete Period, Seller shall not, and shall cause its controlled Affiliates not to, directly or indirectly, specifically target holders of Insurance Contracts for the purpose of selling any life insurance or annuity product; provided, however, that nothing in this Section 4.18(b) shall prohibit Seller or any of its Affiliates from engaging in general advertising.

(c) Buyer agrees that during the Non-Compete Period, it shall not, and it shall cause its Affiliates not to, solicit any client under an Excluded Advisory Agreement for investment advisory services relating to the Transferred Strategies (as defined in the AIA Asset

Purchase Agreement). This Section 4.18(c) shall not apply to any Affiliate of Buyer that is not a Subsidiary of Buyer and does not use or review any AIA Confidential Information (as defined in the AIA Asset Purchase Agreement) in connection with any such solicitation.

SECTION 4.19. AXXX Reserve Facilities.

(a) From the date hereof to the Closing Date, Seller shall, and shall cause its Affiliates to, use reasonable best efforts to cooperate in Buyer's and any potential Life Reinsurer's efforts to negotiate with the Companies' counterparties under their existing Redundant Reserve Financing Transactions (the "Specified Lenders") the establishment of similar financing arrangements with such Life Reinsurer (each, a "Replacement Facility"), including by providing strong continuing support at Seller's senior management levels to encourage the cooperation of the Specified Lenders and to seek to minimize termination or breakage fees or other ancillary costs payable to the Specified Lenders. Except in connection with the transactions contemplated by Section 4.19(b) and 4.30, Seller and Buyer shall each be responsible for 50% of any early termination or breakage fees or other ancillary costs payable to the Specified Lenders by Seller and its Subsidiaries, including the Companies, with respect to the termination of the Contracts in respect of such Redundant Reserve Financing Transactions; provided that the maximum aggregate liability of Seller under this Section 4.19(a) shall not exceed $5,000,000.

(b) Buyer may, after the date hereof, submit to Seller a proposal that sets forth in reasonable detail the changes it would propose to make to the existing Contract between a AUSA Captive and Swiss Reinsurance Company Ltd or one of its Affiliates ("Swiss Re") to remove one provision thereof previously discussed by Seller and Buyer relating to events of default under such Contract, which proposal shall include revisions to other terms of such Contract to make them more favorable to Swiss Re than the current terms so as to create an incentive for Swiss Re to accept such proposal. If Seller in its reasonable judgment believes that such proposal is one that Swiss Re would accept, then Buyer and Seller shall confirm to each other in writing the terms of such proposal and that such proposal has been agreed upon by Buyer and Seller (such agreed proposal, an "Acceptable Proposal"). Seller and Buyer shall each be responsible for 50% of any early termination or breakage fees or other ancillary costs payable to Swiss Re with respect to the termination of such Contract if such termination occurs in connection with a refusal by Swiss Re to amend the Redundant Reserve Financing Transaction or establish a Replacement Facility on terms that are either consistent with an Acceptable Proposal or substantially the same as the terms in effect as of the date hereof with respect to the Redundant Reserve Financing Transaction to which Swiss Re is a party; provided that the (i) maximum aggregate liability of Seller under this Section 4.19(b) shall not exceed $20,000,000, and Buyer shall be responsible for the remainder of such fees or costs and (ii) Seller shall have no obligation under this Section 4.19(b) from and after the first anniversary of the Closing Date.

SECTION 4.20. Policyholder Lists. After the date of this Agreement, neither Seller nor any of its Affiliates (including, prior to the Closing, the Companies) shall share or provide any policyholder lists of any Company or similar information with or to any Producer or other Person, except for the provision of any such information as required by judicial or administrative process or, in the written opinion of counsel to Seller or any of its Affiliates, as applicable, by other requirements of Applicable Law, and except, prior to Closing, for the provision of any such information in the ordinary course of business consistent with past practice of the Companies.

SECTION 4.21. Acquisition Proposals.

(a) From the date hereof through the earlier of the Closing Date and the date of termination of this Agreement pursuant to Article IX, as applicable, Seller and its Affiliates shall not and shall cause the Companies and their Representatives not to, directly or indirectly (except with respect to Buyer, Life Reinsurer, Annuity Reinsurer and their Affiliates in connection with the transactions contemplated by this Agreement) (1) solicit, initiate, encourage, facilitate or accept any inquiries, proposals, offers or other indications of interest by or from any Person with respect to an Acquisition Proposal, (2) participate in any discussions, conversations, negotiations or other communications with any Person with respect to an Acquisition Proposal, (3) furnish or confirm any information to any Person in connection with an Acquisition Proposal or (4) enter into any term sheet, letter of intent, agreement or other non-binding or binding understanding or arrangement with, or accept or agree to any offer or proposal by or from, any Person other than Buyer and its Affiliates with respect to an Acquisition Proposal.

(b) From the date hereof through the earlier of the Closing Date and the date of termination of this Agreement pursuant to Article IX, as applicable, Seller and each of its Affiliates shall, and shall cause the Companies and their Representatives to, cease and terminate immediately any existing discussions or negotiations with respect to or in furtherance of any Acquisition Proposal with any Person other than Buyer, its Affiliates and its Representatives.

(c) For purposes of this Section 4.21, "Acquisition Proposal" means any of the following transactions (but excluding, in each case, this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby): (1) any acquisition, purchase or other transaction involving the direct or indirect sale or transfer of all or any substantial part of the business or assets (excluding sales of Investment Assets of an Insurance Company) of the Companies, or any of the equity interests of the Companies, (2) any merger, consolidation, business combination, reorganization, dissolution, recapitalization or similar transaction involving the Companies, (3) any bulk reinsurance involving all or any substantial part of the business of the Insurance Companies, (4) the issuance of any security exercisable or convertible into, or exchangeable or redeemable for, capital stock or other equity interests of any of the Companies or (5) the granting of any rights, warrants, options, calls or commitments to acquire capital stock or other equity interest of any of the Companies.

(d) In the event that Seller, the Companies or any Affiliate of Seller or the Companies receives an Acquisition Proposal, the Person receiving such Acquisition Proposal shall promptly, but in no event later than forty-eight (48) hours thereafter, notify Buyer in writing of such proposal and provide a copy thereof (if in written or electronic form) or, if in oral form, a written summary of the terms and conditions thereof, including the names of the interested parties.

(e) Seller shall, or shall cause the Companies to, request that all Third Parties who executed a Pre-Closing Confidentiality Agreement in connection with the consideration of a possible Acquisition Proposal return to the Companies, or destroy, all confidential information heretofore furnished to such Third Parties by or on behalf of each of Seller or any of its Affiliates, including, without limitation, the Companies, as promptly as practicable, subject to the terms of such agreements.

SECTION 4.22. Insurance.

(a) From and after the Closing Date, the Companies shall cease to be insured by Seller's or its Affiliates' insurance policies (other than any insurance policy that a Company maintains directly) or by any of their self-insured programs to the extent such insurance policies or programs cover any Company. With respect to events or circumstances relating to the Companies that occurred or existed prior to the Closing Date that are covered by liability policies or workers' compensation insurance policies issued by a Third Party and that apply to locations at which the businesses of the Companies operate, the Companies may, to the extent permitted thereunder, make claims under such policies.

(b) With respect to any open claims against the insurance policies of Seller or any of its Affiliates (other than the Companies) relating to losses suffered by the Companies prior to the Closing Date, Seller agrees to remit to Buyer all proceeds realized from such claims; provided that (i) such amounts were reflected as receivables on the Final Balance Sheets (as defined in Annex C) and (ii) no Buyer Indemnified Person has been indemnified with respect to such amounts under Article VII.

SECTION 4.23. Title Insurance Policies. Seller acknowledges that for each parcel of Owned Real Property, Buyer desires to obtain a 2006 form ALTA owner's title insurance policy covering such Owned Real Property, issued to the applicable Company by Chicago Title Insurance Company ("Title Company"), in each case: (i) having an effective date as of the Closing Date, (ii) in amount, form and substance reasonably satisfactory to the Buyer, (iii) insuring that each applicable Company has good and marketable title to the Owned Real Property, free and clear of all Liens except Permitted Liens, and (iv) including such endorsements as Buyer may reasonably request (which may include endorsements providing for extended coverage over the general title exceptions, zoning 3.1 endorsements (including parking and loading docks), contiguity endorsements, access endorsements, endorsements insuring compliance with any covenants, conditions and restrictions of record and tax parcel or tax number and non-imputation endorsements (collectively, "Title Policies"). In order to obtain the Title Policies, Seller shall or shall cause the applicable Company to deliver the following documents to the Title Company in form and substance reasonably acceptable to the Title Company (and from the entity designated by the Title Company): (1) customary owners title affidavits (including customary information regarding on-going construction at the Owned Real Property); (2) owners GAP Indemnities, if applicable; (3) non-imputation affidavit and indemnity (including financial information reasonably requested by the Title Company in connection with such indemnity); and (4) any such additional customary documentation on behalf of the applicable Companies required for the issuance of the Title Policies, all of the foregoing as reasonably requested by the Title Company (collectively, "Title Documents"). Seller agrees to deliver or cause the applicable Company to use reasonable best efforts to deliver the Title Documents to the Title Company a reasonable period of time prior to the date on which it is reasonably anticipated that the Closing will occur; provided that none of the obligations of Seller or the Companies under the Title Documents will be effective prior to the

Closing and any out-of-pocket costs or expenses incurred by the Companies or the Seller pursuant to this Section 4.23 shall be paid by Buyer.

SECTION 4.24. Advisory Agreements. Subject to the terms of Section 4.4(a), during the period from the date hereof through the Closing Date, Seller and Buyer shall and shall cause their respective Affiliates to (a) seek all approvals, consents and authorizations of, and make all necessary filings with and notices to or required by, any Governmental Entity or Third Party necessary to permit (i) the AUSA Advisers to assign the Transferred Advisory Agreements to Athene Manager, (ii) the termination of the Replaced Advisory Agreements, (iii) the Client party to each Replaced Advisory Agreement to enter into an agreement with Athene Manager in lieu of such Replaced Advisory Agreement in substantially the form set forth as Exhibit D and (iv) the AUSA Advisers to terminate or assign to AIA each of the Excluded Advisory Agreements and (b) assuming receipt of the relevant consents and authorizations, and the making of such filings and notices, complete each of the actions set forth in clauses (i) through (iii) of this Section 4.24 on the Closing Date and terminate or assign to AIA each of the Excluded Advisory Agreements. In addition, Seller shall use its reasonable best efforts to cause the other transactions contemplated by the AIA Asset Purchase Agreement to be completed prior to or as of the Closing Date.

SECTION 4.25. CMA Restructuring. On or prior to the Closing Date, Seller shall use its reasonable best efforts to cause the transactions described on Schedule 4.25 (the "CMA Restructuring") to occur.

SECTION 4.26. Identified Mixed Straddle Transaction. Prior to the Closing, upon the written request of Buyer, with respect to an ALAC bond portfolio determined by Buyer, at Buyer's direction, Seller shall cause ALAC to (a) execute futures contracts in volumes and with terms that substantially diminish the risk that the bonds in the selected portfolio will lose value by reason of a rise in market interest rates and (b) take any steps necessary to identify the offsetting positions as a mixed straddle pursuant to Treasury Regulations Section 1.1092(b)-3T(d) (the "Identified Mixed Straddle Transaction"); provided that in no event shall Seller or ALAC be required to execute the Identified Mixed Straddle Transaction until after the conditions set forth in Sections 6.1(a) and 6.1(b) are satisfied. Buyer and ALAC shall reasonably cooperate with one another, and Buyer shall allow ALAC a reasonable period of time, to construct and execute the Identified Mixed Straddle Transaction; provided, however, that the size of the Identified Mixed Straddle Transaction shall ultimately be determined by Buyer. ALAC shall terminate the positions relating to the transaction at the direction of Buyer; provided that the Identified Mixed Straddle Transaction shall be left open for at least 24 hours (including one Business Day). The Identified Mixed Straddle Transaction shall be considered a Pre-Closing Transaction for all purposes of this Agreement.

SECTION 4.27. ALAC Surplus Notes. Buyer may, between the date hereof and the Closing Date, make the appropriate filings or applications with the Iowa Insurance Division to amend the terms of the ALAC Surplus Notes to be distributed by AUSA to AGHL pursuant to Section 2.1(a)(v)(A) so that such ALAC Surplus Notes will, subject to the other terms and conditions of such notes, bear interest at a rate per annum equal to 6.0% for the period beginning on the Closing Date and ending on the date that is six months after the Closing Date, and will thereafter bear interest at the rate calculated pursuant to the terms of such notes as in effect as of immediately prior to the Closing; provided that (a) the approval by the Iowa Insurance Division of such amended terms shall not be a condition to either party's obligations under this Agreement and (b) if the terms of such ALAC Surplus Notes are not so amended as of the Closing Date, such ALAC Surplus Notes will continue to bear interest in accordance with their terms. At any time (i) after a Redundant Reserve Financing Transaction is terminated, at Seller's or Buyer's option, Buyer, AUSA or one of its Affiliates designated by Buyer shall acquire an aggregate principal amount of ALAC Surplus Notes distributed to Seller pursuant to Section 2.1(a)(v)(A) equal to the Pro Rata Amount with respect to such Redundant Reserve Financing Transaction, (ii) on or after the first anniversary of the Closing Date, at Seller's option, Buyer, AUSA or one of its Affiliates designated by Buyer shall acquire any or all remaining ALAC Surplus Notes distributed to AGHL pursuant to Section 2.1(a)(v)(A) and (iii) at Buyer's option, Buyer, AUSA or one of its Affiliates designated by Buyer may acquire any or all remaining ALAC Surplus Notes distributed to AGHL pursuant to Section 2.1(a)(v)(A), in each case for a purchase price in cash equal to the par amount thereof plus accrued and unpaid interest through the applicable sale date. Such purchase price shall be paid promptly by wire transfer of immediately available funds to an account designated by Seller. Notwithstanding the foregoing, Buyer and Seller may agree to extend the period for which AGHL holds all or a portion of the ALAC Surplus Notes.

SECTION 4.28. Life Business Cooperation.

(a) Seller shall, and shall cause AUSA and its Subsidiaries to, cooperate in good faith with Buyer and use its and their reasonable best efforts to assist Buyer in its efforts to structure and enter into a reinsurance or similar disposition transaction (the "Life Business Transaction") with respect to the life insurance business of the Companies (the "Life Business"), which cooperation and assistance shall include the items listed in Section 4.28(b) below. Seller's obligations under this Section 4.28 shall be subject to any potential Life Reinsurer entering into a customary confidentiality agreement with Seller or an Affiliate in form reasonably satisfactory to Seller. Such cooperation shall not unreasonably interfere with the operation of the businesses of the Companies. Buyer recognizes that certain of the matters referred to in Section 4.28(b) (including clauses (ii) and (v)) may require assistance from Third Parties retained by Buyer in order to be accomplished, given the resources available at the Companies and the need to avoid disruption to ordinary business operations. The selection and retention of, and access to be provided to, any such Third Party shall be subject to Seller's consent, not to be unreasonably withheld. Any costs or expenses payable to any Third Parties in connection with any of the matters referred to in this Section 4.28 shall be paid by Buyer. Seller's obligations under this Section 4.28 shall be subject to the continued retention by the Companies of adequate personnel to accomplish the requested cooperation. Seller shall have no liability if the Companies are unable to retain such personnel, and Seller shall have no obligation to cause the Companies to hire any personnel specifically to provide such cooperation. In connection with the foregoing, and subject to Seller obtaining all necessary internal approvals, Buyer and Seller shall jointly establish a pool of up to $5,000,000 in retention incentives to facilitate the retention of adequate qualified personnel at the Companies to achieve the requested cooperation. Buyer and Seller shall mutually agree on the personnel who will receive such incentives and the amount of any payments from such pool. Buyer and Seller shall each bear 50% of such $5,000,000 obligation.

(b) The cooperation required by this Section 4.28 shall include:

(i) Access to Information. Causing the Companies to afford each potential Life Reinsurer reasonable access upon reasonable notice during normal business hours to the properties of the Companies and to such other information relating to the business, properties, financial condition, operations and personnel of the Companies as reasonably requested by such Life Reinsurer. In connection therewith, Seller will grant such Life Reinsurer full access to the Project Panther electronic data room, subject to ordinary "clean team" requirements. Additionally, in order to facilitate the evaluation of the Life Business, Seller shall make management personnel of the Companies in Des Moines, Iowa reasonably available to each Life Reinsurer.

(ii) Transition Services Planning. Cooperating and causing the Companies to cooperate with Buyer and/or any potential Life Reinsurer in the development of a separation and migration plan for (i) the separation of the information technology systems, business records, data and processes used in the Life Business from that of the other businesses of the Companies, Seller and Seller's other Affiliates and (ii) the integration and migration of the information technology systems, business records, data and processes used in the Life Business to the environments and systems of such Life Reinsurer. In connection therewith, Seller shall participate with Buyer and/or such Life Reinsurer in a separation and migration committee.

(iii) Identification of Life Business Assets. Causing the Companies to assist Buyer and/or any potential Life Reinsurer to identify the assets (financial and otherwise) that are used primarily in the operation of the Life Business.

(iv) Identification of Life Business Employees. Causing the Companies to assist Buyer and/or any potential Life Reinsurer with the identification of employees primarily dedicated to the Life Business.

(v) Financial Reporting of the Life Business. Causing the Companies to facilitate the conversion to U.S. GAAP for post-Closing financial reporting of the Life Business, including cooperation in the separation of life policies, premiums, commissions, expenses and other life-only items and the development of separate ledger accounts relating to the Life Business. For the avoidance of doubt, this clause (v) shall only require assistance in preparing to be ready to produce GAAP financial statements covering the Life Business after the Closing. Nothing in this Agreement shall require the Companies to produce GAAP financial statements prior to the Closing or any other financial statements they do not currently produce in the ordinary course of business.

(vi) Financing. Causing the Companies to provide such other cooperation and assistance as may be reasonably requested by any potential Life Reinsurer in connection with any equity or debt financing required to be obtained by such Life Reinsurer in connection with the Life Business Transaction, subject to Buyer or such Life Reinsurer agreeing to indemnify and hold harmless Seller and its Affiliates on customary terms in connection with any such assistance or financing.

(vii) Third-Party Consents and Assignment of Contracts. Cooperating and causing the Companies to cooperate with any potential Life Reinsurer and Buyer to obtain all third-party consents, waivers and approvals reasonably required in connection with the Life Business Transaction, including consents with respect to the novation of inuring reinsurance agreements and other agreements relating to the Life Business to such Life Reinsurer and waivers of minimum retention requirements under inuring reinsurance agreements relating to the Life Business.

(viii) Reserve Audit. Causing the Companies to cooperate with any potential Life Reinsurer and Buyer in connection with a reserve audit with respect to the Life Business pursuant to Section 4.2(b), if such an audit has not previously been conducted.

(ix) Third-Party Administrators. Causing the Companies to cooperate with any potential Life Reinsurer and/or Buyer in the evaluation of potential Third Party administrators with respect to the Life Business.

SECTION 4.29. Transition Planning. Seller shall cooperate and cause the Companies to cooperate with Buyer in the development of a separation and migration plan for (i) the separation of the information technology systems, business records, data and processes of the Companies from that of the other businesses of Seller and its Affiliates (other than the Companies) and (ii) the integration and migration of the information technology systems, business records, data and processes of the Companies to the environments and systems of Buyer and its Affiliates, including using reasonable best efforts to help Buyer identify any Contracts to which Seller or any of its Affiliates (other than the Companies) is a party and under which any Company receives benefits. In connection therewith, Seller shall participate with Buyer in a separation and migration committee. Such activities shall be coordinated with the activities contemplated by Section 4.28(b)(ii).

SECTION 4.30. Redundant Reserve Financings.

(a) Seller shall cause the Insurance Companies to use their reasonable best efforts, and Buyer shall cooperate with Seller and the Insurance Companies' efforts, to enter into Redundant Reserve Financing Transactions (the "Relevant Transactions") with the counterparties (the "Relevant Parties") and covering the blocks of business (the "Relevant Policies") described on Schedule 4.30 on substantially the terms described therein. Seller shall have the right, after all conditions set forth in Article VI have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing) in accordance with this Agreement, to delay the Closing (but not past the End Date) in order to complete such Relevant Transactions. If either such Relevant Transaction (or any replacement transaction for such Relevant Transaction on substantially similar terms or at Seller's option on terms otherwise reasonably approved by Buyer) is not completed by the Closing (as so extended), then Seller shall cause its existing financings intended to be refinanced by such Relevant Transaction to be terminated on or prior to the Closing and Seller shall be responsible for all early termination or breakage fees or other ancillary costs payable with respect to such existing financings. In such event, following the Closing Buyer shall cause the Insurance Companies to use their reasonable best efforts (and shall cause Life Reinsurer, if any, to use its reasonable best efforts) to enter into redundant reserve financing transactions covering the Relevant Policies prior to the first anniversary of the Closing Date ("Replacement Transactions"). Buyer shall keep Seller reasonably informed on an ongoing basis of the progress of its (and Life Reinsurer's) efforts to complete any Replacement Transactions in accordance with the preceding sentence. In the event that a Replacement Transaction is entered into on or prior to the first anniversary of the Closing Date, Buyer shall promptly pay or cause to be paid to Seller, by wire transfer of immediately available funds, an amount equal to 85% of the increase in the Final Combined Net Worth that would have been reflected in the Subject Balance Sheets (each as defined in Annex C) had such Replacement Transaction been in effect on the Closing Date.

(b) Seller shall be entitled, and Buyer shall cooperate with Seller, to cause the Insurance Companies to enter into Redundant Reserve Financing Transactions prior to the Closing on terms that are reasonably acceptable to Buyer in each case with respect to life insurance policies issued by the Insurance Companies during 2013 ("2013 Transactions"). If such 2013 Transactions do not occur prior to the Closing, Buyer shall use its reasonable best efforts to cause the Insurance Companies (and shall cause Life Reinsurer, if any, to use its reasonable best efforts) to enter into 2013 Transactions on terms reasonably acceptable to Buyer and Life Reinsurer (if applicable) prior to the first anniversary of the Closing Date. Buyer shall keep Seller reasonably informed on an ongoing basis of the progress of its (and Life Reinsurer's) efforts to complete any 2013 Transactions in accordance with the preceding sentence. In the event that a 2013 Transaction is entered into on or prior to the first anniversary of the Closing Date, Buyer shall promptly pay or cause to be paid to Seller, by wire transfer of immediately available funds, an amount equal to 75% of the increase in the Final Combined Net Worth that would have been reflected in the Subject Balance Sheets (each as defined in Annex C) had such 2013 Transaction been in effect on the Closing Date.

(c) Notwithstanding anything to the contrary in Section 4.19(a), Section 4.28 or any other provision of this Agreement, the first priority of the key personnel of the Companies involved in AXXX financing transactions in the period prior to the Closing shall be ordinary business operations, including effecting the Relevant Transactions and the 2013 Transactions. Further, Buyer and any potential Life Reinsurer will not, in connection with matters referred to in Section 4.19(a) or Section 4.28, request access to and information from the Relevant Parties, in connection with efforts to structure replacement facilities or otherwise, that interferes with or detracts from the Companies' efforts to structure the Relevant Transactions.

SECTION 4.31. Capital Support

(a) Buyer shall use its reasonable best efforts to arrange Capital Support from Third Parties (which for purposes of this Section 4.31 shall include Apollo Principal Holdings III, L.P. and its Affiliates other than Buyer and its Subsidiaries) in an amount of not less than $580,000,000 on a basis previously disclosed to Seller. "Capital Support" means capital for the operations of Buyer and its Subsidiaries (including the Companies) which may be in the form of debt, equity, reinsurance, a sale of the Life Business or otherwise, including the proceeds of any

Hedge (as defined below). No later than January 31, 2013, Buyer shall or shall cause Buyer Affiliate Reinsurer to enter into one or more agreements with persons other than Buyer and its Subsidiaries to hedge no less than $580,000,000 in unrealized gains (the "Hedge") on a portfolio of the assets which will be part of the modco account under the Buyer Affiliate Reinsurance Agreement. Proceeds realized on the Hedge and gains realized as a result of the Buyer Affiliate Reinsurance Agreement on assets subject to the Hedge shall be Capital Support. As of the Closing, no less than $580,000,000 of capital shall be created by the Hedge and the other transactions described in this paragraph (a) and shall remain available to be applied by Buyer and its Subsidiaries in connection with the transactions contemplated hereby.

(b) Buyer shall keep Seller reasonably informed on an ongoing basis with regard to the status of its efforts to obtain, and any other developments with respect to, the Capital Support and the Hedge. Seller shall cause the Companies to provide reasonable cooperation in connection with Buyer's efforts to arrange the Capital Support and the Hedge. All costs and expenses of obtaining the Capital Support and the Hedge shall be paid by Buyer. Buyer shall indemnify and hold harmless Seller and its Affiliates from and against any and all losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) arising out of or relating to the Capital Support and the Hedge or Buyer's efforts to arrange them.

(c) Prior to the Closing, Buyer will draw down the Remaining Equity Commitments and contribute the proceeds to Buyer Affiliate Reinsurer. The Remaining Equity Commitments do not constitute a portion of the Capital Support.

(d) The ceding commission paid by Buyer Affiliate Reinsurer to ALAC under the Buyer Affiliate Reinsurance Agreement will, if neither a Life Business Transaction nor Annuity Business Transaction occurs, increase the capital and surplus of ALAC by $400,000,000.

SECTION 4.32. Curelife Surplus. Seller shall use reasonable best efforts to cause Curelife to dividend or otherwise distribute all of Curelife's remaining assets to AUSA immediately after the Curelife Recapture.

SECTION 4.33. Certain Adjustments. Upon the request of Buyer to increase reserves related to any Insurance Contract, and only after all conditions to the Closing have been satisfied under Article VI but prior to the Closing, Seller shall cause ALAC to make such reserve increase prior to the Closing, subject to Applicable Law. Any such reserve increase shall not be considered in determining the Final Combined Net Worth under Annex C.

ARTICLE V.
EMPLOYEE MATTERS

SECTION 5.1. Terms and Conditions of Employment.

(a) Seller shall cause all transfers of employment of AIA Employees from AINA to AIA, and all terminations of employment from AINA of Prospective AIA Employees who do not become AIA Employees, in each case as contemplated by the AIA Asset Purchase Agreement, to occur prior to the Closing Date (all such Prospective AIA Employees and AIA Employees collectively referred to as "Non-Covered Employees"), and shall ensure in the case of any and all such employment transfers that no period of unemployment, or other gap in employment, occurs between the cessation of such Non-Covered Employees' employment with any of the Companies and the commencement of their employment with any one or more Seller Affiliates other than the Companies. For avoidance of doubt, all Non-Covered Employees shall be among the Employees included in the list provided to Buyer pursuant to Section 3.1(i)(xiii). Seller shall retain any and all liabilities with respect to all Non-Covered Employees and all other current and former employees of Seller and any of its Affiliates (other than the Companies), and Buyer and its Affiliates (including the Companies) shall have no liabilities or other obligations or responsibilities with respect to any such Persons. Without limiting the generality of the foregoing, Seller acknowledges and agrees that it alone is making and is responsible for the selection decisions as to which Employees are and are not Non-Covered Employees, and the terms and conditions of employment offered to Prospective AIA Employees, and that Buyer, its Affiliates and the Companies are not making, participating in, ratifying or responsible for any such decisions.

(b) With respect to each Employee of the Companies (other than the Non-Covered Employees) as of the Closing (each a "Covered Employee"), for a period of twelve (12) months from and after the Closing Date while such Covered Employee remains employed, Buyer shall provide, or cause the Companies to provide, such Covered Employee with cash compensation (including base salary or wage rates and annual incentive compensation opportunities) and employee benefits (excluding defined benefit pension plans, retiree welfare plans, severance plans and equity and equity-based programs) that, respectively, are, in the aggregate, (i) in the case of a Covered Employee whose rate of annual base salary immediately prior to the Closing is less than or equal to $100,000, substantially similar to the cash compensation and employee benefits provided to such Covered Employee immediately prior to the Closing and (ii) in the case of a Covered Employee whose rate of annual base salary immediately prior to the Closing exceeds $100,000, substantially similar to the cash compensation and employee benefits, respectively, provided by Buyer or any of its Subsidiaries (other than the Companies) to similarly-situated employees of Buyer or any of its Subsidiaries (other than the Companies) who have substantially similar positions and responsibilities to the Covered Employee; provided that, if no person is then employed by Buyer or its Subsidiaries (other than the Companies) in a substantially similar position with substantially similar responsibilities to the Covered Employee, then cash compensation and employee benefits determined in good faith by Buyer, by extrapolation from the cash compensation and employee benefits of the most comparable employees of Buyer and its Subsidiaries (other than the Companies). Buyer shall provide, or shall cause the Companies or one of its other Affiliates to provide, severance pay and benefits to any Covered Employee (regardless of whether the terms of clause (i) or clause (ii) above apply with respect to such Covered Employee) whose employment is terminated (for the avoidance of doubt, other than in connection with the individual's (x) hiring and employment by Life Reinsurer, Annuity Reinsurer or any of their Affiliates (in any position and at any level of cash compensation and employee benefits), or (y) non-acceptance of an employment offer from Life Reinsurer, Annuity Reinsurer or any of their Affiliates to perform comparable responsibilities for cash compensation and employee benefits that are, in the aggregate, substantially similar to the cash compensation and employee benefits, respectively, provided to such Covered Employee pursuant to clause (i) or clause (ii) above, as applicable) (A) during the period beginning on the Closing Date (if the Closing Date occurs prior to December 31, 2013) and ending on December 31, 2013, on terms and conditions (including eligibility conditions), and in amounts that are no less favorable than those applicable to such Covered Employee immediately prior to the Closing under the AUSA Severance Plan in effect immediately prior to the Closing Date (the "AUSA Severance Plan") and (B) during any post-Closing period beginning on or after January 1, 2014 and ending on the one year anniversary of the Closing Date, on terms and conditions (including eligibility conditions), and in amounts determined pursuant to Buyer's severance plan as in effect as of the date hereof or as amended hereafter (provided that any such amendment shall not impact any Covered Employee in a manner which is disproportionate to the manner in which a similarly situated employee of Buyer and its Affiliates (other than the Companies) is impacted); provided that, in the case of either clause (A) or clause (B), as applicable, a Covered Employee's severance benefits under the applicable plan shall: (I) in the case of a severance-eligible employment termination occurring (based on release date) at any time within the period that starts at the Closing and ends on the date that is the later of (1) December 31, 2013 and (2) 90 calendar days following the Closing, in no event be less favorable than what the Covered Employee would receive under the applicable plan if determined based on such Covered Employee's base compensation in effect immediately prior to the Closing (other than for purposes of any pre-termination notice period, if any, required by the applicable plan), and (II) in the case of a severance-eligible employment termination occurring (based on release date) at any time during the period commencing on the first calendar day after the end of the period described in clause (I) above and ending on the one year anniversary of the Closing, be determined based on such Covered Employee's base compensation in effect as of the effective date of such Covered Employee's termination of employment. Nothing in this Agreement shall restrict or prohibit Buyer or any of its Affiliates (including, as of and after the Closing, any of the Companies) from negotiating, amending or entering into any employment, severance or other Contract with any Covered Employee (in each case, with such Covered Employee's consent, except to the extent that such consent is not required under the applicable Contract, if any, or Applicable Law).

SECTION 5.2. Credit for Service. On and after the Closing Date, Buyer shall provide, or cause to be provided, to each Covered Employee under each Company Benefit Plan and each other Employee Benefit Plan maintained or contributed to by Buyer or any Affiliate of Buyer (collectively, the "Buyer Benefit Plans") credit for purposes of eligibility to participate, vesting and benefit accrual (but not for purposes of determining benefit accruals under a defined benefit plan) for full and partial years of service with Seller or its Affiliates (including the Companies and any of their predecessors) performed at any time prior to the Closing Date to the extent such service was taken into account under the analogous Company Benefit Plan immediately prior to the Closing Date; provided, that no such prior service shall be taken into account to the extent it would result in the duplication of benefits.

SECTION 5.3. Seller Incentive Plans. Each Employee and former employee of the Companies shall become vested in his or her Seller Incentive Awards that are outstanding on the Closing in accordance with the terms and conditions of the applicable Seller Incentive Plan, as determined by Seller. No later than the date on which payment with respect to a Seller Incentive Award becomes due to an Employee or former employee of the Companies, Seller or one of its Affiliates shall transfer to the Companies an amount of cash equal to the Applicable Percentage (as defined below) of (i) the full amount to be paid in respect of the Seller Incentive Award, as determined by Seller in accordance with the applicable Seller Incentive Plan (such full amount, the "Incentive Cash Payment") and (ii) the full amount of the employment Taxes including Social Security, Medicare, Federal Unemployment Tax and Unemployment Insurance, to be paid in respect of the Incentive Cash Payment. For purposes of this Section 5.3 and Section 5.4, the "Applicable Percentage" shall equal 100% *minus* the maximum federal corporate income tax rate in effect under the Code at the time of the relevant transfer. After receipt of such funds, Buyer shall cause the Companies to promptly pay any Incentive Cash Payments (less any applicable withholding) to the applicable Employees and former employees of the Companies and shall be responsible for all Tax withholding and reporting obligations that arise in connection with the payment of the Incentive Cash Payments. Notwithstanding anything in this Section 5.3 to the contrary, Buyer's sole obligation and responsibility with respect to the Seller Incentive Awards shall be to pay to applicable Employees and former employees of the Companies any Incentive Cash Payments as directed by Seller and to comply with all applicable and related Tax withholding and reporting obligations. Seller shall retain any and all other liabilities with respect to the Seller Incentive Awards. Seller shall indemnify and hold harmless Buyer and its Affiliates (for the avoidance of doubt, including the Companies from and after the Closing Date) from and against any and all Indemnifiable Losses relating to, resulting from or arising out of the Seller Incentive Awards to the extent not directly related to Buyer's failure to perform its obligations as set forth in this Section 5.3 pursuant to Article VII.

SECTION 5.4. Seller Retention Awards. No later than the date on which payment with respect to a Seller Retention Award becomes due to a Covered Employee, Seller or one of its Affiliates shall transfer to the Companies an amount of cash equal to the Applicable Percentage of (i) the full amount to be paid in respect of the Seller Retention Award, as determined by Seller in accordance with the applicable Seller Retention Agreement (such full amount, the "Retention Cash Payment") and (ii) the full amount of the employment Taxes, including Social Security, Medicare, Federal Unemployment Tax and Unemployment Insurance, to be paid in respect of the Retention Cash Payment; provided that Buyer shall, no earlier than 10 and no later than two Business Days prior to any date on which any Retention Cash Payment becomes due, deliver to Seller an update on the employment status of each Employee who has entered into a Seller Retention Agreement (including, with respect to any such Employee whose employment with the Companies or with Buyer or any of its other Affiliates has been terminated, the circumstances of and reasons for such termination). After receipt of such funds, Buyer shall cause the Companies promptly to pay any Retention Cash Payments (less any applicable withholding) to the applicable Covered Employees and former Covered Employees and shall be responsible for all Tax withholding and reporting obligations that arise in connection with the payment of the Retention Cash Payments. Notwithstanding anything in this Section 5.4 to the contrary, Buyer's sole obligation and responsibility with respect to the Seller Retention Awards shall be to notify Seller of a Covered Employee or former Covered Employee's employment status, pay to applicable Covered Employees and former Covered Employees any Retention Cash Payments as directed by Seller and to comply with all applicable and related Tax withholding and reporting obligations. Seller shall retain any and all other liabilities with respect to the Seller Retention Awards. Seller shall indemnify and hold harmless Buyer and its Affiliates (for the avoidance of doubt, including the Companies from and after the Closing Date) from and against any and all Indemnifiable Losses relating to, resulting from or arising out of the Seller Retention Awards to the extent not directly related to Buyer's failure to perform its obligations as set forth in this Section 5.4 pursuant to Article VII.

SECTION 5.5. Preexisting Conditions, Exclusions and Waiting Periods; Deductibles. The Companies, Buyer and their respective Affiliates shall (a) waive or cause to be waived all limitations as to preexisting conditions, exclusions and waiting periods or required physical examinations with respect to participation and coverage requirements applicable to Covered Employees and their eligible dependents under any health, medical, disability and life insurance plans of Buyer or its Affiliates (including the Companies), other than limitations or waiting periods that are already in effect with respect to such Covered Employees and that have not been satisfied as of the Closing Date; and (b) use reasonable best efforts to provide or cause to be provided to each Covered Employee with credit for any co-payments and deductibles paid by such Covered Employee and his or her respective dependents prior to the Closing Date and in the same plan year as that in which the Closing Date occurs for purposes of satisfying any applicable deductible or out-of-pocket requirements under the analogous Buyer Benefit Plan for its plan year in which the Closing Date occurs.

SECTION 5.6. COBRA. Notwithstanding any contrary provision of this Agreement, Buyer shall be, or shall cause the Companies or their respective Affiliates to be, responsible and liable for providing, or continuing to provide, health care continuation coverage as required under COBRA with respect to any individual who experienced a COBRA "qualifying event" before the Closing Date under any Company Benefit Plan subject to COBRA.

SECTION 5.7. No Modification. Nothing in this Article V, express or implied, is intended to be, shall constitute or shall be construed as an amendment to or modification of any employee benefit plan or arrangement of Seller, Buyer, the Companies or any of their Affiliates or limit in any way the right of Seller, Buyer, the Companies or any of their respective Affiliates to amend, modify or terminate any of their respective employee benefit plans or arrangements. Further, without limiting the generality of Section 10.4, nothing in this Article V, express or implied, shall create any third party beneficiary rights in favor of any Person, including any Employee, or create any third party beneficiary or other rights to continued employment with the Companies, Buyer, or any of their respective Affiliates and nothing in this Article V shall limit the right of Seller, Buyer or the Companies or any of their Affiliates to terminate the employment of any Person, including any Employee, at any time for any or no reason in a manner consistent with applicable contractual obligations, if any (for avoidance of doubt, further including Buyer's and the Companies' respective rights as of or after the Closing Date to cause or permit any transfer of employment of any of the Covered Employees to Life Reinsurer, Annuity Reinsurer or any other Person).

SECTION 5.8. Reinsurer Obligations. Buyer shall use its reasonable best efforts to cause (a) Life Reinsurer (if any) to assume and perform the obligations of Buyer under this Article V with respect to any Covered Employee who becomes employed by Life Reinsurer or its Affiliates in connection with the Insurance Companies ceding to Life Reinsurer all of their liabilities in respect of their life insurance businesses and (b) Annuity Reinsurer (if and only to the extent that any Covered Employee becomes employed by Annuity Reinsurer in connection with an Annuity Business Transaction) to assume and perform the obligations of Buyer under this Article V with respect to any Covered Employee who becomes employed by Annuity Insurer or its Affiliates in connection with ALAC ceding to Annuity Reinsurer any share of its liabilities in respect of its annuity businesses. No transfer of any Covered Employee to Life

Reinsurer or Annuity Reinsurer shall occur until after the Closing. For the avoidance of doubt, Buyer shall have no obligations hereunder with respect to any Covered Employee who becomes employed by Life Reinsurer (unless an Affiliate of Buyer), Annuity Reinsurer or their respective Affiliates.

ARTICLE VI.
CONDITIONS PRECEDENT

SECTION 6.1. Conditions to Each Party's Obligations. The respective obligations of each party to consummate the transactions contemplated hereby and the other actions to be taken at the Closing are subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Approvals. The waiting period (and any extension thereof) applicable to the transactions contemplated hereby under the HSR Act shall have been terminated or shall have otherwise expired without the imposition of a Burdensome Condition with respect to the party seeking to invoke this condition. All other consents, approvals or authorizations of, declarations or filings with or notices to any Governmental Entity required to be obtained or made by Seller, Buyer or any of their Affiliates in connection with the transactions contemplated hereby (including, for the avoidance of doubt, the CMA Restructuring, but excluding the amendment of the ALAC Surplus Notes as contemplated by Section 4.27) or by the other Transaction Documents shall have been obtained or made and shall be in full force and effect and all waiting periods required by Applicable Law shall have expired or been terminated, in each case without the imposition of a Burdensome Condition with respect to the party seeking to invoke the failure of this condition to be satisfied.

(b) No Injunctions, Restraints or Actions.

(i) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction and no statute, rule or regulation of any Governmental Entity preventing the consummation of the Closing Date Share Redemption, the purchase and sale of the Transferred Shares or any other transaction contemplated hereby or by any other Transaction Document shall be in effect; provided, however, that the party invoking this condition shall have used its reasonable best efforts to have any such order or injunction vacated.

(ii) No Action brought by any Governmental Entity shall be pending before any Governmental Entity that has the effect, or would be reasonably likely to have the effect if determined adversely, of preventing the consummation of the Closing Date Share Redemption, the purchase and sale of the Transferred Shares or any of the other transactions contemplated hereby or by the other Transaction Documents or imposing any Burdensome Condition with respect to the party seeking to invoke the failure of this condition to be satisfied; and no Action brought by any Third Party that is reasonably likely to result in one of the foregoing effects shall be pending before any Governmental Entity.

(c) Actuarial Guideline XXXIII. The Companies shall not have been required to comply with Actuarial Guideline XXXIII as otherwise strictly interpreted and applied with respect to non-variable deferred annuities containing guaranteed minimum withdrawal benefits and guaranteed minimum death benefits.

SECTION 6.2. Conditions to Obligations of Buyer. The obligations of Buyer to effect the purchase and sale of the Transferred Shares and the other actions to be taken at the Closing are further subject to the satisfaction (or waiver by Buyer) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties of Seller set forth in this Agreement (without giving effect to any limitation set forth therein as to materiality or Material Adverse Effect, other than as set forth in Section 3.1(h)(i)(2)) shall be true and correct in all respects at and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of all such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Seller or the Companies.

(b) Performance of Obligations of Seller. Seller shall have performed and complied in all material respects with all agreements, obligations and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Seller shall have delivered or caused to be delivered to Buyer each of the documents required to be delivered pursuant to Section 2.3.

(d) Material Adverse Effect. Since the date of this Agreement, except as set forth in Section 6.2(d) of the Seller's Disclosure Schedule, there shall not have been any event, change or development that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect with respect to Seller or the Companies.

(e) Actuarial Guideline XLIII. The Companies shall be permitted to use Actuarial Guideline XLIII in accordance with the Practical Considerations section of Actuarial Guideline XXXIII with respect to non-variable deferred annuities containing guaranteed minimum withdrawal benefits and guaranteed minimum death benefits, including for such annuities issued on or after January 1, 2013, on the same terms as set forth in the Iowa Insurance Division's September 28, 2012 letter to ALAC relating thereto, unless the difference in the basis of accounting or changes in the terms would not in the aggregate reasonably be expected to have the effect described in clause (B)(1) of the definition of Burdensome Condition.

SECTION 6.3. Conditions to Obligations of Seller. The obligations of Seller to effect the purchase and sale of the Transferred Shares and the other actions to be taken at the Closing are further subject to the satisfaction or waiver by Seller on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement (without giving effect to any limitation set forth therein as to materiality or Material Adverse Effect) shall be true and correct in all respects at and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of all such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Buyer.

(b) Performance of Obligations of Buyer. Buyer shall have performed and complied in all material respects with all agreements, obligations and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Buyer shall have delivered or caused to have delivered to Seller each of the documents required to be delivered pursuant to Section 2.3.

(d) Actuarial Guideline XLIII. The Companies shall be permitted to use Actuarial Guideline XLIII in accordance with the Practical Considerations section of Actuarial Guideline XXXIII with respect to non-variable deferred annuities containing guaranteed minimum withdrawal benefits and guaranteed minimum death benefits, including for such annuities issued on or after January 1, 2013 and prior to the Closing Date, and ALAC's right to use Actuarial Guideline XLIII shall not be modified, terminated or limited, except to the extent such modification, termination or limitation would not reasonably be expected to result in a significant reduction in the Purchase Price by operation of the adjustments contemplated by Annex C.

ARTICLE VII.
INDEMNIFICATION

SECTION 7.1. Survival.

(a) The representations and warranties of Seller contained in this Agreement shall survive the Closing solely for purposes of this Article VII and shall terminate and expire on the date that is 18 months following the Closing Date; provided, however, that (i) the representations and warranties made in Sections 3.1(a) (Organization, Standing and Corporate Power), 3.1(b) (Capital Structure), 3.1(c) (Subsidiaries), 3.1(d) (Authority) and 3.1(y) (Brokers) shall survive until the expiration of the applicable statute of limitations, (ii) the representations and warranties made in Section 3.1(k) (Insurance Product-Related Tax Matters) shall terminate on the date that is 36 months after the Closing Date, (iii) the representations and warranties made in Section 3.1(j) (Taxes) clauses (i), (ii), (viii) and (x) shall terminate at the Closing, (iv) the representations and warranties made in Section 3.1(o) (Insurance Regulatory Matters) and 3.1(i) (Employees and Benefit Plans) shall terminate on the date that is 30 months after the Closing Date and (v) the representations and warranties made in Section 3.1(j) (Taxes) (other than those clauses of Section 3.1(j) listed in clause (iii) of this Section 7.1(a)) shall terminate 30 days after the expiration of the applicable statute of limitations (the representations and warranties of Seller referenced in clauses (i) and (v), the "Seller Specified Representations"). The representations and warranties of Buyer contained in this Agreement shall survive the Closing solely for purposes of this Article VII and shall terminate and expire on the date that is 18 months following the Closing Date; provided, however, that the representations and warranties made in

Sections 3.2(a) (Organization and Standing), 3.2(b) (Authority) and 3.2(f) (Brokers) (such representations of Buyer, the "Buyer Specified Representations") shall survive until the expiration of the applicable statute of limitations. Any claim for indemnification in respect of any representation, warranty or covenant that is not asserted by notice given as required herein prior to the expiration of the specified period of survival shall not be valid and any right to indemnification is hereby irrevocably waived after the expiration of such period of survival. Any claim properly made for an Indemnifiable Loss in respect of such a breach asserted within such period of survival as herein provided will be timely made for purposes hereof.

(b) For purposes of this Article VII, (i) the covenants and agreements contained in this Agreement that by their terms are required to be performed at or prior to the Closing will survive for 18 months following the Closing Date, (ii) the covenants and agreements contained in this Agreement that by their terms are required to be performed after the Closing and which do not provide a period for which they are required to be performed will survive until fully performed and (iii) all other covenants and agreements will survive for the period provided in such covenants and agreements plus a period of 18 months.

(c) No claim for indemnification in respect of the Special Indemnity may be made after the date that is 36 months after the Closing.

SECTION 7.2. Indemnification.

(a) Seller shall indemnify and hold harmless Buyer and its Affiliates (for avoidance of doubt, including the Companies from and after the Closing Date) (the "Buyer Indemnified Persons") from and against any and all Indemnifiable Losses to the extent relating to, resulting from or arising out of:

(i) any breach of any representation or warranty of Seller made in this Agreement or in any certificate furnished by Seller in connection with this Agreement;

(ii) any breach or nonfulfillment of any agreement or covenant of Seller under this Agreement;

(iii) the Excluded Advisory Agreements and the transactions effected pursuant to the AIA Asset Purchase Agreement (other than any breach following the Closing Date of covenants of the Companies that survive the Closing thereunder);

(iv) the Seller Incentive Awards and the Seller Retention Awards, to the extent not directly related to Buyer's failure to perform its obligations under Sections 5.3 and 5.4, respectively;

(v) any claim or Action to the extent relating to the business of Seller and its Affiliates (other than the Companies); or

(vi) the matter described on Schedule 7.2(a)(vi) (the "Special Indemnity").

(b) Buyer shall indemnify and hold harmless Seller and its Affiliates (the "Seller Indemnified Persons") from and against any and all Indemnifiable Losses to the extent relating to, resulting from, or arising out of:

(i) any breach of representation or warranty of Buyer under this Agreement or in any certificate furnished by Buyer in connection with this Agreement that survives the Closing;

(ii) any breach or nonfulfillment of any agreement or covenant of Buyer under this Agreement; or

(iii) the Identified Mixed Straddle Transaction or the compliance by Seller or any of its Subsidiaries with the obligations under Section 4.26; except to the extent (A) arising out of (1) any gross negligence or willful misconduct of Seller, any of its Subsidiaries or any Person acting on their behalf or (2) any act or omission of Seller, any of its Subsidiaries or any Person acting on their behalf in connection with the execution of the Identified Mixed Straddle Transaction (or any portion thereof) that constitutes a breach of Section 4.26 or (B) such Indemnifiable Losses are Taxes to which Sections 8.1(a) and (b) apply.

(c) For purposes of this Article VII (including for determining whether or not any breaches of representations or warranties have occurred), each representation and warranty contained in this Agreement (other than Section 3.1(h)(i)(2), the first sentence of Section 3.1(i)(i), the first sentence of Section 3.1(r), Section 3.1(ee)(i) and clauses (1) and (2) of Section 3.1(q)(ii)) shall be read without regard to any materiality or Material Adverse Effect qualifier or exception contained therein.

SECTION 7.3. Certain Limitations.

(a) No party shall be obligated to indemnify and hold harmless its respective Indemnitees under Section 7.2(a)(i) (in the case of Seller) or Section 7.2(b)(i) (in the case of Buyer) (i) with respect to any claim thereunder, unless such claim involves Indemnifiable Losses in excess of $200,000 (the "Threshold Amount") (nor shall any claim that does not exceed the Threshold Amount be applied to or considered for purposes of calculating the amount of Indemnifiable Losses for which the Indemnitor is responsible under clause (ii) below); provided, that any series of Indemnifiable Losses relating to the same facts and circumstances will be aggregated for purposes of determining whether such Indemnifiable Losses exceed the Threshold Amount (and shall be applied to and considered for purposes of calculating the amount of Indemnifiable Losses for which the Indemnitor is responsible under clause (ii) below) and (ii) unless and until the aggregate amount of all Indemnifiable Losses of the Indemnitees under such Section 7.2(a)(i) or such Section 7.2(b)(i), as the case may be, exceeds 1.5% of the Purchase Price for all Indemnifiable Losses (the "Deductible"), at which point such Indemnitor shall be liable to its respective Indemnitees for the value of the Indemnitee's claims under Sections 7.2(a)(i) or such Section 7.2(b)(i), as the case may be, that is in excess of the Deductible, subject to the limitations set forth in this Article VII. The maximum aggregate liability of Seller, on the one hand, and Buyer on the other hand, to their respective Indemnitees for any and all Indemnifiable Losses under Sections 7.2(a)(i) and 7.2(a)(vi), in the case of Seller, or Section

7.2(b)(i), in the case of Buyer, shall be 25% of the Purchase Price (the "Cap"). Notwithstanding anything to the contrary contained herein, none of the Threshold Amount, the Deductible and the Cap shall apply with respect to Indemnifiable Losses and such Indemnifiable Losses shall not be taken into account in determining the Threshold Amount, the Deductible and the Cap, (1) in respect of any Seller Specified Representation or any Buyer Specified Representation or (2) otherwise under Section 7.2(a)(i) or Section 7.2(b)(i) to the extent relating to, resulting from or arising out of fraud or willful misconduct regarding the representations and warranties in this Agreement. Notwithstanding anything to the contrary in this Agreement, (i) Seller shall be obligated to indemnify the Buyer Indemnified Persons for 50% of the first $25,000,000 of any Indemnifiable Losses relating to, resulting from or arising out of the Special Indemnity (which, for the avoidance of doubt, shall be calculated after giving effect to any reserve or other provision with respect to such matters on the Final Balance Sheets) and for 100% of any Indemnifiable Losses in excess of $25,000,000, (ii) Seller shall not be required to indemnify the Buyer Indemnified Persons for any Indemnifiable Loss to the extent relating to, resulting from or arising out of any Tax Attribute (or any portion thereof) that remains unused immediately after the Closing, or that would have remained unused immediately after the Closing if the representations and warranties set forth in Section 3.1(j)(xi) had been true and correct, and (iii) the maximum aggregate liability of Seller to all Buyer Indemnified Persons for any and all Indemnifiable Losses under this Agreement (including under Article VIII but excluding Indemnifiable Losses arising out of fraud or willful misconduct regarding Seller's representations and warranties in this Agreement) shall not exceed the Purchase Price.

(b) If any Indemnitee actually recognizes a Tax benefit in respect of an Indemnifiable Loss as described in the proviso in the definition of "Indemnifiable Losses" set forth in Section 7.4(iii) subsequent to an Indemnity Payment made by an Indemnitor to such Indemnitee with respect to such Indemnifiable Loss, then such Indemnitee shall promptly pay to the Indemnitor the amount of such Tax benefit recognized by such Indemnitee up to the amount of such Indemnity Payment received by the Indemnitee, net of any expenses incurred by such Indemnitee in pursuing such Tax benefit, within 15 days after the Indemnitee recognizes such Tax benefit in the form of cash actually received or reduction in cash Taxes actually paid. If any Tax benefit (or portion thereof) in respect of an Indemnifiable Loss as described in the proviso in the definition of "Indemnifiable Losses" set forth in Section 7.4(iii), that either (x) reduces the Indemnity Payments made by an Indemnitor prior to the time such payment is made or (y) obligates an Indemnitee to make payments to the Indemnitor under the immediately preceding sentence of this Section 7.3(b), is disallowed as a result of an audit or otherwise, the applicable Indemnitor shall promptly pay to the applicable Indemnitee the amount of such disallowed Tax benefit within 15 days after the Indemnitee notifies the Indemnitor that the adjustment with respect to such disallowance has been paid or otherwise taken into account.

(c) Each Indemnitee shall use reasonable best efforts to mitigate all Indemnifiable Losses for which indemnification may be sought hereunder.

(d) Seller shall not be obligated to indemnify any Buyer Indemnified Person, and Buyer shall not be obligated to indemnify any Seller Indemnified Person, for any breach of this Agreement existing as of the date hereof to the extent any Buyer Indemnified Person or Seller Indemnified Person, as applicable, has actual knowledge of such breach as of the date hereof. Subject to the previous sentence, if Seller provides Buyer or Buyer provides Seller with notice of any breach pursuant to Section 4.13 and concurrently states that such breach would cause either of the conditions set forth in Section 6.2(a) or Section 6.2(b) or Section 6.3(a) or Section 6.3(b), as applicable, to fail to be satisfied and Buyer or Seller, as applicable, nonetheless proceeds with the Closing, then Buyer or Seller, as applicable, shall be deemed to have waived, on behalf of itself and each other Buyer Indemnified Person or Seller Indemnified Person, any right to indemnification with respect to such breach under this Agreement. Except for the foregoing, neither the delivery of any notice pursuant to Section 4.13 nor any knowledge obtained by Buyer or Seller after the date hereof shall be deemed to cure any breach of a representation, warranty or covenant in this Agreement, serve to update the Seller's Disclosure Schedule or Buyer's Disclosure Schedule or otherwise affect the rights and remedies of the Buyer Indemnified Persons or Seller Indemnified Parties under this Agreement.

SECTION 7.4. Definitions. As used in this Agreement:

(i) "Indemnitee" means any Person entitled to indemnification under this Agreement;

(ii) "Indemnitor" means any Person required to provide indemnification under this Agreement;

(iii) "Indemnifiable Losses" means any and all damages, losses, liabilities, obligations, costs and expenses (including reasonable attorneys' fees and expenses); provided, however that any Indemnity Payment (x) shall not include any consequential or punitive damages (in each case, except to the extent paid to a Third Party in connection with a Third-Party Claim, excluding Third-Party Claims made by Life Reinsurer, Annuity Reinsurer or any of their Affiliates (in each case, if a Third Party), unless such damages are paid by Life Reinsurer, Annuity Reinsurer or any of their Affiliates in respect of a claim made by a Third Party that is not Life Reinsurer, Annuity Reinsurer or any of their Affiliates), or any damages for lost profits except to the extent that such damages for lost profits are direct damages or relate to, result from or arise out of the matters described in Section 7.2(a)(ii) or Section 7.2(b)(ii), in which event Indemnifiable Losses will include such damages for lost profits whether or not they constitute consequential damages, but only if they are recoverable under the laws of the State of New York and the Indemnitee satisfies all elements necessary for proof of such damages for lost profits under such laws, and (y) shall be net of any (A) amounts actually recovered (after deducting related reasonable costs and expenses) by the Indemnitee for the Indemnifiable Losses for which such Indemnity Payment is made under any insurance policy, warranty or indemnity or otherwise from any Person other than a party hereto, except with respect to any amounts recovered by the Indemnitee from either a Life Reinsurer or Annuity Reinsurer or any of its respective Affiliates under the LR Reinsurance Framework Agreement, AR Reinsurance Framework Agreement or any Contract entered into in connection therewith to the extent that such amount does not result in a double recovery after accounting for any obligation under such agreement, to pay over amounts to Life Reinsurer or Annuity Reinsurer, as applicable, (B) as determined pursuant to Section 7.3(b), Tax benefits actually recognized by the Indemnitee (or, in the case of a Buyer Indemnified Person, any other Buyer Indemnified Person) in respect of any Indemnifiable Losses for which such Indemnity Payment is made (it being understood that no Indemnity Payment to be made hereunder may be withheld or otherwise delayed due to the fact that an anticipated Tax benefit has not actually been recognized by the applicable Indemnitee) and (C) matter to the extent (but only to the extent) reflected or reserved against in the Final Balance Sheets;

(iv) "Indemnity Payment" means any amount of Indemnifiable Losses required to be paid pursuant to this Agreement; and

(v) "Third-Party Claim" means any claim, action, suit, or proceeding made or brought by any Third Party.

SECTION 7.5. Procedures for Third-Party Claims.

(a) If any Indemnitee receives notice of assertion or commencement of any Third-Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim; provided, however, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation or otherwise affect the rights of any Indemnitee hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay with respect to such claim. Thereafter, the Indemnitee shall deliver to the Indemnitor, as promptly as reasonably practicable after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(b) The Indemnitor shall be entitled to participate in the defense of any Third-Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third-Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense; provided, however, that if the Indemnitee determines in good faith that the representation of the Indemnitee and the Indemnitor by the same counsel creates an actual or potential conflict of interest for such counsel, the reasonable fees and expenses of one counsel employed by the Indemnitee with respect to such matter shall be considered Indemnifiable Losses hereunder. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third-Party Claim as provided above). If the Indemnitor chooses to defend any Third-Party Claim, the parties hereto shall cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

Whether or not the Indemnitor shall have assumed the defense of a Third-Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). If the Indemnitor has assumed the defense of a Third-Party Claim, the Indemnitor may only pay, settle, compromise, admit any liability with respect to or discharge a Third-Party Claim with the Indemnitee's prior written consent, not to be unreasonably withheld, delayed or conditioned; provided, however, that the Indemnitor may pay, settle, compromise or discharge such a Third-Party Claim without the written consent of the Indemnitee if such settlement (i) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third-Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third-Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third-Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third-Party Claim.

(c) Notwithstanding anything in this Agreement to the contrary, Seller shall have the sole right to represent the interests of the Companies and settle all issues in its sole discretion, and to employ counsel of its choice at its expense, in any audit or other examination or administrative or court proceeding relating to Taxes ("Tax Contest") for any Pre-Closing Tax Period (other than any Straddle Period); provided that Seller shall not pay, discharge, settle, compromise, litigate, or otherwise dispose of any item subject to such Tax Contest in a manner that will materially adversely affect Buyer or any of its Affiliates (which, for the avoidance of doubt, shall included the Companies following the Closing Date) without obtaining the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed; provided, further, that to the extent such Tax Contest relates in whole or in part to the Identified Mixed Straddle Transaction, the portion of such Tax Contest relating to the Identified Mixed Straddle Transaction shall be subject to the provisions applicable to Tax Contests for any Straddle Period. Notwithstanding the foregoing and subject to Seller's rights set forth in the preceding sentence, Buyer shall be entitled, at its expense, to participate in the conduct of any such Tax Contest. Buyer shall have the sole right to represent the interests of the Companies and settle all issues in its sole discretion, and to employ counsel of its choice at its expense, in any Tax Contest for any Straddle Period or Post-Closing Tax Period; provided that Buyer shall not pay, discharge, settle, compromise, litigate, or otherwise dispose of any item subject to such Tax Contest that could give rise to an Indemnifiable Loss for which Seller would be liable pursuant to this Agreement without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing and subject to Buyer's rights set forth in the preceding sentence, Seller shall be entitled, at its expense, to participate in the conduct of any such Tax Contest.

SECTION 7.6. Direct Claims. The Indemnitor will have a period of 15 Business Days within which to respond in writing to any claim by an Indemnitee on account of an Indemnifiable Loss that does not result from a Third-Party Claim. If the Indemnitor does not so respond within such 15 Business Day period, the Indemnitor will be deemed to have rejected such claim, in which event the Indemnitee will be entitled to pursue such remedies as may be available to the Indemnitee. This Article VII shall become effective immediately following the Closing.

SECTION 7.7. Sole Remedies. The parties hereto acknowledge and agree that, except as set forth in Section 10.7(b) or as otherwise specifically provided herein, if the Closing occurs, their sole and exclusive monetary remedy following the Closing with respect to any and all claims arising out of or related to the transactions contemplated by this Agreement shall be pursuant to the provisions set forth in this Article VII or Article VIII, as applicable. Further, the parties agree that with respect to the matters described on Schedule 7.2(a)(vi), the sole remedy of the Buyer Indemnified Persons with respect to such matters shall be pursuant to Section 7.2(a)(vi), and the representations and warranties set forth in Section 3.1(k) are the only representations or warranties made by Seller with respect to the matters that are the subject of Section 3.1(k), which, for the avoidance of doubt, are not subject to indemnification under Article VIII.

SECTION 7.8. No Right of Contribution. None of Seller or any of its Affiliates shall have any right of contribution against the Companies with respect to any inaccuracy, breach or failure to timely perform any of Seller's representations, warranties, covenants or agreements contained in this Agreement or in any other Transaction Document.

SECTION 7.9. Certain Other Matters. Upon making any Indemnity Payment, Indemnitor will, to the extent of such Indemnity Payment, be subrogated to all rights and obligations of Indemnitee against any third Person (other than any Tax authority or any Affiliate of the Indemnitee, including the Companies) in respect of the Indemnifiable Loss to which the Indemnity Payment related. Without limiting the generality or effect of any other provision hereof, each such Indemnitee and Indemnitor will duly execute upon request and at the sole cost and expense of the Indemnitor all instruments reasonably necessary to evidence and perfect the above-described subrogation rights. The Indemnitees are intended third party beneficiaries of this Article VII and may specifically enforce its terms.

SECTION 7.10. Product Tax Claims. With respect to any claim (whether a Third-Party Claim or a direct claim) for breach of Section 3.1(k) (any such claim, a "Product Tax Claim") the following provisions shall apply in addition to the other relevant provisions of Articles VII and VIII:

(a) Seller shall have no liability with respect to any Insurance Contract sold more than six months after the Closing Date;

(b) With respect to any breach of Section 3.1(k)(ii) or (vi), Seller shall have no liability with respect to the period from and after the date that is eighteen months after the Closing Date;

(c) Seller shall have no liability except to the extent that the relevant representation or warranty was breached based on the facts that existed and the Applicable Law as in effect as of or before the Closing Date;

(d) Seller shall be entitled to initiate, assume the handling of and control any negotiation or settlement with the IRS with respect to any such breach, including any proposed closing agreement with respect thereto, as though such IRS process constituted a Third-Party Claim hereunder pursuant to the procedures described in Section 7.5(a) and (b); and

(e) Without limiting Section 7.3(c), the parties shall work together to mitigate the amount of any Indemnifiable Loss resulting from any such breach.

ARTICLE VIII.
TAX MATTERS

SECTION 8.1. Indemnification for Taxes.

(a) Seller shall be liable for and pay and shall indemnify and hold harmless the Buyer Indemnified Persons from and against any and all Indemnifiable Losses in connection with or arising out of Taxes (other than Conveyance Taxes) imposed on any of the Companies, or for which any of the Companies may otherwise be liable, (i) for all Pre-Closing Tax Periods, (ii) arising out of any transaction outside the ordinary course of business occurring between the Closing Date and the Closing and (iii) to the extent described in the proviso to the first sentence of Section 8.1(b), except in each case to the extent of any accrued liability for Taxes taken into account in the calculation of the Final Adjustment Amount and as provided in Section 8.1(b).

(b) Buyer shall be liable for and pay and shall indemnify and hold harmless the Seller Indemnified Persons from and against any and all Indemnifiable Losses in connection with or arising out of liabilities for (i) Taxes imposed on any of the Companies, or for which the Companies may otherwise be liable, that are not subject to indemnification by Seller pursuant to Article VII or Section 8.1(a) and (ii) any Taxes imposed on any of the Companies, or for which the Companies may otherwise be liable, as a result of the Pre-Closing Transactions other than any withholding Taxes imposed in connection with any distributions made to Seller pursuant to such transactions; provided, that, in the event that any Taxes described in clause (ii) (A) would not have arisen in the absence of a breach of the representations made in Sections 3.1(h)(iii) or 3.1(j) or a breach of the covenants made in Sections 4.1(a)(xiii) or 8.6 or (B) would not have constituted Indemnifiable Losses if subject to Section 7.2(b)(iii) as a result of clause (A) thereto, then (1) Seller shall be liable for such Taxes pursuant to Section 8.1(a) and (2) notwithstanding anything to the contrary herein, such Taxes shall not constitute Indemnifiable Losses for which any Buyer Indemnified Person is entitled to indemnification pursuant to Section 7.2(a) (except to the extent Seller fails to pay such Taxes in accordance with Section 8.2(d)). For the avoidance of doubt, in the event that the Tax Attributes of the Companies immediately following the day of the Closing are less than they would have been in the absence of a breach of the representations made in Sections 3.1(h)(iii) or 3.1(j) or a breach of the covenants made in Sections 4.1(a)(xiii) or 8.6, the Buyer Indemnified Persons shall not be entitled to indemnification pursuant to Article VII for any Indemnifiable Losses attributable to such difference. For purposes of the proviso to the first sentence of this Section 8.1(b), the representations made in Section 3.1(j)(xi) shall be considered to have been breached if, for any reason (including as a result of items otherwise disclosed in the Seller's Disclosure Schedule), the amount of any Tax Attribute as of June 30, 2012, determined on a closing of the books basis, is less than the amount identified in Section 3.1(j)(xi) of the Seller's Disclosure Schedule.

(c) For purposes of this Agreement, Taxes for a Straddle Period shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period in the following manner:

(i) in the case of Taxes based on or measured by income, gain, or receipts, or related to the actual or deemed sale or transfer of property, or which are withholding Taxes, such Taxes shall be allocated based on an interim closing of the books as of the Closing Date; and

(ii) in the case of Taxes calculated on a periodic basis, the portion of such Taxes allocable to the Pre-Closing Tax Period shall be deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the portion of the Straddle Period ending on the Closing Date and the denominator of which is the number of days in the entire Straddle Period.

(iii) If any Company is a United States shareholder (within the meaning of Section 951(b) of the Code) of a controlled foreign corporation (within the meaning of Section 957 of the Code), amounts, if any, included in the income of such Company under Section 951 of the Code with respect to the Straddle Period of the controlled foreign corporation shall be allocated between such two taxable years or periods of such Company by assuming that, for purposes of Section 951 of the Code, the Straddle Period of the controlled foreign corporation consisted of two taxable years or periods, one which ended at the close of the Closing Date and the other of which began at the beginning of the day following the Closing Date.

SECTION 8.2. Filing of Tax Returns.

(a) Seller shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns that are required to be filed by or with respect to each of the Companies that are due on or prior to the day of the Closing (taking into account all extensions properly obtained) and Seller shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Such Tax Returns shall be prepared in a manner consistent with the positions taken, and with accounting methods used, on the Tax Returns filed by or with respect to the appropriate Company prior to the date on which the Closing occurs, unless otherwise required by Applicable Law.

(b) Buyer shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns that are required to be filed by or with respect to each of the Companies that are due after the day of the Closing (taking into account all extensions properly obtained) and Buyer shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. To the extent related to taxable periods ending on or before the day of the Closing or to any Straddle Period, such Tax Returns shall be prepared in a manner consistent with the positions taken, and with accounting methods used, on the Tax Returns filed by or with respect to the appropriate Company prior to the Closing Date, unless otherwise required by Applicable Law or agreed by Seller and Buyer. Buyer shall deliver any Tax Return described in the preceding sentence to

Seller for Seller's review at least 30 days (or, in the case of premium tax returns, 10 days) prior to the date such Tax Return is required to be filed and (i) in the case of any Tax Return relating to a taxable period ending on or before the Closing Date, shall accept all comments of the Seller in respect of such Tax Returns made prior to the date that is three days prior to the due date of such Tax Return, to the extent consistent with Applicable Law and prior practice of the relevant Company, and (ii) in the case of any Tax Return relating to a Straddle Period, shall consider in good faith making any changes to such Tax Return reasonably requested by Seller.

(c) Except to the extent otherwise required by Applicable Law, Buyer shall not, and shall not permit any of its Affiliates to, without the prior written consent of Seller, which consent may not be unreasonably withheld, conditioned or delayed, amend any Tax Returns of the Companies relating in whole or in part to a Pre-Closing Tax Period.

(d) Seller or Buyer shall reimburse the other party the Taxes for which Seller or Buyer is liable pursuant to this Agreement but which are remitted in respect of any Tax Return to be filed by the other party pursuant to Section 8.2(a) or Section 8.5 upon the written request of the party entitled to reimbursement setting forth in detail the computation of the amount owed by Seller or Buyer, as the case may be, but in no event earlier than three days prior to the due date for paying such Taxes. For the avoidance of doubt, such reimbursement obligations shall not be subject to the limitations on indemnification set forth in Article VII.

SECTION 8.3. Tax Refunds. Any Tax refund, credit, or similar benefit (including any interest paid or credited with respect thereto) (a "Tax Refund") relating to any of the Companies for Taxes paid for any Pre-Closing Tax Period (other than any such Taxes for which Buyer is liable pursuant to Section 8.1(b)) shall be the property of Seller except to the extent such Tax Refund was taken into account in calculating the Final Adjustment Amount. If received by Buyer or any of the Companies, Buyer shall, or shall cause such Company to, pay such Tax Refund promptly to Seller, net of any Tax cost to Buyer or any of its Affiliates (which, for the avoidance of doubt, shall include the Companies following the Closing Date) attributable to the receipt of such refund. In the event that any such Tax Refund is subsequently contested by any Tax authority, such Tax Contest shall be handled in accordance with the procedures in Section 7.5. Any additional Taxes resulting from such Tax Contest shall be indemnified in accordance with Section 8.1.

SECTION 8.4. Cooperation and Exchange of Information.

(a) Seller and Buyer shall provide each other with such cooperation and information as either of them or their respective Affiliates reasonably may request of the other in filing any Tax Return, amended Tax Return or claim for Tax Refund, determining a liability for Taxes or a right to a Tax Refund, or participating in or conducting any Tax Contest. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Tax authorities. Each party and its Affiliates shall make its employees available on a basis mutually convenient to both parties to provide explanations of any documents or information provided hereunder. Each of Seller and Buyer shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the Companies for each Tax period first ending after the Closing and for all prior

Tax periods until the later of (i) the expiration of the statute of limitations of the Tax period to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified in writing of such extensions for the respective Tax periods, or (ii) three years following the due date (without extension) for such Tax Returns. Any information obtained under this Section 8.4 shall be kept confidential except as otherwise may be necessary in connection with the filing of Tax Returns or claims for Tax Refunds or in conducting a contest or as otherwise may be required by Applicable Law or the rules of any stock exchange.

(b) Prior to the Closing, Buyer and Seller agree to reasonably cooperate with each other in connection with any potential tax planning which Buyer reasonably believes will improve the economics of the transactions contemplated by this Agreement to Buyer, provided that in Seller's sole discretion, such actions will not adversely affect Seller and its Affiliates.

SECTION 8.5. Conveyance Taxes. Buyer or Seller, as appropriate, shall execute and deliver all instruments and certificates necessary to enable the other to comply with any filing requirements relating to any real property transfer or sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees and any similar Taxes ("Conveyance Taxes") which become payable in connection with the purchase of the Transferred Shares by Buyer or the consummation of any of the other transactions contemplated by this Agreement and shall file such applications and documents as shall permit any Conveyance Taxes to be assessed and paid. Any Conveyance Taxes incurred in connection with the consummation of the transactions contemplated by this Agreement shall be borne equally by Seller, on one hand, and Buyer, on the other hand.

SECTION 8.6. Net Capital Gains. Without regard to any capital loss recognized for federal income tax purposes on the disposition of the Morgan Stanley Managed ACES securities or any capital gain recognized for federal income tax purposes as a result of the Identified Mixed Straddle Transaction, the Companies will not recognize any net capital gains during the period beginning on November 1, 2012, and ending immediately prior to the Pre-Closing Transactions occurring on the day of the Closing, determined on a closing of the books basis, that were not taken into account in determining the final Capital Gain Offset Amount as defined in, and determined pursuant to, Annex C.

SECTION 8.7. Miscellaneous.

(a) Each of Seller and Buyer agrees that (i) AUSA shall make a "closing of the books" election pursuant to Treas. Reg. § 1.382-6(b) on its Tax Return for the taxable year that includes the day of the Closing, (ii) for U.S. federal income tax purposes, each of the Pre-Closing Transactions shall be treated as occurring in the taxable year or period (or portion thereof) ending on the day of the Closing and (iii) neither it nor any of its Affiliates shall file any Tax Return or otherwise take any position that is inconsistent with such treatment.

(b) Seller and Buyer agree to treat all payments (other than interest on a payment) made by either of them to or for the benefit of the other or the other's Affiliates or the Companies under this Article VIII and under other indemnity provisions of this Agreement as adjustments to the Purchase Price for Tax purposes and that such treatment shall govern for purposes hereof to the extent permissible under Applicable Law.

(c) Notwithstanding any provision in this Agreement to the contrary, the obligations of Seller to indemnify and hold harmless the Buyer Indemnified Persons, as well as the obligations of Buyer to indemnify and hold harmless the Seller Indemnified Persons, pursuant to this Article VIII shall terminate on the later of three months after the expiration of the applicable statute of limitations (taking into account any applicable extensions or tollings thereof) with respect to the Tax liabilities in question or 60 days after the final administrative or judicial determination of such Tax liabilities, except for any indemnity obligations as to which a claim has been made before the expiration of the applicable period.

(d) In the event of any Tax Contest, the conduct of the parties shall be governed by the provisions of Section 7.5.

(e) Should it be necessary, equitable adjustments will be made to prevent duplicate recovery for indemnification with respect to the same item under Article VII and this Article VIII.

ARTICLE IX.
TERMINATION PRIOR TO CLOSING

SECTION 9.1. Termination of Agreement. This Agreement may be terminated at any time prior to the Closing:

(a) by Seller or Buyer in writing, if there shall be any order, injunction or decree of any Governmental Entity that prohibits or restrains any party from consummating the transactions contemplated hereby, and such order, injunction or decree shall have become final and non-appealable; provided that the party seeking to terminate this Agreement pursuant to this Section 9.1(a) shall have performed in all material respects its obligations under this Agreement;

(b) by Seller or Buyer in writing, if the Closing has not occurred on or prior to the date that is nine months after the Filing Date, unless due to the failure of the party seeking to terminate this Agreement to materially perform each of its obligations under this Agreement required to be performed by it on or prior to the Closing Date; provided that such date shall automatically be extended by the number of days elapsed during any Resolution Process, including the third-party review process described on Annex E (such date, as so extended, the "End Date");

(c) by either Seller or Buyer in writing, if a breach of any provision of this Agreement that has been committed by the other party would cause the failure of any mutual condition to Closing or any condition to Closing for the benefit of the non-breaching party and such breach is not capable of being cured or is not cured within 20 calendar days after the breaching party receives written notice from the non-breaching party that the non-breaching party intends to terminate this Agreement pursuant to this Section 9.1(c);

(d) by Buyer in writing if there shall have occurred and be continuing for forty-five (45) days after receipt by Seller of a written notice from Buyer that it intends to terminate this Agreement pursuant to this Section 9.1(d) any change, event or development, individually or in the aggregate, which results in, or would reasonably be expected to result in, a

Material Adverse Effect with respect to Seller or the Companies, except as set forth in Section 6.2(d) of the Seller's Disclosure Schedule;

(e) by Seller in writing if Buyer shall have failed to make the filings required to be made by it or any of its Affiliates under Section 4.4(b)(1) by the deadline for such filings determined in accordance with Section 4.4(d); or

(f) at any time on or prior to the Closing Date, by mutual written consent of Seller and Buyer.

SECTION 9.2. Survival. If this Agreement is terminated as permitted by Section 9.1, and the transactions contemplated hereby are not consummated as described above, this Agreement shall become null and void and of no further force and effect without liability of either party (or any Representative of such party) to the other party to this Agreement, except for (a) the provisions of the last sentence of Section 4.31(b), this Section 9.2 and Article X and (b) rights and obligations arising from any fraud or intentional breach by a party of its obligations under this Agreement. The Confidentiality Agreement shall remain in full force and effect notwithstanding any termination of this Agreement.

ARTICLE X.
GENERAL PROVISIONS

SECTION 10.1. Fees and Expenses. Whether or not the purchase and sale of the Transferred Shares is consummated, each party hereto shall, except as otherwise provided in this Agreement, pay its own Transaction Expenses incident to preparing for, entering into and carrying out this Agreement, the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

SECTION 10.2. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be delivered personally, by overnight courier (providing proof of delivery) or by email; provided, that the email is promptly confirmed, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice). Any such notice shall be deemed given when so delivered personally, by courier or by overnight delivery service or sent by email (and immediately after transmission by such email receipt of which has been confirmed by telephone by the sender) or, if mailed, four (4) Business Days after the mailing as follows:

(a) if to Buyer:

Athene Holding Ltd.
Chesney House, 96 Pitts Bay Road
Pembroke HM 08, Bermuda
Telephone: (441) 279-8402
Attention: Grant Kvalheim
Email: GKvalheim@Athene.bm

with a copy (which shall not constitute notice) to each of:

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Attention: Perry J. Shwachman, Esq.
Email: pshwachman@sidley.com

and

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5835
Attention: Jonathan J. Kelly, Esq.
Email: jjkelly@sidley.com

(b) if to Seller:

Aviva plc
St. Helen's
1 Undershaft
London EC3P 3DQ
Telephone: 44-207-662-6646
Attention: Kirsty Cooper, Group General Counsel and Company Secretary
Email: kirsty.cooper@aviva.com

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 7th Avenue
New York, NY 10019
Telephone: (212) 728-8088
Attention: Robert S. Rachofsky
Email: rrachofsky@willkie.com

SECTION 10.3. Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Any fact or item disclosed on any section of a Disclosure Schedule shall be deemed disclosed on all other sections of such Disclosure Schedule to the extent the applicability of such fact or item to such other section of the Disclosure Schedule is reasonably apparent on its face from a plain reading thereof, notwithstanding the omission of a reference or cross-reference thereto. Disclosure of any item in a Disclosure Schedule shall not be deemed an admission that such item represents a material item, fact, exception of fact, event or circumstance or that occurrence or non-occurrence of any change or effect related to such item would reasonably be expected to result in a Material

Adverse Effect with respect to Seller, the Companies or Buyer, as applicable. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation" whether or not such words actually appear thereafter. As used in this Agreement, the words "the transactions contemplated by this Agreement," "the transaction contemplated by the Transaction Documents" and similar words or phrases shall be deemed not to include the Life Business Transaction, the Annuity Business Transaction or any transactions that Buyer or any of its Affiliates may intend to effect other than pursuant to the Transaction Documents, including, for the avoidance of doubt, the potential assignment of the shares of ALACNY to an insurance company Affiliate of Buyer as referenced in Section 10.6, which assignment shall be deemed not to be included in any such words or phrases. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

SECTION 10.4. Entire Agreement; Third-Party Beneficiaries. This Agreement (including all exhibits and schedules hereto), the Confidentiality Agreement and the other Transaction Documents constitute the entire agreement, and supersede all prior agreements, understandings, representations and warranties, both written and oral, among the parties with respect to the subject matter of this Agreement and the other Transaction Documents. Except as set forth in (i) Section 4.14 with respect to the directors and officers referred to therein, (ii) Section 4.15 with respect to Affiliates of Seller and (iii) Articles VII and VIII with respect to the Buyer Indemnified Persons and the Seller Indemnified Persons, this Agreement is not intended to and shall not confer upon any Person other than the parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

SECTION 10.5. Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

SECTION 10.6. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise (other than following the Closing by operation of law in a merger or scheme of arrangement), by any of the parties without the prior written consent of the other party, and any such assignment that is not consented to shall be null and void; provided, that the shares of ALACNY acquired as part of the transactions contemplated hereby may be assigned to an insurance company Affiliate of Buyer domesticated in the State of New York concurrently with the Closing, subject to the prior written consent of Seller (which consent shall not be unreasonably withheld, delayed or conditioned) (and, if so assigned, such assignment shall be considered a Pre-Closing Transaction for purposes of this Agreement (including Annex C)). Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 10.7. Jurisdiction; Enforcement.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each of the parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is brought in an inconvenient forum or that the venue of such action, suit or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the parties hereto from removing any matter from one New York Court to another New York Court. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 10.2 of this Agreement, constitute good, proper and sufficient service thereof. Notwithstanding this Section 10.7(a), the determination of the Final Adjustment Amount shall be made as set forth in Annex C.

(b) The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, without the necessity of posting bond or other undertaking, the parties hereto shall, subject to Section 9.2, be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement, this being in addition (subject to the terms of this Agreement) to any other remedy to which such party is entitled at law or in equity. In the event that any Action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto hereby waives any defense or counterclaim, that there is an adequate remedy at law.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN

INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.7.

SECTION 10.8. Severability; Amendment; Modification; Waiver.

(a) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(b) Except as otherwise contemplated by this Agreement, this Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer and Seller in the case of an amendment or, in the case of a waiver, by the party hereto entitled to make such waiver.

(c) No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

SECTION 10.9. Certain Limitations. Buyer acknowledges and agrees that neither Seller nor any of its Affiliates (including the Companies), nor any Representative of any of them, makes or has made, and Buyer has not relied on, any inducement or promise to Buyer except as specifically made in this Agreement or any representation or warranty to Buyer, oral or written, express or implied, other than as set forth in this Agreement or in any certificate delivered pursuant to the terms hereof. Without limiting the generality of the foregoing, other than as set forth in this Agreement or in any certificate delivered pursuant to the terms hereof, no Person has made any representation or warranty to Buyer with respect to the Companies, the Shares or any other matter, including with respect to (A) merchantability or fitness for any particular purpose, (B) the operation of the Companies by Buyer after the Closing, (C) the probable success or profitability of the Companies after the Closing or (D) any information, documents or material made available to Buyer, its Affiliates or their respective Representatives in any "data rooms," information memoranda, management presentations, functional "break-out" discussions or in any other form or forum in connection with the transactions contemplated by this Agreement, including any valuation, appraisal, projection or forecast with respect to all or any of the Companies. With respect to any such valuation, appraisal, projection or forecast, Buyer acknowledges that: (A) there are uncertainties inherent in attempting to make such valuations, appraisals, projections and forecasts; and (B) it is familiar with such uncertainties.

SECTION 10.10. No Offset. Except as expressly provided for in this Agreement, no party to this Agreement may offset any amount due to the other party hereto or any of such other party's Affiliates against any amount owed or alleged to be owed from such other party or its Affiliates under this Agreement or any other Transaction Document without the written consent of such other party.

SECTION 10.11. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party may deliver its signed counterpart of this Agreement to the other parties by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Remainder of page intentionally left blank**]**

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AVIVA PLC

By: ______________________
Name: INDER SINGH
Title: GROUP M&A DIRECTOR

ATHENE HOLDING LTD.

By: ______________________
Name:
Title:

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AVIVA PLC

By: ____________________________
Name:
Title:

ATHENE HOLDING LTD.

By: ____________________________
Name: Grant Kvalheim
Title: President and CFO

AMENDMENT NO. 1 TO STOCK PURCHASE AGREEMENT

This Amendment No. 1 to Stock Purchase Agreement (this "Amendment"), dated as of April 8, 2013, is made and entered into between Aviva plc, a public limited company organized under the laws of England and Wales ("Seller"), and Athene Holding Ltd., a Bermuda exempted company ("Buyer"), with respect to the Stock Purchase Agreement, dated as of December 21, 2012, between Seller and Buyer (the "Agreement"). Capitalized terms used in this Amendment but not otherwise defined herein have the meanings assigned to them in the Agreement.

WHEREAS, the parties desire to amend and restate Section 4.4(d) of the Agreement pursuant to Section 10.8(b) thereof;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Amendment to the Agreement. Effective as of the date of this Amendment, Section 4.4(d) of the Agreement is hereby amended and restated in its entirety to read as follows:

> (d) Buyer shall use its reasonable best efforts to enter into an LR Reinsurance Framework Agreement as soon as practicable after the date hereof and, in connection therewith, Seller shall cooperate with Buyer in such efforts as and to the extent contemplated by Section 4.28. Buyer shall keep Seller reasonably informed on an ongoing basis of, and of all material developments with respect to, any discussions or negotiations with potential Life Reinsurers. Buyer shall cause the applications described in clause (1) of Section 4.4(b) to be filed with the applicable Governmental Entities on or prior to April 8, 2013 (April 8, 2013, or the date on which the last of any amendment of any such application that is permitted to be filed as described below, is filed with the applicable Governmental Entities (but in no event a date later than April 30, 2013), is referred to herein as the "Filing Date".) If, on or prior to April 30, 2013, Buyer executes and delivers an LR Reinsurance Framework Agreement and substantially agrees the form of the principal ancillary agreements thereto with one of the two potential Third Party Life Reinsurers identified to Seller as of the date of Amendment No. 1 to the Agreement, then Buyer may file amendments to such applications on or prior to April 30, 2013 to reflect such LR Reinsurance Framework Agreement and ancillary agreements. Buyer's initial applications may describe a Life Business Transaction with Presidential Life Insurance Company-USA, an Affiliate of Buyer that would be retained by Buyer to serve as the Life Reinsurer and enter into an LR Reinsurance Framework Agreement with Buyer pursuant to which such Life Business Transaction would be effected (the "PLUSA Transaction"), which Life Business Transaction would be replaced in whole or in part with the Life Business Transaction described in the preceding sentence, if the amendments described therein are filed. Except as set forth above, Buyer shall not, and shall cause its Affiliates not to, file any amendments to such applications or make any filing with or proposal to any Governmental Entity with respect to any other Life Business Transaction or any aspect thereof until after the Closing. If Buyer does not

enter into an LR Reinsurance Framework Agreement with a Third Party Life Reinsurer prior to April 30, 2013, it will promptly amend its previously filed applications to clarify that it does not intend to enter into such a transaction with a Third Party prior to Closing. In the event that (i) it becomes reasonably apparent that the Iowa Insurance Division or any other applicable Governmental Entity will not grant its approval to the transactions contemplated hereby in whole or in part due to any facts related to a Life Business Transaction or (ii) the conditions to the completion of a Life Business Transaction (other than items that are also conditions to the transactions contemplated hereby) are not satisfied by the Cut-off Date (as defined below) with respect to such Life Business Transaction, then Buyer shall, upon the written request of Seller, abandon such Life Business Transaction, promptly submit any new or amended filings, applications or other documents with the applicable Governmental Entities to exclude such Life Business Transaction from the applications and other filings it previously submitted to such Governmental Entities in connection with the transactions contemplated by this Agreement and use its reasonable best efforts to promptly consummate the transactions contemplated by this Agreement; provided however that if Buyer so abandons a Third Party Life Business Transaction, the transaction reflected in such new or amended filings, applications and other documents may at Buyer's option include the PLUSA Transaction unless as a result of such inclusion the circumstances described in the foregoing clause (i) or (ii) would exist. As used herein, the "Cut-off Date" with respect to any Life Business Transaction shall mean the last date by which the parties would reasonably expect to be able to terminate such Life Business Transaction, submit the new or amended filings, applications or other documents described in the preceding sentence and be able to complete the transactions contemplated hereby a reasonable period of time prior to the End Date. For the avoidance of doubt, completion of a Life Business Transaction (including the PLUSA Transaction) is not a condition to the closing of the transactions contemplated hereby.

2. Annuity Business Transaction. Notwithstanding anything to the contrary in the Agreement, Buyer shall not, and shall cause its Affiliates not to, (i) pursue any Annuity Business Transaction or any aspect thereof until after the Closing or (ii) make any filing with or proposal to any Governmental Entity with respect to any Annuity Business Transaction or any aspect thereof until after the Closing.

3. Binding Effect. This Amendment shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and assigns.

4. Severability. Whenever possible, each provision or portion of any provision of this Amendment will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Amendment is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Amendment will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

5. Integration. The provisions set forth in this Amendment shall be deemed to be and shall be construed as part of the Agreement to the same extent as if fully set forth verbatim therein. In the event of any variation or inconsistency between any provision contained in this Amendment and any provision contained in the Agreement, the provision contained herein shall govern. All references in the Agreement or any other agreements, instruments and documents executed and delivered in connection therewith to the "Agreement" (including, without limitation, the terms "hereof," "hereunder," "herein," "hereby" and similar terms) shall be deemed to refer to the Agreement as amended hereby, except in the case where any such reference relates to the original date of the execution of the Agreement, in which case such reference shall relate to the Agreement before giving effect to this Amendment.

6. Governing Law. This Amendment and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

7. No Other Amendments. Except as expressly amended or modified hereby, the terms and conditions of the Agreement shall continue in full force and effect.

8. Counterparts. This Amendment may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party may deliver its signed counterpart of this Amendment to the other party by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Seller and Buyer have caused this Amendment to be signed by their respective duly authorized officers, all as of the date first written above.

AVIVA PLC

By: Neil Harrison
Name: NEIL HARRISON
Title: HEAD OF LEGAL, M+A/CAPITAL

ATHENE HOLDING LTD.

By: ______________________
Name:
Title:

IN WITNESS WHEREOF, Seller and Buyer have caused this Amendment to be signed by their respective duly authorized officers, all as of the date first written above.

AVIVA PLC

By: ________________________
Name:
Title:

ATHENE HOLDING LTD.

By: Frank L. Gillis
Name: Frank L. Gillis
Title: Director, Athene Holding Ltd.

ANNEX C

DETERMINATION AND PAYMENT OF PURCHASE PRICE

1. Payments at Closing. Not less than two Business Days prior to the anticipated Closing Date, Seller shall deliver to Buyer a statement (the "Estimated Adjustment Statement"), in the form set forth in Attachment 1, setting forth (A) an estimated balance sheet of ALAC as of the Closing Date prepared in accordance with the Accounting Principles (the "Estimated Statutory Balance Sheet") and showing Seller's calculation of the Statutory Net Worth based thereon after giving effect to the Statutory Balance Sheet Adjustments (the "Estimated Statutory Net Worth"), (B) an estimated stand-alone balance sheet of AUSA as of the Closing Date prepared in accordance with the Accounting Principles (the "Estimated IFRS Balance Sheet") and showing Seller's calculation of the IFRS Net Worth based thereon after giving effect to the IFRS Balance Sheet Adjustments, which include an adjustment to capture the value of the Subsidiaries of AUSA other than ALAC and its Subsidiaries (the "Estimated IFRS Net Worth"), (C) calculations of the Estimated Combined Net Worth, (D) the estimated amount of the Intercompany Loan Balance as of the Closing Date, (E) the Share Redemption Cash Consideration, (F) the estimated Capital Gain Offset Amount and (G) calculations of the Adjusted Initial Amount based on the foregoing. In addition to the deliveries contemplated by Section 2.3, at the Closing, Buyer shall pay to AGHL or its designee the Adjusted Initial Amount by wire transfer of immediately available funds to a bank account designated by Seller.

2. Post-Closing Payments. The Final Adjustment Amount shall be determined as set forth below. If the Final Adjustment Amount is a positive number, then Buyer shall pay such Final Adjustment Amount to AGHL or its designee within five Business Days after the final determination thereof. If the Final Adjustment Amount is a negative number, then Seller shall cause AGHL to pay the absolute value of such Final Adjustment Amount to Buyer within five Business Days after the final determination thereof. Any payments required to be made by either party pursuant to this Section 2 shall (i) be made by wire transfer of immediately available funds and (ii) include interest on the amount required to be paid at the Applicable Rate, compounded annually, from the Closing Date to the date such payment is made. The Final Adjustment Amount shall be determined as follows:

(a) No later than 65 Business Days after the Closing Date, Buyer shall deliver to Seller (i) a statement (the "Final Adjustment Statement") in the form set forth in Attachment 2 setting forth (A) the balance sheet of ALAC as of the Closing Date prepared in accordance with the Accounting Principles (the "Subject Statutory Balance Sheet") and showing Buyer's calculation of the Statutory Net Worth based thereon after giving effect to the Statutory Balance Sheet Adjustments and (B) the stand alone balance sheet of AUSA as of the Closing Date prepared in accordance with the Accounting Principles (the "Subject IFRS Balance Sheet") and Buyer's calculation of the IFRS Net Worth based thereon after giving effect to the IFRS Balance Sheet Adjustments, (ii) a written certificate of the chief financial officer of AUSA certifying that the Subject Balance Sheets were prepared in accordance with the Accounting Principles and setting forth in reasonable detail Buyer's calculation of the Final Combined Net Worth and the Final Adjustment Amount based thereon and (iii) supporting documentation with respect to the calculation of the amounts set forth on the Final Adjustment Statement, including balance sheets of each of AUSA's Subsidiaries as of the Closing Date prepared in accordance with the Accounting Principles.

(b) (i) Seller shall have 30 Business Days from the date on which the Final Adjustment Statement is delivered to it to review the Final Adjustment Statement, the Subject Balance Sheets and the calculations of Statutory Net Worth, IFRS Net Worth, Final Combined Net Worth and the Final Adjustment Amount based thereon (the "Review Period"). In furtherance of such review, Buyer and the Companies shall provide Seller and its Representatives with full access to the employees of Buyer and the Companies and to all documentation, records and other information of Buyer and the Companies as Seller or any of its Representatives may reasonably request; provided that such access does not unreasonably interfere with the conduct of the business of Buyer or the Companies.

(ii) If Seller disagrees in any respect with any amount or computation shown or reflected in the Final Adjustment Statement, Seller may, on or prior to the last day of the Review Period, deliver a notice to Buyer setting forth, in reasonable detail, each disputed item or amount and the basis for Seller's disagreement therewith (the "Dispute Notice"). The Dispute Notice shall set forth, with respect to each disputed item, Seller's position as to the correct amount or computation that should have been included in the Final Adjustment Statement and as to the Final Adjustment Amount.

(iii) If no Dispute Notice is received by Buyer with respect to any such item on or prior to the last day of the Review Period, the amount or computation with respect to such item as set forth in the Final Adjustment Statement shall be deemed accepted by Seller, whereupon the amount or computation of such item or items shall be final and binding on the parties.

(iv) For 15 Business Days after Buyer receives a Dispute Notice, if any, Buyer and Seller shall endeavor in good faith to resolve by mutual agreement all matters identified in the Dispute Notice. In the event that the parties are unable to resolve by mutual agreement any matter in the Dispute Notice within such 15 Business Day period, Buyer or Seller may engage Deloitte & Touche LLP, or if Deloitte & Touche LLP is unwilling to serve, another accounting firm of national reputation with experience and expertise in the life insurance industry or any other Person, as mutually agreed by the parties hereto (the "Independent Accounting Firm"), to make a determination respecting the matters in dispute.

(v) Once engaged, Buyer and Seller will direct the Independent Accounting Firm to render a determination within 25 Business Days of its retention, and Buyer, Seller and their respective employees and agents will cooperate with the Independent Accounting Firm during its engagement. Buyer, on the one hand, and Seller, on the other hand, shall each submit a binder to the Independent Accounting Firm promptly (and in any event within 10 Business Days) after the Independent Accounting Firm's engagement, which binder shall contain their respective computations of the disputed items identified in the Dispute Notice and information, arguments and support for their respective positions, and shall concurrently deliver a copy thereof to the other party. Each party shall then be given an opportunity to supplement the information, arguments and support included in its binder with one additional submission to respond to any arguments or positions taken by the other party in its binder, which supplemental information shall be submitted to the Independent Accounting Firm (with a copy thereof to the other party) within five Business Days after the first date on which both parties have submitted their respective binders to the Independent Accounting Firm. The Independent Accounting Firm shall thereafter be permitted to request additional or clarifying information from the parties, and each of the parties shall cooperate and shall cause their Representatives to cooperate with such requests of the Independent Accounting Firm. The Independent Accounting Firm shall determine, based solely on such binders presented and upon information received in response to such requests for additional or clarifying information and not by independent review, only those issues in dispute specifically set forth in the Dispute Notice and shall render a written report to Buyer and Seller (the "Adjustment Report") in which the Independent Accounting Firm shall, after considering all matters set forth in the Dispute Notice, determine what adjustments, if any, should be made to the amounts and computations set forth in the Final Adjustment Statement solely as to the disputed items and shall determine the appropriate Final Adjustment Amount on that basis.

(vi) The Adjustment Report shall set forth, in reasonable detail, the Independent Accounting Firm's determination with respect to each of the disputed items or amounts specified in the Dispute Notice, and the revisions, if any, to be made to the Final Adjustment Statement, together with supporting calculations. In resolving any disputed item, the Independent Accounting Firm (i) shall be bound to the principles of this Annex C and the terms of this Agreement, (ii) shall limit its review to matters specifically set forth in the Dispute Notice and (iii) shall not assign a value to any item higher than the highest value for such item claimed by either party or less than the lowest value for such item claimed by either party.

(vii) All fees and expenses relating to the work of the Independent Accounting Firm shall be shared equally by Buyer and Seller. The Adjustment Report, absent fraud, shall be final and binding upon Buyer and Seller, and shall be deemed a final arbitration award that is binding on each of Buyer and Seller, and no party shall seek further recourse to courts, other tribunals or otherwise, other than to enforce the Adjustment Report.

(viii) The final form of the balance sheet of ALAC as of the Closing Date as finally determined pursuant to this Section 2 is referred to herein as the "Final Statutory Balance Sheet" and the amount of the Statutory Net Worth calculated therefrom after giving effect to the Statutory Balance Sheet Adjustments is referred to as the "Final Statutory Net Worth." The final form of the stand alone balance sheet of AUSA as of the Closing Date as finally determined pursuant to this Section 2 is referred to herein as the "Final IFRS Balance Sheet" and the amount of the IFRS Net Worth calculated therefrom after giving effect to the IFRS Balance Sheet Adjustments is referred to as the "Final IFRS Net Worth."

3. Certain Definitions. Capitalized terms that are used but not defined in this Annex C have the meanings given to such terms in the Agreement. In addition, for purposes of this Annex C, the following terms have the meanings set forth below:

"Accounting Principles" means:

(a) with respect to ALAC and each of its Subsidiaries (it being understood that the application of Accounting Principles in the preparation of any Closing Statutory Balance Sheet shall require the application of the principles, practices and policies described in this paragraph (a) both with respect to ALAC and, to the extent applicable thereto, with respect to each of ALAC's Subsidiaries), each of (A) the specific principles, practices and policies described in Attachment 3, (B) to the extent not inconsistent with the preceding clause (A), the same policies, principles, bases, practices, methods, evaluation rules and procedures used in preparing the balance sheet of ALAC as of December 31, 2011, that is included in the Statutory Statements and (C) to the extent not inconsistent with the preceding clauses (A) and (B), (i) with respect to ALAC and ALACNY, SAP as applicable with respect to such Insurance Company, (ii) with respect to each Subsidiary that is a captive insurance company, statutory accounting practices prescribed or permitted by the Governmental Entity charged with the supervision of captive insurance companies in such Subsidiary's state of domicile and (iii) with respect to each other Subsidiary of ALAC, for purposes of including the financial position of such Subsidiary on the Closing Statutory Balance Sheets, IFRS; and

(b) with respect to AUSA and its Subsidiaries other than ALAC and its Subsidiaries (it being understood that the application of Accounting Principles in the preparation of any Closing IFRS Balance Sheet shall require the application of the principles, practices and policies described in this paragraph (b) both with respect to AUSA and, as applicable, with respect to each of AUSA's Subsidiaries other than ALAC and its Subsidiaries), each of (A) the specific principles, practices and policies described in Attachment 3, (B) to the extent not inconsistent with the preceding clause (A), the same policies, principles, bases, practices, methods, evaluation rules and procedures used in preparing the Historical IFRS Balance Sheet as of December 31, 2011, and (C) to the extent not inconsistent with the preceding clauses (A) and (B), IFRS

"Adjusted Initial Amount" means the greater of (i) zero and (ii) the Base Price (A) *minus* the sum of (1) the Share Redemption Cash Consideration, (2) the aggregate principal amount of the ALAC Surplus Notes, if any, distributed to AGHL pursuant to Section 2.1(a)(v)(A) of the Agreement and (3) the Intercompany Loan Balance and either (B) plus the excess, if any, of the Estimated Combined Net Worth over the Reference Combined Net Worth or (C) minus the excess, if any, of the Reference Combined Net Worth over the Estimated Combined Net Worth.

"Adjustment Report" has the meaning set forth in Section 2(b)(v) of this Annex C.

"Applicable Rate" means an interest rate equal to three-month LIBOR for dollars that appears on page LIBOR 01 (or a successor page) of the Reuters Telerate Screen as of 11:00

a.m., London time, on the day that is two Business Days preceding the date the Final Adjustment Statement is finalized pursuant to Annex C, calculated on the basis of a 360 day year and the actual number of days elapsed.

"Capital Gain Offset Amount" means 35% of the net capital gains recognized by the Companies for federal income tax purposes (without regard to any capital loss recognized for federal income tax purposes on the disposition of the Morgan Stanley Managed ACES assets or any capital gain recognized for federal income tax purposes as a result of the Identified Mixed Straddle Transaction) during the period beginning on November 1, 2012, and ending immediately prior to the Pre-Closing Transactions occurring on the date of Closing, determined on a closing of the books basis.

"Closing Balance Sheets" means, collectively, the Estimated Balance Sheets, the Subject Balance Sheets and the Final Balance Sheets.

"Closing IFRS Balance Sheets" means, collectively, the Estimated IFRS Balance Sheet, the Subject IFRS Balance Sheet and the Final IFRS Balance Sheet.

"Closing Statutory Balance Sheets" means, collectively, the Estimated Statutory Balance Sheet, the Subject Statutory Balance Sheet and the Final Statutory Balance Sheet.

"Dispute Notice" has the meaning set forth in Section 2(b)(ii) of this Annex C.

"Estimated Adjustment Statement" has the meaning set forth in Section 1 of this Annex C.

"Estimated Balance Sheets" means, collectively, the Estimated Statutory Balance Sheet and the Estimated IFRS Balance Sheet.

"Estimated Combined Net Worth" means (i) the sum of the Estimated Statutory Net Worth and the Estimated IFRS Net Worth minus (ii) the estimated Capital Gain Offset Amount.

"Estimated IFRS Balance Sheet" has the meaning set forth in Section 1 of this Annex C.

"Estimated IFRS Net Worth" has the meaning set forth in Section 1 of this Annex C.

"Estimated Statutory Balance Sheet" has the meaning set forth in Section 1 of this Annex C.

"Estimated Statutory Net Worth" has the meaning set forth in Section 1 of this Annex C.

"Final Adjustment Amount" means an amount equal to the Final Combined Net Worth minus the Estimated Combined Net Worth.

"Final Adjustment Statement" has the meaning set forth in Section 2(a) of this Annex C.

"Final Balance Sheets" means, collectively, the Final Statutory Balance Sheet and the Final IFRS Balance Sheet.

"Final Combined Net Worth" means (i) the sum of the Final Statutory Net Worth and the Final IFRS Net Worth minus (ii) the final Capital Gain Offset Amount.

"Final IFRS Balance Sheet" has the meaning set forth in Section 2(b)(viii) of this Annex C.

"Final IFRS Net Worth" has the meaning set forth in Section 2(b)(viii) of this Annex C.

"Final Statutory Balance Sheet" has the meaning set forth in Section 2(b)(viii) of this Annex C.

"Final Statutory Net Worth" has the meaning set forth in Section 2(b)(viii) of this Annex C.

"IFRS Balance Sheet Adjustments" means the adjustments set forth under the heading "IFRS Balance Sheet Adjustments" in Attachment 4.

"IFRS Net Worth" means an amount equal to (i) the value of the assets of AUSA as of the Closing Date less (ii) the value of the liabilities of AUSA as of the Closing Date, calculated from amounts set forth on the applicable Closing IFRS Balance Sheet prepared in accordance with the Accounting Principles and after giving effect to the IFRS Balance Sheet Adjustments.

"Independent Accounting Firm" has the meaning set forth in Section 2(b)(iv) of this Annex C.

"Intercompany Loan Balance" means the sum of the outstanding aggregate principal amounts of all Intercompany Loans, together with the accrued and unpaid interest thereon, in each case as of the Closing Date.

"Policy Binder" means the policy binder delivered by Seller to Buyer on or prior to the date hereof that has been initialed by both Seller and Buyer and contains copies of policies and other documents to which reference is made in this Annex C and its attachments.

"Reference Combined Net Worth" means $1,970,788,000.

"Review Period" has the meaning set forth in Section 2(b)(i) of this Annex C.

"Statutory Balance Sheet Adjustments" means the adjustments set forth under the heading "Statutory Balance Sheet Adjustments" in Attachment 4.

"Statutory Net Worth" means an amount equal to (i) the value of the assets of ALAC as of the Closing Date less (ii) the value of the liabilities of ALAC as of the Closing Date, calculated from amounts set forth on the applicable Closing Statutory Balance Sheet prepared in accordance with the Accounting Principles and after giving effect to the Statutory Balance Sheet Adjustments.

"Subject Balance Sheets" means, collectively, the Subject Statutory Balance Sheet and the Subject IFRS Balance Sheet.

"Subject IFRS Balance Sheet" has the meaning set forth in Section 2(a) of this Annex C.

"Subject Statutory Balance Sheet" has the meaning set forth in Section 2(a) of this Annex C.

Attachment 1

Estimated Adjustment Statement
(Illustrative format)

	Estimated IFRS Balance Sheet $000s	Estimated Statutory Balance Sheet $000s
Assets		
Property and equipment		
Investment property		
Investment in associates and joint ventures		
Investments in subsidiaries		
Debt securities		
Equity securities		
Other investments		
Other financial instruments		
Loans		
Reinsurance assets		
Other assets		
Receivables and other financial assets		
Prepayments and accrued income		
Cash and cash equivalents		
Inter-group items - assets/(liabilities)		
Separate account assets		
Total Assets		
Total Liabilities		
Insurance liabilities		
Liability for investment contracts		
Asset valuation reserve		
Reinsurance in unauthorized companies		
Pension obligations and other provisions		
Tax liabilities		
Borrowings		
Other liabilities		
Payables and other financial liabilities		
Funds held under reinsurance in unauthorized reinsurers		
Separate account liabilities		
Total Liabilities		
Total Net Assets		
Equity and reserves		
Share capital		

Capital reserves		
Revaluation and other reserves		
Retained earnings		
Goodwill cost reserve		
Retained earnings total		
Minority interest		
Total equity and reserves		

IFRS Adjustments		
Eliminate investment in subsidiaries		N/A
Add net worth of Subsidiaries (other than ALAC and its Subsidiaries)		N/A
Eliminate surplus note		N/A
Eliminate Intercompany Loan Balance		N/A
Statutory Adjustments		
Add back asset valuation reserve	N/A	
Add back reinsurance in unauthorized entities	N/A	
Add back non-admitted assets and reduce to IFRS basis values	N/A	
CMA restructuring		
[Deduct provision related to future index crediting**]**	N/A	
IFRS/ Statutory Net Worth		
Less: Estimated Capital Gain Offset Amount		
Estimated Combined Net Worth		
Less: Reference Combined Net Worth		($1,970,788)
Plus: Base Price		$1,550,000
Less: Estimated Intercompany Loan Balance		
Less: Share Redemption Cash Consideration		
Less: ALAC Surplus Note		
Equals: Adjusted Initial Amount		

Intercompany Loans	
Intercompany Loans	
Accrued and unpaid interest on Intercompany Loans	
Intercompany Loan Balance	

Attachment 2

Subject/ Final Adjustment Statement
(Illustrative Format)

Closing Balance Sheet	**Subject/ Final IFRS Balance Sheet $000s**	**Subject/ Final Statutory Balance Sheet $000s**
Assets		
Property and equipment		
Investment property		
Investment in associates and joint ventures		
Investments in subsidiaries		
Debt securities		
Equity securities		
Other investments		
Other financial instruments		
Loans		
Reinsurance assets		
Other assets		
Receivables and other financial assets		
Prepayments and accrued income		
Cash and cash equivalents		
Inter-group items - assets/(liabilities)		
Separate account assets		
Total Assets		
Total Liabilities		
Insurance liabilities		
Liability for investment contracts		
Asset valuation reserve		
Reinsurance in unauthorized companies		
Pension obligations and other provisions		
Tax liabilities		
Borrowings		
Other liabilities		
Payables and other financial liabilities		
Funds held under reinsurance with unauthorized reinsurers		
Separate account liabilities		
Total Liabilities		
Total Net Assets		
Equity and reserves		
Share capital		

Capital reserves		
Revaluation and other reserves		
Retained earnings		
Goodwill cost reserve		
Retained earnings total		
Minority interest		
Total equity and reserves		

IFRS Adjustments		
Eliminate investment in subsidiaries		N/A
Add net worth of Subsidiaries (other than ALAC and its Subsidiaries)		N/A
Eliminate surplus note		N/A
Eliminate Intercompany Loan Balance		N/A
Statutory Adjustments		
Add back asset valuation reserve	N/A	
Add back reinsurance in unauthorized entities	N/A	
Add back non-admitted assets and reduce to IFRS basis values	N/A	
CMA restructuring		
[Deduct provision related to future index crediting]	N/A	
Subject/ Final IFRS/ Statutory Net Worth		
Less: Final Capital Gain Offset Amount		
Subject/ Final Combined Net Worth		
Less: Estimated Combined Net Worth		
Final Adjustment Amount		

Attachment 3

Accounting Principles

Overriding accounting principles, practices and policies

(a) The Closing Balance Sheets shall be prepared as of the Closing Date (as defined in Section 2.2 of this Agreement, *i.e.* as of the close of business on the last day of the month prior to the month in which the Closing occurs) and account shall only be taken of any act, occurrence or information which arises after the Closing Date to the extent that accounting for such act, occurrence or information is in accordance with IFRS (with respect to the Closing IFRS Balance Sheets) or SAP (with respect to the Closing Statutory Balance Sheets) consistently applied, except with respect to matters described below. Subject to the foregoing, account may be taken of information obtained after the Closing Date only where such information is obtained by the date of delivery of the Final Adjustment Statement by Buyer to Seller.

(b) The Closing Balance Sheets shall not include any double counting of assets or liabilities and shall exclude items typically eliminated in consolidation as were excluded in the preparation of the Reference Combined Net Worth; provided that such items eliminated in consolidation are accounted for using the same basis of accounting (*i.e.*, under IFRS or statutory accounting).

(c) The Closing Balance Sheets shall be prepared on the basis that the Closing Date represents a full year-end general ledger close process for the Companies, consistent with that applied at December 31, 2011, in respect of figures presented in the Closing Balance Sheets (including with respect to the accounting policies, principles, bases, practices, methods, evaluation rules and procedures); provided that such process shall in all cases be subject to compliance with the Accounting Principles.

(d) The Closing Balance Sheets shall be prepared on a going-concern basis and, for the avoidance of doubt, without taking into account (i) any of the Pre-Closing Transactions or (ii) any assets or liabilities to the extent that they arise as a result of the change of ownership of the Companies (including any reinsurance ceded in connection with such change in ownership) or changes to the value of existing assets or liabilities existing as at the Closing Date as a result of such change in ownership.

(e) Except as otherwise provided herein, the Closing IFRS Balance Sheets shall, where applicable, take into account the tax impact of the adjustments made to the Closing IFRS Balance Sheets as a result of applying the specific accounting principles, practices and policies set out in this Attachment 3 on a basis consistent with the principles, practices and policies used in calculating the tax impact of assets and liabilities in the preparation of the Historical IFRS Balance Sheet as of June 30, 2012. For the avoidance of doubt, except as otherwise provided herein, (i) in connection with the preparation of the Closing IFRS Balance Sheets, no account shall be taken of the tax impact of the adjustments set forth in Attachment 4 of this Annex C, and (ii) in connection with the preparation of the Closing Statutory Balance

Sheets, no account shall be taken of the tax impact of the adjustments set forth in Attachment 3 or Attachment 4 of this Annex C.

(f) For the avoidance of doubt, it is intended that except to the extent such item is accrued prior to the day of Closing, net assets shall be reduced by the value, if any, of severance related to employees transferred from AINA to AIA.

<u>Specific accounting principles, practices and policies</u>

In respect of the Closing IFRS Balance Sheets:

1. Tax

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principle shall apply.

> (i) Except as noted below, tax assets and liabilities shall be calculated on the same basis as used for the preparation of the Historical IFRS Balance Sheet as of December 31, 2011 and in accordance with the policies, processes and methodologies as set out in Document 1 ("Completion Mechanism–Tax") of the Policy Binder.

(b) With respect to any pending tax audit, no increase shall be made to the accrual therefor from the amount reflected on the books and records of the Companies as of the Closing Date, whether or not there are any developments with respect thereto after the Closing Date.

(c) The value of the net deferred tax asset/liability included in the Closing IFRS Balance Sheets shall be zero.

2. Pensions and Other Retirement Benefit Arrangements

(a) The provision for pensions and other retirement benefit arrangements shall be calculated using the same policies, processes and methodologies as those used to prepare the Historical IFRS Balance Sheet as of June 30, 2012, except that (i) any increases in the provision shall be taken into account on a pre-tax basis and any decreases in the provision shall be taken into account on an after-tax basis and (ii) the provision in respect of the Aviva Pension Plan, the Aviva Financing Plan for Retiree Welfare Benefits, the Indianapolis Life Insurance Company Excess Benefit Plan, the Central Life Assurance Company Supplemental Pension Plan, the American Mutual Life Insurance Company Supplemental Pension Plan, the Aviva Service Corporation Excess Benefit Retirement Plan shall be included in the Closing IFRS Balance Sheets at an aggregate value reflected in independent valuation reports with respect thereto to be prepared as of the Closing Date for each such plan at the sole cost and expense of Buyer; provided that each such independent valuation report shall be prepared by the same Third Party that prepared an independent valuation report with respect to the relevant plan as of December 31, 2012 using the methods and assumptions adopted by Seller for year-end 2012, as updated for market movements through the Closing Date; and provided further, that where the actuary is permitted to use a range of reasonable assumptions, the actuary shall use the mid-point of such range. For the avoidance of doubt, (i) updates for market movements shall include assumptions regarding interest rates and discount rates and (ii) no other provision with respect to these schemes will be included in the Closing IFRS Balance Sheets.

3. Legal Claims

(a) With respect to any pending or threatened legal proceedings, no increase shall be made to any accrual therefor from the amount reflected on the books and records of the Companies as of the Closing Date, whether or not there are any developments with respect thereto after the Closing Date.

4. Retention Payments

(a) To the extent not paid prior to the Closing Date, full provision shall be made for the pre-Closing retention payments expected to be paid to staff in anticipation of the transaction. Such provision shall be determined on a pre-tax basis. No accruals for Seller Retention Awards or related employment Taxes described in Section 5.4 that are payable subject to the staff member remaining employed with the group for the required period post-Closing shall be included in the Closing Balance Sheets.

5. Seller Incentive Awards

(a) No accruals for Seller Incentive Awards or related employment Taxes described in Section 5.4 shall be included in the Closing Balance Sheets.

6. Des Moines Headquarters

(a) The property at 7700 Mills Civic Parkway, West Des Moines, Iowa, will be included on the Closing Balance Sheets at the value ascribed to such property for purposes of preparing the Historical IFRS Balance Sheet as of June 30, 2012.

In respect of the Closing Statutory Balance Sheets:

1. Bonds

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principles shall apply.

(i) Updates to the pre-payment rates used shall be made in accordance with the annual process described in Document 2A ("Structured Securities prepayment speed update process" (dated June 25, 2012)) of the Policy Binder.

(ii) To the extent not inconsistent with paragraphs (b), (c) and (d) below:

(A) Fair valued bonds, which represent securities that were other than temporarily impaired ("OTTI") at year-end or NAIC 6 rated, shall be accounted for in accordance with the policies and procedures set out in the SSAP No. 100 hierarchy.

(B) OTTIs for corporate bonds shall be accounted for in accordance with SSAP 26 and the policies and procedures set out in Document 2B ("Policy for OTTI (AUSA & AINA) – Other than temporary impairments" (dated 20 June 2012)) of the Policy Binder.

(C) OTTIs for structured securities shall be accounted for in accordance with SSAP 43R and Document 2B ("Policy for OTTI (AUSA & AINA) Other than temporary impairments" (dated 20 June 2012)) of the Policy Binder. The valuation sources and process for OTTI valuation of RMBS and CMBS securities shall be in accordance with Document 2C ("Summary of sources used and process for OTTI valuation of RMBS and CMBS securities" (dated 27 June 2012)).

(b) Where bonds or other securities are recognized as OTTI at the Closing Date (without reference to clause (c) below), the relevant company shall nonetheless make an adjustment to the Closing Statutory Balance Sheets to reflect accrued interest thereon from the latest payment date through the Closing Date as a receivable; provided that, to the extent accrued interest on the security is in arrears at the Closing Date, no accrued interest on the security shall be included in the Closing Balance Sheet. Any interest received on such bonds or other securities during the 65-Business Day period after the Closing Date shall be added as an adjustment to the Closing Statutory Balance Sheets.

(c) (i) For the purpose of assessing whether any bonds or other securities are OTTI as of the Closing Date, any impairment made in the books and records of the Companies in the period from and excluding June 30, 2012 to and including the Closing Date shall be excluded for the purposes of the Closing Balance Sheets; provided that, if the following criteria are satisfied, an adjustment shall be made in the Closing Balance Sheets in accordance with paragraph (ii) below: (A) an event of default consisting of a failure to pay principal or interest on the security when due (subject to any grace period or permitted period of deferral included in the terms of the security) has occurred and is continuing as of the Closing Date and remains uncured for 65 business days after the Closing Date; (B) the issuer of the securities is the subject of bankruptcy or insolvency proceedings as of the Closing Date; or (C) measured at the security identifier level, the market value of the bond or other security is less than or equal to 60% of its statutory carrying value for (x) 6 consecutive calendar quarter ends prior to and including the Closing Date (if the Closing Date is a quarter end), or (y) if longer, the calendar quarter ends from and including June 30, 2012 prior to and including the Closing Date. For the avoidance of doubt no other impairments or associated accounting entries with respect to any bonds or other securities booked from and excluding June 30, 2012 to and including the Closing Date will be included within the Closing Balance Sheets and no account shall be taken of changes arising after the Closing Date to the relevant company's asset and liability management policy or the application thereof.

(ii) Where a bond or other security is classified as OTTI as at the Closing Date under (c)(i) above, the value of that bond or other security recorded in the Closing Balance Sheets shall be calculated as the market value as at Closing Date.

(d) The investments in the two Morgan Stanley Managed ACES assets with notional values of $225 million and $25 million and maturity dates of 9/20/2017 and 9/20/2014, respectively, shall be sold prior to the Closing Date. To the extent the proceeds from the sales of such assets are different than $92 million, the associated change in proceeds will be reflected on the Closing Balance Sheets. The Closing Balance Sheets shall reflect a liability equal to 35% of the amount, if any, by which $139 million exceeds the capital loss recognized for federal income tax purposes in connection with the sale of such Morgan Stanley Managed ACES assets.

2. Common stock of unaffiliated companies

(a) The investment held in the Federal Home Loan Bank of Des Moines shall continue to be recorded at cost.

3. Other invested assets

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principle shall apply.

(i) Other invested assets will be valued and recorded in accordance with the process as set out in Document 3 ("Fair Value Measurement and Leveling of Alternative Investments" (dated June 12, 2012)) of the Policy Binder.

(b) Where external valuations are used, these will be in accordance with the latest available external valuation received prior to the Closing Date.

4. Mortgage loans and real estate

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principle shall apply.

(i) Mortgage loans and real estate assets shall be assessed for OTTI in accordance with Document 2B ("Policy for OTTI (AUSA & AINA) – Other than temporary impairments" (dated 20 June 2012)) of the Policy Binder.

(b) Real estate valuations shall be accounted for in accordance with the latest available internal valuation prior to the Closing Date, with any external valuations completed and received in the period between June 30, 2012 and the Closing Date being included in the consideration of the internal valuation at the Closing Date.

5. Derivatives and hedge accounting

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principles shall apply.

(i) In respect of OTC Derivatives held by ALAC under the Indexed Linked Hedging Strategy, these shall continue to be accounted for in accordance with Iowa Administrative Code (IAC) Section 191-97, Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve, as in effect as of December 31, 2011 ("IAC Section 191-97"). The processes and criteria used for assessing hedge effectiveness shall be the same as those used in the preparation of the Statutory Statements as of December 31, 2011.

(ii) Valuation procedures related to derivatives shall follow Document 4 ("Section 17 – Valuation Policy") of the Policy Binder. Part B of such Document 4 details the sources of pricing information for all invested assets, including derivatives. Also, Appendix A of such Document 4 documents the hierarchy of pricing sources to be used for valuation each period for each asset class. When, in accordance with the standard procedures set out in Section F and Appendix F of such Document 4, a derivative is moved from being valued by an external source to an internal model, this model must have been approved by the model review committee prior to Closing. The model review committee's terms of reference are set forth in Appendix E of such Document 4. Derivative valuation processes will remain consistent with the aforementioned policy during the period from June 30, 2012 to the Closing Date.

6. Insurance Reserves

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principles shall apply.

(i) The insurance reserves shall be calculated on the same underlying basis of valuation as that used for the December 31, 2011 Statutory Statements and in accordance with IAC Section 191-97.

(ii) For purposes of the Closing Balance Sheets, the insurance reserves with respect to policies issued in 2013 shall be calculated based on the valuation rates set by the NAIC.

(iii) Economic assumptions used in the calculation shall be updated as of the Closing Date in accordance with the process and procedures used to update and source the economic assumptions as of December 31, 2011 and as set out in Document 5A ("Supporting Material with respect to Insurance Reserves") and Document 5B ("AUSA USA Reserving Methodology for Non-Variable Deferred Annuities Containing GMWB and GMDB") of the Policy Binder. The economic assumptions that will be considered are as set out in such document.

(b) Demographic assumptions will not be updated from those used for the balance sheet as of June 30, 2012 included in the Statutory Statements. A summary of the principal demographic assumptions used is set out in Document 5C ("ALAC 2011 Asset Adequacy Analysis") and Document 5D ("ALACNY Asset Adequacy Analysis") of the Policy Binder.

7. Pensions and Other Retirement Benefit Arrangements

(a) The provision for pensions and other retirement benefit arrangements shall be calculated using the same policies, processes and methodologies as those used to prepare ALAC's statutory balance sheet as of June 30, 2012 included in the Quarterly Statutory Statements, except that the provision in respect of the ALAC Pre-1985 Agent's Pension Plan (formerly the Indianapolis Life Insurance Company Pre-1985 Agent's Defined Contribution Pension Plan), the ALAC General Agent's Retirement Plan (formerly the AmerUs Life General Agent's Retirement Plan) and the Aviva Life and Annuity Company General Agent's Deferred Compensation Plan (formerly the American Mutual Life General Agent Deferred Compensation Plan) shall be included in the Closing Statutory Balance Sheets at an aggregate value reflected in independent valuation reports with respect thereto to be prepared as of the Closing Date for each such plan at the sole cost and expense of Buyer; provided that each such independent valuation report shall be prepared by the same Third Party that prepared an independent valuation report with respect to the relevant plan as of December 31, 2012 using the methods and assumptions adopted by Seller for year-end 2012, as updated for market movements through the Closing Date; and provided further, that where the actuary is permitted to use a range of reasonable assumptions, the actuary shall use the mid-point of such range. For the avoidance of doubt, (i) updates for market movements shall include assumptions regarding interest rates and discount rates and (ii) no other provision with respect to these schemes will be included in the Closing Statutory Balance Sheets.

8. Taxation

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, except as noted in paragraph (c) of this item 7 below, the following principle shall apply.

(i) The tax assets and liabilities shall be calculated on the same basis as used for the Statutory Statements as of and for the year ended December 31, 2011 and following the policies, processes and methodologies as set out in Document 1 ("Completion Mechanism –Tax") of the Policy Binder.

(b) With respect to any pending tax audit, no increase shall be made to the accrual therefor from the amount reflected on the books and records of the Companies as of the Closing Date, whether or not there are any developments with respect thereto after the Closing Date.

(c) The value of the net deferred tax asset/liability included in the Closing Statutory Balance Sheets shall be zero.

9. Remittances and items not collected

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principle shall apply.

(i) The same process for identification and inclusion of remittance items shall be followed at the Closing Date as was followed at December 31, 2011 in accordance with Document 6 ("Claims and benefits: Insurance accounts – Suspense accounts") of the Policy Binder.

10. Legal Claims

(a) With respect to any pending or threatened legal proceedings, no increase shall be made to any accrual therefor from the amount reflected on the books and records of the Companies as of the Closing Date, whether or not there are any developments with respect thereto after the Closing Date.

11. Curelife reinsurance agreement

(a) The Reference Combined Net Worth includes an adjustment of $67.2 million related to the experience refund for the period January 1, 2012 through June 30, 2012 with respect to the Curelife reinsurance agreement (which, for the avoidance of doubt, is internal to the Companies). The Closing Statutory Balance Sheet will be adjusted for the settlement and experience refund (calculated on an after-tax basis) arising during the period from the last settlement date prior to the Closing Date to the Closing Date, except to the extent that such item was accrued prior to the Closing.

12. Other assets and liabilities

(a) Consistent with the full year-end general ledger close process as of December 31, 2011, and for the avoidance of doubt, the following principle shall apply.

(i) Buyer shall use its commercially reasonable efforts to reconcile any suspense accounts or other reconciling items, in accordance with the Companies' regular period end accounting processes, prior to providing Seller with the Final Adjustment Statement.

Attachment 4

Balance Sheet Adjustments

IFRS Balance Sheet Adjustments:

1. Eliminate Investment in Subsidiaries

(a) Being an adjustment to exclude from the IFRS Net Worth the amount of the investments in Subsidiaries as reported in the applicable Closing IFRS Balance Sheet prior to giving effect to any other IFRS Balance Sheet Adjustment.

2. Add net worth of Subsidiaries of AUSA other than ALAC and its Subsidiaries

(a) Being an adjustment to add the sum of the total net worth (being an amount equal to total assets less total liabilities) of each of the Subsidiaries of AUSA other than ALAC and its Subsidiaries derived from balance sheets of such Subsidiaries as of the Closing Date prepared using the Accounting Principles.

3. Eliminate surplus note

(a) Being an adjustment to reduce net assets by the value of principal and accrued interest with respect to the surplus note issued by ALAC that is reported in the applicable Closing IFRS Balance Sheet.

4. Eliminate Intercompany Loan Balance

(a) Being an adjustment to exclude from the IFRS Net Worth the Intercompany Loan Balance, which will be repaid in full by Buyer at the Closing.

Statutory Balance Sheet Adjustments:

1. Add back asset valuation reserve

(a) Being the amount as reported in the asset valuation reserve caption in the Closing Statutory Balance Sheets, plus the value of the asset valuation reserve within ALAC’s insurance company Subsidiaries.

2. Add back reinsurance in unauthorized entities

(a) Being the amount as reported in reinsurance in unauthorized companies caption within “Total Liabilities” in the Closing Statutory Balance Sheets, plus the amount of reinsurance in unauthorized companies reported within ALAC’s insurance company Subsidiaries.

3. Add back non-admitted assets and reduce to IFRS basis values

(a) Being an add back of all non-admitted assets held within the statutory accounts (including those of ALAC's insurance company Subsidiaries) as of the Closing Date, excluding non-admitted deferred tax assets. With respect to each of these assets, reduce values by the amount of any IFRS-basis allowances held for such asset as of the Closing Date, such allowances to be calculated in a manner consistent with the calculation of the Reference Combined Net Worth.

4. Add benefit of Specified AXXX/ XXX Transactions

(a) The Reference Combined Net Worth includes an adjustment of $73.9 million related to the excess reserves as of June 30, 2012 which is expected to be financed prior to the Closing Date. There should be no adjustment to the Closing Balance Sheets for the benefit related to any 2013 business or any of such $73.9 million of excess reserves that has not been financed by Seller prior to the Closing Date.

5. Deduct provision related to future index crediting

(a) Being an adjustment to reflect a deduction for future index crediting, calculated in accordance with Document 9 ("Future Index Crediting") of the Policy Binder, related to the value of derivatives held under the index linked hedging strategy, which are not accounted for in accordance with IAC Section 191-97.

6. CMA Restructuring

(a) Being an adjustment (i) to reverse the increase or decrease, if any, in net worth resulting from the CMA Restructuring; provided, however, that any costs resulting from the formation and establishment of the captive insurer shall reduce net worth and shall not be reversed; and (ii) to decrease the net worth by $2.8 million, if the CMA Restructuring is completed, in consideration for the agreement of Buyer to fund all future ongoing administration costs to be incurred in connection with the new captive insurer to be established for the CMA Restructuring.

ANNEX D

AGREED REGULATORY POINTS

1. Athene transferring its U.S. headquarters from S.C. to the Des Moines area and consolidating annuity operations at the Companies' building in West Des Moines, Iowa.

2. A commitment to combine ALACNY with Presidential Life Insurance Company or any of its Affiliates, subject to NYDFS approval.

3. ALAC continuing to write a meaningful volume of new annuities.

Annex E
Third Party Review Process

If (x) Buyer or Seller believes that any condition or conditions imposed by a Governmental Entity ("Imposed Conditions") would or would reasonably be expected to result in the imposition of a Burdensome Condition as described in Section 4.4(a) of the Agreement with respect to such party, including believing that any proposed alternative terms or requirements discussed by Buyer and Seller pursuant to clause (i) of the definition of Resolution Process (the "Proposed Alternatives") would not substantially eliminate such condition or conditions or mitigate its effect so that it would no longer constitute a Burdensome Condition with respect to such party, or (y) Buyer is asserting that the condition contained in Section 6.2(e) of the Agreement regarding the use of Actuarial Guideline XLIII would fail to be satisfied ("AG 43 Change") , and if the parties are unable to reach resolution pursuant to clause (i) of the Resolution Process within ten (10) Business Days of (A) in the case of clause (x), Buyer or Seller believing that the Imposed Conditions would or would reasonably be expected to result in a Burdensome Condition with respect to such party and giving notice thereof to the other party or (B) in the case of clause (y), Buyer asserting an AG 43 Change and giving notice thereof to Seller, then the party which does not believe that the Burdensome Condition would result in the case of the foregoing clause (x) or Seller in the case of the foregoing clause (y), may initiate the third-party review process in accordance with this Annex E; provided, that the failure of such party to initiate the third-party review within fifteen (15) Business Days of receipt of such notice thereof shall be deemed an irrevocable consent and agreement that the position of the party claiming that the Burdensome Condition would result is correct or that the AG 43 Change has occurred is correct.

1. Initiation of Third-Party Review. The party permitted to request third-party review (the "Claimant") may so initiate the review (the "Third Party Review") by delivering a written notice thereof (the "Demand for Third Party Review") to the other party (the "Respondent"). The Third Party Review will be deemed to have been commenced on the date the Demand for Third Party Review is delivered to the Respondent.

2. Single Third Party Reviewer; Qualifications. The Third Party Review will be conducted by a single individual agreed upon and jointly appointed by the parties (the "Third Party Reviewer") who (i) is (x) an active or retired executive officer of a life and annuity insurance or reinsurance company or (y) is a retired accounting partner or actuary who specialized in the life and annuity business, (ii) is independent of and not under the control of any party, (iii) has no financial interest in the outcome of the Third Party Review and (iv) otherwise possesses knowledge, experience and expertise reasonably sufficient and suitable to enable the Third Party Reviewer to make the determination required under this Annex E.

3. Selection of the Third Party Reviewer. The parties will negotiate in good faith to select the Third Party Reviewer as soon as practicable after delivery of the Demand for Third Party Review by the Claimant. If the parties fail to agree on the appointment of the Third Party Reviewer within ten (10) Business Days after the Third Party Review has been commenced, each party within five (5) Business Days after the Third Party Review has

been commenced shall nominate three (3) candidates who satisfy the requirements set forth in Section 2 of this Annex E to serve as the Third Party Reviewer, of whom the other party shall decline two, and the Third Party Reviewer shall be selected by drawing lots. The Third Party Reviewer must be appointed within ten (10) Business Days after the Third Party Review has been commenced. If the parties fail to agree on the appointment of the Third Party Reviewer and one party fails to nominate any or all Third Party Reviewer candidates within the time period called for by this Section 3, the party who has nominated three candidates may select one of those candidates to serve as the Third Party Reviewer.

4. Form of Submissions. Within seven (7) Business Days after appointment of the Third Party Reviewer, the party asserting that a Burdensome Condition would exist with respect to it or the Buyer if it asserts an AG 43 Change exists (the "Asserting Party") shall submit to the Third Party Reviewer and to the other party (the "Non-Asserting Party") its written position supporting whether or not the Imposed Conditions would or would reasonably be expected to result in a Burdensome Condition, taking into account the effect of any Proposed Alternatives, or an AG 43 Change exists, as applicable. The Non-Asserting Party shall have 15 Business Days following its receipt thereof to review such submission. In furtherance of such review, the Asserting Party shall provide the Non-Asserting Party with all documentation, records and other information relevant to the dispute and with reasonable access to relevant employees; provided, such documentation, records and other information are not subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to the Asserting Party would be impaired by providing such materials or granting such access. Within 15 Business Days after its receipt of such materials and access the Non-Asserting Party shall submit to the Third Party Reviewer and the Asserting Party its written supporting position . The Asserting Party shall have 10 Business Days following its receipt thereof to review such submission. In furtherance of such review, the Non-Asserting Party shall provide the Asserting Party with all documentation, records and other information relevant to the dispute and with reasonable access to relevant employees; provided, such documentation, records and other information are not subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to the Non-Asserting Party would be impaired by providing such materials or granting such access. Within 10 Business Days after its receipt of such materials and access the Asserting Party shall submit to the Third Party Reviewer and the Non-Asserting Party its written response to the Non-Asserting Party's submission. The Third Party Reviewer shall have authority to resolve all disputes with respect to the information and access to be provided.

5. Timing of Hearing. The Third Party Reviewer shall as soon as practicable (but in any event within ten (10) Business Days) after receipt of the papers called for in Section 4 of this Annex E schedule a hearing (the "Hearing") at a venue designated by the Third Party Reviewer. The Hearing shall be conducted no later than seven (7) Business Days after the Third Party Reviewer's receipt of both parties' submissions.

6. Conduct of Hearing. The Hearing shall be conducted on a private and confidential basis and each party shall have the right to be represented at the hearing by legal counsel. Each party shall have two hours for initial presentation of its case and one hour for rebuttal and

summation. Cross-examination of witnesses shall not count against these time limitations, and these time limitations may be extended by the Third Party Reviewer for good cause shown. The Third Party Reviewer shall not be obligated to follow judicial formalities or the rules of evidence in conducting the Hearing and shall prescribe such procedural rules for the conduct of the Hearing as the Third Party Reviewer deems appropriate.

7. Authority of the Third Party Reviewer. The Third Party Reviewer's authority shall be limited to deciding whether the evidence, facts and circumstances reasonably demonstrate that the Imposed Conditions would or would reasonably be expected to result in a Burdensome Condition (including after taking into account the effect of implementation of any Proposed Alternatives; provided that, with respect to any Proposed Alternative the Non-Asserting Party advocates pursuing, the Non-Asserting Party shall have proved by a preponderance of the evidence that such Proposed Alternative would be reasonably likely to be acceptable to the applicable Governmental Entity) or that an AG 43 Change exists, as applicable. The Asserting Party shall have the burden of proving by a preponderance of the evidence that its position is the correct resolution of the matters in dispute.

8. Determination of the Third Party Reviewer. As soon as practicable (but in any event within five (5) Business Days) after the Hearing, the Third Party Reviewer shall deliver to the parties his or her written determination (the "Determination"), stating whether the Imposed Conditions would or would reasonably be expected to result in a Burdensome Condition (including after taking into account the effect of implementation of any Proposed Alternatives) or that an AG 43 Change exists, as applicable (and identify with specificity the reasons for such determination).

9. Finality. The Determination shall be final, non-appealable and binding on the parties. Judgment may be entered on the Determination in any court having jurisdiction with respect thereto.

10. Costs. The fees, costs and expenses of the Hearing and of the Third Party Reviewer will be borne equally by the parties. Each party shall bear its own costs and expenses incurred in connection with the procedures described in this Annex E.

EXHIBIT B-1

Form of Aviva Canada/AUSA Transition Services Agreement

TRANSITION SERVICES AGREEMENT
BETWEEN AUSA AND AVIVA CANADA

This Transition Services Agreement (this "Agreement"), effective as of _______, 2013, is by and between **AVIVA USA CORPORATION**, a corporation organized under the laws of the State of Iowa ("AUSA" or "Party"), and **AVIVA CANADA INC.**, a corporation organized under the laws of the Province of Ontario ("Aviva Canada" or "Party"). AUSA and Aviva Canada shall be referred to collectively in this Agreement as the "Parties."

WHEREAS, Aviva plc, a public limited company organized under the laws of England and Wales ("Seller"), and Athene Holding Ltd., a Bermuda exempted company ("Buyer"), have entered into a Stock Purchase Agreement, dated as of December 21, 2012 (the "SPA"), whereby Buyer will acquire ownership and control, directly or indirectly, of various Affiliates of Seller, including AUSA;

WHEREAS, in connection with the consummation of the sale contemplated by the SPA, AUSA desires to provide certain transition services to Aviva Canada and certain of its Affiliates on the terms set forth herein;

WHEREAS, in connection with the consummation of the sale contemplated by the SPA, Aviva Canada desires to provide certain transition services to AUSA and certain of its Affiliates, on the terms set forth herein;

NOW THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

1.1 SPA Definitions. All defined terms used, but not defined, in this Agreement shall have the meanings given such terms in the SPA.

1.2 Other Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Abandon" and "Abandonment" have the meanings set forth in Section 2.4.4.

"Additional Services" has the meaning set forth in Section 2.1.7.

"Aviva Canada Indemnified Person" has the meaning set forth in Section 5.1.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a Party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"AUSA Indemnified Person" has the meaning set forth in Section 5.2.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York City are required or authorized by Applicable Law to be closed.

"Confidential Information" has the meaning set forth in Section 8.1.

"Customer Information" has the meaning set forth in Section 9.2.

"Customers" has the meaning set forth in Section 9.2.

"Designated Recipient" has the meaning set forth in Section 2.1.1(c).

"Dispute" has the meaning set forth in Section 2.3.1.

"Force Majeure Event" has the meaning set forth in ARTICLE VI.

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self-regulatory body or arbitral body or arbitrator.

"Guest User" has the meaning set forth in ARTICLE IX.

"Host" has the meaning set forth in ARTICLE IX.

"Maximum Monthly Charge" has the meaning set forth in Section 4.1.3.

"Monthly Cap" has the meaning set forth in Section 4.1.3.

"Migration" means the integration and migration of the information technology systems, business records, data and processes used by the businesses of AUSA and its Affiliates prior to the Closing, and that will be owned or operated by Seller or its Affiliates (excluding the Companies) after Closing, to and into the environment or system specified by AUSA and its Affiliates or, as applicable, a Designated Recipient.

"Out of Pocket Costs" has the meaning set forth in Section 4.1.2.

"Providing Party" has the meaning set forth in Section 2.1.1(c).

"Receiving Party" has the meaning set forth in Section 2.1.1(c).

"Sales and Service Taxes" has the meaning set forth in Section 4.1.4.

"Scheduled Services" has the meaning set forth in Section 2.1.1(c).

"Separation" means the segregation and extraction necessary to separate the information technology systems, business records, data and processes used by the businesses transferred to

Buyer pursuant to the SPA from the environment and systems of Seller and its Affiliates (including Aviva Canada).

"Service Costs" has the meaning set forth in Section 4.1.1.

"Service Fees" means, collectively, the Service Costs and Out of Pocket Costs.

"Service Term" has the meaning set forth in Section 2.1.1(c).

"Significant Service Shortfall" has the meaning set forth in Section 2.4.3.

"Systems" has the meaning set forth in ARTICLE IX.

"Term" has the meaning set forth in Section 3.1.

"Termination Date" has the meaning set forth in Section 3.2.2.

"Transition Manager" has the meaning set forth in Section 2.8.

"Unauthorized Access" has the meaning set forth in Section 8.2.

"VAT" has the meaning set forth in Section 4.1.4.

ARTICLE II
SCHEDULED SERVICES

2.1 Scheduled Services.

2.1.1 Services.

(a) AUSA, directly or through its Affiliates, and their respective employees, agents or contractors, shall provide or cause to be provided to Aviva Canada and certain of its Affiliates all services set forth on Schedule 1(a) from and after the Closing Date for the duration set forth in Schedule 1(a). Aviva Canada shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to AUSA for providing the services set forth on Schedule 1(a), or causing such services to be provided.

(b) Aviva Canada, directly or through its Affiliates, and their respective employees, agents or contractors, shall provide or cause to be provided to AUSA and certain of its Affiliates all services set forth on Schedule 1(b) from and after the Closing Date for the duration set forth in Schedule 1(b). AUSA shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to Aviva Canada for providing the services set forth on Schedule 1(b), or causing such services to be provided.

(c) The services set forth on Schedules 1(a) and 1(b) are hereinafter referred to as the "Scheduled Services", and the duration for which the Scheduled Services are to be provided as set forth in Schedules 1(a) and 1(b) is the "Service Term". As used herein, with respect to each Scheduled Service the "Providing Party" shall mean the Party responsible for providing such Scheduled Service and the "Receiving Party" shall mean the Party entitled to receive, or whose Designated Recipient is entitled to receive, such Scheduled Service. Schedules 1(a) and 1(b) sets forth, for each Scheduled Service, the Providing Party and the Receiving Party and, where appropriate, the Affiliate or permitted third party designated by the Receiving Party to receive such Service (the "Designated Recipient"). The Receiving Party, in its sole discretion, may change any Affiliate designated as the Designated Recipient for a Scheduled Service from the Person currently so designated in Schedule 1(a), provided that any additional cost to the Providing Party caused by such change shall be borne by the Receiving Party. With respect to AUSA as the Receiving Party, AUSA may designate the Life Reinsurer or any of its Affiliates as a Designated Recipient.

2.1.2 Data Trimming. Each Party shall use reasonable best efforts to diligently pursue activities such that, by September 30, 2013, each Party shall have permanently deleted, overwritten, substituted, or, to the extent necessary to maintain operability of the database, disabled user access to, the data and information relating solely to the business, operations or customers of the other Party that was maintained in the shared general ledger database maintained on the shared Oracle Financial R12 system (the "General Ledger") until separate general ledger database systems are established and fully operational, a copy of which was received or retained by each Party; provided that Aviva Canada shall pay or reimburse AUSA for all Out of Pocket Costs incurred by AUSA or its Affiliates in connection with the foregoing activities, to the extent such activities are of the scope currently contemplated, after the Closing Date in excess of $80,000.00 US Dollars. All data and information relating solely to the business, operations or customers of a Party in the General Ledger shall be considered Confidential Information of such Party under ARTICLE VII of this Agreement, and, for so long as such data or information relating solely to the business, operations or customers of the other Party remain on systems under its control, each Party shall use reasonable best efforts to restrict access to such information to those personnel reasonably requiring access in connection with their job responsibilities. Promptly upon written request, each Party shall provide written certification of compliance with this Section.

2.1.3 Shared Software License. In recognition of Aviva Canada's prior payment of license fees associated with the Success Factor application, to the extent allowed, AUSA hereby grants a nonexclusive, fully paid up sublicense to Aviva Canada of the license to the Success Factor application and work product granted under the Subscription Agreement between Successfactors, Inc. and Amerus Group Co. dated June 27, 2007, and subsequent renewals, which sublicense shall terminate on August 1, 2013; provided that the Parties acknowledge that Aviva Canada is required to obtain Successfactors, Inc.'s consent prior to AUSA granting and Aviva Canada receiving such sublicense.

2.1.4 Direction of Employees. Each Party shall be solely responsible for all salary, employment, payroll and other benefits of and liabilities relating to, and compliance with immigration and visa laws and requirements in respect of its personnel assigned to perform the Scheduled Services for which such Party is the Providing Party. In performing their respective duties hereunder, all personnel of a Party engaged in providing Scheduled Services shall be under the direction, control and supervision of such Party; and such Party shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such personnel. The employees of a Providing Party engaged in providing Scheduled Services to a Receiving Party shall not, by virtue thereof, become employees of such Receiving Party. The Providing Party shall provide prompt written notice to the Receiving Party upon the departure of any key employee who is providing a Scheduled Service.

2.1.5 Cooperation. The Receiving Party of a Scheduled Service shall use, and where applicable shall cause the relevant Designated Recipient to use, its reasonable efforts to (a) cooperate with the Providing Party with respect to the provision of such Scheduled Service and (b) enable the Providing Party to provide such Scheduled Service in accordance with this Agreement. The failure of a Receiving Party to comply with this provision with respect to a Scheduled Service in a way that prevents or materially hinders the relevant Providing Party from providing such Scheduled Service at all or in accordance with the service standard in Section 2.4.1 shall excuse the relevant Providing Party from providing such Scheduled Service, until such failure has been cured.

2.1.6 Permits. Aviva Canada represents and covenants that as of the date hereof, it, AUSA and any of their Affiliates through which either Party intends to provide a Scheduled Service have all material Permits necessary to provide the Scheduled Services for which such Party is responsible, and such Permits shall survive and remain effective immediately after Closing Date, and Aviva Canada represents that Schedule 2.1.6 sets forth a complete and accurate list of all such Permits necessary to provide the Scheduled Services and, except as set forth on Schedule 2.1.6, no such Permits shall expire within sixty (60) days after the Closing Date. If any Permit necessary to provide a Scheduled Service is not in place as of the Closing Date, Aviva Canada shall, at its costs, use its reasonable best efforts to obtain such Permit for the Providing Party or Receiving Party, as applicable, as promptly as practicable. After the Closing Date, each Providing Party shall be responsible for keeping in force all Permits necessary to provide the Scheduled Services for which it is responsible. Notwithstanding anything in this Agreement to the contrary, the Providing Party of a Scheduled Service shall not be obligated to provide such Scheduled Service if the provision of such Scheduled Service would violate any Applicable Law or rules of professional ethics. If a Providing Party is prevented from providing, or causing to be provided, any Scheduled Service because: (a) any necessary Permit is not in place; or (b) providing such Scheduled Service or causing it to be provided would violate any Applicable Law or rules of professional ethics, such Providing Party shall use commercially reasonable efforts to (i) notify the Receiving Party of such prevention as soon as practicable, and (ii) provide alternative equivalent services, and Aviva Canada shall pay any additional costs associated with such alternative services; provided that if such alternative equivalent service is required due to a change to Applicable Law or rules of professional ethics occurring after the Closing Date the Receiving Party shall pay any additional costs associated with such alternative. If, after the Closing Date, AUSA changes the manner in which it provides the Scheduled Services such that it or its Affiliates must obtain any additional Permits necessary to provide the Scheduled Services for which it is responsible, AUSA shall be responsible for obtaining such necessary Permits.

2.1.7 Additional Services.

(a) The Parties each have exerted their commercially reasonable efforts to identify and describe the Scheduled Services. However, the Parties acknowledge and agree that:

(i) with respect to Aviva Canada as the Receiving Party, there may be services that (A) prior to the date hereof had been performed by the employees now employed by AUSA or provided pursuant to contracts to which AUSA is now a party (subject to Section 2.7), or assets now owned by AUSA, in each case, for the businesses now being performed by Aviva Canada, and (B) which are not identified on Schedule 1(a); and

(ii) with respect to AUSA as the Receiving Party, there may be services that (A) prior to the date hereof had been performed by the employees now employed by Aviva Canada or provided pursuant to contracts to which Aviva Canada is now a party (subject to Section 2.7), or assets now owned by Aviva Canada, in each case, for the businesses now being performed by AUSA and its Affiliates, and (B) which are not identified on Schedule 1(b). (such services in (i) and (ii), collectively, the "Additional Services").

At any time within ninety (90) days after the Closing Date or, for an Additional Service that has historically been only provided on a quarterly, semi-annual or annual basis, within fifteen (15) days after the first quarterly, semi-annual or annual period after the Closing Date when such Additional Service would have been provided, each Party may provide written notice to the other Party requesting Additional Services setting forth in reasonable detail a description of the requested Additional Service(s), the proposed start date or dates and the proposed termination date or dates.

(b) With respect to Aviva Canada as the Receiving Party of a potential Additional Service, the Parties agree to cooperate and negotiate in good faith to reach an agreement regarding the provision of Additional Services on terms and conditions that are reasonably acceptable to the Parties (AUSA's consent not to be unreasonably withheld or delayed); provided that the manner and scope of Additional Service requested by Aviva Canada are substantially identical to the manner and scope of such service as was provided during the twelve (12) months prior to the Closing Date. If AUSA no longer has access to necessary systems or personnel to perform the requested Additional Service in the manner and scope requested because AUSA has terminated or removed such systems or personnel for reasons other than to comply with Applicable Law, decree, request or order of any Governmental Entity, or rules of professional ethics, AUSA shall use reasonable best efforts to provide such Services in a reasonable manner and scope; provided that AUSA shall not be held to a service standard for such Services that is higher than as set forth in Section 2.4.1. Where such an agreement is reached, the provision of such Additional Services shall in all respects be subject to the terms of this Agreement, shall be added to Schedule 1(a) by amendment, shall be signed by the Parties, shall constitute an amendment to this Agreement and shall thereafter be considered a Scheduled Service.

(c) With respect to AUSA as the Receiving Party of a potential Additional Service, Aviva Canada shall provide or cause to be provided such Additional Service upon AUSA's written request; provided that the manner and scope of Additional Service requested by AUSA are substantially identical to the manner and scope of such service as was provided during the twelve (12) months prior to the Closing Date. The provision of such Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to

Schedule 1(b), shall constitute an amendment to this Agreement and shall thereafter be considered a Scheduled Service. Unless otherwise agreed by the Parties, the term for such Additional Services shall be the latest Service Term for any other Scheduled Service. With respect to AUSA as the Receiving Party, Additional Services shall also include those services added pursuant to Section 4.5(b) of the SPA.

(d) Notwithstanding Sections 2.1.7(b) and (c), neither Party shall be obligated to provide an Additional Service unless the requesting Party demonstrates that such service, prior to the Closing Date, had been performed by the employees employed immediately after the Closing Date by the Providing Party or provided (i) pursuant to contracts to which the Providing Party was a party or (ii) using assets owned or previously owned by the Providing Party, in each case immediately after the Closing Date, in each case, to the applicable businesses.

2.2 Provision and Migration of Scheduled Services. The Parties will work together to begin or continue the process of Migrating the Scheduled Services from the Providing Party to the Receiving Party, or one or more of its Affiliates, or to a third party (at the Receiving Party's direction) such that the completion of the Migration of the Scheduled Services shall occur, to the extent commercially reasonable, prior to the end of the Service Term. Except as otherwise agreed in writing by the Parties, such Migration shall consist of the procurement by the Receiving Party of replacement services for the Scheduled Services (whether performed internally or by third parties) and not of the transfer of personnel or assets to the Receiving Party or its designee. Each Providing Party shall provide or cause to be provided each of the Scheduled Services for which it is responsible through the expiration of the applicable Service Term, except (a) as automatically modified by earlier termination of a Scheduled Service by the Receiving Party in accordance with this Agreement or (b) as otherwise agreed to by the Parties in writing. Each Providing Party shall also provide the "Migration Assistance Services" as set forth on Schedule 1(a) or 1(b), as applicable, provided that if a Receiving Party requests any Migration Assistance Services other than for Migration directly relating to a Scheduled Service, the Parties agree to cooperate and negotiate in good faith to reach an agreement regarding the provision of such Migration Assistance Services on terms and conditions that are reasonably acceptable to the Parties, the Providing Party's consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Separation activities conducted or caused to be conducted by Aviva Canada shall not be considered "Migration Assistance Services" and shall be conducted by Aviva Canada and its Affiliates without charge.

2.3 Dispute Resolution.

2.3.1 Amicable Resolution. The Parties mutually desire that friendly collaboration will continue between them during the Term. Accordingly, they will try to resolve in an amicable manner all disagreements and misunderstandings connected with their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (a "Dispute") between the Parties in connection with this Agreement (including the standard of performance, delay of performance or non-performance of obligations, or payment or non-payment of Service Fees hereunder), then the Transition Managers shall seek to resolve the Dispute amicably. If the Transition Managers are unable to resolve a Dispute in a timely manner, then either Transition Manager, by written request to the other, may request that such Dispute be referred for resolution to the president (or similar position) of the division implicated by the matter for AUSA and Aviva Canada, which presidents will have 15 days to resolve such Dispute. If the presidents of the relevant divisions for each Party do not agree to a resolution of such Dispute within 15 days after the reference of the matter to them, such presidents of the relevant divisions will refer such matter to the presidents of AUSA and Aviva Canada for final resolution. Notwithstanding anything to the contrary in this Section 2.3.1, any amendment to the terms of this Agreement may only be effected in accordance with Section 11.7. In the event that the Dispute is not resolved in a friendly manner as set forth in this Section 2.3.1, either Party involved in the Dispute may bring an action regarding such dispute as set forth in Section 11.6.

2.3.2 Non-Exclusive Remedy. Nothing in this Section 2.3 will prevent either Party from immediately seeking injunctive or interim relief (i) in the event of any actual or threatened breach of any of the provisions of ARTICLE VIII, (ii) in the event that the Dispute relates to, or involves a claim of, actual or threatened infringement or violation of intellectual property or (iii) to the extent necessary for either Party to preserve any right. All such actions for injunctive or interim relief shall be brought in a court of competent jurisdiction in accordance with Section 11.6. Such remedy shall not be deemed to be the exclusive remedy for breach of this Agreement, and further remedies may be pursued in accordance with Section 2.3.1.

2.3.3 Commencement of Dispute Resolution Procedure. Notwithstanding anything to the contrary in this Agreement, each Party, but none of their respective Affiliates, is entitled to commence a dispute resolution procedure under this Agreement pursuant to this Section 2.3, and each Party will cause its respective Affiliates not to commence any dispute resolution procedure in connection with this Agreement other than through such Party as provided in this Section 2.3.3.

2.3.4 Compensation. During the pendency of any Dispute, the Receiving Party shall continue to make all payments due and owing under ARTICLE IV for Scheduled Services, except that the Receiving Party may off-set the amount of Service Fees for Scheduled Services that are the subject of any pending Dispute against any such payments and withhold such amounts from such payments.

2.4 Standard of Services.

2.4.1 General Standard. The Providing Party shall use commercially reasonable efforts to perform each Scheduled Service for which it is responsible or to cause such Scheduled Services to be performed for the Receiving Party or its Designated Recipient at a level that is not materially less favorable than past practices of the Providing Party in providing such service to itself and/or its Affiliates as such practices existed during the twelve (12) months immediately preceding the Closing. Each Receiving Party understands and agrees that the Providing Party is not in the business of providing transition services to third parties, and under no circumstances shall the Providing Party be held accountable to a higher standard of care than that set forth herein. No service level or similar service standard set forth in Schedule 1(a) or 1(b) shall alter, amend or supplement this service standard, all such service standards shall be of no force or effect and all such service standards shall only be illustrative of past aspirational service standards of the Parties.

2.4.2 Investment Management Services. Notwithstanding anything in this Agreement to the contrary, the Scheduled Services hereunder shall in no event include investment management or advisory services.

2.4.3 Shortfall in Services. If a Receiving Party provides the Providing Party with written notice of the occurrence of any Significant Service Shortfall (as defined below) in the Scheduled Services, as reasonably determined by such Receiving Party in good faith, the Providing Party shall use commercially reasonable efforts to rectify such Significant Service Shortfall as soon as reasonably possible. For purposes of this Section 2.4.3, a "Significant Service Shortfall" shall be deemed to have occurred if the timing or quality of performance of one or more Scheduled Services provided by the Providing Party hereunder falls below the standard required by Section 2.4.1 hereof; provided that the Providing Party's obligations under this Agreement shall be relieved to the extent, and for the duration of, any Force Majeure Event as set forth in ARTICLE VI. Any dispute as to whether a Significant Service Shortfall occurred shall be resolved in accordance with Section 2.3.1.

2.4.4 Abandonment. Neither Providing Party shall Abandon (as defined below) any of the Scheduled Services for which it is responsible. The Parties agree that if a Providing Party breaches or threatens to breach the foregoing covenant, the relevant Receiving Party may be irreparably harmed, and such Receiving Party shall be entitled to apply to a court of competent jurisdiction for an injunction compelling specific performance by the relevant Providing Party of its obligations under this Agreement. "Abandon" or "Abandonment" means the threatened or actual intentional refusal by a Providing Party to provide or perform any material element(s) of the Scheduled Services in breach of its obligations under this Agreement.

2.4.5 Disaster Recovery Program. For as long as Scheduled Services are provided hereunder, each Providing Party shall, and shall cause its relevant Affiliates to, maintain backup, business continuation and disaster recovery plans consistent with past practices as they existed during the twelve (12) months immediately preceding the Closing.

2.5 No Agency. Each Party acknowledges that it has entered into this Agreement for independent business reasons. The relationship of the Parties hereunder are those of independent contractors and nothing contained herein shall be deemed to create a joint venture, partnership or any other relationship. Neither Party shall have any power or authority to negotiate or conclude any agreement, or to make any representation or to give any understanding on behalf of the other in any way whatsoever.

2.6 Subcontracting. Each Providing Party may subcontract for the performance of any Scheduled Service to: (a) any Person if the service to be subcontracted is primarily a routine task or function generally considered ancillary to the Scheduled Services that does not require the service provider to interact with any customer or to have access to any Customer Information or Confidential Information of the Receiving Party; (b) an Affiliate of such Providing Party; (c) with respect to AUSA as the Providing Party, the Life Reinsurer or its Affiliates; (d) an existing sub-contractor that was providing such service to the Providing Party and/or the Receiving Party immediately before the Closing Date; or (e) any other Person with the prior written consent of the applicable Receiving Party, such consent not to be unreasonably withheld or delayed; provided that no such subcontracting shall relieve such Providing Party from any of its obligations or liabilities hereunder, and such Providing Party shall remain responsible for all obligations or liabilities of such subcontractor with respect to the providing of such service or services as if provided by such Providing Party.

2.7 Consents. Aviva Canada represents as of the Closing Date, that it has obtained all consents, licenses and approvals of any third party (other than a Governmental Party) reasonably necessary for the provision and receipt of all Scheduled Services hereunder as currently contemplated during the Term, and such consents, licenses and approvals shall survive and remain effective immediately after Closing Date. Notwithstanding any provision of this Agreement to the contrary, if the provision of any Scheduled Service as contemplated by this Agreement requires the consent, license or approval of any third party not previously obtained, Aviva Canada shall use reasonable efforts to obtain as promptly as possible after the Closing Date such consent, license, or approval. Aviva Canada shall be solely responsible for all costs of obtaining such third party consents, licenses or approvals necessary for the provision and receipt of the Scheduled Services as of the Closing Date, including any payments that are required to any third party; provided that if, after the Closing Date, AUSA changes the manner in which it provides the Scheduled Services, or requests that the Scheduled Services it receives be provided in a different manner or scope than such service as was provided during the twelve (12) months prior to the Closing Date, such that it, Aviva Canada, or any Designated Recipient of such Scheduled Services must obtain any additional consent, license or approval necessary for the provision or receipt of such Scheduled Services, AUSA shall be responsible for the costs and effort of obtaining such necessary consents, licenses and approvals. For the avoidance of doubt, the fact that AUSA is, after the Closing Date, no longer an Affiliate of Aviva Canada and its Affiliates shall not be considered a request that the Scheduled Services be provided in a manner and scope different from how the services were provided prior to Closing. If the Providing Party reasonably believes that it is unable to provide such Scheduled Service because of a failure to obtain necessary consents, licenses, sublicenses or approvals, the Parties shall cooperate to determine the best alternative approach; provided, however, that under no circumstances shall the performance of such Scheduled Service require the Providing Party or any of its directors (or persons in similar positions), officers, employees or agents to violate any Applicable Laws or breach any contract or other agreement.

2.8 Transition Management. Each Party shall appoint a transition manager (each, a "Transition Manager"). The Transition Managers shall have the authority to represent the position of their respective Parties and to make operational decisions regarding the Parties' performance of this Agreement. Each Transition Manager shall appoint or designate in writing, directed to the other Transition Manager, a person or person to act in his or her stead on day-to-day matters within various functional areas when the Transition Manager is unavailable. Subject to the right to delegate duties to others, the Transition Managers shall serve as the primary contact point for the respective principals with respect to the obligations of the Parties under this Agreement. The Transition Manager's responsibilities shall include: (a) conducting reviews of compliance with the service standard in Section 2.4.1; (b) assuring compliance with this Agreement, including the schedules; (c) resolving disputes under this Agreement; (d) mitigating and resolving technical and business issues; (e) managing the service migration process; and (f) participating in the Dispute resolution process under Section 2.3. A Party may designate a replacement for its Transition Manager by written notice to the other Party. The Transition Manager, and any successor, shall have an educational background, experience, skills and other qualifications necessary to perform his or her assigned duties. Nothing in this Agreement shall be deemed to authorize either Transition Manager to amend this Agreement in any way.

2.9 Records and Audit. Each Party shall maintain true and correct records of all receipts, invoices, reports and other documents relating to the provision and receipt of Scheduled Services in accordance with their respective standard accounting practices and procedures, consistently applied, and shall provide each other with reasonable access to such records, subject to Applicable Law and the obligations of ARTICLE VIII.

ARTICLE III
TERM AND TRANSITION ASSISTANCE

3.1 Term. The term (the "Term") of this Agreement shall commence as of the date hereof and, subject as to any Scheduled Service to the earlier expiration of the Service Term with respect thereto, shall continue until the earliest of:

3.1.1 the date on which the last of the Scheduled Services under this Agreement is terminated; or

3.1.2 the date on which this Agreement is terminated by mutual agreement of the Parties.

3.2 Extension and Termination.

3.2.1 Extension.

(a) If Aviva Canada is not able by the end of the Service Term to complete its Migration of one or more Scheduled Services that it receives, then upon written notice provided to AUSA at least 30 days prior to the end of the Service Term, Aviva Canada shall have the right to request and cause AUSA to provide such Scheduled Services for up to 90 additional days; provided that Aviva Canada shall pay for all such additional Scheduled Services at a price equal to the applicable Service Fees plus twenty percent (20%) thereof.

(b) If AUSA is not able by the end of the Service Term to complete its Migration of one or more Scheduled Services that it receives, then upon written notice provided to Aviva Canada at least 30 days prior to the end of the Service Term, AUSA shall have the right to request and cause Aviva Canada to provide such Scheduled Services for up to 90 additional days or such longer period set forth in Schedule 1(b); provided that AUSA shall pay for all such additional Scheduled Services at a price equal to the applicable Service Fees plus ten percent (10%) thereof.

3.2.2 Early Termination. If the Receiving Party wishes to terminate a Scheduled Service (or a portion thereof) on a date that is earlier than the end of the Service Term, the Receiving Party shall notify the Providing Party in writing of the proposed date on which such Scheduled Service (or portion thereof) shall terminate (the "Termination Date"), at least 30 days prior to the Termination Date. Effective on the Termination Date, such Scheduled Service (or portion thereof) shall be discontinued and thereafter, this Agreement shall be of no further force and effect with respect to such Scheduled Service (or portion thereof), except as to obligations accrued prior to the Termination Date.

3.3 Return of Materials. After a Scheduled Service is terminated, each Party will return or destroy all materials and property owned by the other Party and materials and property of a proprietary nature involving a Party or its Affiliates relevant solely to the provision or receipt of that Scheduled Service and no longer needed regarding the performance of other Scheduled Services under this Agreement, and will do so (and will cause its Affiliates to do so) within 30 days after the applicable termination.

ARTICLE IV
COMPENSATION AND PAYMENT ARRANGEMENTS FOR SCHEDULED SERVICES

4.1 Compensation for Scheduled Services.

4.1.1 Compensation Generally. In accordance with the payment terms set forth in Section 4.2 and subject to Section 4.1.3, each Party, in its capacity of Receiving Party, agrees to timely pay the other Party, the reasonable fully-burdened, actual costs incurred by such Providing Party and its Affiliates in providing the Scheduled Services such Receiving Party or its Designated Recipients have received hereunder ("Service Costs").

4.1.2 Out of Pocket Costs. Without limiting the foregoing and subject to Section 2.6 and Section 4.1.3, each Party agrees to pay, or reimburse the other Party for its payment of, all Out of Pocket Costs (as defined below) of the other Party in its capacity as Providing Party. For purposes hereof, the term "Out of Pocket Costs" means all reasonable fees, costs or other expenses (including Sales and Service Taxes) payable by a Providing Party or its Affiliates to third parties that are not Affiliates of such Providing Party in connection with the Scheduled Services provided by such Providing Party hereunder, other than the cost of Permits necessary for the Providing Party or its Affiliates to provide the Scheduled Services. Each Providing Party shall use commercially reasonable efforts to: (a) not incur Out of Pocket Costs that are inconsistent with the type of Out of Pocket Costs incurred under past practices with the applicable Scheduled Services without the prior written consent of the Receiving Party; and (b) minimize the amount of its Out of Pocket Costs, consistent with providing the Scheduled Services in accordance with the standard set forth in Section 2.4.1.

4.1.3 Cap on Service Fees. Notwithstanding anything in this Agreement to the contrary, the Service Fees payable by AUSA for: (i) all Scheduled Services in the aggregate provided to AUSA and its Designated Recipients shall not exceed $180,000[1] in any month during the Term (the "Monthly Cap"); and (ii) each Scheduled Service provided to AUSA or its Designated Recipient in a month shall not exceed the "Maximum Monthly Charge" for such Scheduled Services set forth in Schedule 1(b) (each, a "Maximum Monthly Charge"). When an Additional Service is added to Schedule 1(b) as set forth in Section 2.1.7(b), the parties shall agree upon a reasonable Maximum Monthly Charge for such Additional Service which shall apply only to the Service Costs for such Additional Service. Out-of-Pocket Costs incurred by

[1] NTD: If the services set forth on Exhibit B as of signing of the SPA are removed from the final Schedule 1(b) at Closing, the Monthly Cap shall be reduced by the amount of the estimated fee for such removed service, such that the sum of the Maximum Monthly Charges equals $40,000 less than the Monthly Cap.

Aviva Canada or its Affiliates with respect to any Additional Service, and reimbursable by AUSA, shall be excluded from, and shall not be subject to, the Monthly Cap and the applicable Maximum Monthly Charge. When a Scheduled Service is terminated or expires pursuant to the terms of this Agreement, the Monthly Cap shall reduce by the amount of the Maximum Monthly Charge associated with such Scheduled Service. Any "Migration Assistance Services" identified on Schedule 1(a) shall be excluded from, and shall not be subject to the limits set forth in this Section. If AUSA requests that a Scheduled Service be provided in a manner or scope that is not substantially identical to the manner and scope as was provided during the twelve (12) months prior to the Closing Date, and Aviva Canada agrees to such change to the Scheduled Service, any additional Service Fees arising or resulting from such change shall not be covered by the applicable Maximum Monthly Charge and the Monthly Cap.

4.1.4 Taxes.

(a) Each Receiving Party will pay and be liable for all sales, goods or services, excise, privilege, value added tax ("VAT"), lease, use, transfer, consumption or similar gross receipts based taxes (the "Sales and Service Taxes") imposed on Scheduled Services provided by the Providing Party. Such taxes will be payable by each Receiving Party to the Providing Party in the manner set forth in Section 4.2 or as otherwise mutually agreed in writing by the Parties and under the terms of the Applicable Law which governs the relevant Sales and Service Tax. Notwithstanding the previous sentence, if the Receiving Party is exempt from liability for such taxes, the Receiving Party shall provide the Providing Party with a certificate (or other proof), which certificate or proof is reasonably acceptable to the Providing Party, evidencing an exemption from liability for such Sales and Service Taxes. The Receiving Party's obligation to pay Sales and Service Taxes under this Section 4.1.4 shall be subject to the receipt of a valid and customary invoice or other document under the terms of Applicable Law for each Sales and Service Tax. The Providing Party shall be responsible for any losses (including any deficiency, interest and penalties) imposed as a result of a failure to timely remit any Sales and Service Taxes to the applicable tax authority to the extent the Receiving Party timely remits such Sales and Service Taxes to the Providing Party or the Receiving Party's failure to do so results from the Providing Party's failure to timely charge or provide notice of such Sales and Service Taxes to the Receiving Party. The Receiving Party shall be entitled to any refund on any Sales and Service Taxes paid in excess of liability as determined at a later date. Each Party shall promptly notify the other Party of any deficiency claim or similar notice by a taxing authority with respect to Sales and Service Taxes payable under this Agreement, and of any pending tax audit or other proceeding that could lead to the imposition of Sales and Services Taxes payable under this Agreement. The Receiving Party shall have the sole right to control, contest, resolve and defend against any matters relating to Sales and Services Taxes for which it is responsible pursuant to this Section.

(b) Each Party shall pay and be responsible for its own personal property taxes and taxes based on its own income or profits or assets. Payments for Scheduled Services or other amounts under this Agreement shall be made net of withholding taxes, provided however that if a Providing Party believes that a reduced rate of withholding applies or the Providing Party is exempt from withholding, the relevant Receiving Party shall only be required to apply such reduced rate of withholding or not withhold if such Providing Party provides the relevant Receiving Party with evidence satisfactory to the Receiving Party that a reduced rate of or no withholding is required. Satisfactory evidence for this purpose may include rulings from, or other correspondence with tax authorities and tax opinions rendered by qualified persons satisfactory to such Receiving Party, to the extent reasonably requested by such Receiving Party. Without limiting the generality of the foregoing, Aviva Canada shall provide AUSA with executed originals of Internal Revenue Service Form W-8BEN certifying it is entitled to claim treaty benefits with respect to amounts to be paid under this Agreement. The Receiving Party shall promptly remit any amounts withheld to the appropriate taxing authority and in the event that such Receiving Party receives a refund of any amounts previously withheld from payments to the relevant Providing Party and remitted, such Receiving Party shall surrender such refund to such Providing Party.

(c) With respect to each provision in this Section 4.1.4, the Receiving Party and the Providing Party shall reasonably cooperate with each other and take any action to provide or make available any information reasonably requested (and with a sufficient level of detail) in order to minimize any Sales and Service Taxes payable with respect to the Scheduled Services.

4.2 Payment Terms. Each Party in its capacity as Providing Party shall invoice the other Party on a monthly basis in arrears for Service Fees listing separately, to the extent practicable, any applicable Sales and Service Taxes. Each monthly invoice shall list all Scheduled Services and Service Fees in the format of Schedule 4.2. Payment in full of the amounts so invoiced or noticed shall be made by electronic funds transfer or other method satisfactory to the Parties, within 30 days after the date of receipt of the monthly invoice. Should a Party dispute any portion of the amount due from it on any invoice or require any adjustment to an invoiced amount, then such Party shall notify the other Party in writing of the nature and basis of the dispute or adjustment as soon as reasonably possible using, if necessary, the dispute resolution procedures set forth in Section 2.3. The Parties shall use their reasonable best efforts to resolve the dispute prior to the payment due date. All amounts required to be paid pursuant to this Agreement shall be paid and payable in U.S. dollars.

ARTICLE V
INDEMNIFICATION

5.1 Indemnification by AUSA. AUSA shall indemnify and hold harmless Aviva Canada and each of its Affiliates (each, an "Aviva Canada Indemnified Person"), from any and all Indemnifiable Losses to the extent related to, resulting from or arising out of Third-Party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of AUSA or any of its Affiliates in providing any of the Scheduled Services that AUSA is obligated to provide hereunder; or (b) any material breach by AUSA of any of its obligations under this Agreement; provided that, AUSA shall have no obligation to indemnify or hold harmless any Aviva Canada Indemnified Person to the extent AUSA's or its Affiliates' acts or omissions giving rise to the Indemnifiable Losses were performed during the period of thirty (30) days immediately after the Closing Date, in a manner consistent with the manner in which the Scheduled Services were performed during the twelve (12) month period prior to the date hereof.

5.2 Indemnification by Aviva Canada. Aviva Canada shall indemnify and hold harmless AUSA and each of its Affiliates (each, an "AUSA Indemnified Person") from any and all Indemnifiable Losses to the extent related to, resulting from or arising out of Third-Party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of Aviva Canada or any of its Affiliates in providing any of the Scheduled Services that Aviva Canada is obligated to provide hereunder; or (b) any material breach by Aviva Canada of any of its obligations under this Agreement.

5.2.1 Indemnification Procedures.

(a) If any Indemnitee receives notice of assertion or commencement of any Third-Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim; provided, however, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation or otherwise affect the rights of any Indemnitee hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay with respect to such claim. Thereafter, the Indemnitee shall deliver to the Indemnitor, as promptly as reasonably practicable after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(b) The Indemnitor shall be entitled to participate in the defense of any Third-Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third-Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense; provided, however, that if the Indemnitee determines in good faith that the representation of the Indemnitee and the Indemnitor by the same counsel creates an actual or potential conflict of interest for such counsel, the reasonable fees and expenses of one counsel employed by the Indemnitee with respect to such matter shall be considered Indemnifiable Losses hereunder. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third-Party Claim as provided above). If the Indemnitor chooses to defend any Third-Party Claim, the parties hereto shall cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnitor shall have assumed the defense of a Third-Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). If the Indemnitor has assumed the defense of a Third-Party Claim, the Indemnitor may only pay, settle, compromise, admit any liability with respect to or discharge a Third-Party Claim with the Indemnitee's prior written consent, not to be unreasonably withheld, delayed or conditioned; provided, however, that the Indemnitor may pay, settle, compromise or discharge such a Third-Party Claim without the written consent of the Indemnitee if such settlement (i) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third-Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third-Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third-Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third-Party Claim.

ARTICLE VI
FORCE MAJEURE

If performance by a Party of any terms or provisions hereof shall be delayed or prevented, in whole or in part, because of or related to compliance with any Applicable Law, decree, request or order of any Governmental Entity, or because of riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism, or for any other reason which is not within the control of the Providing Party and which by the exercise of reasonable diligence the Party is unable to prevent (each, a "Force Majeure Event"), then (i) the Party shall give written notice to the other Party, (ii) the Parties shall promptly confer, in good faith, to agree upon equitable, reasonable action to minimize the impact, on both Parties, of such conditions, and (iii) the affected Party shall be excused from its obligations hereunder during the period such Force Majeure Event continues, and no liability shall attach against it on account thereof. The affected Party shall not be excused from performance if it fails to use reasonable diligence to remedy the situation and remove the cause and effect of the Force Majeure Event.

ARTICLE VII
REMEDIES AND SURVIVAL

7.1 Financial Remedies Upon Material Breach. In the event of material breach of any provision of this Agreement by a Party, the non-defaulting Party shall give the defaulting Party written notice thereof, and:

7.1.1 If such breach arises from a Party's non-payment of an amount that is not in dispute, such Party shall cure the breach within ten (10) calendar days after receipt of written notice of such non-payment. If such Party does not cure such breach by such date, then such Party shall pay the Party to whom the amount is due the undisputed amount plus an amount of interest equal to four percent (4%) per annum above the "prime rate" as announced in the "Money Rates" section of the most recent edition of the Eastern Edition of *The Wall Street Journal*, which interest rate shall change as and when the "prime rate" changes. The Parties agree that this rate of interest constitutes reasonable liquidated damages and not an unenforceable penalty.

7.1.2 If such breach is for any other material failure to perform in accordance with this Agreement, the defaulting Party shall cure such breach within thirty (30) calendar days of the date of such notice. The defaulting Party shall remain liable for any damages relating to such breach, subject to the limits set forth in Section 7.2.

7.1.3 In the case of any such breach that is not cured in accordance with Sections 7.1.1 and 7.1.2 above, then the non-defaulting Party shall also have the right to terminate the Scheduled Service(s) to which such breach relates, upon written notice thereof to the defaulting Party.

7.2 Limitation of Liability. The maximum liability of any Party hereto to the other Party and such other Party's Affiliates or Designated Recipients hereunder shall not exceed U.S. $400,000.00, except that no cap shall apply: (a) to claims based on a Party's willful misconduct or fraud; (b) to claims based on a Party's failure to pay compensation under Section 4.1 hereunder when due; (c) to claims based on a breach of ARTICLE VIII hereunder; or (d) claims for indemnity under ARTICLE V hereunder. Notwithstanding anything else in this Agreement, the Parties, on behalf of themselves and all other indemnitees, waive any claim to any punitive or consequential damages against each other, except: (i) to the extent awarded to a third party in connection with a third-party claim; and (ii) for claims based on a breach of ARTICLE VIII hereunder.

7.3 Survival Upon Expiration or Termination. The provisions of Sections 2.5 and 3.3, and Articles IV, V, VII, VIII, IX, X and XI shall survive the termination or expiration of this Agreement unless otherwise agreed to in writing by both Parties.

ARTICLE VIII
CONFIDENTIALITY

8.1 Confidential Information. Each Party covenants that it will (a) accord the Confidential Information (as defined below) of the other party the same degree of confidential treatment that it accords its similar proprietary and confidential information, (b) not use such Confidential Information for any purpose other than those stated in this Agreement, and (c) not disclose such Confidential Information to any Person unless disclosure to such Person is made in the ordinary course of such Party's conduct of its business and is subject to protections comparable to those such Party would apply in connection with a comparable disclosure of its own Confidential Information. Notwithstanding any other provision of this Agreement, a party may disclose Confidential Information of the other Party, without liability for such disclosure, to the extent the disclosing party demonstrates that such disclosure is (v) required to be made pursuant to Applicable Law, government authority, duly authorized subpoena, or court order, (w) required to be made to a court or other tribunal in connection with the enforcement of such Party's rights under this Agreement or to contest claims between the Parties, (x) made to such Party's service providers or Affiliates or, with respect to client information and client account information or records, the applicable current or then-existing client, (y) with respect to Intellectual Property, made to such Party's clients or prospective clients in connection with marketing activities or servicing of client accounts, in each case for clauses (x) and (y) subject to a confidentiality agreement that includes protections no less restrictive than those set forth herein, or (z) approved by the prior written consent of the other Party. Each Party will promptly notify the other Party, if it receives a subpoena or otherwise becomes aware of events that may legally require it to disclose Confidential Information of the other Party, and will cooperate with the other Party (at the other Party's expense) to obtain an order quashing or otherwise modifying the scope of such subpoena or legal requirement, in an effort to prevent the disclosure of such Confidential Information. For purposes of this Agreement, "Confidential Information" means all confidential or proprietary information and documentation of either Party made available to the other Party under this Agreement that is either identified in writing as confidential or which the receiving Party should reasonably have recognized at the time of disclosure as being of a confidential nature.

8.2 Unauthorized Acts. Each Party shall (a) notify the other Party promptly of any unauthorized possession, use, or knowledge of any Confidential Information by any person which shall become known to it, any attempt by any person to gain possession of Confidential Information without authorization or any attempt to use or acquire knowledge of any Confidential Information without authorization (collectively, "Unauthorized Access"), (b) promptly furnish to the other Party full details of the Unauthorized Access and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any Unauthorized Access, (c) cooperate with the other Party in any litigation and investigation against third parties deemed necessary by such Party to protect its proprietary rights, and (d) use commercially reasonable efforts to prevent a recurrence of any such Unauthorized Access.

ARTICLE IX
SYSTEM ACCESS AND CONSUMER PRIVACY

9.1 System Access. If the Providing Party and/or the Receiving Party are at any time given access (each in such capacity, a "Guest User") to the other's computer system(s) or software (collectively, "Systems") in connection with the performance of this Agreement, such Guest User shall comply with the other party's (each in such capacity, a "Host") Systems security policies, procedures and requirements which the Host makes available to the Guest User in writing from time to time.

9.2 Consumer Privacy. In providing the Scheduled Services, each Providing Party shall, and shall cause its Affiliates to, comply with Applicable Law with respect to privacy or data security relative to Customer Information (as defined below), and shall maintain the information security program in place prior to the date hereof. "Customer Information" means all tangible and intangible information provided or disclosed hereunder about present or former present or former clients, life insurance or annuity policy holders, annuitants, or other beneficiaries (collectively, hereinafter "Customers") or potential Customers of any party or its Affiliates, including name, address, telephone number, email address, account or policy information, and any list, description, or other grouping of Customers or potential Customers, and any medical records or other medical information of such Customers or potential Customers and any other type of information deemed "nonpublic" and protected by privacy laws and any other Applicable Law.

ARTICLE X
DISCLAIMER OF REPRESENTATIONS, WARRANTIES AND COVENANTS

Except for the representations, warranties and covenants expressly made in this Agreement, each Party has not made and does not hereby make any express or implied representations, warranties or covenants, statutory or otherwise, of any nature, including with respect to the warranties of merchantability, quality, quantity, suitability or fitness for a particular purpose or the results obtained by the Scheduled Services for which it is responsible as Providing Party. All other representations, warranties, and covenants, express or implied, statutory, common law or otherwise, of any nature, including with respect to the warranties of merchantability, quality, quantity, suitability or fitness for a particular purpose or the results obtained by the Scheduled Services are hereby disclaimed by each Party .

ARTICLE XI
MISCELLANEOUS

11.1 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be delivered personally, by overnight courier (providing proof of delivery) or by email; provided, that the email is promptly confirmed, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice). Any such notice shall be deemed given when so delivered personally, by courier or by overnight delivery service or sent by email (and immediately after transmission by such email receipt of which has been confirmed by telephone by the sender) or, if mailed, four (4) Business Days after the mailing as follows:

if to Aviva Canada, to:

Aviva Canada Inc.
2206 Eglinton Avenue East
Scarborough, Ontario M1L 4S8
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 7th Avenue
New York, NY 10019
Telephone: (212) 728-8088
Attention: Robert S. Rachofsky
Email: rrachofsky@willkie.com

if to AUSA, to:

Aviva USA Corporation
7700 Mills Civic Parkway
West Des Moines, IA 50266

Attention: General Counsel

with a copy (which shall not constitute notice) to each of:

Athene Holding Ltd.
Chesney House, 96 Pitts Bay Road
Pembroke HM 08, Bermuda
Telephone: (441) 279-8402
Attention: Grant Kvalheim
Email: GKvalheim@Athene.bm

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Attention: Perry J. Shwachman, Esq.
Email: pshwachman@sidley.com

11.2 Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation" whether or not such words actually appear thereafter. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

11.3 Entire Agreement; Third-Party Beneficiaries. This Agreement (including all Exhibits and Schedules hereto), the SPA and the other documents executed in connection with the SPA constitute the entire agreement, and supersede all prior or contemporaneous agreements and understandings, negotiations, inducements or conditions, express or implied, oral or written of the Parties with respect to the subject matter hereof. Except as set forth in ARTICLE V with respect to Aviva Canada Indemnified Persons and AUSA Indemnified Persons, this Agreement is not intended to and shall not confer upon any Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

11.4 Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

11.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise (other than by operation of law in a merger), by either of the Parties without the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed, and any such assignment that is not consented to shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns.

11.6 Jurisdiction; Enforcement.

11.6.1 Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each of the parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is brought in an inconvenient forum or that the venue of such action, suit or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the parties hereto from removing any matter from one New York Court to another New York Court. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 11.1 of this Agreement, constitute good, proper and sufficient service thereof.

11.6.2 EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.6.

11.7 Severability; Amendment; Modification; Waiver.

11.7.1 Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

11.7.2 Except as otherwise contemplated by this Agreement, this Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer and Seller in the case of an amendment or, in the case of a waiver, by the party hereto entitled to make such waiver.

11.7.3 No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

11.8 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Party. Each Party may deliver its signed counterpart of this Agreement to the other Party by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Remainder of page intentionally left blank**]**

IN WITNESS WHEREOF, the Parties, acting through their authorized officers, have caused this Agreement to be duly executed and delivered as of the date first above written.

AVIVA USA CORPORATION

By:____________________________

Name:

Title:

AVIVA CANADA INC.

By:____________________________

Name:

Title:

.

[SCHEDULES SUBJECT TO AMENDMENT BY THE PARTIES PRIOR TO CLOSING, BUT TO INCLUDE THE SERVICES DESCRIBED IN EXHIBIT A HERETO, EXCEPT TO THE EXTENT THAT TRANSITION OF ANY SUCH SERVICES HAS BEEN COMPLETED PRIOR TO THE DATE HEREOF, AND PROVIDED THAT THE DETAILS OF SUCH SERVICES ARE SUBJECT TO NEGOTIATION.]

Schedule 1(a)
to the
Transition Services Agreement
Scheduled Services to be Provided by AUSA

Service Title:	
Designated Recipient:	
Description:	
Service Term:	
Estimated Service Fees:	

[SCHEDULES SUBJECT TO AMENDMENT BY THE PARTIES PRIOR TO CLOSING, BUT TO INCLUDE THE SERVICES DESCRIBED IN EXHIBIT B HERETO, EXCEPT TO THE EXTENT THAT TRANSITION OF ANY SUCH SERVICES HAS BEEN COMPLETED PRIOR TO THE DATE HEREOF, AND PROVIDED THAT THE DETAILS OF SUCH SERVICES ARE SUBJECT TO NEGOTIATION.]

Schedule 1(b)
to the
Transition Services Agreement
Scheduled Services to be Provided by Aviva Canada

Service Title:	
Designated Recipient:	
Description:	
Service Term:	
Extension Term:	
Maximum Monthly Charge:	

<u>Schedule 2.1.6</u>
to the
Transition Services Agreement
Permits

[None]

<u>**Schedule 4.2**</u>
to the
Transition Services Agreement

Scheduled Services Summary Invoice Statement

[Monthly End Date]

Scheduled Service	Service Costs
Out of Pocket Expense	Description of Out of Pocket Expenses
Service Fees for Migration Assistance Services	Sales and Service Taxes (if any)

Exhibit A

Introduction

This Exhibit represents services that, subject to amendment by the Parties prior to Closing, would be included in Schedule 1(a), except to the extent that transition of any such Services has been completed prior to the Closing. For the avoidance of doubt, no service level or similar service standard set forth herein shall alter, amend or supplement the service standard set forth in Section 2.4.1 of the Agreement, and all such service standards shall only be illustrative of past aspirational service standards of the Parties.

Shared Financial and Management Information Systems

Providing Party	**AUSA**
Designated Recipient	Aviva Canada
Service Description	• Support and development for the shared Teradata (EDW) platform.
Service Term	• Ending on February 28, 2013.
Additional Service Description Details	• A single team composed of US resources with the assistance of outsourced support from CSC under AUSA's agreements with CSC.. • Schedule and monitor to ensure successful completion of production cycles. • Advise the GI and L&A IT Service Desk of potential service risks, service changes, and escalation contacts as required. • Thoroughly document and keep up-to-date each call for service and support using the ITWR and US Heat, GI Heat ticketing systems, and participating as required to complete Post Incident Reports (PIR), as per the Aviva Incident Management procedures. • Teradata modeling and database administration activities. • Knowledge transfer to Canadian support staff.
Enablement factors between AUSA/Canada to support the Services to include the following:	• AUSA provides identity access management functions to provision, decommission and periodically review access based on input from Aviva Canada. • Decision Path = R. Ries → CIO→Joint Steering Committee
Systems (owner / licensee)	• Teradata platform (Aviva Canada)
Estimated Monthly Service Fee	• From Aviva Canada: USD $18,000

Exhibit B

Introduction

This Exhibit represents services that, subject to amendment by the Parties prior to Closing, would be included in Schedule 1(b), except to the extent that transition of any such Services has been completed prior to the Closing. For the avoidance of doubt, no service level or similar service standard set forth herein shall alter, amend or supplement the service standard set forth in Section 2.4.1 of the Agreement, and all such service standards shall only be illustrative of past aspirational service standards of the Parties.

Shared Financial and Management Information Systems

Providing Party	**Aviva Canada**
Designated Recipient	AUSA
Service Description	• Support and development for the shared Oracle R12 System, Procure to Pay, Essbase, Hyperion Planning, DRM and Business Objects.
Service Term	• Ending on May 31, 2013.
Additional Service Description Details	• A single team composed of Canadian resources with the assistance of outsourced support from TCS, under Aviva Canada's contract with TCS. • Schedule and monitor to ensure successful completion of production cycles. • Knowledge transfer to US support staff. • Advise the GI and L&A IT Service Desk of potential service risks, service changes, and escalation contacts as required. • Thoroughly document and keep up-to-date each call for service and support using the GI Heat ticketing systems, and participating as required to complete Post Incident Reports (PIR), as per the Aviva Incident Management procedures. • Participating actively in regular service level performance reviews with IT and business unit stakeholders. • Report the monthly service level metrics to service level management and address service concerns and initiate preventative action plans as appropriate. • With respect to Oracle Financials R12: 98% availability within the services hours of 7AM to 10PM ET M-F and 8 AM-6 PM ET Saturday; additional targets for batch windows and response to incidents are contained in the Oracle Financials R12 Service Level Agreement.
Enablement factors between AUSA/Canada to support the Services to include the following:	• Canada provides identity access management functions to provision, decommission and periodically review access based on input from AUSA. • Decision Path = R. Ries → CIO→Joint Steering Committee
Systems (owner / licensee)	• Oracle Financials R12 (including Procure to Pay, Essbase, Hyperion Planning, DRM), Business Objects and US EDW (Aviva Canada).
Estimated Monthly Service Fee	• From AUSA: CAD $124,000[1]

1 NTD: billing and payment will be in USD.

Chart of Accounts Administration Services

Providing Party	**Aviva Canada**
Designated Recipient	AUSA
Service Description	• Chart of accounts ("CoA") administration services in connection with Oracle GL, Essbase, Hyperion Planning, and DRM[2]
Service Term	• Ending on May 31, 2013.
Additional Service Description Details	• Services for maintaining General Ledger CoA segment values and hierarchies in the Oracle General Ledger and Data Relation Management tool. • Include monthly CoA Statistical Summary Report. • Co-ordinate CoA change requests from AUSA within AUSA's freeze / unfreeze schedule. • Training and knowledge transfer to AUSA staff. • First level review of all change requests and ensure they are complete, clear, approved and in compliance with CoA policies. • Prepare supporting documents and process CoA requests to fulfill requestor needs while ensuring compliance with FRCF control requirements are archived. • Execute CoA changes in Oracle and DRM, ensure the two systems are synchronized. • Prepare monthly change request logs and submit for hierarchy owner approvals. • Maintaining CoA consistence among QA instances and production. • Carry out the necessary tests of the change requests in QA environment to ensure it is functional prior to production implementation. • Liaison with various departments and help reinforce proper procedures by communicate and educate professionally of the current policies to stakeholders. • Continuous improvement to the governance process and constantly provide feedback and updates the request form and policies. • Support the preparation of materials for various ad-hoc requests. • Initiate system control changes to improve CoA data integrity, such as modify and update CV rules and security rules in Oracle. Initiate and make recommendations to improve current controls, process and procedures.
Enablement factors between AUSA/Canada to support the Services include the following:	• Not dependent on IT provided services. • End date dependent on system separation, but not later than May 31, 2013.
Systems (owner / licensee)	• Oracle Financials R12 (AUSA and Aviva Canada each have a license).
Estimated Monthly Service Fee	• From AUSA: CAD $7,000

2 NTD: Oracle GL is the general ledger database system. Essbase, Hyperion Planning and DRM are software modules or programs that support Oracle GL.

Call Center Work Force Management

Providing Party	**Aviva Canada**
Designated Recipient	AUSA
Service Description	• Support for the overall environment support and availability. • Administration of the toolset. • Hardware environment. • Workforce schedule support for AUSA.
Service Term	• Ending on March 31, 2013.
Additional Service Description Details	• At or exceeding service levels existing during preceding 12 months.
Enablement factors between AUSA/Aviva Canada to support the Services to include the following:	• Services for software support. • Services for software administration. • Hardware to host the applications. • Decision Path: Infrastructure Leaders → CIOs → Joint Steering Committee.

Systems (owner / licensee)	• eWorkForce Management (WFM) and modules, including:
	  ○ ***WFM Software*** Maintenance
	  ○ WFM Support (Ins Ops)
	• Aviva Canada has contract with Aspect to use the WFM software.

Estimated Monthly Service Fee	• From AUSA: $6,500

EXHIBIT B-2

Form of AIA/AINA Transition Services Agreement

TRANSITION SERVICES AGREEMENT
BETWEEN AVIVA USA, AINA AND AIA

This Transition Services Agreement (this "Agreement"), effective as of _______, 2013, is by and between **AVIVA USA CORPORATION**, a corporation organized under the laws of the State of Iowa ("Aviva USA"), and its wholly owned subsidiary **AVIVA INVESTORS NORTH AMERICA, INC.**, a corporation organized under the laws of the State of Iowa ("AINA", and together with Aviva USA, "AUSA" or "Party"), and **AVIVA INVESTORS AMERICAS LLC**, a limited liability company organized under the laws of the State of Delaware ("AIA" or "Party"). AUSA and AIA shall be referred to collectively in this Agreement as the "Parties."

WHEREAS, Aviva plc, a public limited company organized under the laws of England and Wales ("Seller"), and Athene Holding Ltd., a Bermuda exempted company ("Buyer"), have entered into a Stock Purchase Agreement, dated as of December 21, 2012 (the "SPA"), whereby Buyer will acquire ownership and control, directly or indirectly, of various Affiliates of Seller, including Aviva USA and AINA;

WHEREAS, in connection with the consummation of the sale contemplated by the SPA, Aviva USA and AINA desire to provide certain transition services to AIA and certain of its Affiliates on the terms set forth herein;

WHEREAS, in connection with the consummation of the sale contemplated by the SPA, AIA desires to provide certain transition services to AUSA and certain of its Affiliates, on the terms set forth herein;

NOW THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

1.1 SPA Definitions. All defined terms used, but not defined, in this Agreement shall have the meanings given such terms in the SPA.

1.2 Other Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Abandon" and "Abandonment" have the meanings set forth in Section 2.4.4.

"Additional Services" has the meaning set forth in Section 2.1.5.

"AIA Indemnified Person" has the meaning set forth in Section 5.1.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a Party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"AUSA Indemnified Person" has the meaning set forth in Section 5.2.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York City are required or authorized by Applicable Law to be closed.

"Confidential Information" has the meaning set forth in Section 8.1.

"Customer Information" has the meaning set forth in Section 9.2.

"Customers" has the meaning set forth in Section 9.2.

"Designated Recipient" has the meaning set forth in Section 2.1.1(c).

"Dispute" has the meaning set forth in Section 2.3.1.

"Force Majeure Event" has the meaning set forth in ARTICLE VI.

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self-regulatory body or arbitral body or arbitrator.

"Guest User" has the meaning set forth in ARTICLE IX.

"Host" has the meaning set forth in ARTICLE IX.

"Maximum Monthly Charge" has the meaning set forth in Section 4.1.3.

"Monthly Cap" has the meaning set forth in Section 4.1.3.

"Migration" means the integration and migration of the information technology systems, business records, data and processes used by the businesses of AUSA and its Affiliates prior to the Closing, and that will be owned or operated by Seller or its Affiliates (excluding the Companies) after Closing, to and into the environment or system specified by AUSA and its Affiliates or, as applicable, a Designated Recipient.

"Out of Pocket Costs" has the meaning set forth in Section 4.1.2.

"Providing Party" has the meaning set forth in Section 2.1.1(c).

"Receiving Party" has the meaning set forth in Section 2.1.1(c).

"Sales and Service Taxes" has the meaning set forth in Section 4.1.4.

"Scheduled Services" has the meaning set forth in Section 2.1.1(c).

"Separation" means the segregation and extraction necessary to separate the information technology systems, business records, data and processes used by the businesses transferred to Buyer pursuant to the SPA from the environment and systems of Seller and its Affiliates (including AIA).

"Service Costs" has the meaning set forth in Section 4.1.1.

"Service Fees" means, collectively, the Service Costs and Out of Pocket Costs.

"Service Term" has the meaning set forth in Section 2.1.1(c).

"Significant Service Shortfall" has the meaning set forth in Section 2.4.3.

"Systems" has the meaning set forth in ARTICLE IX.

"Term" has the meaning set forth in Section 3.1.

"Termination Date" has the meaning set forth in Section 3.2.2.

"Transition Manager" has the meaning set forth in Section 2.8.

"Unauthorized Access" has the meaning set forth in Section 8.2.

"VAT" has the meaning set forth in Section 4.1.4.

ARTICLE II
SCHEDULED SERVICES

2.1 Scheduled Services.

2.1.1 Services.

(a) AUSA, directly or through its Affiliates, and their respective employees, agents or contractors, shall provide or cause to be provided to AIA and certain of its Affiliates all services set forth on Schedule 1(a) from and after the Closing Date for the duration set forth in Schedule 1(a). AIA shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to Aviva USA for providing the services set forth on Schedule 1(a), or causing such services to be provided.

(b) AIA, directly or through its Affiliates, and their respective employees, agents or contractors, shall provide or cause to be provided to AUSA and certain of its Affiliates all services set forth on Schedule 1(b) from and after the Closing Date for the duration set forth in Schedule 1(b). Aviva USA shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to AIA for providing the services set forth on Schedule 1(b), or causing such services to be provided.

(c) The services set forth on Schedules 1(a) and 1(b) are hereinafter referred to as the "Scheduled Services", and the duration for which the Scheduled Services are to be provided as set forth in Schedules 1(a) and 1(b) is the "Service Term". As used herein, with respect to each Scheduled Service the "Providing Party" shall mean the Party responsible for providing such Scheduled Service and the "Receiving Party" shall mean the Party entitled to receive, or whose Designated Recipient is entitled to receive, such Scheduled Service. Schedules 1(a) and 1(b) sets forth, for each Scheduled Service, the Providing Party and the Receiving Party and, where appropriate, the Affiliate or permitted third party designated by the Receiving Party to receive such Service (the "Designated Recipient"). The Receiving Party, in its sole discretion, may change any Affiliate designated as the Designated Recipient for a Scheduled Service from the Person currently so designated in Schedule 1(a), provided that any additional cost to the Providing Party caused by such change shall be borne by the Receiving Party. With respect to AUSA as the Receiving Party, AUSA may designate the Life Reinsurer or any of its Affiliates as a Designated Recipient.

2.1.2 Direction of Employees. Each Party shall be solely responsible for all salary, employment, payroll and other benefits of and liabilities relating to, and compliance with immigration and visa laws and requirements in respect of its personnel assigned to perform the Scheduled Services for which such Party is the Providing Party. In performing their respective duties hereunder, all personnel of a Party engaged in providing Scheduled Services shall be under the direction, control and supervision of such Party; and such Party shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such personnel. The employees of a Providing Party engaged in providing Scheduled Services to a Receiving Party shall not, by virtue thereof, become employees of such Receiving Party. The Providing Party shall provide prompt written notice to the Receiving Party upon the departure of any key employee who is providing a Scheduled Service.

2.1.3 Cooperation. The Receiving Party of a Scheduled Service shall use, and where applicable shall cause the relevant Designated Recipient to use, its reasonable efforts to (a) cooperate with the Providing Party with respect to the provision of such Scheduled Service and (b) enable the Providing Party to provide such Scheduled Service in accordance with this Agreement. The failure of a Receiving Party to comply with this provision with respect to a Scheduled Service in a way that prevents or materially hinders the relevant Providing Party from providing such Scheduled Service at all or in accordance with the service standard in Section 2.4.1 shall excuse the relevant Providing Party from providing such Scheduled Service, until such failure has been cured.

2.1.4 Permits. AIA represents and covenants that as of the date hereof, it, AUSA and any of their Affiliates through which either Party intends to provide a Scheduled Service have all material Permits necessary to provide the Scheduled Services for which such Party is responsible, and such Permits shall survive and remain effective immediately after Closing Date, and AIA represents that Schedule 2.1.4 sets forth a complete and accurate list of all such Permits necessary to provide the Scheduled Services and, except as set forth on Schedule 2.1.4, no such Permits shall expire within sixty (60) days after the Closing Date. If any Permit necessary to provide a Scheduled Service is not in place as of the Closing Date, AIA shall, at its costs, use its reasonable best efforts to obtain such Permit for the Providing Party or Receiving Party, as applicable, as promptly as practicable. After the Closing Date, each Providing Party shall be responsible for keeping in force all Permits necessary to provide the Scheduled Services for which it is responsible. Notwithstanding anything in this Agreement to the contrary, the

Providing Party of a Scheduled Service shall not be obligated to provide such Scheduled Service if the provision of such Scheduled Service would violate any Applicable Law or rules of professional ethics. If a Providing Party is prevented from providing, or causing to be provided, any Scheduled Service because: (a) any necessary Permit is not in place; or (b) providing such Scheduled Service or causing it to be provided would violate any Applicable Law or rules of professional ethics, such Providing Party shall use commercially reasonable efforts to (i) notify the Receiving Party of such prevention as soon as practicable, and (ii) provide alternative equivalent services, and AIA shall pay any additional costs associated with such alternative services; provided that if such alternative equivalent service is required due to a change to Applicable Law or rules of professional ethics occurring after the Closing Date the Receiving Party shall pay any additional costs associated with such alternative. If, after the Closing Date, AUSA changes the manner in which it provides the Scheduled Services such that it or its Affiliates must obtain any additional Permits necessary to provide the Scheduled Services for which it is responsible, AUSA shall be responsible for obtaining such necessary Permits.

2.1.5 Additional Services.

(a) The Parties each have exerted their commercially reasonable efforts to identify and describe the Scheduled Services. However, the Parties acknowledge and agree that:

(i) with respect to AIA as the Receiving Party, there may be services that (A) prior to the date hereof had been performed by the employees now employed by AUSA or provided pursuant to contracts to which AUSA is now a party (subject to Section 2.7), or assets now owned by AUSA, in each case, for the businesses now being performed by AIA, and (B) which are not identified on Schedule 1(a); and

(ii) with respect to AUSA as the Receiving Party, there may be services that (A) prior to the date hereof had been performed by the employees now employed by AIA or provided pursuant to contracts to which AIA is now a party (subject to Section 2.7), or assets now owned by AIA, in each case, for the businesses now being performed by AUSA and its Affiliates, and (B) which are not identified on Schedule 1(b). (such services in (i) and (ii), collectively, the "Additional Services").

At any time within ninety (90) days after the Closing Date or, for an Additional Service that has historically been only provided on a quarterly, semi-annual or annual basis, within fifteen (15) days after the first quarterly, semi-annual or annual period after the Closing Date when such Additional Service would have been provided, each Party may provide written notice to the other Party requesting Additional Services setting forth in reasonable detail a description of the requested Additional Service(s), the proposed start date or dates and the proposed termination date or dates.

(b) With respect to AIA as the Receiving Party of a potential Additional Service, the Parties agree to cooperate and negotiate in good faith to reach an agreement regarding the provision of Additional Services on terms and conditions that are reasonably acceptable to the Parties (AUSA's consent not to be unreasonably withheld or delayed); provided that the manner and scope of Additional Service requested by AIA are substantially identical to the manner and scope of such service as was provided during the twelve (12) months prior to the Closing Date. If AUSA no longer has access to necessary systems or personnel to perform the requested Additional Service in the manner and scope requested because AUSA has terminated or removed such systems or personnel for reasons other than to comply with Applicable Law, decree, request or order of any Governmental Entity, or rules of professional ethics, AUSA shall use reasonable best efforts to provide such Services in a reasonable manner and scope; provided that AUSA shall not be held to a service standard for such Services that is higher than as set forth in Section 2.4.1. Where such an agreement is reached, the provision of such Additional Services shall in all respects be subject to the terms of this Agreement, shall be added to Schedule 1(a) by amendment, shall be signed by the Parties, shall constitute an amendment to this Agreement and shall thereafter be considered a Scheduled Service.

(c) With respect to AUSA as the Receiving Party of a potential Additional Service, AIA shall provide or cause to be provided such Additional Service upon AUSA's written request; provided that the manner and scope of Additional Service requested by AUSA are substantially identical to the manner and scope of such service as was provided during the twelve (12) months prior to the Closing Date. The provision of such Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to Schedule 1(b), shall constitute an amendment to this Agreement and shall thereafter be considered a Scheduled Service. Unless otherwise agreed by the Parties, the term for such Additional Services shall be the latest Service Term for any other Scheduled Service. With respect to AUSA as the Receiving Party, Additional Services shall also include those services added pursuant to Section 4.5(b) of the SPA.

(d) Notwithstanding Sections 2.1.5(b) and (c), neither Party shall be obligated to provide an Additional Service unless the requesting Party demonstrates that such service, prior to the Closing Date, had been performed by the employees employed immediately after the Closing Date by the Providing Party or provided (i) pursuant to contracts to which the Providing Party was a party or (ii) using assets owned or previously owned by the Providing Party, in each case immediately after the Closing Date, in each case, to the applicable businesses.

2.2 Provision and Migration of Scheduled Services. The Parties will work together to begin or continue the process of Migrating the Scheduled Services from the Providing Party to the Receiving Party, or one or more of its Affiliates, or to a third party (at the Receiving Party's direction) such that the completion of the Migration of the Scheduled Services shall occur, to the extent commercially reasonable, prior to the end of the Service Term. Except as otherwise agreed in writing by the Parties, such Migration shall consist of the procurement by the Receiving Party of replacement services for the Scheduled Services (whether performed internally or by third parties) and not of the transfer of personnel or assets to the Receiving Party or its designee. Each Providing Party shall provide or cause to be provided each of the Scheduled Services for which it is responsible through the expiration of the applicable Service Term, except (a) as automatically modified by earlier termination of a Scheduled Service by the Receiving Party in accordance with this Agreement or (b) as otherwise agreed to by the Parties in writing. Each Providing Party shall also provide the "Migration Assistance Services" as set forth on Schedule 1(a) or 1(b), as applicable, provided that if a Receiving Party requests any Migration Assistance Services other than for Migration directly relating to a Scheduled Service, the Parties agree to cooperate and negotiate in good faith to reach an agreement regarding the provision of such Migration Assistance Services on terms and conditions that are reasonably acceptable to the Parties, the Providing Party's consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Separation activities conducted or caused to be conducted by AIA shall not be considered "Migration Assistance Services" and shall be conducted by AIA and its Affiliates without charge.

2.3 Dispute Resolution.

2.3.1 Amicable Resolution. The Parties mutually desire that friendly collaboration will continue between them during the Term. Accordingly, they will try to resolve in an amicable manner all disagreements and misunderstandings connected with their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (a "Dispute") between the Parties in connection with this Agreement (including the standard of performance, delay of performance or non-performance of obligations, or payment or non-payment of Service Fees hereunder), then the Transition Managers shall seek to resolve the Dispute amicably. If the Transition Managers are unable to resolve a Dispute in a timely manner, then either Transition Manager, by written request to the other, may request that such Dispute be referred for resolution to the president (or similar position) of the division implicated by the matter for Aviva USA and AIA, which presidents will have 15 days to resolve such Dispute. If the presidents of the relevant divisions for each Party do not agree to a resolution of such Dispute within 15 days after the reference of the matter to them, such presidents of the relevant divisions will refer such matter to the presidents of Aviva USA and AIA for final resolution. Notwithstanding anything to the contrary in this Section 2.3.1, any amendment to the terms of this Agreement may only be effected in accordance with Section 11.7. In the event that the Dispute is not resolved in a friendly manner as set forth in this Section 2.3.1, either Party involved in the Dispute may bring an action regarding such dispute as set forth in Section 11.6.

2.3.2 Non-Exclusive Remedy. Nothing in this Section 2.3 will prevent either Party from immediately seeking injunctive or interim relief (i) in the event of any actual or threatened breach of any of the provisions of ARTICLE VIII, (ii) in the event that the Dispute relates to, or involves a claim of, actual or threatened infringement or violation of intellectual property or (iii) to the extent necessary for either Party to preserve any right. All such actions for injunctive or interim relief shall be brought in a court of competent jurisdiction in accordance with Section 11.6. Such remedy shall not be deemed to be the exclusive remedy for breach of this Agreement, and further remedies may be pursued in accordance with Section 2.3.1.

2.3.3 Commencement of Dispute Resolution Procedure. Notwithstanding anything to the contrary in this Agreement, each Party, but none of their respective Affiliates, is entitled to commence a dispute resolution procedure under this Agreement pursuant to this Section 2.3, and each Party will cause its respective Affiliates not to commence any dispute resolution procedure in connection with this Agreement other than through such Party as provided in this Section 2.3.3.

2.3.4 Compensation. During the pendency of any Dispute, the Receiving Party shall continue to make all payments due and owing under ARTICLE IV for Scheduled Services, except that the Receiving Party may off-set the amount of Service Fees for Scheduled Services that are the subject of any pending Dispute against any such payments and withhold such amounts from such payments.

2.4 Standard of Services.

2.4.1 General Standard. The Providing Party shall use commercially reasonable efforts to perform each Scheduled Service for which it is responsible or to cause such Scheduled Services to be performed for the Receiving Party or its Designated Recipient at a level that is not materially less favorable than past practices of the Providing Party in providing such service to itself and/or its Affiliates as such practices existed during the twelve (12) months immediately preceding the Closing. Each Receiving Party understands and agrees that the Providing Party is not in the business of providing transition services to third parties, and under no circumstances shall the Providing Party be held accountable to a higher standard of care than that set forth herein. No service level or similar service standard set forth in Schedule 1(a) or 1(b) shall alter, amend or supplement this service standard, all such service standards shall be of no force or effect and all such service standards shall only be illustrative of past aspirational service standards of the Parties.

2.4.2 Investment Management Services. Notwithstanding anything in this Agreement to the contrary, the Scheduled Services hereunder shall in no event include investment management or advisory services [other than the "Derivative Management" services set forth in Schedule 1(a).][1]

2.4.3 Shortfall in Services. If a Receiving Party provides the Providing Party with written notice of the occurrence of any Significant Service Shortfall (as defined below) in the Scheduled Services, as reasonably determined by such Receiving Party in good faith, the Providing Party shall use commercially reasonable efforts to rectify such Significant Service Shortfall as soon as reasonably possible. For purposes of this Section 2.4.3, a "Significant Service Shortfall" shall be deemed to have occurred if the timing or quality of performance of one or more Scheduled Services provided by the Providing Party hereunder falls below the standard required by Section 2.4.1 hereof; provided that the Providing Party's obligations under this Agreement shall be relieved to the extent, and for the duration of, any Force Majeure Event as set forth in ARTICLE VI. Any dispute as to whether a Significant Service Shortfall occurred shall be resolved in accordance with Section 2.3.1.

2.4.4 Abandonment. Neither Providing Party shall Abandon (as defined below) any of the Scheduled Services for which it is responsible. The Parties agree that if a Providing Party breaches or threatens to breach the foregoing covenant, the relevant Receiving Party may be irreparably harmed, and such Receiving Party shall be entitled to apply to a court of competent jurisdiction for an injunction compelling specific performance by the relevant Providing Party of its obligations under this Agreement. "Abandon" or "Abandonment" means the threatened or actual intentional refusal by a Providing Party to provide or perform any material element(s) of the Scheduled Services in breach of its obligations under this Agreement.

[1] NTD: Remove if such services are not on Schedule 1(a) at Closing.

2.4.5 Disaster Recovery Program. For as long as Scheduled Services are provided hereunder, each Providing Party shall, and shall cause its relevant Affiliates to, maintain backup, business continuation and disaster recovery plans consistent with past practices as they existed during the twelve (12) months immediately preceding the Closing.

2.5 No Agency. Each Party acknowledges that it has entered into this Agreement for independent business reasons. The relationship of the Parties hereunder are those of independent contractors and nothing contained herein shall be deemed to create a joint venture, partnership or any other relationship. Neither Party shall have any power or authority to negotiate or conclude any agreement, or to make any representation or to give any understanding on behalf of the other in any way whatsoever.

2.6 Subcontracting. Each Providing Party may subcontract for the performance of any Scheduled Service to: (a) any Person if the service to be subcontracted is primarily a routine task or function generally considered ancillary to the Scheduled Services that does not require the service provider to interact with any customer or to have access to any Customer Information or Confidential Information of the Receiving Party; (b) an Affiliate of such Providing Party; (c) with respect to AUSA as the Providing Party, the Life Reinsurer or its Affiliates; (d) an existing sub-contractor that was providing such service to the Providing Party and/or the Receiving Party immediately before the Closing Date; or (e) any other Person with the prior written consent of the applicable Receiving Party, such consent not to be unreasonably withheld or delayed; provided that no such subcontracting shall relieve such Providing Party from any of its obligations or liabilities hereunder, and such Providing Party shall remain responsible for all obligations or liabilities of such subcontractor with respect to the providing of such service or services as if provided by such Providing Party.

2.7 Consents. AIA represents as of the Closing Date, that it has obtained all consents, licenses and approvals of any third party (other than a Governmental Party) reasonably necessary for the provision and receipt of all Scheduled Services hereunder as currently contemplated during the Term, and such consents, licenses and approvals shall survive and remain effective immediately after Closing Date. Notwithstanding any provision of this Agreement to the contrary, if the provision of any Scheduled Service as contemplated by this Agreement requires the consent, license or approval of any third party not previously obtained, AIA shall use reasonable efforts to obtain as promptly as possible after the Closing Date such consent, license, or approval. AIA shall be solely responsible for all costs of obtaining such third party consents, licenses or approvals necessary for the provision and receipt of the Scheduled Services as of the Closing Date, including any payments that are required to any third party; provided that if, after the Closing Date, AUSA changes the manner in which it provides the Scheduled Services, or requests that the Scheduled Services it receives be provided in a different manner or scope than such service as was provided during the twelve (12) months prior to the Closing Date, such that it, AIA, or any Designated Recipient of such Scheduled Services must obtain any additional consent, license or approval necessary for the provision or receipt of such Scheduled Services, AUSA shall be responsible for the costs and effort of obtaining such necessary consents, licenses and approvals. For the avoidance of doubt, the fact that AUSA is, after the Closing Date, no longer an Affiliate of AIA and its Affiliates shall not be considered a request that the Scheduled Services be provided in a manner and scope different from how the services were provided prior to Closing. If the Providing Party reasonably believes that it is unable to provide such Scheduled

Service because of a failure to obtain necessary consents, licenses, sublicenses or approvals, the Parties shall cooperate to determine the best alternative approach; provided, however, that under no circumstances shall the performance of such Scheduled Service require the Providing Party or any of its directors (or persons in similar positions), officers, employees or agents to violate any Applicable Laws or breach any contract or other agreement.

2.8 Transition Management. Each Party shall appoint a transition manager (each, a "Transition Manager"). The Transition Managers shall have the authority to represent the position of their respective Parties and to make operational decisions regarding the Parties' performance of this Agreement. Each Transition Manager shall appoint or designate in writing, directed to the other Transition Manager, a person or person to act in his or her stead on day-to-day matters within various functional areas when the Transition Manager is unavailable. Subject to the right to delegate duties to others, the Transition Managers shall serve as the primary contact point for the respective principals with respect to the obligations of the Parties under this Agreement. The Transition Manager's responsibilities shall include: (a) conducting reviews of compliance with the service standard in Section 2.4.1; (b) assuring compliance with this Agreement, including the schedules; (c) resolving disputes under this Agreement; (d) mitigating and resolving technical and business issues; (e) managing the service migration process; and (f) participating in the Dispute resolution process under Section 2.3. A Party may designate a replacement for its Transition Manager by written notice to the other Party. The Transition Manager, and any successor, shall have an educational background, experience, skills and other qualifications necessary to perform his or her assigned duties. Nothing in this Agreement shall be deemed to authorize either Transition Manager to amend this Agreement in any way.

2.9 Records and Audit. Each Party shall maintain true and correct records of all receipts, invoices, reports and other documents relating to the provision and receipt of Scheduled Services in accordance with their respective standard accounting practices and procedures, consistently applied, and shall provide each other with reasonable access to such records, subject to Applicable Law and the obligations of ARTICLE VIII.

ARTICLE III
TERM AND TRANSITION ASSISTANCE

3.1 Term. The term (the "Term") of this Agreement shall commence as of the date hereof and, subject as to any Scheduled Service to the earlier expiration of the Service Term with respect thereto, shall continue until the earliest of:

3.1.1 the date on which the last of the Scheduled Services under this Agreement is terminated; or

3.1.2 the date on which this Agreement is terminated by mutual agreement of the Parties.

3.2 Extension and Termination.

3.2.1 Extension.

(a) If AIA is not able by the end of the Service Term to complete its Migration of one or more Scheduled Services that it receives, then upon written notice provided to Aviva USA at least 30 days prior to the end of the Service Term, AIA shall have the right to request and cause AUSA to provide such Scheduled Services for up to 90 additional days; provided that AIA shall pay for all such additional Scheduled Services at a price equal to the applicable Service Fees plus twenty percent (20%) thereof.

(b) If AUSA is not able by the end of the Service Term to complete its Migration of one or more Scheduled Services that it receives, then upon written notice provided to AIA at least 30 days prior to the end of the Service Term, AUSA shall have the right to request and cause AIA to provide such Scheduled Services for up to 90 additional days or such longer period set forth in Schedule 1(b); provided that Aviva USA shall pay for all such additional Scheduled Services at a price equal to the applicable Service Fees plus ten percent (10%) thereof.

3.2.2 Early Termination. If the Receiving Party wishes to terminate a Scheduled Service (or a portion thereof) on a date that is earlier than the end of the Service Term, the Receiving Party shall notify the Providing Party in writing of the proposed date on which such Scheduled Service (or portion thereof) shall terminate (the "Termination Date"), at least 30 days prior to the Termination Date. Effective on the Termination Date, such Scheduled Service (or portion thereof) shall be discontinued and thereafter, this Agreement shall be of no further force and effect with respect to such Scheduled Service (or portion thereof), except as to obligations accrued prior to the Termination Date.

3.3 Return of Materials. After a Scheduled Service is terminated, each Party will return or destroy all materials and property owned by the other Party and materials and property of a proprietary nature involving a Party or its Affiliates relevant solely to the provision or receipt of that Scheduled Service and no longer needed regarding the performance of other Scheduled Services under this Agreement, and will do so (and will cause its Affiliates to do so) within 30 days after the applicable termination.

ARTICLE IV
COMPENSATION AND PAYMENT ARRANGEMENTS FOR SCHEDULED SERVICES

4.1 Compensation for Scheduled Services.

4.1.1 Compensation Generally. In accordance with the payment terms set forth in Section 4.2 and subject to Section 4.1.3, each Party, in its capacity of Receiving Party, agrees to timely pay the other Party, the reasonable fully-burdened, actual costs incurred by such Providing Party and its Affiliates in providing the Scheduled Services such Receiving Party or its Designated Recipients have received hereunder ("Service Costs").

4.1.2 Out of Pocket Costs. Without limiting the foregoing and subject to Section 2.6 and Section 4.1.3, each Party agrees to pay, or reimburse the other Party for its payment of, all Out of Pocket Costs (as defined below) of the other Party in its capacity as Providing Party. For purposes hereof, the term "Out of Pocket Costs" means all reasonable fees, costs or other expenses (including Sales and Service Taxes) payable by a Providing Party or its Affiliates to third parties that are not Affiliates of such Providing Party in connection with the Scheduled Services provided by such Providing Party hereunder, other than the cost of Permits necessary for the Providing Party or its Affiliates to provide the Scheduled Services. Each Providing Party shall use commercially reasonable efforts to: (a) not incur Out of Pocket Costs that are inconsistent with the type of Out of Pocket Costs incurred under past practices with the applicable Scheduled Services without the prior written consent of the Receiving Party; and (b) minimize the amount of its Out of Pocket Costs, consistent with providing the Scheduled Services in accordance with the standard set forth in Section 2.4.1.

4.1.3 Cap on Service Fees. Notwithstanding anything in this Agreement to the contrary, the Service Fees payable by AUSA for: (i) all Scheduled Services in the aggregate provided to AUSA and its Designated Recipients shall not exceed $300,000[2] in any month during the Term (the "Monthly Cap"); and (ii) each Scheduled Service provided to AUSA or its Designated Recipient in a month shall not exceed the "Maximum Monthly Charge" for such Scheduled Services set forth in Schedule 1(b) (each, a "Maximum Monthly Charge"). When an Additional Service is added to Schedule 1(b) as set forth in Section 2.1.5(b), the parties shall agree upon a reasonable Maximum Monthly Charge for such Additional Service which shall apply only to the Service Costs for such Additional Service. Out-of-Pocket Costs incurred by AIA or its Affiliates with respect to any Additional Service, and reimbursable by AUSA, shall be excluded from, and shall not be subject to, the Monthly Cap and the applicable Maximum Monthly Charge. When a Scheduled Service is terminated or expires pursuant to the terms of this Agreement, the Monthly Cap shall reduce by the amount of the Maximum Monthly Charge associated with such Scheduled Service. Any "Migration Assistance Services" identified on Schedule 1(a) shall be excluded from, and shall not be subject to the limits set forth in this Section. If AUSA requests that a Scheduled Service be provided in a manner or scope that is not substantially identical to the manner and scope as was provided during the twelve (12) months prior to the Closing Date, and AIA agrees to such change to the Scheduled Service, any additional Service Fees arising or resulting from such change shall not be covered by the applicable Maximum Monthly Charge and the Monthly Cap.

4.1.4 Taxes.

(a) Each Receiving Party will pay and be liable for all sales, goods or services, excise, privilege, value added tax ("VAT"), lease, use, transfer, consumption or similar gross receipts based taxes (the "Sales and Service Taxes") imposed on Scheduled Services provided by the Providing Party. Such taxes will be payable by each Receiving Party to the Providing Party in the manner set forth in Section 4.2 or as otherwise mutually agreed in writing by the Parties and under the terms of the Applicable Law which governs the relevant Sales and Service Tax. Notwithstanding the previous sentence, if the Receiving Party is exempt from liability for such taxes, the Receiving Party shall provide the Providing Party with a certificate

[2] NTD: If the services set forth on Exhibit B as of signing of the SPA are removed from the final Schedule 1(b) at Closing, the Monthly Cap shall be reduced by the amount of the estimated fee for such removed service, such that the sum of the Maximum Monthly Charges equals $40,000 less than the Monthly Cap.

(or other proof), which certificate or proof is reasonably acceptable to the Providing Party, evidencing an exemption from liability for such Sales and Service Taxes. The Receiving Party's obligation to pay Sales and Service Taxes under this Section 4.1.4 shall be subject to the receipt of a valid and customary invoice or other document under the terms of Applicable Law for each Sales and Service Tax. The Providing Party shall be responsible for any losses (including any deficiency, interest and penalties) imposed as a result of a failure to timely remit any Sales and Service Taxes to the applicable tax authority to the extent the Receiving Party timely remits such Sales and Service Taxes to the Providing Party or the Receiving Party's failure to do so results from the Providing Party's failure to timely charge or provide notice of such Sales and Service Taxes to the Receiving Party. The Receiving Party shall be entitled to any refund on any Sales and Service Taxes paid in excess of liability as determined at a later date. Each Party shall promptly notify the other Party of any deficiency claim or similar notice by a taxing authority with respect to Sales and Service Taxes payable under this Agreement, and of any pending tax audit or other proceeding that could lead to the imposition of Sales and Services Taxes payable under this Agreement. The Receiving Party shall have the sole right to control, contest, resolve and defend against any matters relating to Sales and Services Taxes for which it is responsible pursuant to this Section.

(b) Each Party shall pay and be responsible for its own personal property taxes and taxes based on its own income or profits or assets. Payments for Scheduled Services or other amounts under this Agreement shall be made net of withholding taxes, provided however that if a Providing Party believes that a reduced rate of withholding applies or the Providing Party is exempt from withholding, the relevant Receiving Party shall only be required to apply such reduced rate of withholding or not withhold if such Providing Party provides the relevant Receiving Party with evidence satisfactory to the Receiving Party that a reduced rate of or no withholding is required. Satisfactory evidence for this purpose may include rulings from, or other correspondence with tax authorities and tax opinions rendered by qualified persons satisfactory to such Receiving Party, to the extent reasonably requested by such Receiving Party. Without limiting the generality of the foregoing, each Party shall provide the other with executed originals of Internal Revenue Service Form W-9 certifying such Party is exempt from U.S. federal backup withholding tax, and any updates as appropriate. The Receiving Party shall promptly remit any amounts withheld to the appropriate taxing authority and in the event that such Receiving Party receives a refund of any amounts previously withheld from payments to the relevant Providing Party and remitted, such Receiving Party shall surrender such refund to such Providing Party.

(c) With respect to each provision in this Section 4.1.4, the Receiving Party and the Providing Party shall reasonably cooperate with each other and take any action to provide or make available any information reasonably requested (and with a sufficient level of detail) in order to minimize any Sales and Service Taxes payable with respect to the Scheduled Services.

4.2 Payment Terms. Each Party in its capacity as Providing Party shall invoice the other Party on a monthly basis in arrears for Service Fees listing separately, to the extent practicable, any applicable Sales and Service Taxes. Each monthly invoice shall list all Scheduled Services and Service Fees in the format of Schedule 4.2. Payment in full of the amounts so invoiced or noticed shall be made by electronic funds transfer or other method satisfactory to the Parties, within 30 days after the date of receipt of the monthly invoice. Should a Party dispute any portion of the amount due from it on any invoice or require any adjustment to an invoiced amount, then such Party shall notify the other Party in writing of the nature and basis of the dispute or adjustment as soon as reasonably possible using, if necessary, the dispute resolution procedures set forth in Section 2.3. The Parties shall use their reasonable best efforts to resolve the dispute prior to the payment due date. All amounts required to be paid pursuant to this Agreement shall be paid and payable in U.S. dollars.

ARTICLE V
INDEMNIFICATION

5.1 Indemnification by Aviva USA. Aviva USA shall indemnify and hold harmless AIA and each of its Affiliates (each, an "AIA Indemnified Person"), from any and all Indemnifiable Losses to the extent related to, resulting from or arising out of Third-Party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of AUSA or any of its Affiliates in providing any of the Scheduled Services that AUSA is obligated to provide hereunder; or (b) any material breach by AUSA of any of its obligations under this Agreement; provided that, Aviva USA shall have no obligation to indemnify or hold harmless any AIA Indemnified Person to the extent AUSA's or its Affiliates' acts or omissions giving rise to the Indemnifiable Losses were performed during the period of thirty (30) days immediately after the Closing Date, in a manner consistent with the manner in which the Scheduled Services were performed during the twelve (12) month period prior to the date hereof.

5.2 Indemnification by AIA. AIA shall indemnify and hold harmless AUSA and each of its Affiliates (each, an "AUSA Indemnified Person") from any and all Indemnifiable Losses to the extent related to, resulting from or arising out of Third-Party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of AIA or any of its Affiliates in providing any of the Scheduled Services that AIA is obligated to provide hereunder; or (b) any material breach by AIA of any of its obligations under this Agreement.

5.2.1 Indemnification Procedures.

(a) If any Indemnitee receives notice of assertion or commencement of any Third-Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim; provided, however, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation or otherwise affect the rights of any Indemnitee hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay with respect to such claim. Thereafter, the Indemnitee shall deliver to the Indemnitor, as promptly as reasonably practicable after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(b) The Indemnitor shall be entitled to participate in the defense of any Third-Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third-Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense; provided, however, that if the Indemnitee determines in good faith that the representation of the Indemnitee and the Indemnitor by the same counsel creates an actual or potential conflict of interest for such counsel, the reasonable fees and expenses of one counsel employed by the Indemnitee with respect to such matter shall be considered Indemnifiable Losses hereunder. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third-Party Claim as provided above). If the Indemnitor chooses to defend any Third-Party Claim, the parties hereto shall cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnitor shall have assumed the defense of a Third-Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). If the Indemnitor has assumed the defense of a Third-Party Claim, the Indemnitor may only pay, settle, compromise, admit any liability with respect to or discharge a Third-Party Claim with the Indemnitee's prior written consent, not to be unreasonably withheld, delayed or conditioned; provided, however, that the Indemnitor may pay, settle, compromise or discharge such a Third-Party Claim without the written consent of the Indemnitee if such settlement (i) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third-Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third-Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third-Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third-Party Claim.

ARTICLE VI
FORCE MAJEURE

If performance by a Party of any terms or provisions hereof shall be delayed or prevented, in whole or in part, because of or related to compliance with any Applicable Law, decree, request or order of any Governmental Entity, or because of riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism, or for any other reason which is not within the control of the Providing Party and which by the exercise of reasonable diligence the Party is unable to prevent (each, a "Force Majeure Event"), then (i) the Party shall give written notice to the other Party, (ii) the Parties shall promptly confer, in good faith, to agree upon equitable, reasonable action to minimize the impact, on both Parties, of such conditions, and (iii) the affected Party shall be excused from its obligations hereunder during the period such Force Majeure Event continues, and no liability shall attach against it on account thereof. The affected Party shall not be excused from performance if it fails to use reasonable diligence to remedy the situation and remove the cause and effect of the Force Majeure Event.

ARTICLE VII
REMEDIES AND SURVIVAL

7.1 Financial Remedies Upon Material Breach. In the event of material breach of any provision of this Agreement by a Party, the non-defaulting Party shall give the defaulting Party written notice thereof, and:

7.1.1 If such breach arises from a Party's non-payment of an amount that is not in dispute, such Party shall cure the breach within ten (10) calendar days after receipt of written notice of such non-payment. If such Party does not cure such breach by such date, then such Party shall pay the Party to whom the amount is due the undisputed amount plus an amount of interest equal to four percent (4%) per annum above the "prime rate" as announced in the "Money Rates" section of the most recent edition of the Eastern Edition of *The Wall Street Journal*, which interest rate shall change as and when the "prime rate" changes. The Parties agree that this rate of interest constitutes reasonable liquidated damages and not an unenforceable penalty.

7.1.2 If such breach is for any other material failure to perform in accordance with this Agreement, the defaulting Party shall cure such breach within thirty (30) calendar days of the date of such notice. The defaulting Party shall remain liable for any damages relating to such breach, subject to the limits set forth in Section 7.2.

7.1.3 In the case of any such breach that is not cured in accordance with Sections 7.1.1 and 7.1.2 above, then the non-defaulting Party shall also have the right to terminate the Scheduled Service(s) to which such breach relates, upon written notice thereof to the defaulting Party.

7.2 Limitation of Liability. The maximum liability of any Party hereto to the other Party and such other Party's Affiliates or Designated Recipients hereunder shall not exceed U.S. $800,000.00, except that no cap shall apply: (a) to claims based on a Party's willful misconduct or fraud; (b) to claims based on a Party's failure to pay compensation under Section 4.1 hereunder when due; (c) to claims based on a breach of ARTICLE VIII hereunder; or (d) claims for indemnity under ARTICLE V hereunder. Notwithstanding anything else in this Agreement, the Parties, on behalf of themselves and all other indemnitees, waive any claim to any punitive or consequential damages against each other, except: (i) to the extent awarded to a third party in connection with a third-party claim; and (ii) for claims based on a breach of ARTICLE VIII hereunder.

7.3 Survival Upon Expiration or Termination. The provisions of Sections 2.5 and 3.3, and Articles IV, V, VII, VIII, IX, X and XI shall survive the termination or expiration of this Agreement unless otherwise agreed to in writing by both Parties.

ARTICLE VIII
CONFIDENTIALITY

8.1 Confidential Information. Each Party covenants that it will (a) accord the Confidential Information (as defined below) of the other party the same degree of confidential treatment that it accords its similar proprietary and confidential information, (b) not use such Confidential Information for any purpose other than those stated in this Agreement, and (c) not disclose such Confidential Information to any Person unless disclosure to such Person is made in the ordinary course of such Party's conduct of its business and is subject to protections comparable to those such Party would apply in connection with a comparable disclosure of its own Confidential Information. Notwithstanding any other provision of this Agreement, a party may disclose Confidential Information of the other Party, without liability for such disclosure, to the extent the disclosing party demonstrates that such disclosure is (v) required to be made pursuant to Applicable Law, government authority, duly authorized subpoena, or court order, (w) required to be made to a court or other tribunal in connection with the enforcement of such Party's rights under this Agreement or to contest claims between the Parties, (x) made to such Party's service providers or Affiliates or, with respect to client information and client account information or records, the applicable current or then-existing client, (y) with respect to Intellectual Property, made to such Party's clients or prospective clients in connection with marketing activities or servicing of client accounts, in each case for clauses (x) and (y) subject to a confidentiality agreement that includes protections no less restrictive than those set forth herein, or (z) approved by the prior written consent of the other Party. Each Party will promptly notify the other Party, if it receives a subpoena or otherwise becomes aware of events that may legally require it to disclose Confidential Information of the other Party, and will cooperate with the other Party (at the other Party's expense) to obtain an order quashing or otherwise modifying the scope of such subpoena or legal requirement, in an effort to prevent the disclosure of such Confidential Information. For purposes of this Agreement, "Confidential Information" means all confidential or proprietary information and documentation of either Party made available to the other Party under this Agreement that is either identified in writing as confidential or which the receiving Party should reasonably have recognized at the time of disclosure as being of a confidential nature.

8.2 Unauthorized Acts. Each Party shall (a) notify the other Party promptly of any unauthorized possession, use, or knowledge of any Confidential Information by any person which shall become known to it, any attempt by any person to gain possession of Confidential Information without authorization or any attempt to use or acquire knowledge of any Confidential Information without authorization (collectively, "Unauthorized Access"), (b) promptly furnish to the other Party full details of the Unauthorized Access and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any Unauthorized Access, (c) cooperate with the other Party in any litigation and investigation against third parties deemed necessary by such Party to protect its proprietary rights, and (d) use commercially reasonable efforts to prevent a recurrence of any such Unauthorized Access.

ARTICLE IX
SYSTEM ACCESS AND CONSUMER PRIVACY

9.1 System Access. If the Providing Party and/or the Receiving Party are at any time given access (each in such capacity, a "Guest User") to the other's computer system(s) or software (collectively, "Systems") in connection with the performance of this Agreement, such Guest User shall comply with the other party's (each in such capacity, a "Host") Systems security policies, procedures and requirements which the Host makes available to the Guest User in writing from time to time.

9.2 Consumer Privacy. In providing the Scheduled Services, each Providing Party shall, and shall cause its Affiliates to, comply with Applicable Law with respect to privacy or data security relative to Customer Information (as defined below), and shall maintain the information security program in place prior to the date hereof. "Customer Information" means all tangible and intangible information provided or disclosed hereunder about present or former present or former clients, life insurance or annuity policy holders, annuitants, or other beneficiaries (collectively, hereinafter "Customers") or potential Customers of any party or its Affiliates, including name, address, telephone number, email address, account or policy information, and any list, description, or other grouping of Customers or potential Customers, and any medical records or other medical information of such Customers or potential Customers and any other type of information deemed "nonpublic" and protected by privacy laws and any other Applicable Law.

ARTICLE X
DISCLAIMER OF REPRESENTATIONS, WARRANTIES AND COVENANTS

Except for the representations, warranties and covenants expressly made in this Agreement, each Party has not made and does not hereby make any express or implied representations, warranties or covenants, statutory or otherwise, of any nature, including with respect to the warranties of merchantability, quality, quantity, suitability or fitness for a particular purpose or the results obtained by the Scheduled Services for which it is responsible as Providing Party. All other representations, warranties, and covenants, express or implied, statutory, common law or otherwise, of any nature, including with respect to the warranties of merchantability, quality, quantity, suitability or fitness for a particular purpose or the results obtained by the Scheduled Services are hereby disclaimed by each Party .

ARTICLE XI
MISCELLANEOUS[3]

11.1 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be delivered personally, by overnight courier (providing proof of delivery) or by email; provided, that the email is promptly confirmed, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice). Any such notice shall be deemed given when so delivered personally, by courier or by overnight delivery service or sent by email (and immediately after transmission by such email

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[3] NTD: Article X to be conformed to the SPA, as appropriate.

receipt of which has been confirmed by telephone by the sender) or, if mailed, four (4) Business Days after the mailing as follows:

if to AIA, to:

Aviva Investors Americas LLC
225 West Wacker Drive, Suite 1750
Chicago, Illinois 60606
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 7th Avenue
New York, NY 10019
Telephone: (212) 728-8088
Attention: Robert S. Rachofsky
Email: rrachofsky@willkie.com

If to AINA, to:

Aviva Investors North America, Inc.
215 10th Street, Suite 100
Des Moines, Iowa 50309
Attn: General Counsel

if to Aviva USA, to:

Aviva USA Corporation
7700 Mills Civic Parkway
West Des Moines, IA 50266
Attention: General Counsel

with a copy (which shall not constitute notice) to each of:

Athene Holding Ltd.
Chesney House, 96 Pitts Bay Road
Pembroke HM 08, Bermuda
Telephone: (441) 279-8402
Attention: Grant Kvalheim
Email: GKvalheim@Athene.bm

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Attention: Perry J. Shwachman, Esq.
Email: pshwachman@sidley.com

11.2 Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation" whether or not such words actually appear thereafter. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

11.3 Entire Agreement; Third-Party Beneficiaries. This Agreement (including all Exhibits and Schedules hereto), the SPA and the other documents executed in connection with the SPA constitute the entire agreement, and supersede all prior or contemporaneous agreements and understandings, negotiations, inducements or conditions, express or implied, oral or written of the Parties with respect to the subject matter hereof. Except as set forth in ARTICLE V with respect to AIA Indemnified Persons and AUSA Indemnified Persons, this Agreement is not intended to and shall not confer upon any Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

11.4 Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

11.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise (other than by operation of law in a merger), by either of the Parties without the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed, and any such assignment that is not consented to shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns.

11.6 Jurisdiction; Enforcement.

11.6.1 Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each of the parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is brought in an inconvenient forum or that the venue of such action, suit or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the parties hereto from removing any matter from one New York Court to another New York Court. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 11.1 of this Agreement, constitute good, proper and sufficient service thereof.

11.6.2 EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.6.

11.7 Severability; Amendment; Modification; Waiver.

11.7.1 Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

11.7.2 Except as otherwise contemplated by this Agreement, this Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer and Seller in the case of an amendment or, in the case of a waiver, by the party hereto entitled to make such waiver.

11.7.3 No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

11.8 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Party. Each Party may deliver its signed counterpart of this Agreement to the other Party by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Remainder of page intentionally left blank**]**

IN WITNESS WHEREOF, the Parties, acting through their authorized officers, have caused this Agreement to be duly executed and delivered as of the date first above written.

AVIVA USA CORPORATION

By:____________________________
Name:
Title:

AVIVA INVESTORS NORTH AMERICA, INC.

By:____________________________
Name:
Title:

AVIVA INVESTORS AMERICAS LLC

By:____________________________
Name:
Title:

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE OR ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE OR ACCOUNT DOCUMENT.

[SCHEDULES SUBJECT TO AMENDMENT BY THE PARTIES PRIOR TO CLOSING, BUT TO INCLUDE THE SERVICES DESCRIBED IN EXHIBIT A HERETO, EXCEPT TO THE EXTENT THAT TRANSITION OF ANY SUCH SERVICES HAS BEEN COMPLETED PRIOR TO THE DATE HEREOF, AND PROVIDED THAT THE DETAILS OF SUCH SERVICES ARE SUBJECT TO NEGOTIATION.]

Schedule 1(a)
to the
Transition Services Agreement
Scheduled Services to be Provided by AUSA

Service Title:	
Designated Recipient:	
Description:	
Service Term:	
Estimated Service Fees:	

[SCHEDULES SUBJECT TO AMENDMENT BY THE PARTIES PRIOR TO CLOSING, BUT TO INCLUDE THE SERVICES DESCRIBED IN EXHIBIT B HERETO, EXCEPT TO THE EXTENT THAT TRANSITION OF ANY SUCH SERVICES HAS BEEN COMPLETED PRIOR TO THE DATE HEREOF, AND PROVIDED THAT THE DETAILS OF SUCH SERVICES ARE SUBJECT TO NEGOTIATION.]

Schedule 1(b)
to the
Transition Services Agreement
Scheduled Services to be Provided by AIA

Service Title:	
Designated Recipient:	
Description:	
Service Term:	
Extension Term:	
Maximum Monthly Charge:	

Schedule 2.1.4
to the
Transition Services Agreement
Permits

Permit	**Expiration Date**
Registration of AINA with the SEC as an investment adviser	[None]
Registration of AINA with the CFTC and NFA as a commodities trading advisor	[None]
Filings with Canadian securities regulators to maintain international adviser exemption for AINA, if the "Derivative Management" Services described on Exhibit A are needed post-Closing: i. British Columbia Securities Commission ii. Manitoba Securities Commission iii. Saskatchewan Financial Services Commission iv. Alberta Securities Commission v. Montreal Securities Commission vi. New Brunswick Securities Commission vii. Newfoundland and Labrador Financial Services Regulation Division viii. Prince Edward Island Consumer and Corporate Services Division ix. Nova Scotia Securities Commission	[None]

<u>Schedule 4.2</u>
to the
Transition Services Agreement

Scheduled Services Summary Invoice Statement

[Monthly End Date]

Scheduled Service	Service Costs
Out of Pocket Expense	Description of Out of Pocket Expenses
Service Fees for Migration Assistance Services	Sales and Service Taxes (if any)

Exhibit A

Introduction

This Exhibit A represents services that, subject to amendment by the Parties prior to Closing, would be included in Schedule 1(a), except to the extent that transition of any such Services has been completed prior to the Closing. For the avoidance of doubt, no service level or similar service standard set forth herein shall alter, amend or supplement the service standard set forth in Section 2.4.1 of the Agreement, and all such service standards shall only be illustrative of past aspirational service standards of the Parties.

Investment Accounting

Providing Party	AUSA
Designated Recipient	• AIA • Aviva Insurance Company of Canada • Elite Insurance Company • Traders General Insurance Company • Scottish & York Insurance Company Limited • Pilot Insurance Company • S&Y Insurance Company • Victoria Reinsurance Company Ltd
Service Description	Investment Accounting • System PAM and system support • Feeds in/out of PAM (limited to existing feeds) • Month end close • Preparing journal entries • Provide necessary investment information for financial reporting • Provide necessary investment information required for reporting to OSFI • Provide necessary investment information for audited financial statements • On/Off Boarding of portfolios
Service Term	Ending on the later of June 30, 2013 or three months after the Closing Date
Additional Service Description Details	• Appendix A to this Exhibit.
Enablement factors from the Designated Recipients to support the Service to include the following:	• Provide financial reporting templates & requirements • Upload journal entries • Provide trial balance back
Systems (owner / licensee)	PAM (AINA)
Estimated Monthly Service Fee[1]	From AIA: [xxx] From other Designated Recipients: $40,000

1 All Estimated Monthly Service Fees for Scheduled Services in Schedule 1(a) will be determined prior to Closing and included in Schedule 1(a), to the extent that they can be reasonably determined.

Derivative Management

Providing Party	AINA
Designated Recipients	• Aviva Insurance Company of Canada • Elite Insurance Company • Traders General Insurance Company • Scottish & York Insurance Company Limited • Pilot Insurance Company • S&Y Insurance Company

Service Description	Aviva Canada Derivative Management
	• Management and execution of derivative based programs to manage interest rate and currency risk. Provide services to manage the interest rate and FX hedging strategies. Providing Party makes recommendations to Aviva Canada for its approval, on behalf of the Designated Recipients, so all trades will be pre-approved by Aviva Canada prior to execution by AINA.
	• Provide currently required monthly and quarterly reports for the Designated Recipients
	• Investment & ALM Committee Reports: monthly
	    ○ GDAC report
	    ○ Strategy effectiveness report
	        ▪ FX hedging strategy
	        ▪ Duration and cash flow management strategy
	        ▪ Derivative counterparty report
	        ▪ Derivative price override report
	    ○ Enhanced foreign exchange hedging report
	• Assist with collateral management and support
	• Support the Designated Recipients by monitoring and managing derivative positions within Aviva Canada's derivatives strategy mandates.
	• Support the Designated Recipients by utilizing internal derivative valuation models to provide position pricing and exposure.
	• Support Designated Recipients by performing middle office functions with respect to derivatives.

Service Term	Ending on the later of June 30, 2013 or three months after the Closing Date
Additional Service Description Details	• See Appendix B to this Exhibit: Investment Reporting Services and Derivatives Solutions Services §§ 1-4.

Enablement factors from the Designated Recipients to support the Service to include the following:	• Assumes all derivative trading is still with AINA
	• FX hedging strategy
	    ○ AIC to provide bond purchase or sale information in a timely manner to allow hedges to be established and removed. The current method requires coordination between the derivative trader and portfolio manager to ensure both the bond and swap are done concurrently.
	• Rate Hedging Strategy (MCT Program) (see Attachment 1 to this Exhibit)
	    ○ Enablement: Aviva Investors Canada Inc. ("AIC") to provide MV and KRD (buckets specified in Attachment 1

	to this Exhibit) rolled up at legal entity for asset classes noted below. ▪ CAD Bonds: ▪ CAD denominated S-T assets ▪ CAD Preferred shares: ○ Aviva Canada to provide liabilities and broker loans information (estimates going into month end and final month end values): present value, duration and cash flow data provided by Aviva Canada (by Designated Recipient). AINA will use cash flows to generate key rate duration by legal entity. • All economic risk of trades executed by AINA for the account of the Designated Recipients, or their customers, shall remain with the Designated Recipients.
Systems (owner / licensee)	ATOM (AINA) Aladdin (Aviva Investors Global Services Ltd. ("AIGSL"))
Estimated Monthly Service Fee[2]	From all Designated Recipients: $42,000

2 See note 1.

Trade Operations

Providing Party	AINA
Designated Recipient	• AIA • Aviva Insurance Company of Canada • Elite Insurance Company • Traders General Insurance Company • Scottish & York Insurance Company Limited • Pilot Insurance Company • S&Y Insurance Company • Victoria Reinsurance Company Ltd • AIC
Service Description	• Cash, asset, and transaction reconciliation • At least monthly reconciliation of cash & holdings to custodian • Trade & corporate action reconciliation in PAM • Cash application • Process contributions & withdrawals per Designated Recipient • Perform valuation as directed in the then current AINA Valuation Policy & Matrix • Post corporate actions within PAM • ***[Additional details about these services to be added between signing and Closing of the SPA]***
Service Term	Ending on the later of June 30, 2013 or three months after the Closing Date
Additional Service Description Details	• Comply with books and records requirement as noted in AINA policies and procedures • Cash breaks and fails will be resolved in timely manner consistent with AINA's then-current practice • US and Canadian holiday coverage where needed to support trading • Valuation – At least monthly • Corporate Actions – Process prior to deadlines as long as portfolio manager election completed within required timeline; reasonable best efforts for processing elections acted upon on deadline date – 1 • Trades entered after trade date and after trade cut-off will be processed the following Business Day • See Appendix B, Derivatives Solution Services § 5.
Enablement factors from the Designated Recipients to support the Service to include the following:	• Trade entry on trade date by 4:25 p.m. CST • Daily trade, contribution and withdrawal notification • Liaison with AINA to resolve operational issues as requested • Two day advance notice for security transfers from portfolio managers • Re-allocation/cancels, corrects must be provided promptly and resolved prior to month end. • Advance notice of coverage needed for US holidays with investment support including notification of done for the day on trading • Monthly valuation sign-off by AIC by 11 a.m. CST BD 1 • Regularly review portfolio valuations and notify AINA in event they do not reflect fair market value

	• Provide needed documentation to support fair valued assets, overrides, changes per the policy prior to valuation close • Provide expertise in a timely manner to help resolve valuation issues • Notification and agreement with AINA to any process, data, vendor, etc. impacting workflow on shared tools; Aladdin
Systems (owner / licensee)	• Aladdin (AIGSL) • PAM (AINA) • JP Morgan (AINA) • ATOM (AINA) • Cadis (AINA) • Hotfile (AINA) • Coldfile (AINA)
Estimated Monthly Service Fee[3]	• From AIA: [to come] • From AIC: [to come] • From all other Designated Recipients: $50,000

3 See note 1.

Derivatives Operations

Providing Party	AINA
Designated Recipient	• Aviva Insurance Company of Canada • Elite Insurance Company • Traders General Insurance Company • Scottish & York Insurance Company Limited • Pilot Insurance Company • S&Y Insurance Company • AIC
Service Description	Lifecycle of derivatives trades for trades executed by AUSA • Process trades in PAM/Aladdin • Trade confirmation and settlement • Coupon and maturity processing • Daily collateral management • Perform valuation as directed in the then current AINA Valuation Policy & Matrix • Counterparty exposure reports
Service Term	Ending on the later of June 30, 2013 or three months after the Closing Date
Additional Service Description Details	• US and Canadian holiday coverage needed to support trading and trade settlement • See Appendix B to this Exhibit: Cash Management Services and Derivatives Solution Services § 5.
Systems (owner / licensee)	• ATOM (AINA) • PAM (AINA) • Aladdin (AIGSL) • SAM (Secure Email) (XX)
Estimated Monthly Service Fee[4]	• From AIC: [to come] • From all other Designated Recipients: $5,000

[4] See note 1.

Data Management

Providing Party	AINA
Designated Recipient	• AIA • Aviva Insurance Company of Canada • Elite Insurance Company • Traders General Insurance Company • Scottish & York Insurance Company Limited • Pilot Insurance Company • S&Y Insurance Company • Victoria Reinsurance Company Ltd • AIC
Service Description	• Create and maintain security master file • Manage data vendors for AUSA contracts / applications • Manage data governance process • Restricted list management
Service Term	Ending on the later of June 30, 2013 or three months after the Closing Date
Additional Service Description Details	• New securities to be added in required systems where information is readily available; new issues will be complete as data becomes available • SMF cleansing to occur by end of each reporting cycle • US holiday coverage where needed to support trading and trade settlement
Enablement factors from the Designated Recipients to support the Service to include the following:	• Provide data not readily available to AINA, e.g., bank loans, private placements, etc. • Notification of new benchmarks and updates to the restricted list at least four Business Days in advance • AINA new instrument policy to be followed for new security types/instruments prior to trading • Accountability to notify AINA of bad data • Notification and agreement with AINA to any process, data, vendor, etc. impacting workflow on shared tools; Aladdin • Advance notice of coverage needed for US holidays with investment support including notification of done for the day on trading • See Appendix B, Derivatives Solution Services § 5.
Systems (owner / licensee)	• Aladdin (AIGSL) • PAM (AINA) • CADIS (AINA) • Hotfile (AINA) • Coldfile (AINA)
Estimated Monthly Service Fee[5]	• From AIA: [to come] • From ACI: [to come] • From all other Designated Recipients: $12,000

5 See note 1.

Appendix A *[Subject to revision between signing and Closing of the SPA]*

Investment Accounting Services

1. Definitions

"Journal Entries" means an electronic file of the month's activity in the agreed format.

"Monthly Reports" means the investment reports created by the Service Provider.

2. Service Description

Accounting-1: Maintain records of trades, corporate actions, cash transfers – daily.

Accounting-2: Reconcile CIBC Mellon accounts against the Providing Party's internal records.

Accounting-3: Reconcile Designated Recipient's General Ledger against records maintained by the Providing Party , monthly.

Accounting-4: Prepare electronic file of journal entries.

Reporting-1: Prepare monthly reports

Reporting-2: Prepare quarterly reports

Reporting-3: Prepare annual reports, if applicable

3. Additional Service Description Details

Service	**Accounting-1**
Description	Maintain records of trades, corporate actions, cash transfers – daily.
Formula	Not applicable
Target Service Level	Records current within 3 business days Records available for audit every business day 08:00am (EST) – 6:00pm (EST)
Measurement Interval	Quarterly
Report Frequency	Quarterly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	Accounting-2
Description	Reconcile accounts of the Designated Recipient's custodian against the records maintained by the Providing Party
Formula	Not applicable
Target Service Level	Reconciliation completed by 08:00am (EST) on Day 3 of processing cycle. Clear open items within 30 days. Retain reconciliation records for audit.
Measurement Interval	Monthly
Report Frequency	Monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	Accounting-3
Description	Reconcile the Designated Recipient's General Ledger against the records maintained by the Providing Party, monthly
Formula	Not applicable
Target Service Level	Variances resolved by 08:00am (EST) on Day 3 of the processing cycle. Clear open items within 30 days. Retain reconciliation records for audit.
Measurement Interval	Monthly
Report Frequency	Monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	Accounting-4
Description	Prepare electronic file of journal entries
Formula	Not applicable
Target Service Level	Availability of journals by 08:00am (EST) on Day 2 of the processing cycle. Designated Recipient to provide an electronic trial balance immediately after entries are posted. Reconciled accounts by end of Day 2
Measurement Interval	Monthly
Report Frequency	Monthly

Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Reporting-1**
Description	Prepare monthly reports: ▪ Transaction reports – monthly ▪ Holdings reports – monthly ▪ Valuation reports – monthly ▪ FRCF reports ▪ Tax reports
Formula	Not applicable
Target Service Level	Availability of reports by 08:00am (EST) on Day 3 of the processing cycle.
Measurement Interval	Monthly
Report Frequency	Monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Reporting-2**
Description	Support preparation of quarterly reports by completing report forms: ▪ Cartesis / Shareholder reports – quarterly ▪ OSFI filing – quarterly ▪ Support Auditor requests for reports – when required ▪ FRCF reports
Formula	Not applicable
Target Service Level	Availability of reports by 08:00am (EST) on Day 7 of the processing cycle.
Measurement Interval	Quarterly
Report Frequency	Quarterly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Reporting-3**
Description	Prepare annual reports: ▪ Investment notes to annual financial statements – annual
Formula	Not applicable
Target Service Level	Availability of reports by 08:OOam (EST) on Day l0 of the processing cycle.

Measurement Interval	Annual
Report Frequency	Annual
Exceptions and Exclusions	
Providing Party	**AINA**

Appendix B *[Subject to revision between signing and Closing of the SPA]*

Cash Management Services

1. **Definitions**

   "Cash" means cash balances in the CIBC Mellon custodian accounts in Canadian and US currency. The Providing Party on behalf of the Designated Recipients administers CIBC Mellon accounts.

   "Liquidity" means cash requirements of the Designated Recipients as stated by the Designated Recipients from time to time. Cash requirements are stated in the categories daily, weekly, monthly, quarterly and annual.

   "Liquidity Policy" means Risk Management Policy for Liquidity as published by Aviva Group and Aviva Canada.

2. **Service Description**

   Cash 1: As needed with respect to derivative trades only, instruct custodian to move cash on behalf of the Designated Recipients to support the lifecycle of the trade, including currency settlement, daily collateral calls and premium payments on derivatives.

3. **Additional Service Description Details**

Service	**Cash-1**
Description	As needed instruct custodian to move cash on behalf of the Designated Recipients to support the lifecycle of the trade, including currency settlement, daily collateral calls and premium payments on derivatives.
Formula	Variance between cash requirement and CIBC Mellon account balance. Variance with Liquidity Policy.
Target Service Level	Variance is within tolerance set by Designated Recipient.
Measurement Interval	Daily
Report Frequency	
Exceptions and Exclusions	
Providing Party	**AINA**

Investment Reporting Services

1. **Definitions**
"Monthly Reports" means the investment reports created by the Providing Party.

2. **Service Description**

Reporting-1: Investment & ALM Committee Reports and other daily, monthly and quarterly reports.

3. **Additional Service Description Detail**[6]

Service	**Reporting-1**

Description	- Fixed Income Portfolio Diversification report: monthly
	- Investment & ALM Committee Reports: monthly
	    - GDAC report
	    - Strategy Effectiveness report-monthly
	        • FX hedging strategy
	        • Duration and cash flow management strategy
	    - Derivative counterparty report
	    - Derivative price override report
	    - Enhanced foreign exchange hedging report
	Aviva Canada Investment Report: quarterly
	Book Yield Breakdown: quarterly
	Coldfile: Daily, preliminary monthly and final monthly

Formula	Not applicable
Target Service Level	Fixed Income Portfolio Diversification Report: 4 Business Days prior to monthly MIC meeting Investment & ALM Committee Reports: The 10th Business Day after each month Aviva Canada Investment Report – schedule varies each quarter per the Board meeting timeline Book Yield Breakdown - 10th Business Day after the quarter Daily Coldfile – daily on or before 9:00 am central Preliminary Monthly Coldfile – 1st Business Day after the month Final Monthly Coldfile - 5th Business Day after the month
Measurement Interval	Monthly
Report Frequency	Monthly
Exceptions and Exclusions	

6 NTD: Additional reports under consideration.

Providing Party	**AINA**

Derivatives Solution Services

1. **Definitions**

"Asset" means an investment product.

'Liability" means an obligation in respect of unearned premium or potential claim.

"Performance" means annualized return on investment.

2. **Service Description**

Derivatives-1:	Management and execution of derivative based programs to manage interest rate and currency risk.
Derivatives-2.	Support the Designated Recipients by monitoring derivative positions within Aviva Canada's derivative policy framework and policies.
Derivatives-3.	Support the Designated Recipients by utilizing internal derivative valuation models to provide position pricing and exposure.
Derivatives-4:	Collateral management strategy.
Derivatives-5.	Support Designated Recipients by performing middle office functions with respect to derivatives.

3. **Additional Service Description Details**

Service	**Derivatives-1**
Description	Management and execution of derivative based programs to manage interest rate and currency risk.
Formula	Ensure programs are managed in accordance with Aviva Canada's derivatives strategy mandates.
Target Service Level	Manage individual strategies in accordance with Designated Recipients' mandates.
Measurement Interval	Monthly per strategy
Report Frequency	Monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Derivatives 2**
Description	Support the Designated Recipients by monitoring derivatives positions within Aviva Canada's derivatives strategy mandates.

Formula	Reconcile positions against Designated Recipients' mandates.[7]
Target Service Level	Per strategy reports.
Measurement Interval	Per strategy
Report Frequency	monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Derivatives 3**
Description	Support the Designated Recipients by utilizing internal derivative valuation models to provide position pricing and exposure.
Formula	Not applicable.
Target Service Level	Make prices available in time for month end reporting.
Measurement Interval	daily
Report Frequency	monthly
Exceptions and Exclusions	
Providing Party	**AINA**

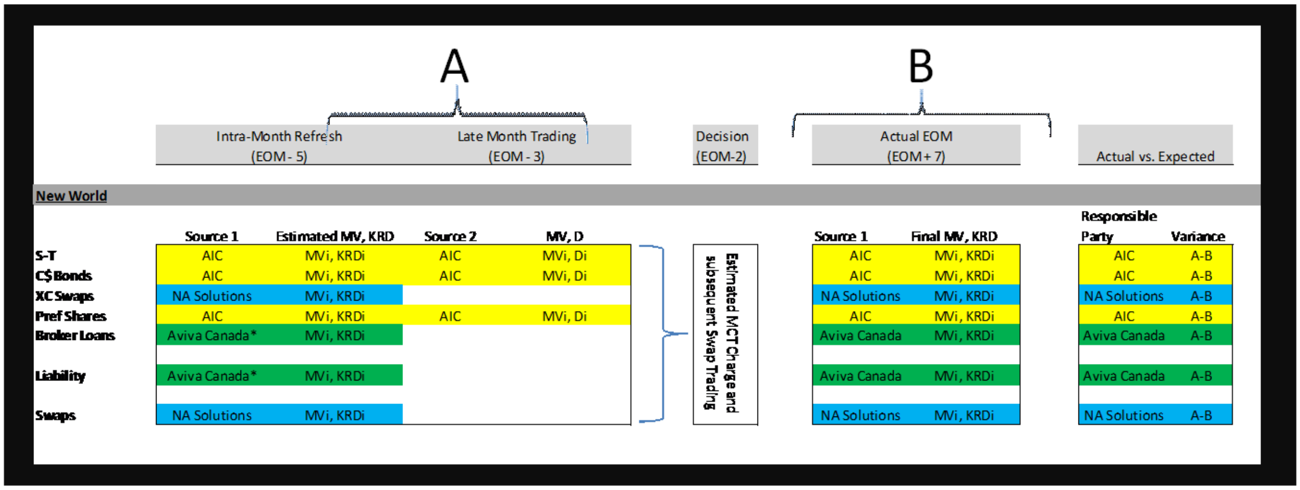
Service	**Derivatives-4**
Description	Collateral management strategy.
Formula	Manage collateral for the Designated Recipients in line with agreed collateral management strategy. Establish operational framework to support strategy.
Target Service Level	Monthly report
Measurement Interval	Monthly
Report Frequency	Monthly
Exceptions and Exclusions	
Providing Party	**AINA**

Service	**Derivatives-5**
Description	Support the Designated Recipients by performing middle office functions with respect to derivatives.
Formula	Provide middle office functions (for example settlement and confirmations) to assist in completing derivatives transactions.
Target Service Level	Market standard
Measurement Interval	Daily
Report Frequency	Not applicable
Exceptions and Exclusions	
Providing Party	**AINA**

[7] NTD: This is a question of following the guidelines established for the derivatives positions.

Attachment 1:

MCT Hedge Management Grid



* Aviva Canada would only provide duration and cash flows alongside market values, AINA would establish KRD's

Sample file with Data elements and responsibilities illustrated (clean MV and effective durations)

			MV	Dur	3 mth KRD	1 yr KRD	2 yr KRD	3 yr KRD	5 yr KRD	7 yr KRD	10 yr KRD	15 yr KRD	20 yr KRD	25 yr KRD	30 yr KRD
Fixed Income Portfolio															
	AIC	C$ Short-Term	27,590,121	0.06	0.06	-	-	-	-	-	-	-	-	-	-
	AIC	C$ Bonds	2,621,435,590	4.90	0.02	0.14	0.27	0.66	1.06	0.89	0.88	0.23	0.19	0.28	0.28
	AIC	C$ Pref Shares	295,702,655	7.74	(0.01)	0.04	0.09	0.21	0.38	1.16	5.86	-	-	-	-
	AINA	XC Swaps	296,874,565	3.01	0.04	0.26	0.41	0.53	0.69	0.59	0.49	-	-	-	-
	ACAN	C$ Broker Loan	201,942,902	4.39	0.03	0.12	0.14	0.67	1.93	0.81	0.20	0.49	-	-	-
Liability															
	ACAN	C$ Liability	2,958,979,770	4.32	0.08	0.17	0.24	0.41	0.57	0.59	0.76	0.86	0.49	0.12	0.04
Swap Portfolio															
	AINA	C$ IRS	(1,109,338,681)	3.39	(0.01)	0.11	0.31	0.44	1.02	1.31	0.99	(0.79)	-	-	-

Exhibit B

Introduction

This Exhibit represents services that, subject to amendment by the Parties prior to Closing, would be included in Schedule 1(b), except to the extent that transition of any such Services has been completed prior to the Closing. For the avoidance of doubt, no service level or similar service standard set forth herein shall alter, amend or supplement the service standard set forth in Section 2.4.1 of the Agreement, all such service standards shall only be illustrative of past aspirational service standards of the Parties.

Information Technology Applications

Providing Party	AIA
Designated Recipients	AUSA
Service Description	• Aladdin & any customized reports; retain current instance and configuration • Blackrock DR routing • Logging & monitoring • Security controls / access security • Citrix server license access • Message lab per user mail routing • External inbound email hub transport services
Service Term	• Ending on the later of June 30, 2013 or three months after the Closing Date, except for Services related to Aladdin • Services related to Aladdin, fifteen months after the Closing Date
Additional Service Description Details	Aladdin Service Level Considerations: • Global business process changes will not negatively impact AINA, this would include valuation matrix, portfolio view, analytical settings, data on overlapping securities and contracts. • BRS resource coverage will continue to support Des Moines • AINA will not be subject to implement any rules/regulations that would not otherwise be imposed. • US holiday coverage expected where markets are trading. • Change requests are supported and BRS SLA is followed accordingly. Other Information Technology Service Level Considerations: • AIA will continue to provide software licensing and support for IT infrastructure that enables the key business applications as listed in the Systems section below. • AIA will allow AUSA to continue to leverage the “IM” domain and networks until all security access can be converted. • AIA will allow AUSA to continue to leverage the “avivainvestors.com” email domain until all email accounts can be converted.
Enablement factors from AUSA to support the Service to include the following:	AUSA will provide information on information technology assets leveraging listed services and the conversion status.
Systems (owner / licensee)	Aladdin (AIGSL) PAM Securities (AINA) PAM Mortgages (AINA) Eagle Pace (AINA) Cadis (AINA) Derivatives Platform (AINA) Email (AINA) Other business applications not mentioned above that leverage the IM domain for access controls.
Monthly Service Fee	Payment from AUSA: $260,000

EXHIBIT C

Form of Trademark License Agreement

LICENSE AGREEMENT

This LICENSE AGREEMENT (this "Agreement") dated as of [●], 201_, is by and between Aviva plc, a public limited company organized under the laws of England and Wales ("Aviva plc") and Aviva Brands Limited, a private limited company organized under the laws of England and Wales ("Aviva Brands Limited," and each of Aviva plc and Aviva Brands Limited a "Licensor" and together the "Licensors"), and Aviva Life and Annuity Company, an Iowa-domiciled life insurance company ("Licensee") (collectively, the "Parties").

WHEREAS, Aviva plc and Athene Holding Ltd., a Bermuda exempted company ("Buyer"), are parties to the Stock Purchase Agreement (the "Purchase Agreement"), dated as of December 21, 2012, pursuant to which Buyer has acquired all of the outstanding shares of capital stock of Licensee;

WHEREAS, each Licensor is the owner of those trademarks and service marks set forth against its name on Schedule 1 attached hereto (the "Aviva Marks");

WHEREAS, the Parties desire that Licensee have limited use of the Aviva Marks in connection with its insurance business in the United States conducted by Licensee and permitted sublicensees on and for a transitional period of up to nine (9) months after the Closing Date on the terms and conditions hereinafter set forth;

WHEREAS, the Parties desire that Licensee have limited use of the Aviva Marks in connection with its and its permitted sublicensees' company names for a transitional period of up to twelve (12) months after the Closing Date (with certain possible extensions) on the terms and conditions hereinafter set forth;

WHEREAS, the Parties desire that Licensee have use of the YOUMANITY trademark ("Youmanity Mark") in connection with its insurance business in the United States conducted by Licensee and permitted sublicensees for so long as Licensee is owned and controlled by Buyer or one of its Affiliates, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. Definitions. Capitalized terms used herein but not otherwise defined herein shall be used as defined in the Purchase Agreement.

2. Transitional License to the Aviva Marks. Each Licensor hereby grants Licensee the non-exclusive, non-assignable, non-transferable, non-sublicensable (except as set forth in Section 6), royalty-free license to use the Aviva Marks owned by that Licensor in the United States solely in connection with (i) the advertisement, promotion, marketing, sale, distribution and servicing of products and services, including the issuance of policies, within the United States, and in compliance with all applicable laws and regulations in connection with the foregoing, in each case on a basis consistent with the current use of the Aviva Marks by Licensee and the Sublicensees (as defined below); and (ii) in connection with Licensee's and Sublicensees' rebranding efforts. The rights granted in this Section shall, unless terminated

earlier in accordance with Section 14 below, terminate after a period of six months after the Closing Date ("Transitional Brand Term"); provided that Licensee may extend the Transitional Brand Term for an additional ninety (90) days period solely with respect to use of the Aviva Marks in the life insurance businesses of Licensee and its Affiliates by providing Licensor with written notice of such extension at least fifteen (15) days prior to the end of the initial six-month period. [Notwithstanding the foregoing, the Transitional Brand Term with respect to the name or phrase "Aviva Investors" shall expire upon the earlier to occur of: (a) the date on which Licensor and its Affiliates have completed the transition of all relevant marketing, advertising, promotional and branding materials using the "Aviva Investors" name to a new brand; or (b) the date that is sixty (60) days after the Closing Date.][1]

3. Use of Corporate Names. Each Licensor hereby grants Licensee the non-exclusive, non-assignable, non-transferable, non-sublicensable (except as set forth in Section 6), royalty-free license to continue to use the Aviva Marks in the legal names of Licensee and its Sublicensees as those legal names exist on the Closing Date, solely as necessary to identify the corporate entity. For the avoidance of doubt, this Section does not grant any right to use the legal name as a brand in connection with the advertisement, promotion, marketing, sale, distribution and servicing of products and services, but Licensee shall be permitted to identify itself as the seller of its products and services in an informational, and non-brand, context. The rights granted in this Section shall, unless terminated earlier in accordance with Section 14 below, terminate after a period of twelve months after the Closing Date ("Transitional Name Term"). Notwithstanding the foregoing, Licensee shall, and shall cause its Sublicensees to, as promptly as is reasonably practicable after the Closing Date, (a) file appropriate applications with all applicable Governmental Entities to change its current legal name to a name that does not use an Aviva Mark, (b) file other applications that may be required for Licensee and its Sublicensees to affect a name change or related to such name change, including applications related to the products and services of Licensee and its Sublicensees and (c) diligently pursue those applications; provided that Licensee and its Sublicensees may reasonably coordinate the effective date of such applications so that the name changes can be implemented at the same time. If, notwithstanding Licensee's diligence and reasonable best efforts, Licensee or any of its Sublicensees is unable to complete or obtain approval for such an application in one or more states prior to the end of the Transitional Name Term, the Transitional Name Term shall continue solely with respect to such state or states until such time as the application in such state is completed and/or approved, and during such extension Licensee shall use reasonable best efforts to diligently and promptly pursue each such application without further coordination as to the effective date of name changes.

4. Transition of and License to Aviva Mark Domain Names. With respect to domain names used by Licensee and the Sublicensees immediately prior to the date hereof which consisted of or included an Aviva Mark, and including the domain names listed on Schedule 2 (the "Mark Domain Names"), Licensee shall transfer and assign, and hereby does transfer and assign, all rights in the Mark Domain Names to Licensor. At Licensor's reasonable request,

[1] NTD: If Buyer provides sufficient information to transition all relevant marketing and branding materials from Aviva Investors name and phrase to a new brand at least six weeks prior to the Closing Date, and such transition is completed by the Closing Date, this provision to be updated so that the license does not cover Aviva Investors.

Licensee agrees to execute such documents or perform such further acts as necessary to effect such transfer. To the extent such Mark Domain Name is in use in the United States in connection with any products or services of Licensee or its Sublicensees immediately prior to the date of the Purchase Agreement, Licensor hereby grants a non-exclusive, non-assignable, non-transferable, non-sublicensable (except as set forth in Section 6), royalty-free license to Licensee to use such Mark Domain Names during the Transitional Brand Term provided that Licensee shall use reasonable best efforts to cease all use of the Mark Domain Names as soon as reasonably practicable. For the Transitional Brand Term, Licensor shall permit Licensee to cause visitors to the website associated with such Mark Domain Names to be automatically forwarded to a website designated by Licensee, or shall provide a prominent link to such website designated by Licensee on the website associated with such Mark Domain Names.

5. License to Youmanity Mark. Aviva Brands Limited hereby grants Licensee the non-exclusive, non-assignable, non-transferable, irrevocable (except as set forth in Section 14), non-sublicensable (except as set forth in Section 6), royalty-free license to use the Youmanity Mark in the United States during the period until the Youmanity Mark expires or is cancelled, unless terminated earlier in accordance with Section 14 below (the "Youmanity Term"), such use solely in connection with the advertisement, promotion, marketing, sale, distribution and servicing of products and services, including the issuance of policies, offered by Licensee and the Sublicensees within the United States, and in compliance with all applicable laws and regulations in connection with the foregoing.

6. Sublicenses. Licensee shall have the right to grant written sublicenses on terms no more extensive than those granted in Section 2, 3, 4, and 5, but without the right to further sublicense, to: (i) Athene Holding Limited and its Subsidiaries (only for so long as they remain Subsidiaries); and (ii) Life Reinsurer and its Affiliates (only for so long as they remain Affiliates) ("Sublicensees"); provided that each such Person agrees in writing to be bound by the terms, obligations and conditions consistent with and at least as protective of the Marks as the terms, obligations and conditions set forth in this Agreement with respect to Licensee; provided, further, that Licensee shall cause the Sublicensees to comply with the terms of this Agreement and Licensee shall remain liable for any breach of this Agreement by a Sublicensee.

7. Quality Control and Standards. Licensee acknowledges that Aviva Marks and the Youmanity Mark (collectively, the "Marks") have established valuable goodwill and reputation, and that it is of great importance to each Licensor that this goodwill and reputation be maintained. Licensee agrees that the nature and quality of all products and services provided or offered by Licensee or the Sublicensees in connection with the Marks as permitted hereunder shall be at least equal to the standard of quality maintained by Licensee in connection with such products and services during the twelve (12)-month period immediately prior to the date of the Purchase Agreement (collectively, "Licensor Standards"). Licensee agrees to make available for review, upon Licensor's reasonable request, true and correct samples of any materials in commercial use that incorporate the Marks including advertising copy, labels, stickers, policies, brochures or other materials, including any applicable materials in connection with Licensee's rebranding efforts (collectively, the "Materials"). If Licensor reasonably determines that any Material does not conform to the Licensor Standards, upon written notice from Licensor, Licensee or the applicable Sublicensee shall use reasonable best efforts to promptly cease use of the applicable Material, and shall take commercially reasonable steps necessary to remedy any

such deficiencies within 15 Business Days after such notification. If Licensee and the applicable Sublicensees do not comply, Licensor may terminate this Agreement, or in the case of a deficiency by a Sublicensee that is not an Affiliate of Licensee cause Licensee to terminate the applicable sublicense to such Sublicensee, upon written notice delivered to Licensee. Notwithstanding the foregoing, Licensor shall not and may not object to any Materials that were in use by Licensee or its Affiliates prior to the Closing Date of the Purchase Agreement. Licensee shall promptly notify Licensor of any complaints received in writing from third parties regarding the products or services offered or provided under the Marks that could reasonably be expected to have a material adverse effect, individually or in the aggregate, on the Marks or the goodwill associated therewith and, at the request of Licensor, shall reasonably cooperate with Licensor or shall cause the applicable Sublicensee to cooperate in addressing and mitigating the circumstances giving rise to such complaints.

8. Depiction of the Marks. Licensee agrees to comply and agrees to cause any Sublicensee to comply with any requirements established by Licensor and provided to Licensee concerning the style, design, display and use of the Marks, including the Licensor Standards and any such requirements regarding (a) the use of the trademark symbols "tm" or "sm" or United States registration symbol "®", and (b) use of a clear notice or other appropriate disclosure, approved by Licensor, concerning the ownership of the Marks and the licensing relationship between the Parties ("Ownership Disclosure"). Licensor shall discuss any material changes to the requirements with which Licensee must comply pursuant to this Section 8 prior to making such changes. For the avoidance of doubt, (i) the Marks may only be used hereunder in the same appearance in use as of the Closing Date or as otherwise approved by Licensor and (ii) the Marks may not be modified through combination with any other logo, design, symbol, trademark, service mark, company or corporate name or commercial slogan or with any prefix or suffix or any modifying word or term hereunder, except as agreed to in writing by the Parties prior to any such use. Notwithstanding the foregoing, Licensee shall not be required to change any Material that existed prior to the Closing Date of the Purchase Agreement or required to change any Material after a Licensor changes its Licensor Standards if such Material complied with the Licensor Standards prior to such change.

9. Right to Inspect. Licensee shall permit Licensor or a nationally recognized accounting firm reasonable access to such of Licensee's or the Sublicensees' facilities and personnel as are actively involved in use of the Marks on reasonable prior written notice, as requested by Licensor from time to time solely for the purpose of verifying that Licensee's use or any of the Sublicensees' use of the Marks complies with Licensor Standards and to the extent reasonably necessary to maintain the validity of the Marks and the valuable goodwill and reputation established by the Marks. Licensors shall coordinate their inspections so that they are conducted at the same time. Licensors may conduct, in the aggregate, such inspections no more often than once in any six (6)-month period, unless such Licensor has reasonable cause to conduct inspections more frequently based on information regarding non-compliance with this Agreement, or Licensee's and/or its Sublicensees' misuse, impairment, disparagement or dilution of one or more of the Marks or the goodwill associated with one or more of the Marks. All such inspections shall be conducted during normal Licensee business hours and in a manner so as to minimize the impact on Licensee's and the Sublicensees' operation of their businesses. All information disclosed to or otherwise obtained by any Licensor or its accounting firm in connection with conducting such inspections shall be

considered "confidential information" of Licensee and its Sublicensees and maintained in confidence in accordance with Section 4.2 of the Purchase Agreement, unless such information already exists in the public domain.

10. Ownership. Licensee acknowledges and agrees, as between Licensee and Licensors, that: (a) each Licensor is the exclusive owner of all right, title and interest in and to the Marks, including for each Aviva Mark as set forth opposite its name in Schedule 1, and [Aviva Brands Limited] for the Youmanity Mark; (b) ownership of the Marks and the goodwill relating thereto shall remain vested in the relevant Licensor both during the period of this Agreement and thereafter; (c) any use of the Marks by Licensee or the Sublicensees (and any goodwill arising therefrom) shall inure to the exclusive benefit of the relevant Licensor; (d) neither Licensee nor any of the Sublicensees will adopt, use, register, file or maintain any registration or application for registration of, any trademark, service mark, trade name, slogan, Internet domain name or other identifier or device that constitutes or includes any Mark or is confusingly similar to any Mark; and (e) neither Licensee nor any of the Sublicensees will represent that it has an ownership interest in the Marks or any registrations or applications for registration therefor.

11. Policing of Marks. If Licensee's general counsel or other in-house counsel become aware of the use by any third party of any marks confusingly similar to the Marks or any potential infringements of the Marks, Licensee shall inform Licensors. Licensors shall determine, in their sole discretion, whether or not any action shall be taken with respect to such alleged violation or infringement and the nature of the action to be taken. Licensors shall have full authority and control over any assertion of infringement of or with respect to the Marks and Licensee shall provide assistance to Licensors at Licensors' reasonable request, including being joined to any infringement action. In connection with such assistance, Licensor shall also reimburse Licensee for any out-of-pocket costs, and for time spent by Licensee's employees, in the aggregate, above 20 hours at each such employee's customary and reasonable compensation rate, such rate not to exceed $250 per hour. Any recovery obtained by Licensors as a result of any such action shall belong solely to Licensors.

12. Indemnification.

(a) Subject to Seller's obligation to indemnify the Buyer Indemnified Parties in the Purchase Agreement, Licensee ("Indemnitor") shall indemnify and hold harmless each Licensor and their Affiliates (each an "Indemnitee" or "Indemnified Party") from and against any and all Indemnifiable Losses to the extent relating to, resulting from or arising out of any Third-Party Claim relating to, resulting from or arising out of Licensee's or its Sublicensees' use of the Marks; provided, however, that such indemnification shall not extend to any Indemnifiable Losses that arise out of or are based upon the infringement or alleged infringement of the trademark rights of any third party by reason of Licensee's or Sublicensees' use, in accordance with this Agreement, of the Marks.

(b) If any Indemnitee receives notice of assertion or commencement of any Third-Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim; provided, however, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation or otherwise affect the rights of any Indemnitee hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay with respect to such claim. Thereafter, the Indemnitee shall deliver to the Indemnitor, as promptly as reasonably practicable after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(c) The Indemnitor shall be entitled to participate in the defense of any Third-Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third-Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense; provided, however, that if the Indemnitee determines in good faith that the representation of the Indemnitee and the Indemnitor by the same counsel creates an actual or potential conflict of interest for such counsel, the reasonable fees and expenses of one counsel employed by the Indemnitee with respect to such matter shall be considered Indemnifiable Losses hereunder. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third-Party Claim as provided above). If the Indemnitor chooses to defend any Third-Party Claim, the parties hereto shall cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnitor shall have assumed the defense of a Third-Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). If the Indemnitor has assumed the defense of a Third-Party Claim, the Indemnitor may only pay, settle, compromise, admit any liability with respect to or discharge a Third-Party Claim with the Indemnitee's prior written consent, not to be unreasonably withheld, delayed or conditioned; provided, however, that the Indemnitor may pay, settle, compromise or discharge such a Third-Party Claim without the written consent of the Indemnitee if such settlement (i) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third-Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third-Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third-Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third-Party Claim.

13. Term. The term of this Agreement shall commence on the Closing Date and shall continue until the later of the expiration of the Transitional Brand Term, the Transitional Name Term or the Youmanity Term, unless earlier terminated in accordance with Section 14 below.

14. Termination.

(a) Licensors shall have the rights to terminate this Agreement, and to cause Licensee to terminate the applicable sublicense to a Sublicensee that is an Affiliate of Licensee, on written notice to Licensee: (i) in accordance with Section 7 of this Agreement; (ii) in the event Licensee or such Sublicensee directly or indirectly challenges, attacks, disputes, opposes or contests any of the Marks, or Licensor's exclusive ownership of, or any other rights in, any Mark; (iii) in the event Licensee or such Sublicensee commits any other material breach of the Agreement and, to the extent that such breach is capable of cure, Licensee or such Sublicensee fails to cure such breach within 15 Business Days after Licensor provides Licensee with written notice of such breach; or (iv) in the event Licensee or such Sublicensee: (A) becomes insolvent, is adjudicated bankrupt, or makes a general assignment for the benefit of its creditors; (B) voluntarily or involuntarily enters into liquidation; or (C) has a receiver or manager appointed over the whole or a substantial part of its undertakings or assets.

(b) Licensors shall have the rights to cause Licensee to terminate the applicable sublicense to a Sublicensee that is not an Affiliate of Licensee, on written notice to Licensee: (i) in accordance with Section 7 of this Agreement; (ii) in the event such Sublicensee directly or indirectly challenges, attacks, disputes, opposes or contests any of the Marks, or Licensor's exclusive ownership of, or any other rights in, any Mark; (iii) in the event such Sublicensee commits any other material breach of the Agreement and, to the extent that such breach is capable of cure, such Sublicensee fails to cure such breach within 15 Business Days after Licensor provides Licensee with written notice of such breach; or (iv) in the event such Sublicensee: (A) becomes insolvent, is adjudicated bankrupt, or makes a general assignment for the benefit of its creditors; (B) voluntarily or involuntarily enters into liquidation; or (C) has a receiver or manager appointed over the whole or a substantial part of its undertakings or assets.

(c) Further, this Agreement shall automatically terminate at such time that Licensee is not an Affiliate of Buyer. For the avoidance of doubt, the licenses set forth in this Agreement are not revocable at will.

15. Effect of Termination of Transitional Brand Rights. Upon the expiration of the Transitional Brand Term, Licensee and each Sublicensee shall (except to the extent permitted by the license in Section 3) cease all use of the Aviva Marks and Mark Domain Names, and shall remove all Aviva Marks from all Materials, stationery, computer and electronic systems, and any and all documents (whether in written, electronic, optical or other form) in Licensee's possession or control, and Licensee shall take one of the following actions, at Licensee's option and at Licensee's sole expense: (a) deliver to Licensors all Materials that bear the Aviva Marks; or (b) destroy all such Materials and provide Licensors with written confirmation of such destruction, in each case except for internal business records including archival copies kept (i) in accordance with Applicable Laws or with any judicial or

administrative process or proceeding or (ii) in the ordinary course of business in accordance with internal policies of Licensee or the applicable Sublicensee.

16. Effect of Termination of Youmanity Rights. Upon the expiration or termination of the Youmanity Term, Licensee and each Sublicensee shall cease all use of the Youmanity Mark and shall remove the Youmanity Mark from all Materials, stationery, computer and electronic systems, and any and all documents (whether in written, electronic, optical or other form) in Licensee's possession or control. Upon such expiration or termination of the Youmanity Term, Licensee shall take one of the following actions, at Licensee's option and at Licensee's sole expense: (a) deliver to Licensor all Materials that bear the Youmanity Mark; or (b) destroy all such Materials and provide Licensor with written confirmation of such destruction, in each case except for internal business records including archival copies kept (i) in accordance with Applicable Laws or with any judicial or administrative process or proceeding or (ii) in the ordinary course of business in accordance with internal policies of Licensee or the applicable Sublicensee.

17. Disclaimer of Representations and Warranties. EACH LICENSOR HEREBY SPECIFICALLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY, REGISTRABILITY, OWNERSHIP OR NON-INFRINGEMENT, AND IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE), REGARDING THE MARKS; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL LIMIT ANY REPRESENTATION, WARRANTY, COVENANT OR INDEMNITY PROVIDED IN THE PURCHASE AGREEMENT OR ANY OTHER ANCILLARY AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, LICENSEE ACKNOWLEDGES THAT THE LICENSE GRANTED IN THIS AGREEMENT AND THE MARKS ARE PROVIDED "AS IS."

18. Force Majeure. No Party shall be responsible to the other Party for delays or errors in its performance or any breach under this Agreement occurring solely by reason of circumstances beyond its control, including acts of civil or military authority, national emergencies, fire, major mechanical breakdown, labor disputes, flood, landslide, hurricane, tsunami or other catastrophe, acts of God, insurrection, terrorism, war, riots, or failure of transportation, communication or power supply.

19. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be delivered personally, by overnight courier (providing proof of delivery) or by email; provided, that the email is promptly confirmed, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice). Any such notice shall be deemed given when so delivered personally, by courier or by overnight delivery service or sent by email (and immediately after transmission by such email receipt of which has been confirmed by telephone by the sender) or, if mailed, four (4) Business Days after the mailing as follows:

if to Licensee:

Athene Holding Ltd.
Chesney House, 96 Pitts Bay Road
Pembroke HM 08, Bermuda
Telephone: (441) 279-8402
Attention: Grant Kvalheim
Email: GKvalheim@Athene.bm

with a copy (which shall not constitute notice) to each of:

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Attention: Perry J. Shwachman, Esq.
Email: pshwachman@sidley.com

and

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5835
Attention: Jonathan J. Kelly, Esq.
Email: jjkelly@sidley.com

if to Licensors:

Aviva plc
St. Helen's
1 Undershaft
London EC3P 3DQ
Telephone: 44-207-662-6646
Attention: Kirsty Cooper, Group General Counsel and Company Secretary
Email: kirsty.cooper@aviva.com

with a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP
787 7th Avenue
New York, NY 10019
Telephone: (212) 728-8088
Attention: Robert S. Rachofsky

Email: rrachofsky@willkie.com

20. Interpretation. When a reference is made in this Agreement to a Section or Schedule, such reference shall be to a Section of, or a Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation" whether or not such words actually appear thereafter. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

21. Entire Agreement. This Agreement (including all exhibits and schedules hereto), the Purchase Agreement and any other documents delivered by the Parties herewith or therewith constitute the entire agreement, and supersede all prior agreements, understandings, representations and warranties, both written and oral, among the Parties with respect to the subject matter contained herein. Except as set forth in Section 12 with respect to Indemnitees, this Agreement is not intended to and shall not confer upon an Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

22. Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

23. Jurisdiction; Enforcement.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each of the parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit or other proceeding is brought in an inconvenient forum or that the venue of such action, suit or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the parties hereto from removing any matter from one New York Court to another New York Court. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 19 of this Agreement, constitute good, proper and sufficient service thereof.

(b) The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement, this being in addition (subject to the terms of this Agreement) to any other remedy to which such party is entitled at law or in equity. In the event that any Action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto hereby waives any defense or counterclaim, that there is an adequate remedy at law.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 23.

24. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise (other than by operation of law in a merger), by Licensee without the prior written consent of Licensor, and any such assignment that is not consented to shall be null and void. Any attempt by Licensee to assign, in whole or in part, by operation of law or otherwise, this Agreement, or any of the rights, interests or obligations hereunder, in violation of this Section 24, shall be considered a material breach under this Agreement. Licensor may freely assign this Agreement and any of the rights, interest or obligations under this Agreement, in whole or in part, by operation of law or otherwise, to any Affiliate without prior written consent. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

25. Severability; Amendment; Modification and Waiver.

(a) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(b) Except as otherwise contemplated by this Agreement, this Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer and Seller in the case of an amendment or, in the case of a waiver, by the party hereto entitled to make such waiver.

(c) No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

26. No Strict Construction. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

27. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party may deliver its signed counterpart of this Agreement to the other parties by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each Licensor and Licensee have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

Licensor

By: ______________________________
Name:
Title:

Licensor

By: ______________________________
Name:
Title:

Licensee

By: ______________________________
Name:
Title:

Schedule 1

Aviva Marks

Trademark	Legal Owner	Registration Number	Registration Date
AVIVA INVESTORS words	Aviva Brands Limited	3706383	03-11-2009
AVIVA Logo	Aviva plc	2947580	10-05-2005
AVIVA word	Aviva Brands Limited	2773101	14-10-2003
MFM INTERNATIONAL word	Aviva plc	3261767	10-07-2007
AVIVA ELITE INDEX ANNUITY words	Aviva Brands Limited	3294742	18-09-2007
AVIVA FOR LIFE words	Aviva Brands Limited	3266235	17-07-2007
AVIVA INTEGRITY INDEX ANNUITY	Aviva Brands Limited	3270252	24-07-2007
AVIVA PERFORMANCE MAX ANNUITY words	Aviva Brands Limited	3306749	09-10-2007
AVIVA PERFORMANCE PLUS ANNUITY words	Aviva Brands Limited	3306750	09-10-2007
AVIVA PROGRESSIVE INDEX ANNUITY words	Aviva Brands Limited	3049920	24-01-2006
AVIVA24 word	Aviva Brands Limited	3112110	04-07-2006
AVIVAEDGE word	Aviva Brands Limited	3028792	13-12-2005
AVIVALINK word	Aviva Brands Limited	3045964	17-01-2006
AVIVATRAIN word	Aviva Brands Limited	31111324	04-07-2006

Trademark	Legal Owner	Registration Number	Registration Date
Aviva Flex Select	Aviva Brands Limited	3085294	25-04-2006
Avivaordersonline	Aviva Brands Limited	3085181	25-04-2006
Avivago	Aviva Brands Limited	3028798	13-12-2005

Schedule 2

Mark Domain Names

	Domain names registered to Aviva USA Corporation
1.	myavivawellness.com
2.	avivaagentsuccess.com
3.	avivaeapp.com
4.	avivaiowacertification.com
5.	avivasuccess.com
6.	avivasuccessny.com
7.	freeiacertification.com
8.	iowacertification.com
9.	wealthproalliance.com
10.	wellnessforlifecertification.com
11.	indylifeline.net
12.	deltalife.com
13.	avivausa.xxx
14.	youmanity.xxx
15.	avivaeapp.xxx
16.	freeiacertification.xxx
17.	avivaiowacertification.xxx
18.	iowacertification.xxx
19.	avivaagentsuccess.xxx

	Domain names registered to Aviva plc
1.	aag-bcrs.com
2.	ailannuity.com
3.	americaninvestors.com
4.	americaninvestorslife.com
5.	amvestors.com
6.	avivaaccess.com
7.	avivacapitalmanagement.com
8.	avivaedge.com
9.	avivainvestors.us
10.	aviva-investors.us
11.	avivausa.cc
12.	avivausa.com
13.	avivausaaccess.com
14.	avivausae.com
15.	avivausalive.com
16.	aviva-usasucks.com
17.	avivausa-sucks.com
18.	aviva-usa-sucks.com
19.	aviva-usasucks.net
20.	avivausa-sucks.net
21.	aviva-usa-sucks.net
22.	aviva-usasucks.org
23.	avivausa-sucks.org

24.	aviva-usa-sucks.org
25.	aviva-usasucks.us
26.	avivausa-sucks.us
27.	aviva-usa-sucks.us
28.	avivawellness.com
29.	avivayoumanity.com
30.	bestyouaviva.com
31.	blny.com
32.	iulleader.com
33.	ol-services.com
34.	seniorbenefitservices.com
35.	wealthstaralliance.com
36.	youmanity.com

SCHEDULE 1.1

ERISA CLIENTS

None.

SCHEDULE 1.1(a)

EXCLUDED ADVISORY AGREEMENTS

1. Investment Management Agreement between The Auto Club Group Cash Balance Pension Plan and Automobile Club of Michigan and Auto Club Insurance Association Retirement Plan for Sales Employees and AINA, dated March 17, 2012.

2. Investment Management Agreement between Auto Club Insurance Associates and AINA dated December 5, 2012.

3. Investment Management Agreement between Menard, Inc. and AINA, effective as of Marsh 1, 2012.

4. Investment Management Agreement between First Securities Investment Trust Company Limited and AINA dated January 2009 as amended.

5. Amended and Restated Sub-Advisor Agreement between Northwest Mutual Funds Inc. and Northwest Asset Management Inc. and Funds and Aviva Capital Management (k/n/a AINA) effective as of June 20, 2007, as amended.

6. Sub-Advisory Agreement between AINA as adviser and Aviva Investors Canada s sub-adviser effective as of September 2, 2010 (re NEI).

7. Sub-Advisory Agreement between AINA as adviser and River Road Asset Management as sub-adviser effective as of September 1, 2010 (re NEI).

8. Discretionary Sub-Advisory Agreement between Morley Fund Management Limited (k/n/a Aviva Investors Global Services Limited) and Aviva Capital Management (k/n/a AINA) dated June 9, 2008.

9. Sub-Delegation Agreement between Aviva Investors Global Services Limited and AINA, dated December 8, 2011 and all associated side letters.

10. Discretionary Sub-Advisory Agreement between Aviva Investors Global Services Limited and AINA dated January 5, 2010.

11. Management Agreement between Aviva Investors Real Estate Capital Partners I-A, LP; AI-RECAP CPI, LLC; and AINA, dated October 26, 2010.

12. Sub-Advisory Agreement between AINA and Aviva Investors Asia Pte Limited dated December 8, 2010 (re: Global Recap).

13. Sub-Advisory Agreement between AINA and Aviva Investors Global Services Limited dated December 8, 2010 (re: Global Recap).

14. Sub-Advisory Agreement between HSBC Management (Guernsey) Limited and related entities and AINA effective April 1, 2008.

15. Investment Management Agreement between Victory Reinsurance Company Ltd. And AINA date May 1, 2009.

16. Investment Sub-Advisory Agreement between Aviva Investment Canada and Aviva Capital Management (k/n/a AINA) dated March 17, 2009.

17. Sub-Advisory Agreement between Aviva Investors Canada Inc. and AINA dated October 31, 2011 and all associated side letters.

18. Sub-Advisory Agreement between Aviva Investors Canada and AINA dated August 31, 2010 and all associated side letters.

19. Valuation Services Agreement between Aviva Singapore and AINA dated May 31, 2010.

SCHEDULE 1.1(b)

REPLACED ADVISORY AGREEMENTS

1. Amended and Restated Investment Management Agreement between ALAC and AINA, effective January 1, 2012.

2. Investment Management Agreement between ALACNY and AINA, effective September 1, 2010.

SCHEDULE 1.1(c)

TRANSFERRED ADVISORY AGREEMENTS

1. Investment Sub-Advisory Agreement between Invesco Advisers, Inc. as Investment Adviser to the Virginia College Savings Plana and AINA, effective May 1, 2012.
2. Investment Sub-Advisory Agreement between Invesco Advisers, Inc., as Investment Adviser to the West Virginia College Prepaid Tuition and Savings Plan and AINA, effective October 30, 2012.
3. Investment Sub-Advisory Agreement between AINA and Invesco National Trust Company dated June 2, 2011.
4. Investment Management Agreement between ICMA-RC on behalf of Vantage Trust Company and AINA effective, September 1, 2010.
5. Investment Management Agreement Between Marshall & Ilsley Trust Company NA and AINA, effective June 17, 2011.
6. Investment Management Agreement between Union Bond and Trust and AINA, effective September 20, 2010 (Stable Value Fund).
7. Investment Management Agreement between Union Bond and Trust Company and AINA, effective September 20, 2010 (Principal Stable Value Fund).
8. Investment Management Agreement between Royal Neighbors of America and AINA, effective September 1, 2010.
9. Portfolio Substitution and Management Agreement dated August 2, 2007 between Aviva Management (k/n/a/ AINA) Morgan Stanley Capital Services Inc., and Morgan Stanley Managed ACESS SPC, together with its Amendment dated December 11, 2008 by and between Morgan Stanley Managed ACES SPC, Morgan Stanley Capital Services Inc. and AINA.
10. Investment Advisory Agreement between Aviva Re USA, Inc. and Aviva Capital Management, effective December 20, 2007.
11. Investment Advisory Agreement between Aviva Re USA II, Inc. and AINA, effective June 23, 2010.
12. Investment Management Agreement between Aviva re USA III, Inc. and AINA, effective June 30, 2011.
13. Investment Management Agreement between Aviva Re USA IV, Inc.,, and AINA, effective December 15, 2011.

14. Investment Management Agreement between Aviva Re USA V, Inc. and AINA effective December 20, 2011.

15. Investment Management Agreement between Aviva Re USA VI, Inc. and AINA, effective October 12, 2012.

16. Investment Management Agreement between Aviva Re Iowa, Inc. and AINA, effective August 28, 2012.

17. Investment Management Agreement between Aviva Re Iowa II, Inc. and AINA, effective July 16, 2012.

18. Advisor Agreement between Bank of New York Mellon and AINA, effective December 12, 2012.

SCHEDULE 4.4(B)(3)

ACCOUNTING PRACTICES

(a) ALAC, Iowa Administrative Code (IAC) Section 191-97, Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve; and

(b) ALAC, Bulletin 06-01, Accounting for Derivative Instruments Used to Hedge the Growth in Interest Credited for Index Products.

(c) Iowa Captives – Iowa Administrative Code (IAC) Section 191-99.11(3), Limited Purpose Subsidiary Life Insurance Company, to include the outstanding principal amount of a Variable Funding Puttable Note (contingent note) as an admitted asset.

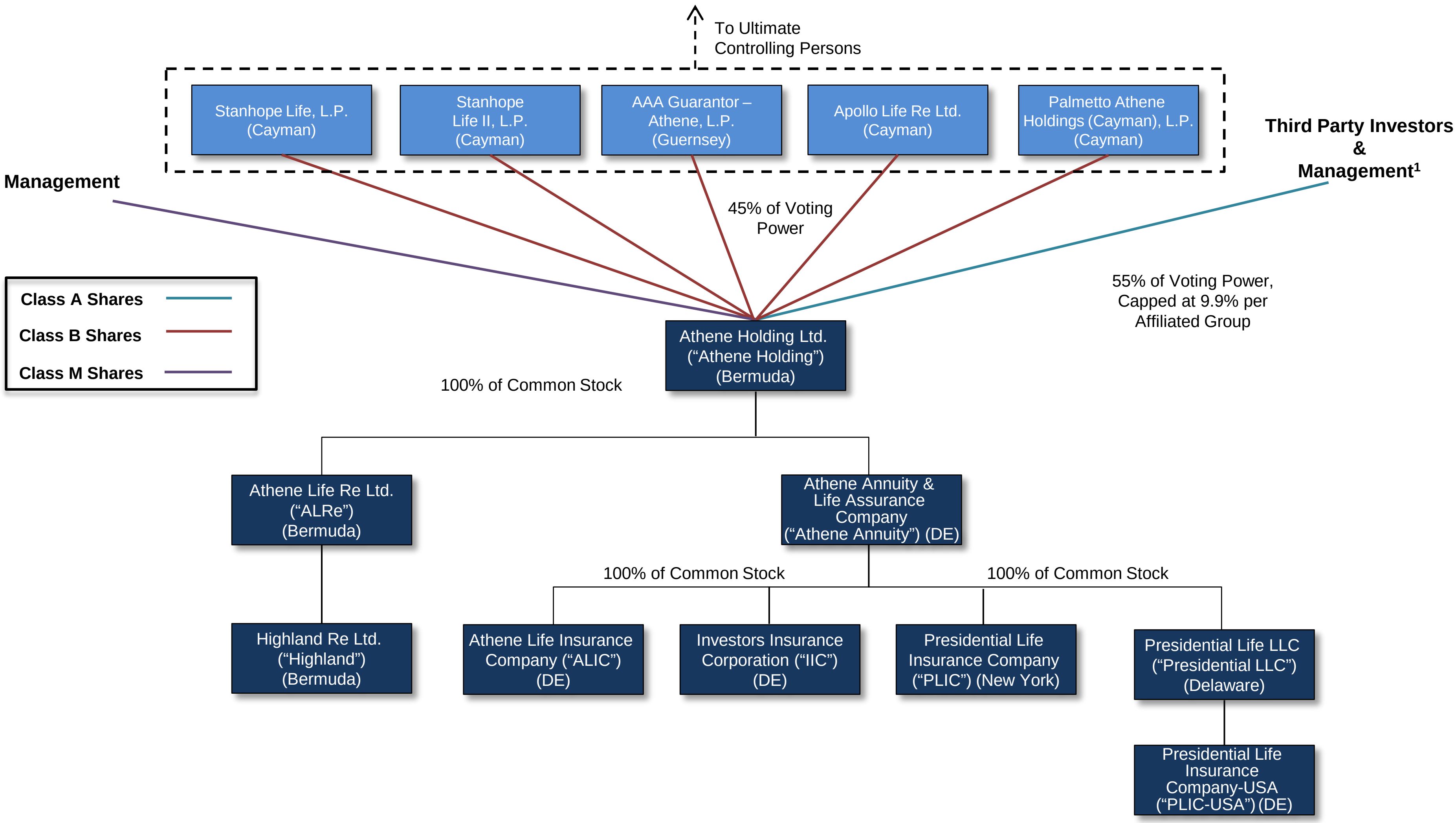
(d) Vermont Captives – Section 6048c of 8 V.S.A., Chapter 141, Captive requested and received authorization from the Vermont Commissioner of Insurance to record the letter of credit as admitted assets.

<u>Exhibit 2(c)</u>

Organization Charts of AGM Prior to and After the Proposed Acquisition

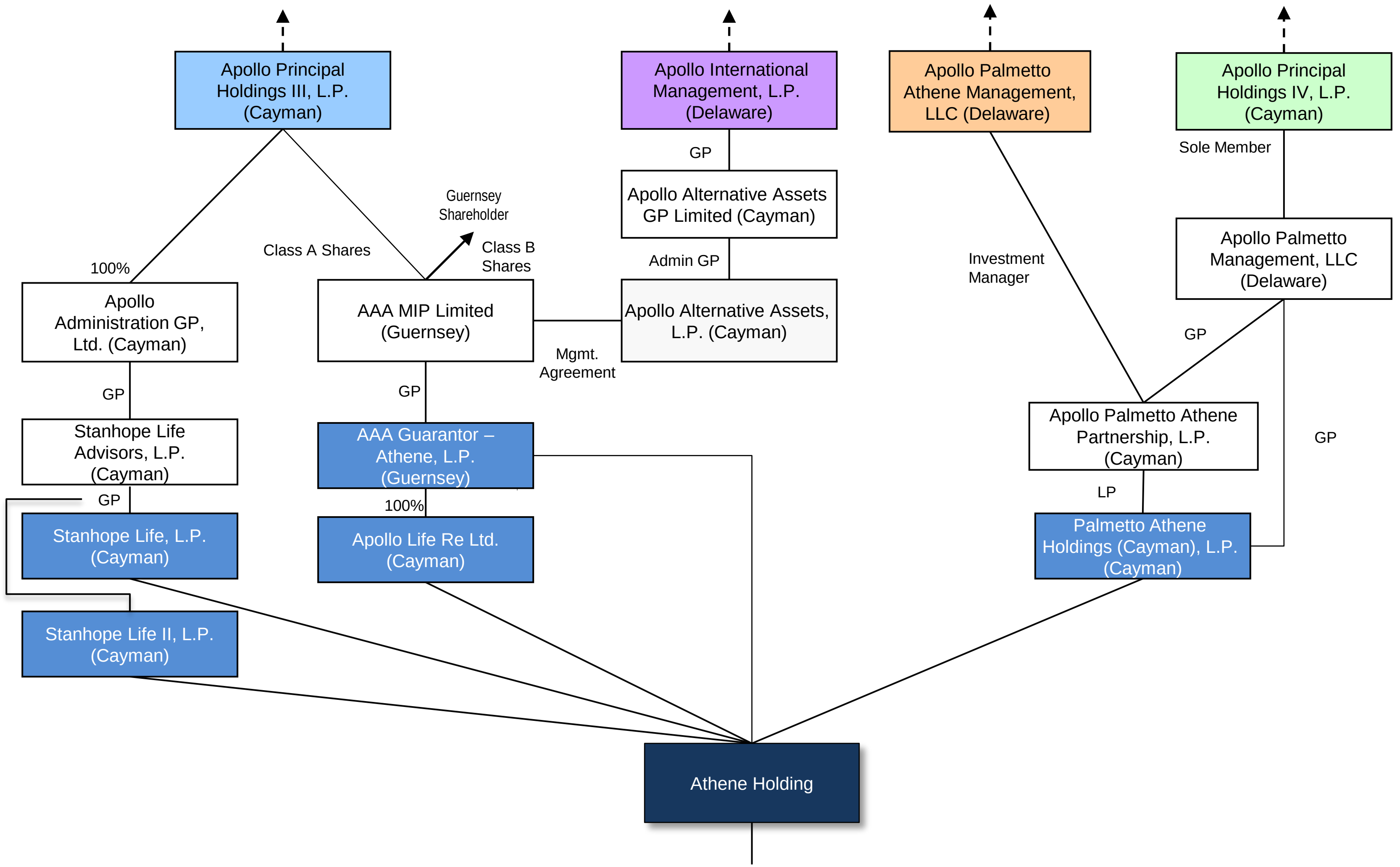
Please see attached.

Pre-Closing Organizational Structure – Bottom Tier

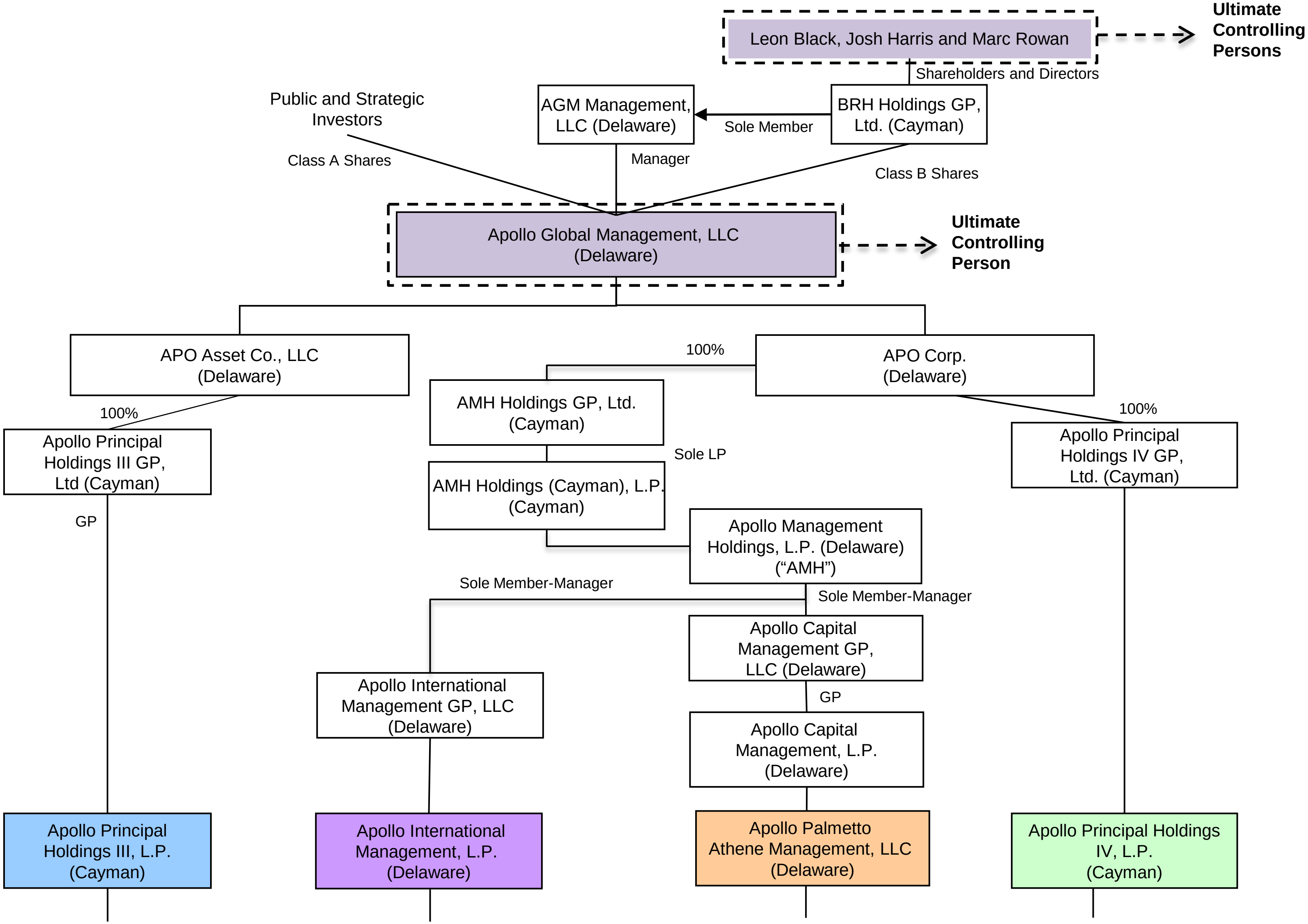


1. If an entity controlled by the Apollo Group acquires Class A Shares, such shares will be non-voting.

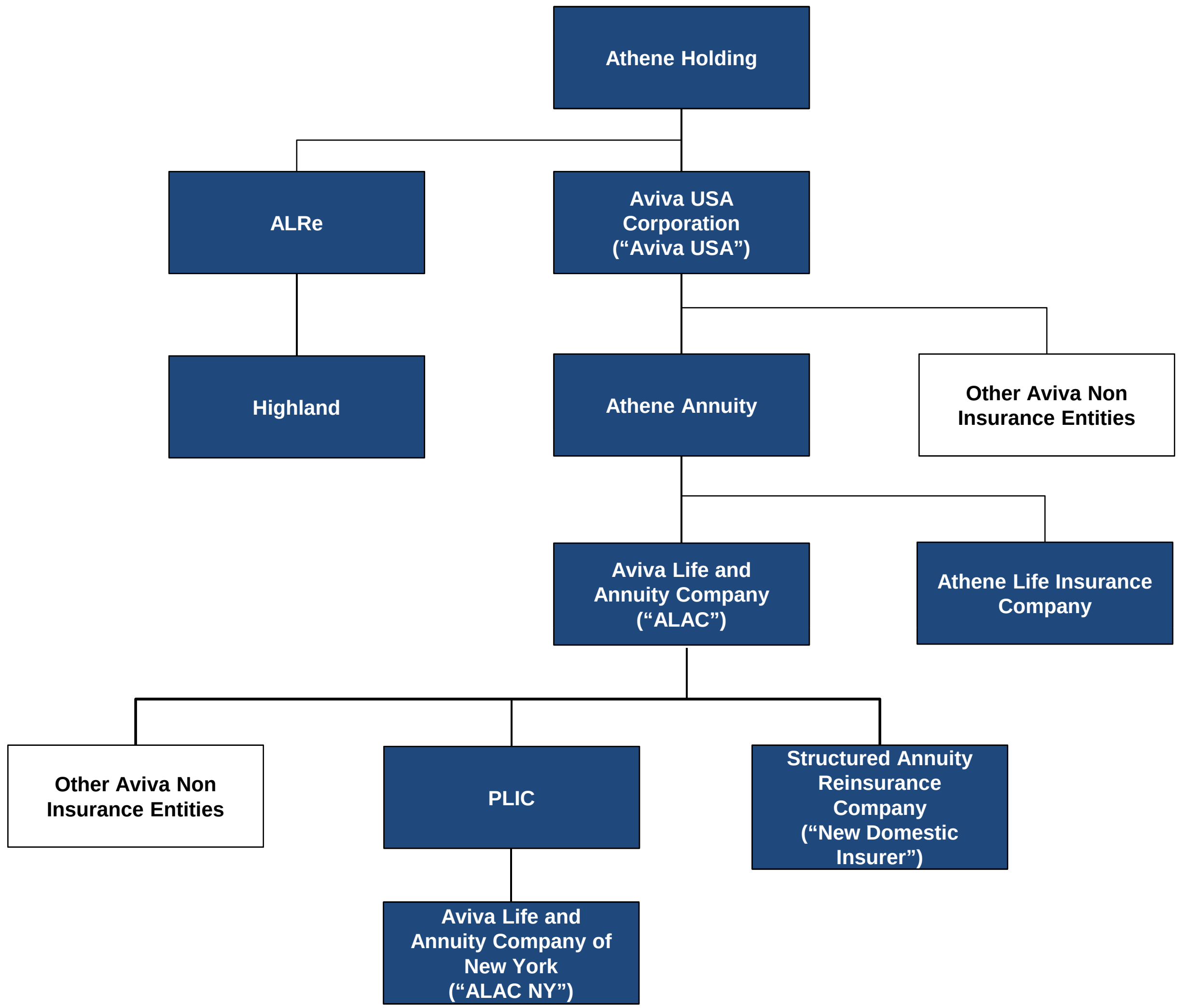
Pre-Closing Organizational Structure – Middle Tier



Pre-Closing Organizational Structure – Controlling Tier



Post-Closing Athene Organizational Structure[1]



1. Organizational structure above Athene Holding will be unchanged by the acquisition of Aviva USA. Chart excludes certain immaterial entities or entities that are expected to be merged, dissolved or sold in the near term future. Chart is *pro forma* for various closing date transactions, such as the contribution of ALAC to Athene Annuity.

Exhibit 3(a)

Directors/Executive Officers of AGM

INDIVIDUAL	POSITION	BUSINESS ADDRESS
Leon Black	Chairman, Chief Executive Officer and Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Joshua Harris	Senior Managing Director and Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Marc Rowan	Senior Managing Director and Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Marc Spilker	President	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Martin Kelly	Chief Financial Officer	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Barry Giarraputo	Chief Accounting Officer and Controller	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
John Suydam	Chief Legal Officer and Chief Compliance Officer	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
James Zelter	Managing Director – Capital Markets	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Michael Ducey	Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Paul Fribourg	Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
A.B. Krongard	Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019
Pauline Richards	Director	c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019

Exhibit 5(a)

Business Plan, Including Pro Forma Financial Statements

Submitted confidentially under separate cover.

HIGHLY CONFIDENTIAL
EXECUTION COPY

PURCHASE AND SALE AGREEMENT

by and between

ATHENE HOLDING LTD.

and

COMMONWEALTH ANNUITY AND LIFE INSURANCE COMPANY

Dated as of April 30, 2013

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23881897v14

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INDEX OF EXHIBITS

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement, dated as of April 30, 2013 (this "Agreement"), between Athene Holding Ltd., a Bermuda exempted company ("Seller"), and Commonwealth Annuity and Life Insurance Company, a corporation organized under the laws of the State of Massachusetts ("Buyer").

WHEREAS, Seller indirectly owns 100% of the issued and outstanding capital stock of Presidential Life LLC, a limited liability company organized under the laws of the State of Delaware ("PLFE"), which directly owns 100% of the issued and outstanding capital stock (the "Shares") of Presidential Life Insurance Company – USA, a corporation organized under the laws of the State of Delaware (the "Company");

WHEREAS, Seller intends to acquire all of the common stock of Aviva USA Corporation ("AUSA") from Aviva plc ("Aviva"), an indirect parent of AUSA, pursuant to a Stock Purchase Agreement (as amended, modified or supplemented in accordance with its terms, the "SPA"), dated as of December 21, 2012, between Aviva and Seller;

WHEREAS, Seller desires to sell and assign, or cause to be sold and assigned, to Buyer, and Buyer desires to purchase and assume, from Seller and its Affiliates, two (2) Business Days prior to the SPA Closing (as defined below), the Shares, on the terms and conditions set forth herein;

WHEREAS, in connection with the acquisition of the common stock of AUSA (the "SPA Closing") by Seller pursuant to the SPA, the parties desire that Buyer indirectly acquire immediately prior to the SPA Closing all of the Life Business (as defined below) of AUSA and its Subsidiaries in the manner described below;

WHEREAS, Aviva Life and Annuity Company ("ALAC") is a wholly-owned subsidiary of AUSA and Aviva Life and Annuity Company of New York ("ALACNY" and, together with ALAC, the "Aviva Insurers") is a wholly-owned subsidiary of ALAC;

WHEREAS, in connection with Buyer's acquisition of the Life Business, Seller desires to sell and assign, or cause to be sold and assigned, to Buyer, and Buyer desires to purchase and assume, from Seller and its Affiliates, the Purchased Assets (as such term is defined below) pursuant to a Bill of Sale and Assignment Agreement to be entered into by and among AUSA, the Aviva Insurers, Buyer and the Company, as of the Effective Time, substantially in the form attached as Annex A hereto (the "Bill of Sale");

WHEREAS, in connection with Buyer's acquisition of the Life Business, the parties desire that the Company (following its acquisition by Buyer) and the NY Reinsurer, as applicable, reinsure immediately prior to the SPA Closing the Aviva Insurers' liabilities arising under certain life insurance policies pursuant to (a) a coinsurance and assumption agreement to be entered into by and between ALAC and the Company, as of the Effective Time, substantially in the form attached as Annex B hereto (with such changes as are mutually acceptable to the parties) (the "ALAC Coinsurance and Assumption Agreement"), and (b) a coinsurance and assumption agreement to be entered into by and between ALACNY and the NY Reinsurer, as of the Effective Time, substantially in the form attached as Annex C hereto (with such changes as are mutually acceptable to the parties) (the "ALACNY Coinsurance and Assumption Agreement", together with the ALAC Coinsurance and Assumption Agreement, the "Life Business Reinsurance Agreements");

WHEREAS, (i) in connection with the ALAC Coinsurance and Assumption Agreement, ALAC, the Company and a trustee acceptable to each of them will enter into a trust agreement, as of the Effective Time, substantially in the form attached to the ALAC Coinsurance and Assumption Agreement (with such changes as are mutually acceptable to the parties) (the "ALAC Trust Agreement") and (ii) in connection with the ALACNY Coinsurance and Assumption Agreement, ALACNY, the NY Reinsurer and a trustee acceptable to each of them will enter into a trust agreement, as of the Effective Time, substantially in the form attached to the ALACNY Coinsurance and Assumption Agreement (with such changes as are mutually acceptable to the parties) (together with the ALAC Trust Agreement, the "Trust Agreements");

WHEREAS, as contemplated by the term sheets that are attached hereto as Annex G (each, with such changes as are mutually acceptable to the parties, a "Captive Financing Term Sheet"), the Company and captive reinsurers of the Company will, by the Effective Time, enter into a series of captive reinsurance agreements;

WHEREAS, AUSA will, for an interim period after the Closing Date, provide or cause to be provided certain services to the Company and its Affiliates pursuant to a Transition Services Agreement to be entered into by and between AUSA and the Company as of the Effective Time, substantially in the form attached as Annex D hereto (with such changes as are mutually acceptable to the parties) (the "Transition Services Agreement"); and

WHEREAS, Seller (i) desires that the Reinsured Policies under the ALAC Coinsurance and Assumption Agreement be administered by the Company pursuant to an Administrative Services Agreement to be entered into by and between ALAC and the Company, as of the Effective Time, substantially in the form attached as Annex E hereto (with such changes as are mutually acceptable to the parties) (the "ALAC Administrative Services Agreement") and (ii) desires that the Reinsured Policies under the ALACNY Coinsurance and Assumption Agreement be administered by the NY Reinsurer pursuant to an Administrative Services Agreement to be entered into by and between ALACNY and the NY Reinsurer, as of the Effective Time, substantially in the form attached as Annex F hereto (with such changes as are mutually acceptable to the parties) (the "ALACNY Administrative Services Agreement" and, together with the ALAC Administrative Services Agreement, the "Administrative Service Agreements").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I.
DEFINITIONS

SECTION 1.1 Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Accounting Expert" has the meaning specified in Section 2.1(b)(iii).

"Action" means (i) any civil, criminal or administrative action, suit, claim, litigation or similar proceeding, in each case before a Governmental Entity or (ii) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a Tax audit, in each case other than complaint activity by or on behalf of policyholders unless and until any such policyholder complaint activity results in any civil, criminal or administrative action, suit, claim, litigation or similar proceeding before a Governmental Entity, in which case it shall, without duplication, be treated as an Action hereunder.

"Actuarial Expert" has the meaning specified in Annex J.

"Additional Reserve Requirement" has the meaning specified in Section 5.35.

"Administrative Services Agreements" has the meaning specified in the recitals hereto.

"Affiliate" of any Person means another Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such first Person. With respect to Seller, the term "Affiliate" shall not include (a) any of the pooled investment vehicles, funds, managed accounts or other clients to whom Apollo Global Management LLC ("AGM") or Subsidiaries of AGM engaged in alternative asset management provide investment advice or otherwise serve in a fiduciary capacity or (b) any of the other portfolio companies in which the entities described in clause (a) directly or indirectly hold investments.

"Agreement" has the meaning specified in the preamble hereto.

"ALAC" has the meaning specified in the recitals hereto.

"ALAC Administrative Services Agreement" has the meaning specified in the recitals hereto.

"ALAC Coinsurance and Assumption Agreement" has the meaning specified in the recitals hereto.

"ALAC Trust Agreement" has the meaning specified in the recitals hereto.

"ALACNY" has the meaning specified in the recitals hereto.

"ALACNY Administrative Services Agreement" has the meaning specified in the recitals hereto.

"ALACNY Coinsurance and Assumption Agreement" has the meaning specified in the recitals hereto.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"Asset Identification Protocol" shall mean the asset identification protocol set forth on Exhibit I attached hereto.

"Asset Purchase Price" has the meaning specified in Section 2.2(e)(i).

"Assets List" means the list of Reinsurance Assets contained in a spreadsheet file titled "05 Rye Asset Schedule.xlsx" and exchanged between the parties by e-mail at approximately 4:50 p.m. Eastern Daylight Time on the date hereof.

"AUSA" has the meaning specified in the recitals hereto.

"Aviva" has the meaning specified in the recitals hereto.

"Aviva Covered Loss" has the meaning specified in Section 5.16(m).

"Aviva Indemnified Losses" means Indemnifiable Losses (as defined in the SPA) that qualify for indemnification from Aviva pursuant to the SPA and that are not, pursuant to the SPA, excluded from indemnification by reason of the Cap or Deductible.

"Aviva Insurers" has the meaning specified in the recitals hereto.

"Bill of Sale" has the meaning specified in the recitals hereto.

"Burdensome Condition" has the meaning specified in Section 5.3(a).

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York City are required or authorized by Applicable Law to be closed.

"Buyer" has the meaning specified in the recitals hereto.

"Buyer's Adjustment Proposal" has the meaning specified in Annex J.

"Buyer Basket Amount" means $5,812,500.

"Buyer Disclosure Schedule" has the meaning specified in Article IV.

"Buyer Fundamental Representations" has the meaning specified in Section 7.1(a).

"Buyer Indemnification Cap" means $96,875,000 minus (x) any Indemnity Payment received by a Buyer Indemnified Person in respect of a breach by Seller of Section 3.18, and (y) any payment received by Buyer pursuant to Section 5.16(m) to the extent that the Aviva Covered Loss giving rise thereto is subject to the Cap under the SPA.

"Buyer Indemnified Persons" has the meaning specified in Section 7.2(a).

"Buyer Paid Indemnified Losses" means Aviva Indemnified Losses paid to Seller pursuant to the SPA (taking into account Section 5.16 hereof, including if paid into the Escrow Account pursuant to Section 5.16 hereof) to the extent related to, resulting from or arising from the Life Business (other than any Seller Unreimbursed Losses).

"Buyer SPA Claim" has the meaning specified in Section 5.16(a).

"Buyer Unreimbursed Losses" has the meaning specified in Section 5.16(a).

"Cap" has the meaning specified in the SPA.

"Captive Financings" means the closing of captive financing arrangements pursuant to and in accordance with terms and conditions that are no less favorable following the Closing, in the aggregate, for the Company and the captive reinsurance companies formed in connection with such captive financing arrangements, than those set forth in the Captive Financing Term Sheets.

"Ceding Commission" has the meanings specified in the Life Business Reinsurance Agreements.

"Ceding Commission Recalculation Request" has the meaning specified in Annex J.

"Certificate of Authority" means a license, certificate of authority, permit, approval or authorization issued by the applicable insurance regulatory Governmental Entity required to authorize the Company to act in the jurisdictions and in the lines of business set forth on Section 3.8(b) of the Seller Disclosure Schedule.

"Closing" has the meaning specified in Section 2.2(c).

"Closing Date" has the meaning specified in Section 2.2(c).

"COBRA" means Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commencement Date" has the meaning specified in Section 5.7(a)(iii).

"Company Acquisition" means the acquisition of the Company (f/k/a Great American Life Assurance Company) by Presidential Life Corporation.

"Company Books and Records" means the originals or copies of all records (including, without limitation, financial records, Tax records and compliance records), corporate minute books and any other books and records of the Company, including, without limitation, those that the Company is required to maintain under Applicable Law, and other materials relating directly or primarily to the business, activities and operation of the Company on or prior to the Shares Closing Date, (i) in the possession or under the control of Seller or its Affiliates or their respective Representatives, and (ii) whether or not stored in hardcopy form or on electronic, magnetic, optical or other media.

"Company Contracts" has the meaning specified in Section 3.16(a).

"Company Group" means any "affiliated group" (as defined in Section 1504(a) of the Code without regard to the limitations contained in Section 1504(b) of the Code) that, at any time on or before the Closing Date, includes or has included the Company or any direct or indirect predecessor of the Company, or any other group of corporations filing Tax Returns on a combined, consolidated or unitary basis that, at any time on or before the Closing Date, includes or has included the Company or any direct or indirect predecessor of the Company.

"Companies" has the meaning specified in the SPA.

"Comparable Job" has the meaning specified in Section 5.7(b).

"Confidentiality Agreement" means the Confidentiality Agreement, dated April 11, 2013, between Seller and Buyer.

"Contract" means any agreement, contract, instrument, guarantee, undertaking, lease, note, mortgage, indenture, license or other legally binding commitment or obligation, whether written or oral.

"Control" or "Controlled" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or partnership or other interests, by contract or otherwise; provided, that any entity deemed to be a Control Person of either party hereto or the Company under any Applicable Law regulating insurance companies in the State of Iowa shall be deemed to Control such party or the Company.

"Controlled Affiliate" in respect of a Person, shall mean an Affiliate that is Controlled by such Person.

"Controlled Group Liability" means any and all liabilities of the Company (i) under Title IV of ERISA, (ii) under the minimum funding requirements of Section 302 of ERISA or Section 412 of the Code or (iii) under Section 4971 of the Code, which arise by reason of the Company being treated as a single employer with any other Person under these statutory provisions prior to the Closing.

"Conveyance Tax" has the meaning specified in Section 8.5.

"Covered Employee" has the meaning specified in Section 5.7(a).

"Cut-off Date" means the Cut-off Date (as defined in the SPA) with respect to solely the transactions contemplated by this Agreement and the Transaction Documents, but not the PLUSA Transaction (as defined in the SPA).

"D&O Indemnified Person" has the meaning specified in Section 5.19.

"Deductible" has the meaning specified in the SPA.

"Disclosure Schedules" means the Seller Disclosure Schedule and the Buyer Disclosure Schedule.

"Dispute Notice" has the meaning specified in Section 2.1(b)(iii).

"Disputed Item" has the meaning specified in Section 2.1(b)(iii).

"Effective Date" has the meaning specified in the Life Business Reinsurance Agreements.

"Effective Time" has the meaning specified in Section 2.2(c).

"Employee Benefit Plan" means a written or unwritten plan, policy, program, agreement or arrangement, whether covering a single individual or a group of individuals, that is (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA, (ii) a stock bonus, stock purchase, stock option, retired stock, stock appreciation right or similar equity-based plan or (iii) any other employment, severance, retention, change-in-control, deferred-compensation, retirement, welfare-benefit, bonus, incentive or fringe benefit plan, policy, program, arrangement or agreement.

"Employment-Related Liabilities" means (i) any wages, salary, overtime or other compensation payable for services and (ii) any claims alleging violations of applicable laws respecting labor, employment, fair employment practices, terms and conditions of employment, workers' compensation, occupational safety and health requirements, plant closings, wages and hours, withholding of taxes, employment discrimination, disability rights or benefits, equal opportunity, labor relations, immigration matters, employee leave issues and unemployment insurance and related matters.

"Encumbrance" means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, claim, lien or charge of any kind, in each case other than as arising under or imposed by the Transaction Documents.

"End Date" has the meaning specified in the SPA.

"Escrow Account" has the meaning specified in Section 5.16(c).

"Escrow Agent" has the meaning specified in Section 5.16(c).

"Escrow Agreement" has the meaning specified in Section 5.16(c).

"Estimated Shares Purchase Price" means the sum of (a) $2,000,000 and (b) the Preliminary Shares Closing Date Company Capital.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Reinsured Liability" has the meaning specified in Section 5.16(m).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Liabilities" means (a) all Liabilities of Seller, AUSA or their respective Affiliates (including ALAC and ALACNY) to the extent not related to the Life Business, (b) any Liabilities arising out of or in connection with litigation pending or threatened in writing against or affecting Seller, AUSA or their respective Affiliates (including ALAC and ALACNY) on or before the Closing Date that is listed on Section 3.1(m) of the "Seller Disclosure Schedule" as defined in the SPA but is not set forth on Section 1.1(a) of the Buyer Disclosure Schedule, (c) any Controlled Group Liability, (d) any Employment-Related Liabilities related to (x) any Covered Employee in respect of the period prior to such Covered Employee's Commencement Date (including, for the avoidance of doubt, any Employee-Related Liabilities with respect to such Covered Employee to the extent relating to, resulting from or arising out of any incident, event, fact or circumstance occurring prior to such Covered Employee's Commencement Date) or (y) any employee of Seller and its Affiliates who does not become a Covered Employee, (e) except (x) as provided in Section 2.5 of the Life Business Reinsurance Agreements or (y) for the payments to be made to Seller pursuant to Section 5.18(b) of this Agreement, any Liabilities for compensation or employee benefits payable to any producer, distributor or other Third Party, (f) except (x) as provided in Section 2.5 of each Life Business Reinsurance Agreements or (y) for the payments to be made to Seller pursuant to Section 5.18(b), any Liability or obligation under any Employee Benefit Plan in which any Covered Employee participated prior to the Closing Date or in which any other employee participated prior to the Closing Date or participates on or after the Closing Date, (g) the items listed on Section 3.1(k) of the "Seller Disclosure Schedule" as defined in the SPA to the extent relating to Policies issued prior to the Closing Date and (h) any fees, costs, expenses, termination or make-whole fees or any other Liabilities incurred prior to the Closing under any captive reinsurance or captive financing arrangements in effect with respect to the Life Business or in connection with Seller using its reasonable best efforts to effectuate the Captive Financing; provided, that any such fees, costs, expenses, termination or make-whole fees or other Liabilities relating to the termination or amendment of any such captive reinsurance or captive financing arrangement or the transfer to the Company or the NY Reinsurer of the Captive Financing related to or arising, in significant part, from (i) an internal company solution (including a parental guaranty solution) implemented by Buyer or its Affiliates (including the Company after the Shares Closing), other than at Seller's request, or (ii) (A) any action by Buyer or its Affiliates (including the Company after the Shares Closing) that was not in compliance with Seller Requested Cooperation or (B) the failure of Buyer or any of its Affiliates (including the Company after the Shares Closing) to take any action reasonably requested by Seller in connection with the Captive Financings.

"Final Balance Sheet" has the meaning specified in Section 2.1(b)(v).

"Financial Statements" has the meaning specified in Section 3.5.

"Funds Withheld Account" has the meaning specified in the Life Business Reinsurance Agreements.

"GAAP" means United States generally accepted accounting principles.

"Governmental Authorizations" has the meaning specified in Section 5.3(a).

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self regulatory body or arbitral body or arbitrator.

"Great American Life Coinsurance Agreement" means the coinsurance agreement, effective as of June 30, 2011, by and between the Company and Great American Life Insurance Company.

"HSR Act" has the meaning specified in Section 3.4(a).

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed by the European Union and effective for accounting periods beginning on or after January 1, 2011.

"Impaired Asset" means any asset that is treated as impaired under SAP and the impairment policies and procedures of the Aviva Insurers, consistently applied.

"Indemnitee" means any Person entitled to indemnification under this Agreement.

"Indemnitor" means any Person required to provide indemnification under this Agreement.

"Indemnity Payment" means any amount of Losses required to be paid pursuant to this Agreement; provided, however that any Indemnity Payment shall be net of any (A) amounts actually recovered (after deducting related reasonable costs and expenses) by or recoverable by the Indemnitee for the Losses for which such Indemnity Payment is made under any insurance policy, warranty or indemnity or otherwise from any Person other than a party hereto, (B) amounts reflected or reserved against in the Final Balance Sheet, and (C) Tax benefits actually recognized (net of any Tax detriment actually recognized in respect of the receipt of the Indemnity Payment) by the Indemnitee (or, in the case of a Buyer Indemnified Person, any other Buyer Indemnified Person) in respect of any Losses for which such Indemnity Payment is made (it being understood that no Indemnity Payment to be made hereunder may be withheld or otherwise delayed due to the fact that an anticipated Tax benefit has not actually been recognized by the applicable Indemnitee).

"Intellectual Property" means: (a) patents, applications for patents and statutory invention registrations (in each case including continuations, divisions, continuations-in-part, renewals, extensions, reexaminations or reissues of patent applications and statutory invention registrations and patents issuing thereon), documented unpatented invention disclosures and all rights therein provided by Applicable Law; (b) unregistered and registered Trademarks and applications for trademark registration; (c) protectable works of authorship, including all copyrights, copyright registrations and applications for copyright registration; (d) Internet domain names; (e) rights in trade secrets, know-how and other proprietary and confidential data and information provided by Applicable Law; and (f) all administrative and legal rights arising therefrom and relating thereto, including the right to prosecute and perfect such interests and rights to sue, oppose, cancel, interfere, and enjoin based upon such interests.

"IRS" means the Internal Revenue Service.

"Knowledge" means the actual knowledge after reasonable inquiry of (a) with respect to Seller, those Persons listed in Section 1.1 of the Seller Disclosure Schedule, and (b) with respect to Buyer, those Persons listed in Section 1.1(b) of the Buyer Disclosure Schedule.

"Liability" means a liability, obligation, expense, claim or cause of action (of any kind or nature whatsoever, whether absolute, accrued, contingent or other, whether due or to become due, and whether known or unknown).

"Life Business" means the life insurance business of AUSA and its Subsidiaries, including all life insurance policies and contracts of ALAC and ALACNY (whether or not such policies or contracts have been filed with any Governmental Entity or qualify as life insurance for tax purposes) issued, sold assumed, reinsured, exchanged, modified, amended or administered by AUSA and its Subsidiaries at any time (whether outstanding, paid, terminated, lapsed or otherwise) and all assets, rights, liabilities, claims, damages, payments, expenses and obligations (other than retained asset accounts) to the extent arising out of or related to such life insurance business; provided, that the Life Business shall not include any Excluded Liabilities and shall not include any insurance policies and contracts falling within the following lines of business: health, annuities, funding agreements, corporate owned life insurance sold on a group basis, bank-owned life insurance sold on a group basis, synthetic guaranteed investment contracts and variable life or other variable business.

"Life Business Books and Records" means the books, ledgers, files, reports, customer lists, policy information, contracts, administrative and pricing manuals, claims records, sales records, underwriting records, actuarial records, financial records, compliance records (including those prepared for or filed with any Governmental Entity), plans and operating records (in whatever form maintained), Tax Returns (including work papers), Tax records and all other records and information of or related to the Life Business or its conduct, each in the possession or control of AUSA, the Aviva Insurers or their respective Affiliates prior to the Closing, whether or not stored in hardcopy form or on electronic, magnetic, optical or other media.

"Life Business Material Adverse Effect" means a material adverse effect on the Life Business, taken as a whole, but shall exclude any such effect to the extent resulting from (i) general political, economic or securities or financial market conditions (including changes in interest rates or changes in equity prices), (ii) any occurrence or condition generally affecting participants in the life insurance industry in the United States, (iii) any change or proposed change in GAAP, SAP, IFRS, Applicable Law or the interpretation or enforcement thereof, (iv) natural catastrophe events, hostilities, acts of war or terrorism, or any escalation or worsening thereof, (v) the public announcement of any of the transactions contemplated by this Agreement or the SPA, (vi) the identity of or facts related to Buyer, or the effect of any action (1) taken by Buyer or any Affiliate of Buyer, or (2) taken by Seller, PLFE, the Company, AUSA, ALAC, ALACNY or any of their respective Affiliates at the request of Buyer or with Buyer's prior consent or (vii) any downgrade or threatened downgrade in the rating assigned any Company by any rating agency (provided that the facts and circumstances underlying any such downgrade or threatened downgrade shall not be excluded by virtue of this clause (vii) in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur); provided that notwithstanding the foregoing, with respect to clauses (i), (ii), (iii) and (iv) above, any such effect shall be taken into account in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur only to the extent such effect disproportionately adversely affects the Life Business.

"Life Reference Balance Sheet" means the balance sheet for the Life Business prepared and delivered in accordance with Section 5.8.

"Losses" means any damages, claims, losses, liabilities, charges, actions, suits, proceedings, deficiencies, interest, penalties, settlements and costs and expenses (including reasonable attorneys' fees and expenses), including any exemplary, consequential (including lost profits) and punitive damages.

"Material Adverse Effect" means, with respect to any Person, a material adverse effect on the ability of such Person or any Affiliate of such Person to perform its obligations under the Transaction Documents (other than the Bill of Sale) to which it is a party or to consummate the transactions contemplated thereby.

"Milliman" has the meaning specified in Annex J.

"Net Retained Liabilities" has the meaning specified in the Life Business Reinsurance Agreements.

"Non-NLG ALACNY Block" has the meaning specified in Section 5.35.

"Notice Period" has the meaning specified in Section 7.3(a).

"Novated Agreement" has the meaning specified in Section 5.30.

"Novated Contracts" has the meaning specified in the Life Business Reinsurance Agreements.

"NY Reinsurer" means First Allmerica Financial Life Insurance Company, a corporation organized under the laws of the State of Massachusetts.

"Organizational Documents" has the meaning specified in Section 3.1(b).

"Paid Indemnified Losses" means the Buyer Paid Indemnified Losses and the Seller Paid Indemnified Losses.

"Permitted Encumbrance" means, (a) with respect to real property, covenants, conditions, restrictions, encroachments, encumbrances, easements, rights of way, licenses, grants, building or use restrictions, exceptions, reservations, limitations or other imperfections of title (other than an Encumbrance securing any indebtedness) that, individually or in the aggregate, do not materially detract from the value of, or materially interfere with the present occupancy or use of, such real property and the continuation of the present or any reasonably contemplated occupancy or use of such real property, (b) an Encumbrance with respect to real property which is a zoning, entitlement or other land use regulation by any Governmental Entity (or that otherwise arises or is created by municipal or zoning ordinances) which is not violated in any material respect as of the date of this Agreement, (c) unfiled mechanic's, materialmen's and similar Encumbrances with respect to amounts not yet due and payable or that are being contested in good faith through appropriate proceedings or (d) Encumbrances for Taxes or governmental assessments, charges or claims of payment not yet delinquent or that are being contested in good faith through appropriate proceedings and, if and to the extent that reserves with respect thereto are required to be maintained under the applicable accounting principles with respect to a Person, for which adequate reserves are maintained on the financial statements of such Person.

"Person" means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization or other entity.

"PLFE" has the meaning specified in the recitals hereto.

"Policies" means, collectively, the Policies (as defined in the ALAC Coinsurance and Assumption Agreement) and the Policies (as defined in the ALACNY Coinsurance and Assumption Agreement).

"Pre-Closing Migration Services" has the meaning specified in Section 5.22(b).

"Preliminary Shares Closing Date Balance Sheet" has the meaning specified in Section 2.1(b)(i).

"Preliminary Shares Closing Date Company Capital" has the meaning specified in Section 2.1(b)(i).

"Pro Forma Life Reference Balance Sheet" has the meaning specified in Section 5.8(a).

"Product Tax Claim" has the meaning specified in Section 7.10 of the SPA.

"Pro Forma Shares Closing Date Balance Sheet" means the Pro Forma Shares Closing Date Balance Sheet attached as Annex K hereto, which was prepared, as of December 31, 2012, in accordance with SAP.

"Purchased Assets" has the meaning specified in the Bill of Sale.

"Purchased Assets Purchase Price" means the price payable for the Purchased Assets, as determined in accordance with the Bill of Sale.

"RBC Ratio" means the ratio, as of the date of determination, of the Company's "total adjusted capital" over its "company action level risk-based capital", as such terms are defined and prescribed by requirements promulgated by the National Association of Insurance

Commissioners and regulations adopted by the insurance regulatory authorities in the Company's state of domicile, which are in effect as of such date, calculated as of the end of each calendar quarter, and using reserving methodologies and asset classifications that are in accordance with generally accepted statutory accounting principles and practices required or permitted by the National Association of Insurance Commissioners and the insurance regulatory authority in the Company's state of domicile, consistently applied throughout the specified period and in the immediately prior comparable period; provided, that in the event there is a material change in the factors and formulae prescribed by the insurance regulatory authority in the Company's state of domicile with respect to the components of and methodologies contained in such calculation, the parties shall amend this Agreement to incorporate an alternate calculation that is reasonably equivalent to the components of and methodologies contained in the calculation of the Company's RBC Ratio in effect as of the Closing Date within thirty (30) calendar days after the implementation of such change, and if the parties cannot agree on any such alternative, the Company shall continue to calculate its RBC Ratio as if such material change had not occurred.

"Reinsured Policies" means the Reinsured Policies (as defined in the ALAC Coinsurance and Assumption Agreement) and the Reinsured Policies (as defined in the ALACNY Coinsurance and Assumption Agreement), as applicable.

"Related Party Contracts" has the meaning specified in Section 3.16(b).

"Representatives" shall mean, with respect to any Person, the directors, officers, employees, partners, agents, contractors or advisors (including attorneys, accountants, consultants, bankers and financial advisors) of such Person.

"Resolution Period" has the meaning specified in Section 2.2(c).

"SAP" with respect to any Insurance Company means statutory accounting practices prescribed or permitted by the applicable insurance regulator with respect to such insurance company (including, where adopted, the accounting practices described in the Accounting Practices and Procedures manual of the National Association of Insurance Commissioners).

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" has the meaning specified in the recitals hereto.

"Seller Basket Amount" means $17,437,500.

"Seller Disclosure Schedule" has the meaning specified in Article III.

"Seller Fundamental Representations" has the meaning specified in Section 7.1(a).

"Seller Indemnification Cap" means $290,625,000 plus (x) any Indemnity Payment received by a Buyer Indemnified Person in respect of a breach by Seller of Section

3.18, and (y) any payment received by Buyer pursuant to Section 5.16(m) to the extent that the Aviva Covered Loss giving rise thereto is subject to the Cap under the SPA.

"Seller Paid Indemnified Losses" means Aviva Indemnified Losses paid to Seller pursuant to the SPA (taking into account Section 5.16 hereof, including if paid into the Escrow Account pursuant to Section 5.16 hereof) that are not Buyer Paid Indemnified Losses (other than any Buyer Unreimbursed Losses).

"Seller's Account" has the meaning specified in Section 2.1(c)(i).

"Seller's Adjustment Proposal" has the meaning specified in Annex J.

"Seller's Proportionate Share" has the meaning specified in Section 5.16(f)(ii).

"Seller Trademarks" has the meaning specified in Section 5.20.

"Seller Unreimbursed Losses" has the meaning specified in Section 5.16(a).

"Severance Plan" has the meaning specified in Section 5.7(a)(v).

"Seller Requested Cooperation" has the meaning specified in Section 5.13(a).

"Shares" has the meaning specified in the recitals hereto.

"Shares Closing" has the meaning specified in Section 2.1(d).

"Shares Closing Date" has the meaning specified in Section 2.1(d).

"Shares Closing Date Balance Sheet" has the meaning specified in Section 2.1(b)(ii).

"Shares Closing Date Company Capital" has the meaning specified in Section 2.1(b)(ii).

"Shares Purchase Price" has the meaning specified in Section 2.1(f).

"Software" means any and all computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source-code, object-code, human readable form or other form, including firmware, operating systems and specifications.

"SPA" has the meaning specified in the recitals hereto.

"SPA Closing" has the meaning specified in the recitals hereto.

"Specified Representation" has the meaning specified in Section 7.1(a).

"Statutory Book Value" has the meaning specified in the Life Business Reinsurance Agreements.

"Straddle Period" means any Tax period that includes, but does not end on, the Shares Closing Date.

"Subsidiary" of any Person means another Person more than 50% of the total combined voting power of all classes of capital stock or other voting interests of which, or more than 50% of the equity securities of which, is owned directly or indirectly by such first Person.

"Supplemental Allowance" has the meaning specified in the Life Business Reinsurance Agreements.

"Tax Return" means any report, estimate, extension request, information statement, claim for refund, or return relating to, or required to be filed in connection with, any Tax, including any schedule or attachment thereto, and any amendment thereof.

"Tax Contest" has the meaning specified in Section 8.4.

"Tax Refund" has the meaning specified in Section 8.3.

"Taxes" means any and all federal, state, local, or foreign income, premium, property (real or personal), sales, excise, employment, payroll, withholding, gross receipts, license, severance, stamp, occupation, windfall profits, environmental, customs duties, capital stock, franchise, profits, social security (or similar, including FICA), unemployment, disability, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition imposed in connection with the payment, reporting or disclosure thereof; provided, that, for the avoidance of doubt, "Taxes" shall not include any escheatment or similar liabilities.

"Third Party" means any Person other than Seller, Buyer, AUSA or any of their respective Affiliates.

"Third-Party Claim" means any claim, action, suit, or proceeding made or brought by any Third Party.

"Total Accessible Capital" has the meaning specified in Section 5.14(b).

"TPA" has the meaning specified in Section 5.22(c).

"Trademarks" means any trademarks, service marks, service names, trade names, trade dress, logos and other brand or source identifiers, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith.

"Transaction Documents" means this Agreement, the Bill of Sale, the Life Business Reinsurance Agreements, the Trust Agreements, the Administrative Services Agreements and the Transition Services Agreement.

"Transaction Expenses" means, without duplication, all liabilities (except for any Taxes, including Conveyance Taxes) incurred by any party hereto for fees, expenses, costs or charges as a result of the contemplation, negotiation, efforts to consummate or consummation of the transactions contemplated by this Agreement, including any fees and expenses of investment bankers, attorneys, accountants or other advisors, and any fees payable by such parties to Governmental Entities or other third parties, in each case, in connection with the consummation of the transactions contemplated by this Agreement.

"Transferred Assets" has the meaning specified in the Life Business Reinsurance Agreements.

"Transition Services Agreement" has the meaning specified in the recitals hereto.

"Treasury Regulations" means the regulations prescribed under the Code.

"Unpaid Indemnified Losses" shall mean Aviva Indemnified Losses that are unpaid by Aviva due to the application of the Cap or the Deductible and (i) with respect to Buyer, solely to the extent such losses relate to, result from or arise from the Life Business and (ii) with respect to Seller, solely to the extent such losses do not relate to, result from or arise from the Life Business.

"Unresolved Items" has the meaning specified in Section 2.1(b)(iii).

"Valuation Model" has the meaning specified in Annex J.

ARTICLE II.
PURCHASE AND SALE OF THE SHARES AND THE PURCHASED ASSETS

SECTION 2.1 Shares Closing.

(a) Purchase and Sale of the Shares. On the terms and subject to the conditions set forth in this Agreement, at the Shares Closing, Seller shall, or shall cause one or more of its Affiliates to, sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller and the applicable selling Affiliates, the Shares free and clear of all Encumbrances; provided, that neither Seller nor Buyer shall be obligated to consummate the Shares Closing unless it has received reasonable assurances that the SPA Closing will occur two Business Days after the Shares Closing.

(b) Preliminary and Closing Date Balance Sheet.

(i) No later than 10:00 AM New York City time on the Business Day immediately prior to the anticipated Shares Closing Date, Seller shall provide Buyer with a balance sheet of the Company prepared in accordance with SAP reflecting balances estimated as of the Shares Closing Date (the "Preliminary Shares Closing Date Balance Sheet"). The Preliminary Shares Closing Date Balance Sheet shall be prepared in the form of the Pro Forma Shares Closing Date Balance Sheet. Seller shall ensure that the capital and surplus of the Company that is set forth in accordance with SAP in the Preliminary Shares Closing Date Balance Sheet (the "Preliminary Shares Closing Date Company Capital") does not exceed $15,000,000.00.

(ii) On or before the date which is fifteen (15) Business Days following the end of the month in which the Shares Closing occurs, Buyer shall prepare and deliver to Seller an updated balance sheet of the Company prepared in accordance with SAP reflecting the actual balances as of the Shares Closing Date (the "Shares Closing Date Balance Sheet"). The capital and surplus as set forth in the Shares Closing Date Balance Sheet is referred to herein as the "Shares Closing Date Company Capital". The Preliminary Shares Closing Date Company Capital and the Shares Closing Date Company Capital shall be calculated consistently with line 38 of page 3 of the 2012 annual statutory statement of the Company.

(iii) The Shares Closing Date Balance Sheet shall become final, binding and conclusive upon Seller and Buyer on the thirtieth (30^{th}) day following the date of its delivery to Seller by Buyer, unless prior to such thirtieth (30^{th}) day Seller delivers to Buyer a written notice (a "Dispute Notice") specifying in reasonable detail each item that Seller disputes (each, a "Disputed Item"), the amount in dispute for each Disputed Item and the reasons supporting Seller's positions. During the fifteen-day period beginning on the date Buyer receives the Dispute Notice (the "Resolution Period"), the parties shall seek in good faith to resolve the Disputed Items. If the parties are unable to resolve all of the Disputed Items during the Resolution Period, then the parties shall jointly engage and submit the unresolved Disputed Items (the "Unresolved Items") to an independent internationally recognized accounting firm mutually agreed upon by Buyer and Seller (the "Accounting Expert"). If Buyer and Seller do not appoint an Accounting Expert within ten (10) days after the Resolution Period, they shall request the American Arbitration Association to appoint as the Accounting Expert an independent internationally recognized accounting firm that has not had a material relationship with Buyer, Seller or the Company within the preceding two years. The Accounting Expert shall act as an arbitrator to determine, based solely on presentations by Buyer and Seller and not by independent review, only the Unresolved Items still in dispute and shall be limited to those adjustments, if any, required to be made to the Shares Closing Date Balance Sheet to comply with the provisions of this Agreement. The parties shall agree, promptly after the Accounting Expert has been appointed, on procedures governing the resolution of any Unresolved Item by the Accounting Expert, provided that if the parties fail to agree on such procedures, the dispute resolution procedures of the American Arbitration Association shall govern. Buyer and Seller shall use their reasonable best efforts to cause the Accounting Expert to issue its written determination regarding the Unresolved Items within thirty (30) days after such Unresolved Items are submitted for review. In no event shall the Accounting Expert's determination of the Unresolved Items be for an amount that is outside the range of Buyer's and Seller's disagreement. Each party shall use its reasonable best efforts to furnish to the Accounting Expert such work papers and other documents and information pertaining to the Unresolved Items as the Accounting Expert may reasonably request. The determination of the Accounting Expert shall be final, binding and conclusive upon Buyer and Seller absent fraud or manifest error. Either of Buyer or Seller may petition a court having jurisdiction over the other party or its assets to reduce the Accounting Expert's decision to judgment. The fees, expenses and costs of the Accounting Expert shall be borne in the same proportion as the aggregate amount of the Unresolved Items that is unsuccessfully disputed by each (as determined by the Accounting Expert) bears to the total amount of the Unresolved Items submitted to the Accounting Expert.

(iv) At any time following delivery of a Dispute Notice and until any Disputed Items are finally resolved, each party shall use its reasonable best efforts to provide promptly to the other party all information and reasonable access to employees as such other party shall reasonably request in connection with review of the Preliminary Shares Closing Date Balance Sheet, Preliminary Shares Closing Date Company Capital, Shares Closing Date Balance Sheet, Shares Closing Date Company Capital or Dispute Notice, as the case may be, including all work papers of any accountants, actuaries or financial advisors who audited, compiled or reviewed such statements or notices (subject to the party and its Representatives that receive such work papers entering into any undertakings required by such accountants, actuaries or financial advisors in connection herewith), and shall otherwise cooperate in good faith with such other party to arrive at a final determination of the Disputed Items.

(v) Upon the final resolution of all Disputed Items in accordance with Section 2.1(b)(iii), Buyer shall prepare a balance sheet (the "Final Balance Sheet") in substantially the same form as the Shares Closing Date Balance Sheet that reflects the resolution of the Disputed Items as resolved in accordance with Section 2.1(b)(iii).

(c) Payment of Shares Purchase Price and Post-Closing Adjustment.

(i) At the Shares Closing, Buyer shall pay Seller or a designated Affiliate of Seller the Estimated Shares Purchase Price, by wire transfer of immediately available funds to an account or accounts designated by Seller in writing at least one (1) Business Day prior to the Shares Closing Date ("Seller's Account").

(ii) Within ten (10) Business Days following the final determination of the Shares Closing Date Company Capital:

(A) if the Shares Closing Date Company Capital exceeds the Preliminary Shares Closing Date Company Capital, Buyer shall pay to Seller an amount in cash equal to such excess by wire transfer of immediately available funds, and

(B) if the Preliminary Shares Closing Date Company Capital exceeds the Shares Closing Date Company Capital, Seller shall pay to Buyer an amount equal to such excess by wire transfer of immediately available funds.

(d) Shares Closing Date. The closing of the purchase and sale of the Shares (the "Shares Closing"), shall take place at the offices of Sidley Austin LLP, 787 Seventh Avenue, New York, NY 10019 at 9:00 a.m., New York City time, two Business Days prior to the anticipated day on which the SPA Closing will occur, provided that the conditions set forth in Article VI have been satisfied or waived on the date of the Shares Closing in accordance with the terms of this Agreement (other than those conditions that by their terms are to be satisfied at the Closing), or at such other time and place as may be agreed upon in writing by Buyer and Seller. The time and date on which the Shares Closing is actually held is referred to herein as the "Shares Closing Date".

(e) Shares Closing Deliveries.

(i) At the Shares Closing, Seller shall deliver or cause to be delivered to Buyer:

(A) certificates representing the Shares, duly endorsed in blank or accompanied by sufficient instruments of transfer, and bearing or accompanied by all requisite stock transfer stamps;

(B) the written resignations of the directors of the Company from their positions as directors of the Company to the extent requested by Buyer;

(C) one or more certificates, in form and substance reasonably satisfactory to Buyer, certifying that withholding is not required under Section 1445 of the Code or the regulations promulgated thereunder in connection with the sale of the Shares; and

(D) the Company Books and Records in accordance with Section 5.28.

(ii) At the Shares Closing, Buyer shall make the payment contemplated by Section 2.1(c)(i).

(f) Tax Treatment. Buyer and Seller agree that, for U.S. federal income tax purposes, the purchase price for the Shares shall be equal to (i) the Estimated Shares Purchase Price, *plus or minus* (ii) any adjustment to the Estimated Shares Purchase Price described in Section 2.1(c)(ii) (the "Shares Purchase Price").

SECTION 2.2 Closing.

(a) Life Business Reinsurance Agreements; Purchase and Sale of the Purchased Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the following shall occur:

(i) Buyer shall, or shall cause one or more of its Affiliates to, purchase, acquire and accept from ALAC and its Affiliates, and Seller shall cause ALAC or one or more of its Affiliates to, sell, assign, transfer, convey and deliver to Buyer or an Affiliate of Buyer, free and clear of all Encumbrances (other than Permitted Encumbrances), all right, title and interest in and to all of the Purchased Assets pursuant to the Bill of Sale; and

(ii) the transactions contemplated by the Life Business Reinsurance Agreements, the Trust Agreements, the Administrative Services Agreements and the Transition Services Agreement shall be consummated.

(b) Purchased Assets Purchase Price. At the Closing, Buyer or an Affiliate of Buyer shall pay Seller the Purchased Assets Purchase Price by wire transfer of immediately available funds to Seller's Account.

(c) Closing Date. The closing of the transactions contemplated by Section 2.2(a) (the "Closing"), shall take place at the offices of Sidley Austin LLP, 787 Seventh Avenue, New York, NY 10019, on the day the SPA Closing occurs and immediately prior to the SPA Closing, provided that the conditions set forth in Article VI have been satisfied or waived in accordance with the terms of this Agreement, or at such other time and place as may be agreed upon in writing by Buyer and Seller. The Closing shall be deemed effective as of 11:58 PM New York City time on the last calendar day of the month prior to the month in which the Closing occurs. Such date is referred to herein as the "Closing Date" and such time on such date is referred to herein as the "Effective Time".

(d) Closing Deliveries.

(i) At the Closing, Seller shall deliver or cause to be delivered to Buyer:

(A) each Transaction Document, duly executed by the parties thereto (other than Buyer); and

(B) one or more certificates, in form and substance reasonably satisfactory to Buyer, certifying that withholding is not required under Section 1445 of the Code or the regulations promulgated thereunder in connection with the sale of the Purchased Assets.

(ii) At the Closing, Buyer shall make the payment contemplated by Section 2.2(b) and deliver or cause to be delivered to Seller, each Transaction Document to which Buyer or an Affiliate (including the Company) thereof is a party, duly executed by Buyer or its Affiliate, as applicable.

(e) Purchase Price Allocation. Buyer and Seller agree that, for U.S. federal income tax purposes, the purchase price for the Purchased Assets shall be equal to (i) the Purchased Assets Purchase Price, *plus* (ii) the amount, if any, of any liabilities assumed pursuant to the terms of the Transaction Documents that are properly taken into account in determining the purchase price for the Purchased Assets (the "Asset Purchase Price"). For U.S. federal income tax purposes, the Asset Purchase Price shall be allocated among the Purchased Assets as provided in Schedule I to the Bill of Sale.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the disclosure schedule supplied by Seller to Buyer dated as of the date hereof (the "Seller Disclosure Schedule"), Seller hereby represents and warrants to Buyer as of the date hereof, the Shares Closing Date and the Closing Date (except, in all cases, to the extent any such representations and warranties address matters only as of a particular date, in which case such representations and warranties shall speak only as of such date) as follows; provided, that Seller makes no representations or warranties in this Agreement with respect to the Company with respect to any effects resulting from any action or omission of Buyer or any of its Affiliates (including the Company after the Shares Closing) from and after the Shares Closing:

SECTION 3.1 Organization, Standing and Corporate Power.

(a) Seller is an exempted company duly incorporated, validly existing and in good standing under the laws of Bermuda.

(b) The Company is (i) a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and (ii) has the requisite corporate power and authority to own, lease or otherwise hold the assets and properties owned, leased or otherwise held by it and to carry on its business as now being conducted, except, in the case of clause (ii), where the failure to have such power and authority would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect with respect to Seller or the Company. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, other than in such jurisdictions where the failure to be so qualified or in good standing (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect with respect to Seller or the Company.

(c) Seller has made available to Buyer true, complete and correct copies of the certificate of incorporation and bylaws, each as amended to date (collectively, the "Organizational Documents"), of the Company. The Organizational Documents of the Company that have been so delivered are in full force and effect.

SECTION 3.2 Capital Structure. The issued and outstanding capital stock of the Company consists of 200,000 shares, par value $12.50 per share, which constitute the Shares. Except for the Shares, no shares of capital stock or other equity interests of the Company are issued, reserved for issuance or outstanding. All of the Shares are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. PLFE is the record and beneficial owner of 100% of the Shares, free and clear of all Encumbrances. There are no restrictions upon the voting or transfer of any Shares pursuant to the Company's Organizational Documents or any agreement to which Seller, PLFE or the Company is a party. Assuming Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery of and payment for the Shares at the Closing as herein provided, good and valid title to the Shares will pass to Buyer, free and clear of all Encumbrances, other than any Encumbrances arising from acts of Buyer. There are no capital appreciation rights, phantom stock plans or securities with participation rights or features, or similar obligations and commitments with respect to the Company (other than the Shares). There are no obligations, contingent or otherwise, to repurchase, redeem (or establish a sinking fund with respect to redemption) or otherwise acquire any shares of capital stock or other equity interests of the Company. There are no securities, options, warrants, rights, commitments or agreements of any kind, except for this Agreement, to which the Company or Seller is a party or by which either is bound obligating it to issue, sell or deliver shares of capital stock or other equity interests of the Company.

SECTION 3.3 Authority.

(a) Seller has the requisite corporate power and authority to enter into this Agreement and each other Transaction Document to which it is a party, and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents to which it is a party. The execution and delivery of this Agreement and each other Transaction Document to which it is a party by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of Seller. No action by the stockholders of Seller is necessary to authorize the execution and delivery by Seller of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by Seller of the transactions contemplated hereby and thereby. This Agreement and each other Transaction Document to which it is a party has been or will be duly executed and delivered by Seller and, assuming this Agreement and such other Transaction Documents constitute valid and binding agreements of Buyer and Affiliates of Buyer party thereto, constitute valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) The execution and delivery by ALAC, ALACNY and any Affiliate of Seller (including the Company) of each Transaction Document to which ALAC, ALACNY and such Affiliate is or will be a party and the consummation of the transactions contemplated thereby are within the corporate powers, as applicable, of each of ALAC, ALACNY and such Affiliate and have been, or will be, duly authorized by all necessary corporate action on the part of each of ALAC, ALACNY and such Affiliate. As of the Closing Date, each Transaction Document to which each of ALAC, ALACNY and such Affiliate will be a party will constitute, assuming such Transaction Document constitutes a valid and binding agreement of each other party thereto, a valid and binding agreement of each of ALAC, ALACNY and such Affiliate, enforceable against ALAC, ALACNY and such Affiliate in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

SECTION 3.4 Noncontravention; Consents.

(a) Except as disclosed in Section 3.4 of the Seller Disclosure Schedule, the execution and delivery by Seller of this Agreement and by ALAC, ALACNY, Seller or any of their respective Affiliates of each other Transaction Document to which it will be a party do not, and the consummation of the transactions contemplated by this Agreement and each of the other Transaction Documents will not, (i) conflict with any of the provisions of the Organizational Documents of ALAC, ALACNY, Seller or PLFE, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation of, or a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination under, or result in the creation of any Encumbrance on any property or asset of the Company or any acceleration of remedies, penalty or change in the terms under, or require the consent of any Third Party under, any Contract to which ALAC, ALACNY, Seller or PLFE is a party or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to ALAC, ALACNY, Seller or PLFE, except, in the case of clauses (ii) and (iii) above, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to ALAC, ALACNY, Seller or PLFE. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required by or with respect to ALAC, ALACNY, Seller or PLFE in connection with the execution and delivery of this Agreement by Seller or of any other Transaction Document by ALAC, ALACNY, Seller or any of their respective Affiliates, as the case may be, or the consummation by ALAC, ALACNY, Seller or any of their respective Affiliates of the transactions contemplated hereby and thereby, except for (i) any filing required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (ii) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 3.4 of the Seller Disclosure Schedule, (iii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 3.4 of the Seller Disclosure Schedule and (iv) such other consents, approvals or authorizations from, declarations by, filings with, or notices to, any Governmental Entity that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect with respect to ALAC, ALACNY, Seller or PLFE. To the Knowledge of Seller, as of the date hereof, no fact or circumstance exists with respect to ALAC, ALACNY, Seller or any of its Affiliates (other than the Company) that would render them unable promptly to obtain any approval, authorization or consent of a Governmental Entity required to be obtained to consummate the transactions contemplated by this Agreement or any other Transaction Document.

(b) Except as disclosed in Section 3.4 of the Seller Disclosure Schedule, the execution and delivery by Seller of this Agreement and by ALAC, ALACNY, Seller or any of their respective Affiliates (including the Company prior to the Shares Closing) of each other Transaction Document to which it will be a party do not, and the consummation of the transactions contemplated by this Agreement and each of the other Transaction Documents will not, (i) conflict with any of the provisions of the Organizational Documents of the Company, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation of, or a default (with or without notice or lapse of time, or both) under, give rise to a right of termination under, or result in the creation of an Encumbrance on any property or asset of the Company or any acceleration of remedies, penalty or change in the terms under, or require the consent of any Third Party under, any Contract to which the Company is a party or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to the Company, except, in the case of clauses (ii) and (iii) above, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Seller or the

Company. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required by or with respect to the Company in connection with the execution and delivery of this Agreement by Seller or of any other Transaction Document by the Company, as the case may be, or the consummation by Seller or the Company of the transactions contemplated hereby and thereby, except for (i) any filing required under the HSR Act, (ii) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 3.4 of the Seller Disclosure Schedule, (iii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 3.4 of the Seller Disclosure Schedule and (iv) such other consents, approvals or authorizations from, declarations by, filings with, or notices to, any Governmental Entity that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect with respect to Seller or the Company. To the Knowledge of Seller as of the date hereof, no fact or circumstance exists with respect to ALAC, ALACNY, Seller or any of their respective Affiliates (including the Company) that would render them unable promptly to obtain any approval, authorization or consent of a Governmental Entity required to be obtained to consummate the transactions contemplated by this Agreement or any other Transaction Document.

SECTION 3.5 Financial Statements. Seller has previously delivered or made available to Buyer copies of the audited balance sheets and statements of income, changes in stockholders' equity, and cash flow as of and for the fiscal years ended December 31, 2010 and December 31, 2011, for the Company (collectively, the "Financial Statements"). The Financial Statements (including the notes thereto) have been prepared in accordance with SAP throughout the periods covered thereby and present fairly in all material respects the financial condition of the Company as of such dates and the results of operations of the Company for such periods.

SECTION 3.6 No Undisclosed Liabilities. The Company has no material liability, except (i) those liabilities provided for or disclosed in the Financial Statements or in the notes thereto, (ii) liabilities incurred since December 31, 2012 not exceeding $100,000 in the aggregate and (iii) liabilities under this Agreement or incurred in connection with the transactions contemplated hereby or by the other Transaction Documents.

SECTION 3.7 Taxes. Except as disclosed in Section 3.7 of the Seller Disclosure Schedule:

(a) All material Tax Returns required to be filed by or with respect to the Company have been timely filed with the appropriate Tax authorities. All such Tax Returns are true, complete, and correct in all material respects as they relate to the Company. All Taxes payable by or with respect to the Company have been paid in full or properly accrued for on the books of the Company. There are no Encumbrances for Taxes (other than Taxes which are Permitted Encumbrances) upon the stock or assets of the Company.

(b) There is no audit, examination, or other matter in controversy with respect to any Taxes due and owing insofar as any such matter pertains to the Company and there is no Tax deficiency or claim assessed or, to the Knowledge of Seller, proposed or threatened (whether orally or in writing) insofar as any such deficiency or claim pertains to the Company.

(c) All Taxes required to have been withheld and paid by the Company in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, policyholder, contract holder, or other Third Party in respect of the Company, have been withheld, and such withheld Taxes have either been duly paid to the proper Governmental Entity or set aside in accounts for such purpose. The Company has complied in all material respects with all applicable Tax information reporting and disclosure requirements. Neither the Company nor Seller has waived any statutory period of limitations for the assessment of any Taxes relating to the Company or agreed to any extension of time with respect to a Tax assessment or deficiency relating to the Company other than in the case of any such waivers or extensions in respect of an assessment or deficiency of Tax the liability for which has been satisfied or settled.

(d) The Company has not been a member of any affiliated, consolidated, combined, unitary or aggregate Tax group (within the meaning of Section 1504 of the Code or any comparable provision of Applicable Law) in any Tax year for which the statute of limitations for the assessment or collection of Tax remains open.

(e) An election under Section 338(h)(10) of the Code was properly made in connection with the Company Acquisition.

(f) Since the date of the Company Acquisition, the Company has not received a Tax ruling or entered into a closing agreement or other agreement with respect to Taxes with any Government Entity, in either case that would be applicable to the Company for any taxable year or period ending after the Shares Closing Date.

(g) The Company will not be required to include any amount in income or forego any deduction in any taxable year or period ending after the Shares Closing Date resulting from (i) a change in method of accounting effected after the date of the Company Acquisition and on or before the Shares Closing Date, (ii) installment sale or other open transaction entered into after the date of the Company Acquisition and on or before the Shares Closing Date, (iii) prepaid amount received after the date of the Company Acquisition and on or before the Shares Closing Date or (iv) change in the basis for computing any item described in Section 807(c) of the Code effected after the date of the Company Acquisition and on or before the Shares Closing Date. No election for Tax purposes made after the date of the Company Acquisition (other than the election described in Section 3.7(e) above) is currently in force by which the Company will be bound in any taxable year or period ending after the Shares Closing Date.

(h) Since the date of the Company Acquisition, and, to the Knowledge of Seller, with respect to periods ending on or before the date of the Company Acquisition, the Company has not participated in (within the meaning of Treasury Regulation Section 1.6011-4(c)) and has not been a "material advisor" or "promoter" (as defined in Section 6111 and 6112 of the Code and the Treasury Regulations promulgated thereunder) with respect to any transaction that is a "listed transaction" as defined in Treasury Regulation Section 1.6011-4(b)(2).

(i) Since the date of the Company Acquisition, the Company has not been a "distributing corporation" or a "controlled corporation" within the meaning of Section 355 of the

Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement.

SECTION 3.8 Compliance with Applicable Laws; Certificates of Authority.

(a) The Company is, and at all times since July 3, 2012 has been, in compliance with all Applicable Laws, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Company. The Company has not at any time since July 3, 2012 received any written notice or other written communication from any Governmental Entity regarding any actual or alleged violation of, or failure on the part of the Company to comply with, any Applicable Laws, in each case other than any such item that has been cured or otherwise resolved to the satisfaction of such Governmental Entity, that is no longer being pursued by such Governmental Entity following a response by the Company or that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Company.

(b) Section 3.8(b) of the Seller Disclosure Schedule lists (i) each Certificate of Authority held by the Company and (ii) the lines of insurance the Company is authorized to transact within each jurisdiction listed thereon. Seller has delivered or made available to Buyer true, complete and correct copies of all such Certificates of Authority. The Certificates of Authority are valid and in full force and effect.

SECTION 3.9 Litigation. Except as disclosed in Section 3.9 of the Seller Disclosure Schedule, (i) there is no Action with respect to which the Company has been served with notice or any other Action that, to the Knowledge of Seller, is pending or threatened against or affecting the Company or any of its respective assets, properties or businesses except for any such Action that individually (A) would not reasonably be expected to result in any loss to the Company of $10,000 or more or (B) would not reasonably be expected to have the effect of preventing any of the transactions contemplated by this Agreement and any other Transaction Document and (ii) there is no order of any Governmental Entity outstanding or, to the Knowledge of Seller, pending or threatened against or affecting the Company or any of its assets, properties or businesses (A) resulting in, or that would reasonably be expected to result in, a loss to the Company of $10,000 or more or (B) that enjoins or would reasonably be expected to have the effect of preventing any of the transactions contemplated by this Agreement or any other Transaction Document.

SECTION 3.10 Employees. The Company (i) has no employees, (ii) engages no independent contractors, (iii) does not sponsor, maintain or contribute to any Employee Benefit Plans and (iv) has no liabilities, contingent or otherwise, related to employees, independent contractors or compensation or Employee Benefit Plans.

SECTION 3.11 Real Property. The Company does not own or have a leasehold interest in any real property or interest in real property.

SECTION 3.12 Intellectual Property. The Company does not own, and has no rights or licenses to use, any Intellectual Property material to the Company's business.

SECTION 3.13 In-Force Policies. The Company has no in-force insurance policies other than those set forth on Section 3.13 of the Seller Disclosure Schedule.

SECTION 3.14 Brokers. Seller is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement or any of the other Transaction Documents based upon arrangements made by or on behalf of Seller or any Affiliate.Absence of Changes. Except as set forth on Schedule 3.15, since December 28, 2012, the Company has not conducted any business other than as necessary to maintain the Certificates of Authority in full force and effect.Contracts.

(a) Schedule 3.16(a) lists all Contracts to which the Company is a party as of the date of this Agreement (collectively, the "Company Contracts").

(b) Schedule 3.16(b) lists, as of the date of this Agreement, all Contracts between the Company, on the one hand, and Seller or any other Affiliates of the Company, on the other hand (collectively, the "Related Party Contracts").

(c) Seller has furnished or made available to Buyer complete and correct copies of the Company Contracts and the Related Party Contracts as in effect on the date of this Agreement.

(d) Except for the Transaction Documents, as of the Closing Date, the Company will not be bound by any Related Party Contracts.

SECTION 3.17 No Subsidiaries. The Company does not own any Subsidiaries.

SECTION 3.18 No Knowledge of Breach. None of Seller or any Seller Indemnified Person (as defined in the SPA) had actual knowledge as of the date of the SPA of a breach of the SPA by Aviva.

SECTION 3.19 Capital and Surplus. As of the date hereof, the assets constituting the capital and surplus of the Company under SAP are as set forth in Section 3.19 of the Seller Disclosure Schedule.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF BUYER.

Except as set forth in the disclosure schedule supplied by Buyer to Seller dated as of the date hereof (the "Buyer Disclosure Schedule"), Buyer hereby represents and warrants to Seller as of the date hereof, as of the Shares Closing Date and as of the Closing Date (except to the extent any such representations and warranties address matters only as of a particular date, in which case such representations and warranties shall speak only as of such date) as follows:

SECTION 4.1 Organization and Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts.

SECTION 4.2 Authority. Buyer has the requisite corporate power and authority to enter into this Agreement and each other Transaction Document to which it is a party, and to consummate the transactions contemplated by this Agreement and each other Transaction Document to which it is a party. The execution and delivery of this Agreement and each other Transaction Document to which it is a party by Buyer and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer. No action by the stockholders of Buyer is necessary to authorize the execution and delivery by Buyer of this Agreement and each other Transaction Document to which it is a party, and the consummation by Buyer of the transactions contemplated hereby and thereby. This Agreement and each other Transaction Document to which it is a party has been or will be duly executed and delivered by Buyer and, assuming this Agreement and such other Transaction Documents constitute the valid and binding agreements of Seller or Affiliates of Seller party thereto, constitute valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

SECTION 4.3 Noncontravention; Consents. Except as disclosed in Section 4..3 of the Buyer Disclosure Schedule, the execution and delivery of this Agreement by Buyer and by Buyer and the NY Reinsurer of each other Transaction Document to which it will be a party do not, and the consummation of the transactions contemplated by this Agreement and each of the other Transaction Documents will not, (i) conflict with any of the provisions of the Organizational Documents of Buyer or the NY Reinsurer, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach of or default (with or without notice or lapse of time, or both) under, give rise to a right of termination under, or result in the creation of an Encumbrance on any property or asset of Buyer or the NY Reinsurer or any acceleration of remedies, penalty or change in the terms under, or require the consent of any Third Party under, any Contract to which Buyer or the NY Reinsurer is a party, or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to Buyer or the NY Reinsurer, except, in the case of clauses (ii) and (iii) above, as would not reasonably be expected to materially impair the ability of Buyer to consummate any of the transactions contemplated hereby. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required by or with respect to Buyer or any of its Affiliates in connection with the execution and delivery of this Agreement or of any other Transaction Document by Buyer or the consummation by Buyer of any of the transactions contemplated hereby and thereby, except for (i) any filing required under the HSR Act, (ii) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 4.3 of the Buyer Disclosure Schedule, (iii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 4.3 of the Buyer Disclosure Schedule and (iv) such other consents, approvals, authorizations, declarations, filings or notices which if not obtained or made would not, in the aggregate, materially impair the ability of Buyer to consummate any of the transactions contemplated hereby. To the Knowledge of Buyer, no fact or circumstance relating to Buyer or its Affiliates (including their plans for funding the purchase of the Shares or financing or operating the Company after the Closing) exists that would render Buyer unable to promptly obtain any approval, authorization or consent of a Governmental Entity required to be obtained to consummate the transactions contemplated by this Agreement or any other Transaction Document.

SECTION 4.4 Purchase Not for Distribution. The Shares to be acquired under the terms of this Agreement will be acquired by Buyer for its own account and not with a view to distribution. Buyer will not resell, transfer, assign, pledge or otherwise dispose of any Shares, except in compliance with the registration requirements of the Securities Act and any applicable state securities laws, or pursuant to an available exemption therefrom.

SECTION 4.5 Litigation. There is no Action pending or, to the Knowledge of Buyer, threatened in writing against or affecting Buyer or any Affiliate of Buyer that (i) seeks to restrain or enjoin the consummation of any of the transactions contemplated by this Agreement or (ii) would reasonably be expected to impair materially the ability of Buyer to consummate any of the transactions contemplated by this Agreement. Neither Buyer nor any of its Affiliates nor, to the Knowledge of Buyer, any officer, director or employee of Buyer or any of its Affiliates has been permanently or temporarily enjoined or barred by any order, judgment or decree of any Governmental Entity from engaging in or continuing any conduct or practice in connection with the business conducted by the Company or otherwise that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate any of the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 4.6 Brokers. Buyer is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement or any of the other Transaction Documents based upon arrangements made by or on behalf of Buyer or any Affiliate.

SECTION 4.7 Financial Ability. Buyer has and on the Closing Date will have sufficient funds available to purchase the Shares on the terms and conditions contemplated by this Agreement and fund the Company's obligations under the Life Business Reinsurance Agreements, to consummate the other transactions contemplated by this Agreement and to pay all associated costs and expenses required to be paid by Buyer.

ARTICLE V.
COVENANTS

SECTION 5.1 Conduct of the Company. During the period from the date of this Agreement until the Shares Closing, except (a) as required by Applicable Law or expressly contemplated by the terms and conditions of this Agreement or any other Transaction Document, (b) as expressly required by the Great American Life Coinsurance Agreement, (c) as set forth on Section 5.1 of the Seller Disclosure Schedule or (d) to the extent Buyer otherwise consents in writing in advance, Seller shall cause the Company not to conduct any business, including any of the following:

(i) issue, directly or indirectly through any agent, broker, producer, fronting company or other similar arrangement, any insurance or reinsurance policy, binder, slip, contract, endorsement or certificate or enter into any transaction to provide credit protection, whether in the form of financial guaranty insurance or derivatives;

(ii) enter into any reinsurance or retrocessional treaty or agreement, slip, binder, cover note or similar arrangement;

(iii) declare, set aside or pay any dividends, or make any other distributions, in respect of any of the Shares;

(iv) authorize for issuance, deliver, transfer, issue, sell, grant, pledge or otherwise dispose of or encumber any shares of the Company's capital stock, any other voting securities or any securities convertible into or exchangeable for, or any options, warrants, calls or other rights to purchase or otherwise acquire any such shares, voting securities, or convertible or exchangeable securities, in each case, of the Company;

(v) enter into any agreement with respect to any merger, consolidation, liquidation, dissolution or business combination involving the Company;

(vi) acquire (by merger, consolidation, acquisition of stock or assets, bulk reinsurance or otherwise) any corporation, partnership or other business organization or assets or liabilities comprising a business or segment, division or line of business or any material amount of property or assets in or of any other Person or create or acquire any Subsidiaries;

(vii) amend any of the Company's Organizational Documents;

(viii) alter, repeal, amend or waive any terms or conditions of the Great American Life Coinsurance Agreement or otherwise terminate or recapture all or any portion of the Great American Life Coinsurance Agreement;

(ix) purchase, sell, lease, pledge, exchange, encumber or otherwise dispose or acquire any property or assets or make, or commit to make, any capital expenditures;

(x) (1) incur any indebtedness, (2) make any loans, advances or capital contributions to, or investments in, any other Person, other than investments made in the ordinary course of business in accordance with its investment policies or (3) assume, grant, guarantee or endorse, pledge or otherwise secure any assets or property or otherwise as an accommodation become responsible for (whether primary or secondary), the obligations of any Person;

(xi) enter into, assume or materially amend any Company Contract or Related Party Contract, or any new agreement that would constitute a Company Contract or Related Party Contract;

(xii) (1) hire or retain the services of any employee or independent contractor, (2) pay, enter into any agreement to pay or incur any liability to pay compensation for services to any Person or (3) establish or adopt any Employee Benefit Plan;

(xiii) sell, transfer, redeem, exchange or make any other change to the assets constituting the capital and surplus of the Company, other than any transaction that has the effect of exchanging or replacing any such asset with an amount of cash in U.S. dollars equal to or greater than the Statutory Book Value of such asset; or

(xiv) agree or commit to do any of the foregoing.

SECTION 5.2 General Cooperation and SPA Consent Rights.

(a) Upon the terms and subject to the conditions and other agreements set forth in this Agreement, each of the parties (i) shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated by this Agreement and the other Transaction Documents and (ii) (A) shall refrain from taking any actions that would reasonably be expected to impair, delay or impede the Shares Closing or the Closing and (B) not in limitation of any other provision of this Agreement, shall use its reasonable best efforts to cause all the conditions to the obligations of the parties to consummate the transactions contemplated by this Agreement to be met as soon as reasonably practicable.

(b) Seller shall cooperate in good faith with Buyer and use its reasonable best efforts to ensure that Aviva honors its obligations under Section 4.28 of the SPA.

(c) When making recommendations pursuant to Section 4.7 of the SPA, Seller shall in good faith take into account any relevant recommendations made by Buyer in relation to assets supporting the Life Business.

(d) Each of the parties shall reasonably promptly notify the other of any material communication, and provide the other with copies thereof if such communication is in writing, received from AUSA, Aviva or any of their Affiliates or Representatives relating to or affecting the status of the transactions contemplated by the SPA that have or would reasonably be expected to have a material effect on the Life Business or the matters that are the subject of the Transaction Documents.

(e) Each party shall, in connection with the efforts referenced in Section 5.2(a), keep the other party reasonably apprised of the status of the matters relating to the completion of the transactions contemplated by the SPA and the Transaction Documents, including by providing the other party with copies of any orders or authorizations necessary in order to consummate the transactions contemplated by the Transaction Documents.

(f) Notwithstanding this Section 5.2, Section 5.3 or any other provision herein, Seller shall not be required to take any action or refrain from taking any action that (i) would be or would result in a breach under the SPA or that (ii) would or would reasonably be expected to impair, delay or impede Seller from exercising any right or remedy available to it under the SPA to the extent that the exercise of such right or remedy would not reasonably be expected to be detrimental in any material respect to the Life Business.

(g) Seller shall not amend, consent to or waive a provision or condition under the SPA or another Transaction Document (as defined in the SPA) that would or would reasonably be expected to be detrimental in any material respect to the Life Business without first obtaining Buyer's written consent (which consent shall not be unreasonably withheld, delayed or conditioned); provided that Seller shall not be required to obtain such Buyer consent if doing so will result in the SPA Closing being impaired, delayed or impeded; provided, further, that Seller shall indemnify and hold harmless Buyer and its Affiliates from and against any and all Losses suffered by Buyer to the extent relating to, resulting from or arising out of any such amendment, consent or waiver made without such prior written consent of Buyer.

SECTION 5.3 Regulatory Filings.

(a) Seller and Buyer shall each use, and shall cause their respective Affiliates to use, their reasonable best efforts, and shall cooperate (and cause their respective Affiliates to cooperate) fully with each other (i) to comply as promptly as practicable with all governmental requirements applicable to the transactions contemplated by this Agreement or any other Transaction Document and (ii) to obtain as promptly as practicable all necessary permits, orders or other consents, approvals or authorizations of Governmental Entities necessary in connection with the consummation of the transactions contemplated by this Agreement or any other Transaction Document (each, a "Governmental Authorization"). In connection therewith, Seller and Buyer shall make and cause their respective Affiliates to make all legally required filings as promptly as practicable in order to facilitate prompt consummation of the transactions contemplated by this Agreement or any other Transaction Document, shall provide and shall cause their respective Affiliates to provide such information and communications to Governmental Entities as such Governmental Entities may request, shall take and shall cause their respective Affiliates to take all steps that are necessary, proper or advisable to avoid any Action by any Governmental Entity with respect to the transactions contemplated by this Agreement or any other Transaction Document, shall defend or contest in good faith any Action by any Third Party (including any Governmental Entity), whether judicial or administrative, challenging this Agreement, any of the other Transaction Documents or the transactions contemplated hereby or thereby, or that could otherwise prevent, impede, interfere with, hinder or delay in any material respect the consummation of the transactions contemplated hereby or thereby, including by using its reasonable best efforts to have vacated or reversed any stay or temporary restraining order entered with respect to the transactions contemplated by this Agreement or any other Transaction Document by any Governmental Entity. Each of Seller and Buyer shall not (and shall cause its Affiliates not to) take or cause to be taken any action that, to its knowledge, would be reasonably likely to materially delay or impair the receipt of any such permits, orders or other consents from a Governmental Entity. Except as otherwise provided in the last sentence of this Section 5.3(a), notwithstanding anything to the contrary contained in this Agreement, whether in this Section 5.3(a), Section 5.2 or otherwise, neither Seller nor Buyer shall be obligated to take or refrain from taking or to agree to it, its Affiliates or any Company taking or refraining from any action if taking or refraining from taking such action, as applicable, would, or to suffer to exist any condition, limitation, restriction or requirement that, individually or in the aggregate with any other actions, conditions, limitations, restrictions or requirements would, or would reasonably be expected to, result in a Burdensome Condition. As used herein, "Burdensome Condition" means any condition that (A) with respect to Seller, results in a severe impairment of the aggregate economic benefits that as of the date hereof Seller and its Affiliates, taken as a whole, reasonably expect to obtain from the transactions contemplated by this Agreement or the SPA and (B) with respect to Buyer, results in a severe impairment of the aggregate economic benefits that as of the date hereof Buyer and its Affiliates, taken as a whole, reasonably expect to obtain from the transactions contemplated by this Agreement. Notwithstanding the foregoing, prior to a party being entitled to invoke the actual or potential existence of a Burdensome Condition, such party shall: (1) provide the other party with all information reasonably requested by it to enable the other party to analyze the causes and potential implications of such condition and effect; and (2) meet with the other party to: (A) exchange and review each party's views as to such condition, limitation, restriction or requirement; (B) discuss any potential approaches that would avoid such condition, limitation, restriction or requirement or mitigate its impact; and (C) negotiate in good faith to attempt to agree to modify the transactions contemplated hereby and by the other Transaction Documents, on mutually acceptable terms and on an equitable basis in a way that would substantially eliminate any such condition, limitation, restriction or requirement or sufficiently mitigate its adverse impact so that it would no longer constitute a Burdensome Condition; it being understood and agreed that if reasonable steps can be identified to avoid such effect or condition or sufficiently mitigate the negative impact thereof, each party will take, or cause its Affiliates to take, as applicable, all such reasonable steps.

(b) Seller shall use its reasonable best efforts to cause ALAC and ALACNY to comply with Section 5.3(a) as though parties thereto.

(c) Without limiting the generality of the foregoing, as promptly as practicable after the date hereof each party shall make (and shall cause its respective Affiliates to make) all filings and notifications with all Governmental Entities that may be or become reasonably necessary, proper or advisable for the execution and delivery of, and the performance of the obligations pursuant to, and the consummation of the transactions contemplated by, this Agreement and the other Transaction Documents, including (i) Buyer causing "Form A" or similar change of control applications to be filed in each jurisdiction where required by applicable insurance laws with respect to the transactions contemplated by this Agreement and the other Transaction Documents, (ii) Seller using its reasonable best efforts to cause ALAC and ALACNY to make all filings and notifications required to be made by them in connection with the transactions contemplated by the Transaction Documents, (iii) any filing that may be required under any antitrust or competition law or by any Governmental Entity with jurisdiction over enforcement of any applicable antitrust or competition laws and (iv) any other filing that may be required under any insurance or financial services law or similar Applicable Law or by any Governmental Entity with jurisdiction over enforcement of any applicable insurance, financial services or similar law, including those listed on Sections 3.4(a) and (b) of the Seller Disclosure Schedule with respect to Seller, and Section 4.3 of the Buyer Disclosure Schedule with respect to Buyer. Each of Seller and Buyer shall have responsibility for the costs and expenses associated with its filings, as applicable, except that Seller and Buyer shall have equal responsibility for the costs and expenses associated with any HSR Act filing.

(d) Subject to Applicable Laws relating to the sharing of information, each of the parties shall promptly notify the other party of any communication it receives from any Governmental Entity relating to the matters that are the subject of this Agreement or any of the other Transaction Documents, permit the other party to review in advance, and consider in good faith the views of the other Party in connection with, any proposed material communication to any Governmental Entity in connection with the transactions contemplated hereby or thereby, and promptly provide each other with true and complete copies of all correspondence, filings or written communications between such party or any of its Representatives, on the one hand, and any Governmental Entity or members of the staff of any Governmental Entity, on the other hand. Prior to submitting any substantive letter, filing or other written communication with any Governmental Entity relating to the matters that are the subject of this Agreement and the other Transaction Documents, each party shall allow the other party, to the extent practicable, not less than three Business Days to review and provide comments on a draft of such written communication in advance of submitting such written communication to such Governmental Entity. Neither party shall participate, agree to participate or permit its Representatives to participate or agree to participate, in any substantive in-person or telephonic meeting or hearing with any Governmental Entity relating to the matters that are the subject of this Agreement unless it consults with the other party in advance and, to the extent permitted by the applicable Governmental Entity, gives the other party the opportunity to attend and participate in any such meeting or hearing. Subject to the Confidentiality Agreement, Seller and Buyer shall coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing (including in seeking early termination of any applicable waiting periods under the HSR Act).

(e) Notwithstanding anything to the contrary in this Agreement, neither party nor any of their respective Affiliates shall be required to disclose pursuant to this Section 5.3 (1) any information that in the reasonable judgment of such party would result in the disclosure of any trade secrets of such party or Third Parties, (2) any privileged information or confidential competitive information or (3) any information to the other party or any of its Affiliates that in the reasonable judgment of such non-disclosing party would violate any of its contractual obligations with respect to confidentiality; provided, that with respect to clause (3), the non-disclosing party shall have first used its reasonable best efforts to obtain a waiver or consent necessary to allow it to disclose such information; provided, further, that if such consent or waiver to disclose is not obtained, the non-disclosing party shall provide such information directly to the applicable Governmental Entity and may seek to have such information treated confidentially. Neither party shall be required to comply with any of the foregoing provisions of this Section 5.3(e) or Section 5.3(d) to the extent that such compliance would be prohibited by Applicable Law.

(f) The parties shall use their reasonable best efforts to obtain all Governmental Authorizations required in connection with the transactions contemplated hereby, including those set forth in Schedules 3.4(a) and (b) and Schedule 4.3, prior to the Cut-off Date.

(g) Other than as specified in Section 5.11, notwithstanding this Section 5.3 or any other provision herein, Seller shall be under no obligation to provide Buyer with notices, filings or other communications, allow Buyer to review, comment or consult on any notices, filings or other communications or provide Buyer the opportunity to consult, attend or participate in any meeting or hearing, with Governmental Entities, Aviva or any Third Party with respect to the SPA or the transactions contemplated thereunder.

SECTION 5.4 Third Party Consents and Assignment of Contracts.

(a) Seller shall be solely responsible for obtaining, and shall use its, and shall cause its Subsidiaries to use their, reasonable best efforts to obtain, prior to the Effective Time, any Third Party consent, waiver or approval required under the Assumed Reinsurance Agreements and the Other Reinsurance Agreements (each as defined in each of the Life Business Reinsurance Agreements) and the other Third Party consents, waivers and approvals set forth on Schedule 5.4, and to seek to have the Aviva Insurers and their applicable counterparties make any other notifications, in each case, that are required in connection with the transactions contemplated by the Life Business Reinsurance Agreements, including obtaining consents with respect to waivers of minimum retention requirements necessary to allow all Policies to be reinsured to the Company or the NY Reinsurer for the duration of the period during which such Policies are outstanding, if applicable. In connection with obtaining consents, waivers or approvals under Assumed Reinsurance Agreements and Other Reinsurance Agreements, Seller shall not agree or cause the Aviva Insurers to agree to an amendment or waiver of the terms and conditions of such agreements without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed. Seller shall bear all costs and expenses incurred in connection with this Section 5.4(a).

(b) Seller and Buyer shall cooperate in good faith with each other to obtain any of the Third Party consents, waivers or approvals described above. In the event such Third Party consents cannot be obtained prior to the Effective Date (as defined in each of the Life Business Reinsurance Agreements), Buyer and Seller agree to cooperate in good faith to determine a mutually agreeable solution relating to such Third Party consents taking into consideration and ensuring that the economic benefits, risks and rewards that the parties reasonably expect to derive from the consummation of the transactions contemplated by the Transaction Documents are achieved. Each party shall inform the other party with respect to the status of such Third Party consents, waivers and approvals upon such other party's reasonable request, and Buyer and Seller will use reasonable best efforts to agree on the form of any treaty and/or solution prior to the Effective Date (as defined in each of the Life Business Reinsurance Agreements). Neither Seller nor Buyer shall be required to pay any consideration to obtain the consents, waivers or approvals in connection with this Section 5.4.

(c) Each party shall promptly advise the other party of any communication that causes it to believe that there is a reasonable likelihood that any such Third Party consent, waiver or approval will not be obtained or that the receipt of any such Third Party consent, waiver or approval will be materially delayed or conditioned.

SECTION 5.5 Provision of Services and Systems. Except as may be provided under the Transition Services Agreement, Buyer shall be solely responsible for obtaining, and shall use its, and shall cause its Subsidiaries to use their, reasonable best efforts to obtain, any licenses, services and systems required to perform Buyer's and its Subsidiaries' obligations following Closing under the Administrative Services Agreements.

SECTION 5.6 Reinsurance Assets.

(a) The Reinsurance Assets to be delivered to the Company or the NY Reinsurer or deposited in the Funds Withheld Account on the Closing Date pursuant to the Life Business Reinsurance Agreements shall be selected using the Assets List, as modified in accordance with the Asset Identification Protocol. The Assets List, as so modified, will provide the content for the annexes of transferred assets and funds withheld assets that will be appended to the Life Business Reinsurance Agreements upon their execution and delivery at the Closing. To the extent any of the assets listed in the Assets List become an Impaired Asset or otherwise become subject to removal based on the Asset Identification Protocol, such asset shall be removed from the Assets List and Seller shall replace any such removed assets with one or more other assets in accordance with the Asset Identification Protocol. Either Seller or Buyer may circulate an updated Assets List to the other party after any such change.

(b) The parties acknowledge that the Assets List delivered on the date hereof remains subject to review by both parties. The parties agree that they will cooperate in good faith to review and agree on a final Assets List by May 3, 2013 or such later date as the parties may mutually agree in writing.

SECTION 5.7 Employee Matters.

(a) Offers of Employment.

(i) As soon as practicable after the date of this Agreement, but in no event later than sixty (60) days prior to the date on which the Closing Date is expected to occur, Buyer shall advise Seller of the employees of the Companies whom Buyer wishes to employ beginning on the day following the Closing Date (the "Closing Employees"). From the date of this Agreement through the date on which the Closing Date is expected to occur, Buyer shall, or shall cause one or more of its Subsidiaries to, offer a Comparable Job to all of the Closing Employees effective as of the Closing Date and shall negotiate in good faith with the Closing Employees to cause the Closing Employees to accept such offers; provided, however, that Buyer shall not offer employment to any employee listed on Section 5.7(a) of Seller's Disclosure Schedule without the prior written consent of Seller. A Closing Employee who accepts such offer of employment, which acceptance shall be in writing, shall become an employee of Buyer or of its applicable Subsidiary (and not of the Companies) effective as of the day following the Closing Date. From the date of this Agreement through the Closing Date, Seller shall use its reasonable best efforts pursuant to Section 4.28 of the SPA to cause AUSA and its Affiliates to make the Closing Employees reasonably available to Buyer for the purpose of making offers of employment as contemplated by this Section 5.7(a).

(ii) From time to time during the period that the Transition Services Agreement is in effect, and in connection with the termination of one or more of the services being provided under the Transition Services Agreement, Buyer may, upon written notice to Seller at least sixty (60) days prior to the Covered Employee's Commencement Date, make offers of Comparable Jobs to one or more employees of the Companies whose employment relates to the services being provided, with such employment with Buyer or any of its Subsidiaries to be effective as of the day following the date on which such services terminate; provided, however, that Buyer shall not offer employment to any employee listed on Section 5.7(a) of Seller's Disclosure Schedule without the prior written consent of Seller.

(iii) Each employee of the Companies who commences employment with Buyer or one of its Subsidiaries in accordance with this Section 5.7(a) shall be referred to herein as a "Covered Employee", and the date that such Covered Employee commences employment with Buyer or one of its Subsidiaries is referred to herein as such Covered Employee's "Commencement Date".

(iv) Buyer and its Subsidiaries shall make all offers of employment (and any decisions to make or fail to make an offer) pursuant to this Section 5.7(a) in compliance with all material applicable employment laws.

(v) If (i) any employee of the Companies is offered employment with Buyer or its Subsidiaries pursuant to this Section 5.7(a) and, following negotiation of the potential terms and conditions of such employment, does not agree to such employment, and (ii) Buyer and its Subsidiaries subsequently hire such employee prior to January 1, 2014, but not in connection with the offer of employment pursuant to this Section 5.7(a), then Buyer shall reimburse Seller for the aggregate value of any severance pay and benefits paid or provided to such employee by the Companies, Seller or any of their Affiliates under the AUSA Severance Plan, as in effect on the date hereof and set forth on Section 5.7(a)(v) of the Seller Disclosure Schedule (the "Severance Plan").

(b) Without limiting the generality of Section 5.7(a), each offer of employment made pursuant to Section 5.7(a) with respect to an employee of the Companies shall be (i) for a position substantially comparable to the position he or she holds , (ii) with duties and responsibilities that are substantially comparable to the duties and responsibilities of such employee's current employment, and (iii) with compensation and employee benefits that are substantially the same as provided to similarly situated employees of Buyer and its Subsidiaries. The offer of employment shall also state the severance protection that would be afforded such Closing Employee consistent with this Section 5.7(a) should the employee accept the offer of employment. For the twelve (12) month period following the date of the SPA Closing, except with the express written agreement of the Covered Employee, Buyer or its Subsidiaries, as applicable, shall provide each Covered Employee with cash compensation and employee benefits, respectively, that are no less favorable in the aggregate than the cash compensation and employee benefits, respectively, required to be provided to such Covered Employee by Seller or its applicable Affiliate pursuant to the SPA. In addition, and without limiting the generality of the foregoing, each such offer of employment by Buyer or one of its Subsidiaries shall provide severance pay and benefits to any Covered Employee whose employment is terminated following the Commencement Date and prior to January 1, 2014 on terms and conditions (including eligibility conditions) and in amounts as set forth under the Severance Plan and thereafter on terms and conditions and in amounts as are applicable to similarly situated terminated employees of Buyer and its Subsidiaries under any general severance policy of Buyer and its Subsidiaries as in effect from time to time. Each such offer of employment shall be conditioned upon the waiver and release of any right of the Covered Employee to severance pay or termination benefits from the Companies, Seller and its Affiliates, effective as of such Covered Employee's Commencement Date. An offer of employment that is materially consistent with this Section 5.7(b) is referred to in this Agreement as a "Comparable Job".

(c) On and after a Covered Employee's Commencement Date, Buyer shall provide, or cause one of its Subsidiaries to provide, to each Covered Employee under each employee benefit plan maintained or contributed to by Buyer or any Subsidiary of Buyer for its similarly situated employees, credit for purposes of eligibility to participate, vesting and benefit accrual (but not for purposes of determining benefit accruals under a defined benefit plan or any retiree medical plan) for full and partial years of service with Seller and their Affiliates (including the Companies and any of their predecessors) performed prior to the Commencement Date to the extent such service was credited for such purpose under the analogous benefit plan immediately prior to the Commencement Date; provided, no such prior service shall be taken into account to the extent it would result in the duplication of benefits, or in respect of any equity compensation. Seller shall provide Buyer with the amount of service to be credited for such Covered Employee on or prior to the applicable Commencement Date, or if not reasonably practicable to provide such information as of the Commencement Date, as soon as reasonably practicable following the Commencement Date.

(d) Buyer shall (i) subject to obtaining any required consent of any insurer, waive or cause to be waived all limitations as to preexisting conditions, exclusions and waiting periods or required physical examinations with respect to participation and coverage requirements applicable to Covered Employees and their eligible dependents under any health, medical, disability and life insurance plans offered by Buyer or its Subsidiaries, other than limitations or waiting periods that are already in effect with respect to such Covered Employees and that have not been satisfied as of the applicable Commencement Date; and (ii) use commercially reasonable efforts to provide or cause to be provided to each Covered Employee with credit for any co-payments and deductibles paid by such Covered Employee and his or her respective dependents prior to the applicable Commencement Date and in the same plan year as that in which such Commencement Date occurs for purposes of satisfying any applicable deductible or out-of-pocket requirements under the analogous Buyer benefit plan for the relevant plan year. Seller shall provide Buyer with all of the information necessary for Buyer to give effect to this Section 5.7(d) on or prior to the applicable Commencement Date, or if not reasonably practicable to provide such information as of the Commencement Date, as soon as reasonably practicable following the Commencement Date.

(e) Notwithstanding any contrary provision of this Agreement, (i) Buyer shall be, or shall cause its Subsidiaries to be, responsible and liable for providing health care continuation coverage as required under COBRA with respect to any Covered Employee (or any eligible dependent of a Covered Employee) who experiences a COBRA "qualifying event" on or after such Covered Employee's Commencement Date under any employee benefit plan maintained by or contributed to Buyer or its Subsidiaries that is subject to COBRA, and (ii) Seller shall be, or shall cause its Subsidiaries to be, responsible and liable for providing or continuing to provide, health care continuation coverage as required under COBRA with respect to any Covered Employee (or any eligible dependent of a Covered Employee) who experiences a COBRA "qualifying event" prior to such Covered Employee's Commencement Date under any employee benefit plan maintained by or contributed to Seller or its Subsidiaries that is subject to COBRA.

(f) Nothing in this Section 5.7, express or implied, is intended to be, shall constitute or shall be construed as an amendment to or modification of any employee benefit plan or arrangement of Buyer, Seller, the Companies, or any of their Affiliates or limit in any way the right of Buyer, Seller, the Companies or any of their respective Affiliates to amend, modify or terminate any of their respective employee benefit plans or arrangements. Further, without limiting the generality of Section 10.4, nothing in this Section 5.7, express or implied, shall create any third party beneficiary rights in favor of any Person, including any Covered Employee, or create any third party beneficiary or other rights to continued employment with Buyer, the Companies, Seller, or any of their respective Affiliates and nothing in this Section 5.7 shall limit the right of Buyer, Seller or the Companies or any of their Affiliates to terminate the employment of any Person, including any Covered Employee, at any time for any or no reason in a manner consistent with applicable contractual obligations, if any.

SECTION 5.8 Life Business Reinsurance Agreements.

(a) Attached as Annex H hereto is a preliminary form (the "Pro Forma Life Reference Balance Sheet") that the parties contemplate will be the basis for the Life Reference Balance Sheet. On or prior to June 30, 2013, the parties shall cooperate in good faith and use their reasonable best efforts to amend, remove or add to the line items listed in the Pro Forma Life Reference Balance Sheet so that the Pro Forma Life Reference Balance Sheet reflects all of the line items necessary to prepare a balance sheet for the Life Business in accordance with SAP and the accounting and actuarial practices of AUSA and its Subsidiaries, consistently applied.

(b) If Buyer and Seller cannot agree on such amendments, removals or additions by June 30, 2013, Buyer and Seller shall jointly engage an Accounting Expert to resolve the dispute. The Accounting Expert shall act as an arbitrator to determine what amendments, removals or additions are necessary or advisable in light of SAP and the accounting and actuarial practices of AUSA and its Subsidiaries, consistently applied. The parties shall agree, promptly after the Accounting Expert has been appointed, on procedures to govern the resolution of the dispute, provided that if the parties fail to agree on such procedures, the dispute resolution procedures of the American Arbitration Association shall govern. Buyer and Seller shall use their reasonable best efforts to cause the Accounting Expert to issue a written determination resolving the dispute within ten (10) Business Days. Each party shall use its reasonable best efforts to furnish to the Accounting Expert such work papers and other documents and information pertaining to the dispute as the Accounting Expert may reasonably request. The determination of the Accounting Expert shall be final, binding and conclusive upon Buyer and Seller absent fraud or manifest error. The fees, expenses and costs of the Accounting Expert engaged under this Section 5.8(b) shall be borne equally by Buyer and Seller.

(c) On or prior to July 31, 2013 (or on or prior to August 15, 2013 if an Accounting Expert is engaged pursuant to Section 5.8(b) or ten (10) Business Days after the Accounting Expert makes a final and binding determination under Section 5.8(b), if later), Seller shall provide Buyer with the Pro Forma Life Reference Balance Sheet as of December 31, 2012 prepared in the format as modified by Sections 5.8(a) and 5.8(b) and in accordance with SAP and the accounting and actuarial practices of AUSA and its Subsidiaries, consistently applied. The Pro Forma Life Reference Balance Sheet, as so delivered by Seller shall constitute the Pro Forma Life Reference Balance Sheet.

(d) At least three (3) Business Days prior to the Effective Date, Seller shall deliver to Buyer the Life Reference Balance Sheet prepared in the form of the Pro Forma Life Reference Balance Sheet and in accordance with SAP and the accounting and actuarial practices of AUSA and its Subsidiaries, consistently applied, with the amounts set forth thereon being estimated as of the Effective Date.

(e) At least three (3) Business Days prior to the Effective Date, Seller shall deliver to Buyer a completed version of Schedule 2.12 of the Life Business Reinsurance Agreements showing the interest maintenance reserve amounts contemplated by such agreements.

(f) Prior to the Closing Date, the parties shall cooperate and use their respective reasonable best efforts to take all actions which the Life Business Reinsurance Agreements state that the parties shall take or shall have taken prior to the Closing Date.

(g) For the avoidance of doubt, in accordance with SAP and the accounting and actuarial practices of AUSA and its Subsidiaries, consistently applied, the Life Reference Balance Sheet shall fully reflect:

(i) all litigation and abandoned property reserves maintained in respect of the Life Business as of the Effective Time;

(ii) the write-off of all Other Reinsurance (as defined in each of the Life Business Reinsurance Agreements) that became unrecoverable prior to the Effective Time; and

(iii) the exclusion of agent debit balances, except to the extent such balances relate to the Life Business and Buyer has indicated that it intends to assume such balances.

SECTION 5.9 Conveyance of Purchased Assets. Prior to the anticipated Closing Date, Buyer and Seller shall cooperate and use their respective reasonable best efforts to agree to the final list of Purchased Assets related to the Life Business that will be sold, transferred and conveyed to Buyer on the Closing Date pursuant to the Bill of Sale, which shall include but not be limited to the assets listed on Schedule 5.9.

SECTION 5.10 Post-Closing Access.

(a) Until the sixth anniversary of the Shares Closing, Buyer shall afford to Seller and its Representatives access, upon reasonable notice at reasonable times during normal business hours and at Seller's expense, to the Company Books and Records, the Life Business Books and Records, and the officers, employees, auditors and other advisors of the Company, and provide information with respect to the Company in a readily accessible form (including financial information in a form consistent with the Company's historical practice for the preparation of such financial information), to the extent relating to periods prior to the Closing Date and reasonably required by Seller for any litigation (except litigation involving Buyer or its Affiliates), disputes (except disputes involving Buyer or its Affiliates), compliance, financial reporting (including financial audits of historical information), loss reporting, regulatory and accounting matters (including for any such matters related to the Transition Services Agreement), or for any other reasonable business purpose relating to Seller's prior ownership of the Company. Buyer shall cooperate with Seller and its Representatives to furnish such books and records and information and make available such officers, employees, auditors and other advisors of the Company.

(b) Until the period provided for in Section 5.10(a) has expired, Seller shall afford promptly to Buyer and its Representatives the same access to be provided by Buyer to Seller and its Representatives under Section 5.10(a), upon the same terms and conditions in Section 5.10(a), with respect to any written, oral or other information relating to the Company or the Life Business that Seller has in its possession after the Shares Closing, other than any such information that is included in the Company Books and Records or Life Business Books and Records delivered to Buyer or that is otherwise in the possession of Buyer or the Company at or after the Shares Closing Date.

SECTION 5.11 Delivery of Financial Statements and Notices. As soon as practicable after receipt thereof, Seller shall deliver to Buyer:

(a) a copy of the information it receives from Aviva pursuant to Sections 4.6 and 4.7 of the SPA; and

(b) a copy of any written notice or other written communication relating to the Life Business received from Aviva, its Affiliates or its Representatives pursuant to the SPA.

SECTION 5.12 Confidentiality.

(a) Buyer acknowledges that the information provided to it in connection with this Agreement is subject to the Confidentiality Agreement. Buyer's obligations under the Confidentiality Agreement relating to information provided to it concerning the Life Business shall terminate at the Closing. If, for any reason, the transactions contemplated by this Agreement and the other Transaction Documents are not consummated, the Confidentiality Agreement shall nonetheless continue in full force and effect in its entirety in accordance with its terms.

(b) Seller and Buyer and their respective Affiliates shall not make public the terms or conditions of this Agreement (except as contemplated by Section 5.17) or the negotiations relating to this Agreement or any Transaction Documents or the transactions contemplated hereby; provided, however, that the foregoing obligation of Seller and Buyer and their respective Affiliates shall not prohibit disclosure of any such information (i) if required by Applicable Law, stock exchange rules (including pursuant to disclosure obligations under securities laws), or if required or requested by any Governmental Entity (provided, in the case of this clause (i), that the party required to make such disclosure shall, if practical, allow the other party a reasonable opportunity to comment on such disclosure in advance of such disclosure),

(ii) to auditors or ratings agencies; provided, that such auditors or ratings agencies are made aware of the provisions of this Section 5.12, (iii) to an advisor for the purpose of advising in connection with the transactions contemplated by this Agreement and the other Transaction Documents; provided, that such advisor is made aware of the provisions of this Section 5.12, (iv) to the extent that the information has been made public by, or with the prior consent of, the other party or (v) in connection with any Action or in any dispute with respect to this Agreement or any other Transaction Document; provided, further, that if any party or any of their respective Affiliates becomes legally compelled by Applicable Law, stock exchange rules, any Governmental Entity, deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar judicial or administrative process to disclose such confidential information, such party shall provide the other party with prompt written notice of such requirement prior to such disclosure if practical and, to the extent reasonably practicable, cooperate with such other party and its respective Affiliates to obtain a protective order or similar remedy to cause such information not to be disclosed. In the event that such protective order or other similar remedy is not obtained, the party compelled to disclose any confidential information shall furnish only that portion of such confidential information that has been legally compelled, and shall exercise its reasonable best efforts to obtain assurance that confidential treatment will be accorded such disclosed information.

(c) From and after the Closing Date, Seller shall hold, and shall cause its Affiliates and each of its and their respective Representatives to hold in confidence any confidential information relating to the Company obtained by virtue of Seller's ownership of the Company, or any confidential information relating to the Life Business obtained by virtue of AUSA and its Subsidiaries' operation of the Life Business or the transactions entered into between Seller and Aviva pursuant to the SPA, other than any such information that (i) is or becomes generally available to the public other than as a result of disclosure by any Person in violation of this Section 5.12(c), (ii) is reasonably necessary for Seller and its Affiliates to perform their obligations under the other Transaction Documents or as otherwise contemplated by such other Transaction Documents, but in each case subject to the confidentiality provisions of such other Transaction Documents, or (iii) is required by Applicable Law, stock exchange rules, Governmental Order or is required or requested by any Governmental Entity to be disclosed after prior notice has been given to Buyer (including any report, statement, testimony or other submission to such Governmental Entity), if practical.

(d) Notwithstanding the foregoing, Buyer acknowledges that Seller and its Affiliates may use or authorize the use of policyholder lists relating to the Life Business for the sole purpose of offering to holders of Reinsured Policies (but not to holders of Novated Contracts) fixed annuities products that do not contain riders or other product features that are designed to compete with the Life Business; provided that the use of such policyholder lists must be consistent in all material respects with relevant business practices of AUSA and its Subsidiaries in effect as of the Effective Time.

SECTION 5.13 Captive Financing.

(a) Seller agrees to use its reasonable best efforts to effectuate the Captive Financing as of the Closing Date. Buyer and its Affiliates (including the Company following the Shares Closing) shall (i) at Seller's reasonable request use its reasonable best efforts to assist

Seller to effectuate changes to the Captive Financing Term Sheets to improve the terms set forth in such Captive Financing Term Sheets and (ii) cooperate with Seller and take such actions as reasonably requested by Seller to effectuate the Captive Financing as of the Closing Date, including by executing, acknowledging and delivering any agreement, undertaking, documents or assurances as is consistent with the Captive Financing Term Sheets or otherwise reasonably requested by Seller in connection therewith (such assistance and cooperation, "Seller Requested Cooperation").

(b) Buyer agrees to use its reasonable best efforts in the context of current market conditions following the Closing Date to effectuate changes to the Captive Financings to improve the terms in such Captive Financings to reduce the amount of the Supplemental Allowance.

(c) Seller covenants to Buyer that all representations and warranties contained in the transaction documents entered into in connection with the Captive Financings and addressing the accuracy of reports, financial statements, certificates, data or other analyses or information (actuarial or otherwise) of or related to the Aviva Insurers or the applicable Policies will be accurate in all material respects as of each date such representations and warranties are made.

(d) Seller agrees, that from and after the date hereof, that it and its Affiliates will not take any action or omit to take any action that would reasonably be expected to result in the termination of any Captive Financing following the Closing.

(e) Except any such fees, costs, expenses, termination or make-whole fees or other Liabilities relating to the termination or amendment of any captive reinsurance or captive financing arrangement or the transfer to the Company or the NY Reinsurer of any Captive Financing related to or arising, in significant part, from (x) (i) an internal company solution (including a parental guaranty solution) implemented by Buyer or its Affiliates (including the Company after the Shares Closing), other than at Seller's request, or (ii) (A) any action by Buyer or its Affiliates (including the Company after the Shares Closing) that was not in compliance with Seller Requested Cooperation or (B) the failure of Buyer or any of its Affiliates (including the Company after the Shares Closing) to take any action reasonably requested by Seller in connection with the Captive Financings or (y) as expressly agreed by Buyer to effectuate changes to the Captive Financing Term Sheets to improve the terms set forth in such Captive Financing Term Sheets, Seller shall be solely responsible for any fees and expenses, including termination or make-whole fees, associated with the Captive Financing incurred prior to the Closing.

(f) Buyer shall be responsible for any fees relating to the termination or amendment of captive reinsurance or captive financing arrangements or the transfer to the Company or the NY Reinsurer of any Captive financing related to or arising, in significant part, from (x) (i) an internal company solution (including a parental guaranty solution) implemented by Buyer or its Affiliates (including the Company after the Shares Closing), other than at Seller's request, or (ii) (A) any action by Buyer or its Affiliates (including the Company after the Shares Closing) that was not in compliance with Seller Requested Cooperation or (B) the failure of Buyer or any of its Affiliates (including the Company after the Shares Closing) to take any action reasonably requested by Seller in connection with the Captive Financings and (y) any fees and expenses, including termination or make-whole fees, associated with the Captive Financing incurred on or following the Closing.

(g) From the date hereof, each party shall, in connection with the matters referenced in this Section 5.13, keep the other party reasonably apprised of the status of the Captive Financings.

SECTION 5.14 Capital of Buyer.

(a) During the period from the date of this Agreement until the Closing, Buyer shall not, without Seller's prior written consent, (i) declare, set aside or pay any dividend or distribution on any shares of capital stock or other equity interest, or purchase, redeem, repay, repurchase or otherwise acquire any shares of its capital stock or other equity interest, (ii) adopt a plan of complete or partial liquidation or rehabilitation or authorize or undertake a dissolution, rehabilitation, consolidation, restructuring, or other similar reorganization, or (iii) fail to maintain Total Accessible Capital of at least (a) (1) $250,000,000 as of June 30, 2013, or (2) $300,000,000 as of September 30, 2013, plus (b) an amount equal to the "total adjusted capital" (as defined under SAP) which, if held by Buyer, would lead to an RBC Ratio equal to 300%.

(b) For purposes of Section 5.14(a), "Total Accessible Capital" means the sum of: (a) the capital and surplus of Buyer after taking into account all transactions that Buyer or its Subsidiaries have entered into prior to the Closing other than this Agreement, but excluding transactions to which Buyer or its Subsidiaries have agreed which have a closing date later than the Closing, which amount shall be in cash and/or invested in debt securities that have an active trading market and can be readily valued, plus (b) the amount committed, in writing, by any of Buyer's direct or indirect shareholders, as available to be contributed as capital to Buyer if necessary to effectuate the Closing, provided that Seller shall be an express third party beneficiary of any such commitments.

(c) On or prior to the Closing, Buyer shall contribute capital to the Company and the NY Reinsurer sufficient to ensure a 350% RBC Ratio of the Company and the NY Reinsurer after giving effect to the transactions contemplated by the Transaction Documents.

(d) Buyer shall provide Seller with periodic updates as to the amount and sources of the Total Accessible Capital, not less frequently than monthly, or at Seller's request.

SECTION 5.15 Further Assurances. At any time after the Closing Date, each party shall or shall cause its Affiliates to promptly execute, acknowledge and deliver any assurances or documents reasonably requested by the other party and necessary for each party as to satisfy its obligations hereunder or to give effect to the provisions of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby.

SECTION 5.16 Allocation of Indemnification under the SPA; Assignment; Consents to Settlements.

(a) Buyer shall have the right to direct Seller to make claims under the SPA for any Loss reasonably believed by Buyer to be an Aviva Indemnified Loss arising from the

Life Business as such Aviva Indemnified Loss is incurred by Buyer, the Company or any of their respective Affiliates (each, a "Buyer SPA Claim") by delivering to Seller written notification of such Aviva Indemnified Loss. Upon receipt of direction from Buyer to make a Buyer SPA Claim, Seller shall pursue such Buyer SPA Claim on its own behalf and subject to the terms and conditions of the SPA. In connection with any Buyer SPA Claim, Seller shall (i) follow the directions of Buyer in pursuit of such Buyer SPA Claim, including to retain counsel or other Third Parties as directed by Buyer, (ii) enter into any joint defense or similar agreement with Buyer at Buyer's request and (iii) not enter into or consent to any settlement or take any other actions under Article VII of the SPA with respect to any Buyer SPA Claim without the prior written consent of Buyer; provided, that Seller shall only be required to take such actions and follow such directions if Buyer has provided to Seller written confirmation that it will fully indemnify Seller for any Losses (other than for lost profits and diminution in value) that Seller or Affiliates of Seller may suffer, sustain or otherwise incur in respect of such Buyer SPA Claim pursuant to Article VII and, to the extent any such Losses (other than for lost profits and diminution in value) have been incurred, Buyer or the Company has fully reimbursed Seller or its applicable Affiliate for such costs and expenses. Subject to Section 5.3(e), Seller shall share with Buyer information regarding material communications to and from Aviva and any other material information related to any Buyer SPA Claim. To the extent that any consent or other action is required to be taken by Seller under the SPA in respect of such Buyer SPA Claim, Buyer shall have the right to so direct Seller as to the course of action to take. Notwithstanding the foregoing, (x) Buyer shall, upon receipt of any payments in respect of a Buyer SPA Claim or any other Aviva Indemnified Loss, reimburse Seller or its Affiliates for any Losses suffered, sustained or otherwise incurred by any of them arising from, in connection with or related to such Buyer SPA Claim or other Aviva Indemnified Loss for which Seller is entitled to indemnification pursuant to Section 7.2(b) and that have not otherwise been reimbursed by Buyer pursuant to this Agreement or another Transaction Document (such Losses, "Seller Unreimbursed Losses"), and Seller shall, upon receipt of any payments in respect of an Aviva Indemnified Loss, reimburse Buyer or its Affiliates for any Losses suffered, sustained or otherwise incurred by any of them arising from, in connection with or related to such Aviva Indemnified Loss for which Buyer is entitled to indemnification pursuant to Section 7.2(a) and that have not otherwise been reimbursed by Seller pursuant to this Agreement or another Transaction Document (such Losses, "Buyer Unreimbursed Losses").

(b) Except as otherwise contemplated in this Section 5.16, Buyer, on behalf of itself and its Affiliates, hereby distributes, assigns, conveys, delivers and transfers to Seller all of its and its Affiliates' right, title and interest to any and all Seller Unreimbursed Losses and to all amounts received in respect of any Aviva Indemnified Loss that do not arise from or relate to the Life Business. Except as otherwise contemplated in this Section 5.16, Seller, on behalf of itself and its Affiliates, hereby distributes, assigns, conveys, delivers and transfers to Buyer all of its and its Affiliates' right, title and interest to any and all Buyer Unreimbursed Losses and to all amounts received in respect of any Aviva Indemnified Loss that arise from or relate to the Life Business, other than amounts paid by Seller pursuant to Section 5.16(m)(ii).

(c) Seller and Buyer shall, within twenty (20) Business Days from the date of the request of Seller or Buyer, appoint a mutually acceptable escrow agent (which shall be a bank or other financial institution authorized to act as trustee that is not an Affiliate of either party) (the "Escrow Agent") and prepare, agree upon and execute a mutually agreeable escrow agreement (the "Escrow Agreement") as is necessary to open an account (the "Escrow Account") and implement the provisions of this Agreement. Such Escrow Agreement shall also contain appropriate provisions, mutually acceptable to Seller and Buyer, providing for deliveries of documents outside of the United States, the investment of any amounts deposited in the Escrow Account in securities eligible for the portfolio interest exemption from U.S. federal withholding tax and other procedures as may be reasonably required and consistent with the nature of Seller as a Bermuda domiciled entity. Expenses of the Escrow Agent shall be shared equally by Seller and Buyer.

(d)

(i) Upon receipt, Seller or Buyer, as applicable, shall deposit all Seller Paid Indemnified Losses in excess of the Seller Indemnification Cap and all Buyer Paid Indemnified Losses in excess of the Buyer Indemnification Cap (including amounts received pursuant to a Buyer SPA Claim) into the Escrow Account; provided, that, (1) any amounts received from Aviva by Seller in respect of any Buyer Paid Indemnified Losses (including amounts received pursuant to a Buyer SPA Claim) up to the Buyer Indemnification Cap or Buyer Unreimbursed Losses shall be paid directly to Buyer and (2) any amounts received from Aviva by Buyer in respect of Seller Paid Indemnified Losses up to the Seller Indemnification Cap or Seller Unreimbursed Losses shall be paid directly to Seller.

(ii) Each of Buyer and Seller acknowledges and agrees (1) that any and all payments that are received from Aviva by Seller or Buyer, as the case may be, that are required to be paid to the other party or the Escrow Account pursuant to this Section 5.16, as applicable, shall be held by Buyer or Seller, as applicable, in trust for the account and benefit of the other party and (2) to pay such amounts to the other party or deposit such amounts into the Escrow Account, as applicable, promptly following receipt thereof by Buyer or Seller, as applicable. For U.S. federal income tax purposes, any Seller Paid Indemnified Losses deposited into the Escrow Account shall be treated as owned by Seller, and any Buyer Paid Indemnified Losses deposited into the Escrow Account shall be treated as owned by Buyer. The Escrow Agreement shall provide that, if the party treated as the owner of any deposited amounts is subject to U.S. federal income tax with respect to earnings on the escrowed assets then such Party shall be entitled to request distributions from the Escrow Account in amounts intended to enable such party to discharge its U.S. federal tax liabilities, in a timely manner as they become due, arising from any such earnings included in income by such party.

(e) If, as of the fifth (5^{th}) anniversary of the Closing Date, any Aviva Indemnified Losses have been paid, then Seller and Buyer shall work together in good faith to prepare and submit promptly after such anniversary a joint report to the Escrow Agent of the amount and description of all Seller Paid Indemnified Losses, Buyer Paid Indemnified Losses and Seller's and Buyer's Unpaid Indemnified Losses (including any Seller Unreimbursed Losses or Buyer Unreimbursed Losses that have not otherwise been paid) (each such report, a "Indemnified Losses Report").

(f) Two (2) Business Days following the Escrow Agent's receipt of the Indemnified Losses Report, Seller and Buyer shall cause the Escrow Agent to calculate the allocation of the amount in the Escrow Account and any payments between Seller and Buyer as follows:

(i) If the Seller Paid Indemnified Losses exceeded the Seller Indemnification Cap and Buyer (or its Affiliates or Representatives entitled to indemnification pursuant to a Buyer SPA Claim) suffered Unpaid Indemnified Losses, (A) an amount equal to (1) the lesser of (x) the Seller Paid Indemnified Losses deposited into the Escrow Account and (y) the amount of Buyer's and such Affiliates' and Representatives' aggregate Unpaid Indemnified Losses, minus (2) any amounts described in Section 5.16(d)(i)(2) received by Buyer and not otherwise deposited into the Escrow Account or paid to Seller, as applicable, plus (3) any amounts described in Section 5.16(d)(i)(1) received by Seller and not otherwise deposited into the Escrow Account or paid to Buyer, as applicable, shall be paid over to Buyer; and (B) the excess amount of Seller Paid Indemnified Losses remaining in the Escrow Account after giving effect to the payment of the amount set forth in (A) above, if any, shall be paid over to Seller; provided, that if, but for the operation of this proviso, Seller (and its Affiliates and Representatives entitled to indemnification from Aviva under the SPA) would incur Unpaid Indemnified Losses equal to or greater than Buyer (and its Affiliates and Representatives entitled to indemnification pursuant to a Buyer SPA Claim), then the amount so paid over to Buyer shall be reduced (but not below zero) by an amount equal to the Buyer Basket Amount, and an amount equal to the Buyer Basket Amount shall be paid over from the Escrow Account to Seller;

(ii) If the Buyer Paid Indemnified Losses exceeded the Buyer Indemnification Cap and Seller (or its Affiliates and Representatives entitled to indemnification from Aviva under the SPA) suffered Unpaid Indemnified Losses, (A) an amount equal to (1) the lesser of (x) the Buyer Paid Indemnified Losses deposited into the Escrow Account, and (y) the amount of Seller's and such Affiliates' and Representatives' Unpaid Indemnified Losses, minus (2) any amounts described in Section 5.16(d)(i)(1) received by Seller and not otherwise deposited into the Escrow Account or paid to Buyer, as applicable, plus (3) any amounts described in Section 5.16(d)(i)(2) received by Buyer and not otherwise deposited into the Escrow Account or paid to Seller, as applicable, shall be paid over to Seller; and (B) the excess amount of Buyer Paid Indemnified Losses remaining in the Escrow Account, after giving effect to the payment set forth in (A) above, if any, shall be paid over to Buyer; provided, that if, but for the operation of this proviso, Buyer (and its Affiliates and Representatives entitled to indemnification from Aviva under the SPA) would incur Unpaid Indemnification Losses equal to or greater than Seller (and each of their respective Affiliates and Representatives entitled to indemnification from Aviva under the SPA), the amount so paid over to Seller shall be reduced (but not below zero) by an amount equal to the Seller Basket Amount, and an amount equal to the Seller Basket Amount shall be paid over from the Escrow Account to Buyer;

(iii) If no amounts are contained in the Escrow Account because neither Seller nor Buyer (or their respective Affiliates or Representatives entitled to indemnification from Aviva under the SPA) has received Paid Indemnified Losses above the Seller Indemnification Cap or the Buyer Indemnification Cap, as applicable, the Escrow Agent shall make the following calculation for each party: the product of (A) the Deductible *multiplied by* (B) a fraction, the numerator of which is the sum of such party's or its Affiliates' Unpaid Indemnified Losses attributable to the application of the Deductible plus such party's or such Representatives' or Affiliates' Paid Indemnified Losses, and the denominator of which is an amount equal to (1) the aggregate Unpaid Indemnified Losses attributable to the application of the Deductible plus (2) Paid Indemnified Losses of both parties and their Affiliates and Representatives entitled to indemnification from Aviva under the SPA or pursuant to a Buyer SPA Claim, as applicable. If such calculation results in an amount greater than the sum of (1) such party's or such Affiliates' actual Unpaid Indemnified Losses attributable to the application of the Deductible, and (2) (x) in the case of Seller, an amount equal to the amount of any Seller Unreimbursed Losses received by Buyer and not otherwise deposited into the Escrow Account or paid to Seller, as applicable, in accordance with this Section 5.16, minus the amount of any Buyer Paid Indemnified Losses (including, without duplication, any amounts paid in respect of any claim that constituted a Buyer SPA Claim) and Buyer Unreimbursed Losses received by Seller and not otherwise deposited into the Escrow Account or paid to Buyer, as applicable, in accordance with this Section 5.16 or (y) in the case of Buyer, an amount equal to the amount of any Buyer Paid Indemnified Losses (including, without duplication, any amounts paid in respect of any claim that constituted a Buyer SPA Claim) received by Seller and not otherwise deposited into the Escrow Account or paid to Buyer, as applicable, in accordance with this Section 5.16, minus the amount of any Seller Paid Indemnified Losses and Seller Unreimbursed Losses that have been received by Buyer and not otherwise deposited into the Escrow Account or paid to Seller, as applicable, in accordance with this Section 5.16, such party shall pay the difference between such calculation made in respect of such party and such party's or such Representatives' or Affiliates' Unpaid Indemnified Losses plus the amount determined with respect to such Party in (2)(x) or (y) above, as applicable, attributable to the application of the Deductible to the other party; and

(iv) Any investment income earned on amounts held in the Escrow Account (as reduced by any distributions made to either party pursuant to Section 5.16(d)(ii)) shall be paid over to Buyer and Seller in connection with the distributions contemplated by this Section 5.16(f) in the same proportion as the principal amount held in the Escrow Account is so paid over to Buyer and Seller; provided, that if such amount to be paid over was reduced by a distribution to the other party under Section 5.16(d)(ii), such party shall pay over to the other party the amount that was distributed under Section 5.16(d)(ii).

(g) Seller and Buyer shall cooperate in good faith, and each shall use its reasonable best efforts, to cause the Escrow Agent to effect any payments required by Section 5.16(f).

(h) If (i) no amounts have been deposited into the Escrow Account as of the fifth (5^{th}) anniversary of the Closing Date or (ii) all of the funds in the Escrow Account have been distributed in accordance with Section 5.16(f) and, in either case, there is no expectation of any amount subsequently being deposited into the Escrow Account, then Seller and Buyer shall cause the Escrow Account to be closed and the Escrow Agreement to be terminated.

(i) With respect to the receipt by Seller or its Affiliates of any Paid Indemnified Losses following the closing of the Escrow Account and the termination of the Escrow Agreement pursuant to Section 5.16(h), Seller agrees to cooperate in good faith with Buyer and use its reasonable best efforts to effectuate an allocation of such Paid Indemnified Losses and payment to Buyer, as contemplated by and calculated in accordance with the allocation principles under Section 5.16(f), if applicable, on each annual anniversary of the termination of the Escrow Agreement; provided, that upon Seller's or Buyer's reasonable request, Seller and Buyer shall enter into a new escrow agreement on terms substantially identical to the Escrow Agreement and with a mutually acceptable escrow agent for an agreed upon period of time.

(j) In connection with any Third-Party Claim (as defined in the SPA) in respect of which Buyer has the right to make a Buyer SPA Claim, but has not, made a Buyer SPA Claim, Seller shall not pay, settle, compromise, admit any liability with respect to or discharge such Third-Party Claim without the prior written consent of Buyer, which shall not be unreasonably withheld, delayed or conditioned.

(k) If Seller is required to make a payment to Buyer pursuant to clause (1) of the proviso of Section 5.16(d)(1) following the receipt of a payment from Aviva in respect of any Buyer Paid Indemnified Loss, to the extent such payment to Buyer is deductible for U.S. federal income tax purposes by Seller or any of its Affiliates, the amount of such payment to Buyer shall be increased by the amount of any Tax benefit taken into account pursuant to Section 7.4(iii) of the SPA in determining the amount received from Aviva in respect of such Buyer Paid Indemnified Loss. If Buyer becomes entitled to a release from the Escrow Account described in Section 5.16(f), and such release is deductible for U.S. federal income tax purposes by Seller or any of its Affiliates, then Seller shall pay to Buyer an amount equal to (A) the total amount of any Tax benefit taken into account pursuant to Section 7.4(iii) of the SPA in determining the amounts received from Aviva in respect of Buyer Paid Indemnified Losses that were deposited into the Escrow Account pursuant to Section 5.16(d)(1), multiplied by (B) a fraction, the numerator of which is the amount of such release (without giving effect to this sentence) and the denominator of which is the total amount of Buyer Paid Indemnified Losses deposited into the Escrow Account.

(l) For the avoidance of doubt, this Section 5.16 and Section 8.7 shall apply to "Indemnifiable Losses" within the meaning of the SPA arising from Product Tax Claims that are "Extra Contractual Obligations" as defined in the Life Business Reinsurance Agreements.

(m) If a Buyer Indemnified Person under this Agreement suffers or would suffer a Loss that, if such Loss were suffered by a "Buyer Indemnified Person" as defined under the SPA, would be indemnified by Aviva under the SPA (an "Aviva Covered Loss"):

(i) such Aviva Covered Loss shall not be payable by the Company or the NY Reinsurer if due under either of the Life Business Reinsurance Agreements (an "Excluded Reinsured Liability"); and

(ii) if such Aviva Covered Loss (x) is not an Excluded Reinsured Liability, and (y) has not been otherwise paid to such Buyer Indemnified Person, Seller shall pay to such Buyer Indemnified Person the amount of such unpaid Aviva Covered Loss (net of any related costs and expenses not otherwise paid by Buyer or its Affiliates).

SECTION 5.17 Public Announcement. The parties shall consult with each other before issuing any press release or other public statement or communication with respect to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby, and each party will accept reasonable comments it deems appropriate or desirable to any such release, statement or communication; provided, that the parties hereto may, without the prior consent of the other parties (but after prior consultation, to the extent practicable in the circumstances), issue such communication or make such public statement as may be required by Applicable Law or stock exchange rules. The parties shall cooperate in good faith to jointly develop all public communications.

SECTION 5.18 Producer Matters; Contract Terminations.

(a) After the Closing, Buyer (in consultation with Seller) shall provide a list to Seller of any producer and distribution contracts of the Aviva Insurers related to the Life Business and any other Third Party contracts of the Aviva Insurers with respect to the Life Business, if any, that Buyer desires to enter into, on its own behalf, with such producer, distributor or other Third Party. Seller and Buyer shall use their reasonable best efforts to cause such producer, distributor or other Third Party to enter into contracts with Buyer which are substantially similar to the terms of the contracts such producers, distributors or other Third Parties have with the Aviva Insurers and to allow Seller to terminate such producer and distribution contracts and Third Party contracts as soon as possible under the terms of such contracts without imposition of any termination costs associated with such terminations. To the extent any such contracts relate to both the Life Business and any other business of the Aviva Insurers or AUSA, Seller shall not terminate such contracts, but Seller and Buyer shall use their reasonable best efforts to cause such contracts to be amended solely to remove the rights and obligations of the parties solely related to the Life Business from such contracts. Seller shall be solely responsible for any expenses related to the termination or amendment of such producer and distribution contracts and such other Third Party contracts.

(b) If, prior to the termination or amendment of contracts as contemplated in this Section 5.18(b), any producer, distributor or other Third Party (including a Covered Employee) engages in business activities with respect to the Life Business that results in (x) the generation of Producer Payments (as defined in the Life Business Reinsurance Agreements) incurred following the Closing or (y) increased benefits accruals or contributions relating solely to such business activities of such producer, distributor or other Third Party incurred following the Closing, as required under the terms of any Seller benefit plan as in effect as of the date of this Agreement, Buyer shall pay or cause to be paid to Seller the amount of such Producer Payments or the amount of such accruals or contributions, and Seller shall cause to be paid to such producer, distributor or other Third Party such Producer Payments or benefits under such benefit plans consistent with the terms and conditions of the applicable contracts or benefit plans. Seller shall promptly reimburse Buyer for the amount of such Producer Payments or the amount of such accruals or contributions that are forfeited by the producer, distributor or other Third Party. For the avoidance of doubt, except with respect to its obligation to pay or cause to be paid to Seller the amounts provided in this Section 5.18 and Section 2.5 of the Life Business Reinsurance Agreements, neither Buyer nor any of its Affiliates shall assume any Liability or obligation under any such contract or benefit plan.

SECTION 5.19 <u>D&O Liabilities</u>. From and after the Shares Closing Date, Buyer shall not, and shall cause the Company not to, take any steps that would reasonably be expected to adversely affect the rights of any individual who served as a director or officer of the Company at any time prior to the Shares Closing Date (each, a "<u>D&O Indemnified Person</u>") to be indemnified under the Company's Organizational Documents as in effect on the date hereof, arising out of or pertaining to matters existing or occurring at or prior to the Shares Closing Date and relating to the fact that the D&O Indemnified Person was a director or officer of the Company, whether asserted or claimed prior to, at or after the Shares Closing Date.

SECTION 5.20 <u>No Right or License; Use of Names</u>. Except as otherwise provided in <u>Section 5.33</u>, Buyer acknowledges and agrees that, other than as contemplated by the Transaction Documents, Buyer is not purchasing, acquiring or otherwise obtaining any right, title or interest in or to any Intellectual Property or Software owned or licensed by Seller or any of its Affiliates including any Trademark of or licensed to Seller or any of its respective Affiliates or any Trademark based upon such a Trademark or any Trademarks derivative thereof or confusingly similar thereto (collectively, the "<u>Seller Trademarks</u>"). Buyer shall use its reasonable best efforts to cause the Company to change its name to a name that does not include any Seller Trademark or any confusingly similar name or derivative thereof as soon as reasonably practicable after the Shares Closing Date, but in any event within twelve (12) months after the Shares Closing Date.

SECTION 5.21 <u>Insurance</u>. From and after the Closing Date, the Company shall cease to be insured by Seller's or its Affiliates' insurance policies or by any of their self-insured programs to the extent such insurance policies or programs cover the Company.

SECTION 5.22 <u>Transition Services Planning and Pre-Closing Migration Activities</u>.

(a) Prior to the Closing Date, the parties shall cooperate in the development of plans for (i) the separation of the information technology systems, business records, data and processes used in the Life Business from that of the other businesses of AUSA, ALAC, ALACNY, Aviva and Aviva's other Affiliates and the migration of such information technology systems, business records, data and processes from Aviva and its Affiliates to Buyer, and (ii) post-Closing financial reporting of the Life Business, including cooperation in the separation of life policies, premiums, commissions, expenses and other life-only items and the development of separate ledger accounts relating to the Life Business. Each of Seller and Buyer shall bear its own costs for the development of the plans set forth in this Section 5.22(a).

(b) If Buyer requests that Seller, its Affiliates or any Third-Party contractors (including Aviva and its Affiliates) begin to perform any activities (other than planning) related to Migration prior to the Closing Date, and Seller agrees to perform or cause the performance of the same ("Pre-Closing Migration Services"), then Seller shall provide to Buyer reasonable and documented estimates of the costs related to such Pre-Closing Migration Services, and, if Buyer approves such estimates, Seller shall perform or cause the performance of the Pre-Closing Migration Services, and Buyer shall reimburse Seller, on a time and materials basis, for all such Pre-Closing Migration Services actually performed by or on behalf of Seller or its Affiliates, including reimbursing Seller for fees, costs or other expenses payable by Seller or its Affiliates to any Third Parties (including Aviva and its Affiliates) for such Pre-Closing Migration Services. For any approved Pre-Closing Migration Services, Seller shall not exceed the amount set forth in the Buyer approved estimate (nor bill Seller for the same) without obtaining Buyer's prior written approval (which may be in the form of an email approval without separate written confirmation); provided that Seller shall not be required to perform any further work on such Pre-Closing Migration Services until Buyer approves payment of the costs in excess of the estimate. Seller shall bill Buyer in arrears for such amounts on a monthly basis, and Buyer shall pay all such amounts within thirty (30) days after the date of the applicable invoice.

(c) Prior to the Closing Date, the parties shall cooperate in good faith to approach one or more third-party administrators (each, a "TPA") to explore whether and on what terms such TPAs would administer both the Life Business and the other businesses to be acquired by Seller and its Affiliates pursuant to the SPA and the other Contracts and transactions to be entered into in connection therewith. If there is such interest and upon agreement of the parties, the parties shall negotiate and enter into with a TPA one or more Contracts between or among such TPA and the parties or their Affiliates regarding such administration. For the avoidance of doubt, nothing herein shall require either party or their Affiliates to enter into any Contract with any TPA.

SECTION 5.23 Post Shares Closing Organizational Matters. Immediately after the Shares Closing, Buyer shall duly elect a board of directors of the Company and shall cause such board of directors to appoint and maintain necessary officers of the Company in accordance with Applicable Law.

SECTION 5.24 Statutory Deposits. If the statutory deposits required by insurance regulators in the jurisdictions in which the Company has Certificates of Authority are not maintained at any time prior to the Shares Closing Date, Seller shall cause the Company promptly to comply with any such statutory deposit requirements.

SECTION 5.25 Bank Accounts. At the written request of Buyer, Seller shall take all reasonable steps, at the Shares Closing, to transfer over to one or more financial institutions designated by Buyer any bank or securities accounts of the Company, or to change the name in which such accounts are held to a name designated by Buyer or the authorized persons permitted to effect transactions in relation to such accounts to one or more persons designated by Buyer.

SECTION 5.26 Redomestication to Iowa. Seller agrees to use its reasonable best efforts to effectuate the redomestication of the Company to Iowa with the approval of the Iowa Insurance Division prior to the Shares Closing Date.

SECTION 5.27 Outstanding Certificates of Authority. Upon receipt of a written request from Buyer, Buyer and Seller shall reasonably cooperate with each other to obtain the outstanding Certificates of Authority set forth on Schedule 5.27 no later than the Closing Date. In connection with any such request, Buyer and its Affiliates (including the Company following the Shares Closing Date) shall take such actions as reasonably requested by Seller to obtain the outstanding Certificates of Authority set forth on Schedule 5.27 by the Closing Date, including by executing, acknowledging and delivering any agreement, undertaking, documents reasonably requested by Seller in connection therewith. Buyer shall reimburse all out-of-pocket costs incurred by Seller (including reasonable attorney's fees) in connection with its performance of its obligations under this Section 5.27.

SECTION 5.28 Company Books and Records. Except to the extent prohibited by Applicable Law, Seller shall deliver to Buyer on or prior to the Shares Closing Date, at an address Buyer may designate, all of the Company Books and Records. Seller shall have the right to retain for its records copies of any such Company Books and Records, and, to the extent permitted by Applicable Law, promptly forward to Buyer any additional Company Books and Records of which it becomes aware following the Shares Closing Date. Buyer shall not destroy the originals of any Company Books and Records for seven years following the Shares Closing Date without the prior written consent of Seller. On or prior to the Shares Closing Date, Seller shall deliver to Buyer, at an address Buyer may designate, (a) complete copies of all federal and state income and franchise Tax Returns filed by or with respect to the Company for the tax years 2011 through 2012, and (b) complete copies of all premium Tax Returns filed by or with respect to the Company for the tax year 2012.

SECTION 5.29 Termination of Related Party Contracts. On or prior to the Shares Closing Date, Seller shall cause each of the Related Party Contracts other than those listed on Section 5.29 of the Seller Disclosure Schedule to be terminated without any further obligations or liabilities to the Company thereunder and shall cause there to be no outstanding receivables or payables thereunder, with written evidence of same provided to Buyer.

SECTION 5.30 Novation. Seller and Buyer shall each use, and shall cause their respective Affiliates to use, their reasonable best efforts, and shall cooperate (and cause their respective Affiliates to cooperate) fully with each other to (i) (a) novate the Reinsurance Agreement between ALACNY and The United States Business of the Canada Life Assurance Company, effective October 1, 2012 to the NY Reinsurer (the "Novated Agreement"); provided that the Reinsurer's Share (as defined therein) shall be decreased to 90% and (b) terminate the Funds Withheld Retrocession Agreement between The United States Business of the Canada Life Assurance Company and ALAC, effective October 1, 2012, in each case, effective as of the Effective Time and consistent with the Captive Financing Term Sheet in respect of such transaction and (ii) promptly after the Closing, (a) make any necessary filings with the New York

Department of Financial Services or any other applicable Governmental Entity to increase such Reinsurer's Share to 100% and (b) restructure the Novated Agreement from a coinsurance funds withheld basis to a coinsurance basis with a trust arrangement to provide security for the payment of amounts due to the ceding company under the Novated Agreement. The reserves ceded to the NY Reinsurer under the Novated Agreement shall not include additional actuarial reserves (as used in connection with SAP), if any, established by ALACNY as a result of its annual cash flow testing.

SECTION 5.31 Non-Solicit.

(a) Except as provided in Section 5.7, from the Closing until the termination of all of the services provided to Buyer under the Transition Services Agreement, Buyer shall not, and shall cause its Controlled Affiliates not to, directly or indirectly, solicit for employment or hire any Person employed by Seller, the Companies or any of their Affiliates or any Person who is performing or has performed services under the Transition Services Agreement; provided, however, that subject to Section 5.7(a)(v), nothing in this Section 5.31(a) shall prohibit Buyer or any of its Affiliates from soliciting for employment or hiring any Person (i) who contacts Buyer or any of its Affiliates on his or her own initiative without direct solicitation or only as a result of a general solicitation to the public or general advertising, (ii) whose employment has been terminated by Seller, its Affiliates or the Companies or (iii) who voluntarily left his or her employment by Seller, its Affiliates or the Companies more than six months prior to the time of such employment or hire by Buyer or any of its Controlled Affiliates.

(b) For the same period provided in Section 5.31(a), Seller shall not, and shall cause its Controlled Affiliates not to, directly or indirectly, solicit for employment or hire any Person employed by the Buyer or its Affiliates; provided, however, that nothing in this Section 5.31(b) shall prohibit Seller or any of its Affiliates from soliciting for employment or hiring any Person (i) who contacts Seller or any of its Affiliates on his or her own initiative without direct solicitation or only as a result of a general solicitation to the public or general advertising, (ii) whose employment has been terminated by Buyer or its Affiliates or (iii) who voluntarily left his or her employment by Buyer or its Affiliates more than six months prior to the time of such employment or hire by Seller or any of its Controlled Affiliates.

SECTION 5.32 Ceding Commission Adjustments.

(a) The Ceding Commission shall be adjusted, as of the Effective Date, in accordance with Annex I hereto, to account for consents and waivers not obtained prior to the Effective Date in respect of minimum retention requirements to allow the applicable Policies to be reinsured to the Company or the NY Reinsurer, as applicable.

(b) The Ceding Commission shall be adjusted, as of the Effective Time, in accordance with Annex J hereto, if a Life Business Material Adverse Effect occurs during the period from and after January 1, 2013 through the Effective Time. The amount of any change in the output of the Valuation Model that would result from the procedure specified in Annex J shall not be taken into account when determining whether a Life Business Material Adverse Effect has occurred under this Section 5.32(b).

SECTION 5.33 Life Business Cooperation. For a period of twelve (12) months after the Closing, Seller shall cooperate in good faith with Buyer and use its reasonable best efforts to identify the assets, properties, rights and services the parties reasonably believe are necessary to conduct the Life Business in all material respects as currently conducted. In connection with such cooperation, Seller will transfer, lease, license or otherwise make available such assets, properties, rights and services to Buyer, on terms and conditions mutually determined by the parties in good faith, including the payment by Buyer of any applicable license or other fees or, if Seller is not able to transfer, lease, license or otherwise make available any such asset, property, right or service to Buyer, Seller will use its reasonable best efforts to provide Buyer with the benefit of such asset, property, right or service or alternative assets, properties, rights or services through a workaround on terms and conditions mutually determined by the parties in good faith or assist Buyer in obtaining alternatives for such asset, property, right or service from a Third Party. For the avoidance of doubt, such assets, properties, rights and services may be made available pursuant to the Transition Services Agreement only on a transitional basis for a limited period of time.

SECTION 5.34 Life Business Books and Records. Except as set forth on Schedule 5.34, and except to the extent prohibited by Applicable Law, Seller shall deliver to Buyer on or prior to the Closing Date, or as soon as reasonably practicable thereafter, copies of all of the Life Business Books and Records.

SECTION 5.35 Additional Reserve Requirement. If, prior to or on the Closing Date, the New York Department of Financial Services imposes on the NY Reinsurer, in lieu of on ALACNY, an asset adequacy or cash flow testing reserve requirement based on a scenario substantially similar to the cash flow testing scenario imposed on ALACNY by the New York Department of Financial Services as part of ALACNY's most recent triennial exam (an "Additional Reserve Requirement") with respect to either (x) the business to be ceded pursuant to the ALACNY Coinsurance and Assumption Agreement (the "Non-NLG ALACNY Block") or (y) the business to be ceded pursuant to the Novated Agreement (the "Financed ALACNY Block"), then:

(a) with respect to the Non-NLG ALACNY Block, at the request of ALACNY, the parties may convert the form of reinsurance from coinsurance to coinsurance on a funds withheld basis; provided, that ALACNY shall fund any Additional Reserve Requirement as provided in clause (c) below;

(b) with respect to the Financed ALACNY Block, ALACNY may fund any Additional Reserve Requirement as provided in clause (c) below;

(c) the funding provided in clauses (a) and (b) above shall be accomplished by a deposit of assets into the respective funds withheld account; the income on such assets will be paid to the NY Reinsurer, and the NY Reinsurer will pay to ALACNY the portfolio yield on a similar pool of assets of similar duration and credit characteristics as determined by reference to a nationally recognized third party index;

(d) if the provisions described in clauses (a) through (c) above are not implemented (including because the parties are not satisfied that the implementation of such clauses will result in an Additional Reserve Requirement not being imposed on the NY Reinsurer without offsetting assets being made available) within two (2) Business Days prior to the projected Shares Closing Date, then either party may determine not to proceed with the reinsurance of the Non-NLG ALACNY Block or the Financed ALACNY Block, as the case may be (and the ALACNY Coinsurance and Assumption Agreement and the Novated Agreement shall not be deliveries at the Closing);

(e) in the event that the funding contemplated by clauses (a) through (c) above is implemented, then ALACNY shall retain the right to recapture the Non-NLG ALACNY Block and the Financed ALACNY Block, as applicable, for as long as such funding remains in effect; and

(f) the funding of any accounts, as contemplated by causes (a) through (c) above, shall be released back to ALACNY concurrently with, and in the same amount as, any releases of the respective Additional Reserve Requirement.

ARTICLE VI.
CONDITIONS PRECEDENT

SECTION 6.1 Conditions to Each Party's Obligations. The respective obligations of each party to consummate the transactions contemplated hereby and the other actions to be taken at the Shares Closing and the Closing are subject to the satisfaction or waiver, on or prior to the Shares Closing Date and the Closing Date (provided, that clauses (h), (i) and (j) below are only subject to satisfaction or waiver on the Closing Date), of the following conditions:

(a) All Governmental Authorizations required in connection with the transactions contemplated hereby, including those set forth in Schedules 3.4(a) and (b) and Schedule 4.3, shall have been obtained or made and shall be in full force and effect and all waiting periods required by Applicable Law shall have expired or been terminated, in each case without the imposition of a Burdensome Condition with respect to the party seeking to invoke the failure of this condition to be satisfied.

(b) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction and no statute, rule or regulation of any Governmental Entity preventing the consummation of any transaction contemplated hereby or by any other Transaction Document shall be in effect; provided, however, that the party invoking this condition shall have used its reasonable best efforts to have any such order or injunction vacated.

(c) No Action brought by any Governmental Entity shall be pending before any Governmental Entity that has the effect, or would be reasonably likely to have the effect if determined adversely, of preventing the consummation of any transaction contemplated hereby or by the other Transaction Documents or imposing any Burdensome Condition; and no Action brought by any Third Party that is reasonably likely to result in one of the foregoing effects shall be pending before any Governmental Entity.

(d) The conditions set forth in Article VI of the SPA shall have been satisfied or waived.

(e) The other party shall have performed and complied in all material respects with all agreements, obligations, undertakings and covenants required to be performed or complied with by it under this Agreement on or prior to the Shares Closing Date.

(f) The other party shall have delivered or caused to be delivered each of the documents required to be delivered by it or its Affiliates pursuant to Section 2.1(e).

(g) All of the representations and warranties that the other party has made in Articles III or IV (as the case may be) as of the Shares Closing Date shall be true and correct at and as of the Shares Closing Date (except that those representations and warranties qualified with the words "as of the date hereof" shall be true and correct only as of such date) without regard to any materiality or Material Adverse Effect qualification included in such representation or warranty, with such exceptions as would not, in the aggregate, have a Material Adverse Effect with respect to Seller or the Company (in the case of Seller's representations and warranties) or with respect to Buyer (in the case of Buyer's representations and warranties).

(h) The other party shall have delivered or caused to be delivered each of the documents required to be delivered by it or its Affiliates pursuant to Section 2.2(d).

(i) All of the representations and warranties that the other party has made in Articles III or IV (as the case may be) as of the Closing Date shall be true and correct at and as of the Closing Date (except that those representations and warranties qualified with the words "as of the date hereof" shall be true and correct only as of such date) without regard to any materiality or Material Adverse Effect qualification included in such representation or warranty, with such exceptions as would not, in the aggregate, have a Material Adverse Effect with respect to Seller or the Company (in the case of Seller's representations and warranties) or with respect to Buyer (in the case of Buyer's representation and warranties).

(j) The other party shall have performed and complied in all material respects with all agreements, obligations, undertakings and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

SECTION 6.2 Further Conditions to Buyer's Obligations. The respective obligations of Buyer to consummate the transactions contemplated hereby and the other actions to be taken at the Shares Closing and the Closing are subject to the satisfaction or waiver, on or prior to the Shares Closing Date (in the case of clause (a)) and the Closing Date (in the case of clause (b)), of the following conditions:

(a) The redomestication of the Company to Iowa shall have been approved by the Iowa Insurance Division and shall have been completed.

(b) The Captive Financing shall have become effective, unless a significant factor in the failure of the Captive Financing to so become effective was (i) the taking of any action by Buyer or its Affiliates (including the Company after the Shares Closing) in connection with the Captive Financing that was not Seller Requested Cooperation or (ii) the failure of Buyer or any of its Affiliates (including the Company after the Shares Closing) to take any action reasonably requested by Seller in connection with the Captive Financings.

ARTICLE VII.
INDEMNIFICATION

SECTION 7.1 Survival of Representations, Warranties, and Covenants.

(a) The representations and warranties of Seller and Buyer contained in this Agreement shall survive the Closing solely for purposes of this Article VII and shall terminate and expire on the date that is 12 months following the Closing Date; provided, however, that (i) the representations and warranties made in Sections 3.1, 3.2, 3.3, 3.4, 3.7 and 3.14 (the "Seller Fundamental Representations") and Sections 4.1, 4.2, 4.3 and 4.6 (the "Buyer Fundamental Representations") shall survive until the sixtieth day following the expiration of the applicable statute of limitations and (ii) the representation and warranty made in Section 3.18 shall survive only until the corresponding period of survival under the SPA for the applicable SPA breach by Aviva that Buyer had actual knowledge of as of the date of the SPA (the "Specified Representation"). Any claim for indemnification in respect of any representation or warranty that is not asserted by notice given as required herein prior to the expiration of the specified period of survival shall not be valid and any right to indemnification is hereby irrevocably waived after the expiration of such period of survival. Any claim properly made for a Loss in respect of such a breach asserted within such period of survival as herein provided will be timely made for purposes hereof.

(b) The covenants and agreements of the parties hereto contained in this Agreement shall survive the Closing until fully performed or for any shorter period expressly provided in such covenants and agreements.

SECTION 7.2 Indemnification.

(a) Seller shall indemnify and hold harmless Buyer and its Affiliates (for the avoidance of doubt, including the Company from and after the Closing Date) (the "Buyer Indemnified Persons") from and against any and all Losses to the extent relating to, resulting from or arising out of:

(i) any breach of any representation or warranty of Seller made in this Agreement (without regard to any qualifications or references to "Material Adverse Effect", "material" or any other materiality qualifications or references contained in any specific representation or warranty); provided, that Seller shall have no liability to any Buyer Indemnified Person for any breach of Section 3.18 to the extent Seller has informed Buyer in writing as of the date hereof of the breach by Aviva under the SPA which gives rise to Seller's breach of Section 3.18;

(ii) any Excluded Liabilities;

(iii) any breach or nonfulfillment of any agreement or covenant of Seller under this Agreement;

(iv) any Liabilities of the Company (other than Losses (a) for Taxes indemnified under Section 8.1 or (b) reflected on the Final Balance Sheet) to the extent arising out of or relating to the activities of the Company or the operation of the Company, in each case prior to the Shares Closing (including, without limitation, the imposition of any premium, charge or assessment upon or against the Company by any Governmental Entity or insurance guaranty fund in respect of any period of time prior to the Shares Closing Date, and all filing fees and administrative assessments for insurance guaranty funds and/or Government Entity expenses arising out of or associated with the conduct of the business of the Company prior to the Shares Closing Date); and

(v) any reduction in the amount of Buyer Paid Indemnified Losses that Buyer would otherwise receive under this Agreement as a result of the exercise by Aviva under the SPA of any right to set-off against its indemnification obligations to Seller any claims that Aviva may have against Seller under the SPA or any related agreement.

(b) Buyer shall indemnify and hold harmless Seller and its Affiliates (the "Seller Indemnified Persons") from and against any and all Losses to the extent relating to, resulting from, or arising out of:

(i) any breach of any representation or warranty of Buyer made in this Agreement (without regard to any qualifications or references to "Material Adverse Effect", "material" or any other materiality qualifications or references contained in any specific representation or warranty);

(ii) any breach or nonfulfillment of any agreement or covenant of Buyer under this Agreement;

(iii) any insurance or reinsurance risk or other liability or obligation to the extent related to or arising from the Life Business, whether or not related to the Life Business Reinsurance Agreements, other than any Excluded Liabilities, any Excluded Reinsured Liabilities or any Losses incurred or arising after the Effective Time solely as a result of (x) actions or omissions of ALAC or ALACNY to the extent such actions or omissions of ALAC or ALACNY constitute gross negligence or bad faith and were not taken or omitted at the direction of the Company or the NY Reinsurer or consented to by the Company or the NY Reinsurer in writing or (y) U.S. federal or state income or capital stock or similar taxes (or any interest or penalties imposed with respect to the payment or reporting thereof) imposed upon ALAC, ALACNY or any of their Affiliates;

(iv) any Covered Employee's employment with Buyer and its Subsidiaries on or after such Covered Employee's Commencement Date (but excluding, for the avoidance of doubt, any Employment-Related Liabilities with respect to such Covered Employee to the extent relating to, resulting from or arising out of any incident, event, fact or circumstance occurring prior to such Covered Employee's Commencement Date); and

(v) any Losses (other than for lost profits and diminution in value) related to or arising in connection with any Buyer SPA Claims as a result of Buyer's directions given or actions taken pursuant to Sections 5.16(a)(i) or 5.16(a)(iii).

(c) The maximum aggregate liability of Seller, on the one hand, and Buyer on the other hand, to their respective Indemnitees for any and all Losses under Section 7.2(a)(i) (other than Losses in respect of the Seller Fundamental Representations and the Specified Representation) in the case of Seller, or Section 7.2(b)(i) (other than Losses in respect of the Buyer Fundamental Representations) in the case of Buyer, shall be the Shares Purchase Price; provided, that there shall be no maximum aggregate liability for Losses relating to, resulting from or arising out of fraud, intentional breach or willful misconduct regarding the representations and warranties in this Agreement.

SECTION 7.3 Procedures for Third-Party Claims.

(a) If any Indemnitee receives notice of assertion or commencement of any Third-Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim; provided, however, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation or otherwise affect the rights of any Indemnitee hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay with respect to such claim. Thereafter, the Indemnitee shall deliver to the Indemnitor, as promptly as reasonably practicable after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(b) The Indemnitor shall be entitled to participate in the defense of any Third-Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third-Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense; provided, however, that if the Indemnitee determines in good faith that the representation of the Indemnitee and the Indemnitor by the same counsel creates an actual or potential conflict of interest for such counsel, the reasonable fees and expenses of one counsel employed by the Indemnitee with respect to such matter shall be considered Losses hereunder. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third-Party Claim as provided above). If the Indemnitor chooses to defend any Third-Party Claim, the parties hereto shall cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnitor shall have assumed the defense of a Third-Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). If the Indemnitor has assumed the defense of a Third-Party Claim, the Indemnitor may only pay, settle, compromise, admit any liability with respect to or discharge a Third-Party Claim with the Indemnitee's prior written consent, not to be unreasonably withheld, delayed or conditioned; provided, however, that the Indemnitor may pay, settle, compromise or discharge such a Third-Party Claim without the written consent of the Indemnitee if such settlement (i) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third-Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third-Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third-Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third-Party Claim.

SECTION 7.4 Direct Claims. The Indemnitor will have a period of 30 days within which to respond in writing to any claim by an Indemnitee on account of a Loss that does not result from a Third-Party Claim. If the Indemnitor does not so respond within such 30 day period, the Indemnitor will be deemed to have rejected such claim, in which event the Indemnitee will be entitled to pursue such remedies as may be available to the Indemnitee.

SECTION 7.5 Sole Remedy. Except in the case of fraud, intentional breach, willful misconduct or as otherwise specifically provided herein, including in Section 5.16, from and after the Closing, the remedies provided in this Article VII shall be the exclusive monetary remedies (including equitable remedies that involve monetary payment, such as restitution or disgorgement, other than specific performance to enforce any payment or performance due hereunder) of the Indemnified Persons from and after Closing in connection with any breach or inaccuracy of a representation or warranty or non-performance of any covenant or agreement contained herein or any breach or inaccuracy of any certificate. For the avoidance of doubt, nothing in this Article VII shall affect any right to indemnification under the terms of any other agreement between the Parties or their Affiliates or the Parties' right to specific performance in accordance with Section 10.11.

SECTION 7.6 Indemnification under the Other Transaction Documents. It is the intent of the parties to allow each party to pursue indemnification pursuant to any Transaction Document to which it is a party or third party beneficiary; provided, that no party (including for purposes of such determination, amounts received by any of its Affiliates) shall be entitled to receive duplicate payments for a Loss.

ARTICLE VIII.
TAX MATTERS

SECTION 8.1 Indemnification for Taxes.

(a) Seller shall indemnify and hold harmless the Buyer Indemnified Persons from any and all Losses to the extent arising out of (A) Taxes imposed on the Company pursuant to Treas. Reg. § 1.1502-6 or any similar provision of state or local law as a result of the Company having been a member of any Company Group prior to the Shares Closing Date and (B) all Taxes imposed on the Company for any taxable year or period that ends on or before the Shares Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Shares Closing Date, (C) any inaccuracy in or breach of any representation or warranty contained in Section 3.7, or (D) any Taxes of another Person for which the Company is liable as a result of (1) any obligation under any agreement or arrangement relating primarily to Taxes (which, for the avoidance of doubt, shall include any Tax sharing arrangement, but shall exclude customary tax gross-up provisions in lease or commercial lending arrangements) entered into on or prior to the Closing Date or (2) as a result of the Company being a transferee or successor with respect to such an obligation on or prior to the Closing Date; provided, that Seller shall not be liable for or pay any such Taxes to the extent of any accrued liability for Taxes taken into account in the Final Balance Sheet.

(b) Buyer agrees to indemnify and hold harmless the Seller Indemnified Persons from and against any and all Losses to the extent arising out of liabilities for Taxes imposed on the Company for any taxable year or period that begins after the Shares Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period beginning on the day after the Shares Closing Date and any Taxes to the extent taken into account as an accrued liability for Taxes in the Final Balance Sheet.

(c) For purposes of this Agreement, whenever it is necessary to determine the liability for Taxes of the Company for the portion of a Straddle Period that ends on the Shares Closing Date, and the portion of a Straddle Period that begins after the Shares Closing Date:

(i) in the case of Taxes based on or measured by income, gain, or receipts, or related to the actual or deemed sale or transfer of property, or which are withholding Taxes, such Taxes shall be allocated based on an interim closing of the books as of the Shares Closing Date; and

(ii) in the case of Taxes calculated on a periodic basis, the portion of such Taxes allocable to the period that ends on the Shares Closing Date shall be deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the portion of the Straddle Period ending on the Shares Closing Date and the denominator of which is the number of days in the entire Straddle Period.

SECTION 8.2 Filing of Tax Returns.

(a) Seller shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all income Tax Returns that are required to be filed by or with respect to the Company for taxable years or periods ending on or before the Shares Closing Date. In each case Seller shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Buyer shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all other Tax Returns that are required to be filed by or with respect to the Company after the Shares Closing Date and, subject to Section 8.1(a) above, Buyer shall remit or cause to be remitted any Taxes due in respect of such Tax Returns.

(b) All Tax Returns that Buyer is required to file or cause to be filed in accordance with this Section 8.2 that relate to any taxable year or period ending on or before the Shares Closing Date or any Straddle Period shall be prepared and filed in a manner consistent with past practice and, on such Tax Returns, no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in preparing and filing similar Tax Returns in prior periods, except, in either case, with the consent of Seller (which consent shall not be unreasonably withheld, conditioned or delayed). With respect to any such Tax Return to be filed by Buyer, not less than thirty (30) days prior to the due date for such Tax Return, taking into account extensions (or, if such due date is within thirty (30) days following the Shares Closing Date, as promptly as practicable following the Shares Closing Date), Buyer shall provide Seller with a draft copy of such Tax Return for Seller's review and comments, which Buyer shall reasonably take into account.

(c) Except to the extent otherwise required by Applicable Law, Buyer shall not, and shall not permit any of its Affiliates to, without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed), amend any Tax Returns of the Company relating to any Tax period ending before the Shares Closing Date, or, with respect to any Straddle Period, in a manner that could result in an increase in Taxes attributable to the portion of the Straddle Period ending on the Shares Closing Date.

SECTION 8.3 Tax Refunds. Any Tax refund, credit, or similar benefit (including any interest paid or credited with respect thereto) (a "Tax Refund") relating to the Company for Taxes paid for any taxable period (or portion thereof) ending on or prior to the Shares Closing Date shall be the property of Seller except to the extent such Tax Refund (i) was taken into account in the Final Balance Sheet or (ii) is attributable to the carryback of any item of loss, deduction, credit or other Tax benefit from a tax year or period ending (or portion thereof) after the Share Closing Date and the Company is not permitted by Applicable Law to waive such carryback. If received by Buyer or the Company, Buyer shall, or shall cause the Company to, pay any Tax Refund that is the property of Seller promptly to Seller, net of any Tax cost to Buyer or any of its Affiliates attributable to the receipt of such refund and any other cost reasonably incurred by Buyer to obtain such refund. In the event that any such Tax Refund is subsequently contested by any Tax authority, such contest shall be handled in accordance with the procedures in Section 7.3. Any additional Taxes resulting from the contest shall be indemnified in accordance with Section 8.1.

SECTION 8.4 Cooperation and Exchange of Information.

(a) Seller and Buyer shall provide each other with such cooperation and information as either of them or their respective Affiliates reasonably may request of the other in filing any Tax Return, amended Tax Return or claim for Tax Refund, determining a liability for

Taxes of the Company or a right to a Tax Refund of the Company, or participating in or conducting any contest in respect of Taxes of the Company (a "Tax Contest"). Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Tax authorities. Each party and its Affiliates shall make its employees available on a basis mutually convenient to both parties to provide explanations of any documents or information provided hereunder. Any information obtained under this Section 8.4 shall be kept confidential except as otherwise may be necessary in connection with the filing of Tax Returns or claims for Tax Refunds or in conducting a contest or as otherwise may be required by Applicable Law or the rules of any stock exchange.

(b) From and after the SPA Closing, Seller shall, and shall cause its Affiliates to, provide promptly to Buyer and its Affiliates, such information and assistance, including access to policy administration systems (including hardware or software) and related personnel, as reasonably requested by Buyer for purposes of the identification (through actuarial studies, systems testing and other appropriate means) and remediation of Losses or potential Losses attributable to the Tax treatment of the Reinsured Policies, the treatment of any Reinsured Policy as a "modified endowment contract" within the meaning of Section 7702A of the Code or any deficiency in compliance with Tax information reporting or Tax disclosure requirements applicable to the Reinsured Policies.

SECTION 8.5 Conveyance Taxes. Buyer or Seller, as appropriate, shall execute and deliver all instruments and certificates necessary to enable the other to comply with any filing requirements relating to any real property transfer or sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees and any similar Taxes ("Conveyance Taxes") which become payable in connection with the purchase of Shares by Buyer or the consummation of any of the other transactions contemplated by this Agreement and shall file such applications and documents as shall permit any Conveyance Taxes to be assessed and paid. Any Conveyance Taxes incurred in connection with the consummation of the transactions contemplated by this Agreement shall be borne 50% by Buyer and 50% by Seller.

SECTION 8.6 Termination of Tax Sharing Arrangements. Any agreement or arrangement relating primarily to Taxes (which, for the avoidance of doubt, shall include any Tax sharing arrangement, but shall exclude customary tax gross-up provisions in lease or commercial lending arrangements) to which the Company is a party shall be terminated as to the Company as of the Shares Closing Date and the Company shall have no further liability thereunder from and after the Shares Closing Date.

SECTION 8.7 Certain Tax Claims.

(a) Seller shall promptly notify Buyer of any audit by a Governmental Entity, proposed adjustment or other Action with respect to Taxes that could reasonably be expected to result in a claim for indemnification under the Life Business Reinsurance Agreements, provided that the failure of Seller to so notify Buyer shall not affect Seller's right to such indemnification except to the extent Buyer is materially prejudiced as a consequence of such failure. Unless Buyer shall have notified Seller of its intention to control such matter in accordance with Section 8.7(b), Seller shall have the right to control the conduct of any Action related to such audit or proposed adjustment, provided that Buyer shall be permitted, at Buyer's expense, to participate in any such audit, proposed adjustment or other Action. Notwithstanding such control, Seller shall not settle, either administratively or after the commencement of litigation, any such audit, proposed adjustment or other Action, in a manner that will result in a claim for indemnification under the Life Business Reinsurance Agreements, without the written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) In the case of any matter relating to Taxes that is an Extra Contractual Obligation or is otherwise indemnifiable under the Life Business Reinsurance Agreements, including matters relating to (i) the Tax treatment of the Reinsured Policies, (ii) the treatment of any Reinsured Policy as a "modified endowment contract" within the meaning of Section 7702A of the Code, or (iii) compliance with any applicable Tax information reporting or Tax disclosure requirements with respect to the Reinsured Policies, Buyer shall (in each case subject to Aviva's rights under the SPA) have the exclusive right to: (A) initiate and control any proceeding, dispute or other Action with any Governmental Entity, including the IRS or other Third Party, (B) determine and implement the appropriate remediation and mitigation measures including obtaining remediation or other corrective relief from the IRS or modifying the administration of the Reinsured Policies in order to make such administration compliant with the requirements of Applicable Law and (C) give (or withhold) consent to (or from) Aviva, or exercise any other right or discretion afforded to Seller under the terms of the SPA; provided, that Buyer shall have first notified Seller in writing (i) of its intention to do so, (ii) of the identity of counsel, if any, chosen by Buyer in connection therewith and (iii) that Buyer has identified such matter as an Extra Contractual Obligation or as otherwise indemnifiable under the Life Business Reinsurance Agreement; provided, further, that Seller shall be entitled to participate at its own expense in the actions described in clauses (A) and (B) of the preceding sentence. Notwithstanding the foregoing, Buyer shall not take any action described in clause (B) of the preceding sentence which would result in a right of indemnification against Seller pursuant to Section 7.2(a)(ii) without Seller's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) Seller shall provide Buyer with assistance as reasonably requested by Buyer in order to exercise Buyer's rights described in Section 8.7(b), including by executing applicable powers of attorney.

(d) Buyer's rights described in Section 8.7(b) (and any actions taken pursuant to such rights) may be exercised and undertaken by Buyer in the time and manner determined by Buyer in its sole discretion, provided that in the case of any action that involves any admission that would reasonably be expected to form the basis of the determination of any material future liability of Seller or any of its Affiliates with respect to its annuity business, involves any material nonmonetary relief against Seller or any of its Affiliates with respect to its annuity business, or otherwise restricts the future activity or conduct of the annuity business by Seller or any of its Affiliates, then Buyer may not take such action without Seller's consent, which consent shall not be unreasonably withheld, conditioned or delayed. Should Seller decide to withhold such consent, Seller shall promptly communicate such decision in writing to Buyer.

(e) In the case of any matter related to Taxes controlled by Seller (e.g., a matter with respect to Seller's annuity business and not otherwise described in this Section 8.7), Seller shall not, and shall not permit any of its Affiliates to, take any action that involves any admission that would reasonably be expected to form the basis of the determination of any material future liability of Buyer or any of its Affiliates with respect to the Reinsured Policies, or involves any material nonmonetary relief against Buyer or any of its Affiliates with respect to the Reinsured Policies, or otherwise restricts the future activity or conduct of Buyer or any of its Affiliates relating to the Reinsured Policies, without Buyer's consent, which consent shall not be unreasonably withheld, conditioned or delayed. Should Buyer decide to withhold such consent, Buyer shall promptly communicate such decision in writing to Seller.

(f) If either party withholds its consent pursuant to Section 8.7(d) or (e), then the parties shall cooperate in good faith to determine any incremental costs, penalties, fees, interest, Taxes and other expenses that would not have arisen but for such withholding and shall share such amounts on a mutually agreeable basis taking into account the incremental cost to the proposing party and the benefit to the withholding party of the proposing party's forbearance from taking the proposed action.

SECTION 8.8 Miscellaneous.

(a) Seller and Buyer agree to treat all payments (other than interest on a payment) made by either of them to or for the benefit of the other or the other's Affiliates or the Company under this Article VIII, Section 5.16 and under other indemnity provisions of this Agreement as adjustments to one or more of the following, as appropriate: the Share Purchase Price, the Asset Purchase Price, payments under the Life Business Reinsurance Agreements, and the purchase price paid by Seller under the SPA.

(b) Notwithstanding any provision in this Agreement to the contrary, the obligations of Seller to indemnify and hold harmless the Buyer Indemnified Persons, as well as the obligations of Buyer to indemnify and hold harmless the Seller Indemnified Persons, pursuant to this Article VIII shall terminate on the later of three months after the expiration of the applicable statute of limitations (taking into account any applicable extensions or tollings thereof) with respect to the Tax liabilities in question or sixty (60) days after the final administrative or judicial determination of such Tax liabilities, except for any indemnity obligations as to which a claim has been made before the expiration of the applicable period.

(c) In the event of any Tax Contest (which for the avoidance of doubt, shall not include any matter described in Section 8.7), the conduct of the parties shall be governed by the provisions of Section 7.3.

(d) Except for Section 7.3 and Section 7.5, and except with respect to breaches of the covenants contained in Section 8.7, indemnification under this Agreement for or with respect to any Taxes of the Company shall be provided exclusively in this Article VIII and the provisions of Article VII shall not apply.

(e) Should it be necessary, equitable adjustments will be made to prevent duplicate recovery for indemnification with respect to the same item.

ARTICLE IX.
TERMINATION PRIOR TO CLOSING

SECTION 9.1 Termination of Agreement.

(a) This Agreement may be terminated prior to the Closing:

(i) by the written agreement of Buyer and Seller;

(ii) automatically upon the termination of the SPA in accordance with its terms;

(iii) by Buyer or Seller in writing, if there shall be any order, injunction or decree of any Governmental Entity that prohibits or restrains any party from consummating the transactions contemplated hereby, and such order, injunction or decree shall have become final and non-appealable; provided, that the party seeking to terminate this Agreement pursuant to this Section 9.1(a)(iii) shall have performed in all material respects its obligations under this Agreement;

(iv) by either Buyer or Seller in writing, if a breach of any provision of this Agreement that has been committed by the other party would cause the failure of any mutual condition to Closing or any condition to Closing for the benefit of the non-breaching party and such breach is not capable of being cured or is not cured within twenty (20) calendar days (or such shorter period available prior to the SPA Closing) after the breaching party receives written notice from the non-breaching party that the non-breaching party intends to terminate this Agreement pursuant to this Section 9.1(a)(iv);

(v) by either Buyer or Seller in writing, after the actual or threatened imposition on it of a Burdensome Condition, but only after it has complied with its obligations set forth in the last sentence of Section 5.3(a);

(vi) by Seller in writing in the event that it becomes reasonably apparent to Seller that the Iowa Insurance Division or any other applicable Governmental Entity will not grant its approval to the transactions contemplated by the SPA in whole or in part due to any facts related to the transactions contemplated by this Agreement or the other Transaction Documents;

(vii) subject to Section 9.1(c), by Seller on or after the Cut-off Date;

(viii) by Seller or Buyer in writing, upon the SPA Closing, if either the Shares Closing or the Closing shall not have occurred prior thereto; or

(ix) by Seller in writing if there is an adjustment to the Ceding Commission pursuant to Section 5.32(b).

(b) If the Agreement is terminated pursuant to this Section 9.1, this Agreement shall become null and void and of no further force and effect without liability of either party (or any Representative of such party) to the other party to this Agreement, except for (i) the provisions of this Article IX and Article X, and (ii) rights and obligations arising from any fraud or intentional breach by a party of its obligations under this Agreement prior to such termination.

(c) If the Agreement is terminated pursuant to Section 9.1(a)(vii), the parties shall cooperate in good faith to negotiate documentation for, and consummate within six months after the SPA Closing, transactions on mutually acceptable terms and providing substantially similar economic benefits to the parties as the transactions contemplated by this Agreement and the other Transaction Documents, which may include a transaction involving the retrocession of the business reinsured by the Company under the ALAC Coinsurance and Assumption Agreement and Buyer forming a new Iowa domiciled life insurance company.

(d) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

ARTICLE X.
GENERAL PROVISIONS

SECTION 10.1 Fees and Expenses. Whether or not the Closing is consummated, each party hereto shall, except as otherwise provided in this Agreement, pay its own Transaction Expenses incident to preparing for, entering into and carrying out this Agreement, the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

SECTION 10.2 Notices. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended, if delivered by registered or certified mail, return receipt requested, or by a national courier service, or if sent by facsimile or e-mail; provided, that the facsimile or e-mail is promptly confirmed, to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person. Any such notice shall be deemed given when so delivered personally by courier or by overnight delivery service or sent by facsimile transmission (and immediately after transmission receipt of which has been confirmed by telephone by the sender), sent by e-mail (and immediately after transmission receipt of which has been confirmed by telephone by the sender) or, if mailed, four (4) Business Days after the mailing as follows:

(a) if to Buyer:

Commonwealth Annuity and Life Insurance Company
132 Turnpike Road Suite 210
Southborough, Massachusetts 01772
Telephone: (508) 460-2408
Facsimile: (212) 493-9888
Attn: Scott Silverman, Esq.

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 909-6647
Facsimile: (212) 909-6836
Attn: John M. Vasily, Esq.
Thomas M. Kelly, Esq.

(b) if to Seller:

Athene Holding Ltd.
Chesney House, 96 Pitts Bay Road
Pembroke HM08, Bermuda
Telephone: (441) 279-8410
Facsimile: (441) 279-8402
Attention: Tab Shanafelt
Email: TShanafelt@athenelifere.bm

with a copy (which shall not constitute notice) to each of:

Athene Asset Management LLC
818 Manhattan Beach Blvd
Manhattan Beach, CA 90266
Telephone: (310) 698-4430
Facsimile: (31) 698-4492
Attention: John L. Golden
Email: golden@athenellc.com

Sidley Austin LLP
1 South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Facsimile: (312) 853-7036
Attn: Perry J. Shwachman, Esq.
Email: pshwachman@sidley.com

and

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5835
Facsimile: (212) 839-5599
Attn: Jonathan J. Kelly, Esq.
Email: jjkelly@sidley.com

SECTION 10.3 Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Any fact or item disclosed on any section of a Disclosure Schedule shall be deemed disclosed on all other sections of such Disclosure Schedule to the extent the applicability of such fact or item to such other section of the Disclosure Schedule is reasonably apparent. Disclosure of any item in a Disclosure Schedule shall not be deemed an admission that such item represents a material item, fact, exception of fact, event or circumstance or that occurrence or non-occurrence of any change or effect related to such item would reasonably be expected to result in a Material Adverse Effect. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

SECTION 10.4 Entire Agreement; Third-Party Beneficiaries. This Agreement and the other Transaction Documents contain the entire agreement between the parties hereto with respect to the subject matter of this Agreement and the other Transaction Documents and supersede all prior agreements and understandings, oral or written, with respect to such matters. Except as provided in Article VII or Section 5.16(m), this Agreement is for the sole benefit of the parties and their permitted successors and assigns and nothing expressed or implied in this Agreement is intended to or shall confer any rights, remedies, obligations or liabilities upon any Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 10.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations under it may be assigned or delegated, in whole or in part, by any of the Parties without the prior written consent of the other Parties, and any attempted or purported assignment or delegation in violation of this Section 10.5 shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 10.6 Governing Law; Jurisdiction; Enforcement.

(a) This Agreement and its enforcement will be governed by, and interpreted in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely within such State, without regard to any principles of conflicts of laws principles of such State that would provide for the application of the laws of any other jurisdiction.

(b) Each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York County, for purposes of all legal proceedings arising out of or relating to this Agreement and the other Transaction Documents, or the transactions contemplated by this Agreement and the other Transaction Documents, or for recognition and enforcement of any judgment in respect thereof. In any such action, suit or other proceeding, each party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of the venue of any such proceedings brought in such court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each party also agrees that any final and unappealable judgment against a party in connection with any action, suit or other proceeding shall be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment. Each party agrees that any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered, sent or mailed in accordance with Section 10.2, constitute good, proper and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.6.

SECTION 10.7 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or entity or any circumstance, is found by a court or other

Governmental Entity of competent jurisdiction to be invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

SECTION 10.8 Certain Limitations. Buyer acknowledges and agrees that neither Seller nor any of its Affiliates (including the Company), nor any Representative of any of them, makes or has made, and Buyer has not relied on, any inducement or promise to Buyer from any such Person except as specifically made in this Agreement or the other Transaction Documents or any representation or warranty from any such Person to Buyer, oral or written, express or implied, other than as set forth in Article III or the other Transaction Documents; provided that, for the avoidance of doubt, the parties acknowledge that Buyer has relied on the representations and warranties set forth in the SPA. Without limiting the generality of the foregoing, other than as set forth in Article III or the other Transaction Documents, neither Seller nor any of its Affiliates (including the Company) has made any representation or warranty to Buyer with respect to the Company, the Shares or any other matter, including with respect to (A) merchantability or fitness for any particular purpose, (B) the operation of the Company by Buyer after the Closing, (C) the probable success or profitability of the Company after the Closing or (D) any information, documents or material made available to Buyer, its Affiliates or their respective Representatives in any “data rooms,” information memoranda, management presentations, functional “break-out” discussions or in any other form or forum in connection with the transactions contemplated by this Agreement, including any valuation, appraisal, projection or forecast with respect to all or the Company. With respect to any such valuation, appraisal, projection or forecast, Buyer acknowledges that: (A) there are uncertainties inherent in attempting to make such valuations, appraisals, projections and forecasts; (B) it is familiar with such uncertainties; and (C) it shall have no claim, other than for fraud, against Seller or any of its Affiliates with respect to any such valuation, appraisal, projection or forecast.

SECTION 10.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

SECTION 10.10 No Withholding.

(a) Neither party shall (absent a change in Applicable Law (or the official government interpretation thereof) after the date hereof) withhold any amount from a payment made to the other party under the terms of this Agreement. Seller shall indemnify Buyer for the full amount of any liability (including penalties, interest and expenses) for any withholding tax arising from any payment made by Buyer to Seller under the terms of this Agreement and Buyer shall indemnify Seller for the full amount of any liability (including penalties, interest and expenses) for any withholding tax arising from any payment made by Seller to Buyer under the terms of this Agreement.

SECTION 10.11 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any court specified in Section 10.6(b), in addition to any other remedy to which they are entitled at law or in equity. The parties hereby waive, in any action for specific performance, the defense of adequacy of a remedy at law and the posting of any bond or other security in connection therewith.

[Remainder of page intentionally left blank**]**

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

ATHENE HOLDING LTD.

By: ______________________________
Name: Tab Shanafelt
Title: Chief Legal Officer

COMMONWEALTH ANNUITY AND LIFE INSURANCE COMPANY

By: ______________________________
Name:
Title:

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

ATHENE HOLDING LTD.

By: ____________________________
Name:
Title:

COMMONWEALTH ANNUITY AND LIFE INSURANCE COMPANY

By: ____________________________
Name: NICHOLAS VON MOLTKE
Title: PRESIDENT + CEO.

SCHEDULE 5.4
Other Third Party Consents

None.

SCHEDULE 5.9
Purchased Assets

None.

SCHEDULE 5.27
Outstanding Certificates of Authority

1. Connecticut
2. Hawaii
3. Maine
4. Massachusetts
5. Michigan
6. New Hampshire
7. New Jersey
8. North Carolina
9. Vermont
10. Washington
11. Wyoming

SCHEDULE 5.34
Excluded Life Business Books and Records

None.

Seller Disclosure Schedule

This Seller Disclosure Schedule (this "Disclosure Schedule") is being delivered pursuant to the terms of that certain Purchase and Sale Agreement (the "Agreement"), dated as of April 30, 2013, by and between Athene Holding Ltd. ("Seller") and Commonwealth Annuity and Life Insurance Company ("Buyer"). This Disclosure Schedule is hereby incorporated in and made a part of the Agreement as if set forth in full therein and is an integral part of the Agreement. Capitalized terms used and not otherwise defined herein shall have the same meanings ascribed to them in the Agreement. This Disclosure Schedule has been arranged in sections corresponding to the sections in the Agreement.

Any exception or qualification set forth in the Disclosure Schedule with respect to a particular representation, warranty or covenant contained herein shall be deemed to be an exception or qualification with respect to any section of the representations, warranties or covenants or other sections of this Disclosure Schedule to the extent that (a) it is reasonably apparent on its face from a plain reading thereof that the matters, facts or circumstances disclosed therein are applicable to another of the representations, warranties or covenants or another section of this Disclosure Schedule, notwithstanding the omission of a reference or cross-reference thereto, or (b) such disclosure is cross-referenced to in such other section of this Disclosure Schedule.

Any disclosure in any part of this Disclosure Schedule of any contract, document, liability, default, breach, violation, limitation, impediment or other matter, although the provision for such disclosure may require such disclosure only if such contract, document, liability, default, breach, violation, limitation, impediment or other matter is "material" or would reasonably be expected to result in a Material Adverse Effect, shall not be construed against Seller as an assertion or admission that any such contract, document, liability, default, breach, violation, limitation, impediment or other matter is, in fact, material or would reasonably be expected to result in a Material Adverse Effect. The inclusion of any information in this Disclosure Schedule shall not be deemed an admission or acknowledgement, in and of itself or solely by virtue of the inclusion of such information in the Disclosure Schedule, that such information is required to be disclosed in this Disclosure Schedule.

SECTION 1.1
Knowledge

Submitted confidentially under separate cover.

SECTION 3.4
Noncontravention; Consents

Submitted confidentially under separate cover.

SECTION 3.7
Taxes

Submitted confidentially under separate cover.

SECTION 3.8(a)
Compliance with Applicable Laws

Submitted confidentially under separate cover.

SECTION 3.8(b)
Certificates of Authority

Submitted confidentially under separate cover.

SECTION 3.9
Litigation

Submitted confidentially under separate cover.

SECTION 3.13
In-Force Policies

Submitted confidentially under separate cover.

SECTION 3.15
Absence of Changes

Submitted confidentially under separate cover.

SECTION 3.16(a)
Company Contracts

Submitted confidentially under separate cover.

SECTION 3.16(b)

Related Party Contracts

Submitted confidentially under separate cover.

SECTION 3.19
Capital and Surplus

The assets comprising the Company's capital and surplus as of December 31, 2012 are set forth in the Company's 2012 annual statement.

SECTION 5.1
Conduct of the Company

Submitted confidentially under separate cover.

SECTION 5.7(a)
Buyer Non-Solicit Employee List

Submitted confidentially under separate cover.

SECTION 5.7(a)(v)
AUSA Severance Plan

Submitted confidentially under separate cover.

SECTION 5.29
Non-terminable Related Party Contracts

Submitted confidentially under separate cover.

Annex A

BILL OF SALE

For valuable consideration, [____________] ("Assignors"), hereby sell, convey, assign, set-over, transfer and deliver to [Commonwealth Annuity and Life Insurance Company]/[Presidential Life Insurance Company – USA], a [●] corporation ("Assignee"), all of Assignors' right, title and interest in, to and under the assets set forth on Schedule I hereto (the "Purchased Assets"), free and clear of all Encumbrances (other than Permitted Encumbrances), to have and to hold the same for the use and enjoyment of Assignee and its successors and assigns forever.

This bill of sale is being delivered pursuant to that certain Purchase and Sale Agreement dated as of April 30, 2013 (the "Purchase Agreement") between Athene Holding Ltd. and Commonwealth Annuity and Life Insurance Company. Capitalized terms used but not defined herein have the meanings assigned thereto in the Purchase Agreement.

This bill of sale, and any claim or cause of action arising out of or relating to this bill of sale, shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of New York.

This bill of sale shall inure to the benefit of Assignee and its successors and assigns and shall be binding upon Assignors and its successors and assigns.

This bill of sale may be amended, modified, supplemented or restated, and the terms of this bill of sale may be waived, in each case only by a written instrument executed by Assignors and Assignee.

[*signature on the following page*]

IN WITNESS WHEREOF, Assignors have duly executed this bill of sale as of __, 2012.

[AVIVA USA CORPORATION

By:____________________________________
Name:
Title:

AVIVA LIFE AND ANNUITY COMPANY

By: ____________________________________
Name:
Title:

AVIVA LIFE AND ANNUITY COMPANY OF NEW YORK

By: ____________________________________
Name:
Title:]

[COMMONWEALTH ANNUITY AND LIFE INSURANCE COMPANY

By: ____________________________________
Name:
Title:

PRESIDENTIAL LIFE INSURANCE COMPANY – USA

By: ____________________________________
Name:
Title:]

ANNEX B

Please see Exhibit 5(b)(i)(B) to the conformed copy of the Form A.

ANNEX C

COINSURANCE AND ASSUMPTION AGREEMENT

between

AVIVA LIFE AND ANNUITY COMPANY OF NEW YORK

and

FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

Dated as of [●], 2013

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COINSURANCE AND ASSUMPTION AGREEMENT

This Coinsurance and Assumption Agreement (this "Agreement"), dated as of [●], 2013, is made by and between Aviva Life and Annuity Company of New York, an insurance company organized under the laws of the State of New York (the "Company"), and First Allmerica Financial Life Insurance Company, an insurance company organized under the laws of the Commonwealth of Massachusetts (the "Reinsurer"; each of the Company and the Reinsurer, a "Party" and together, the "Parties").

RECITALS

WHEREAS, the Company desires to cede or retrocede to the Reinsurer, on the terms and conditions stated herein, all of its liabilities under certain life insurance policies issued and reinsured by it;

WHEREAS, the Reinsurer desires to reinsure such policies from the Company on the terms and conditions stated herein;

WHEREAS, the Company and the Reinsurer intend that the basis of the reinsurance shall be 100% coinsurance by the Reinsurer;

WHEREAS, subject to a transition services agreement entered into on the date hereof between Aviva USA Corporation and the Reinsurer (the "Transition Services Agreement"), the Company and the Reinsurer intend that the Reinsurer will provide certain administrative services for policies reinsured hereunder, and the Company and the Reinsurer have entered into an Administrative Services Agreement, dated as of the date hereof (the "Administrative Services Agreement"), pursuant to which the Reinsurer shall provide such administrative services on the terms and conditions stated therein; and

WHEREAS, the Reinsurer is required to novate each Reinsured Policy (as defined herein) for which Required Party (as defined herein) consents have been obtained and to assume any such Reinsured Policy as the Reinsurer's direct obligation, and the Company and the Reinsurer intend to cooperate fully in effectuating the assumption and novation of any such Reinsured Policies in accordance with all requirements of Applicable Law (as defined herein).

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the Company and the Reinsurer hereby agree as follows:

ARTICLE I
DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. Unless the context requires otherwise, for all purposes of this Agreement, the capitalized terms set forth below shall have the following meanings:

"2013 Policies" means any Policies issued or reinsured by the Company on or after January 1, 2013 and prior to the Effective Date.

"Action" has the meaning ascribed thereto in the Purchase Agreement.

"Actual Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(iv).

"Additional Reserve Requirement" shall have the meaning set forth in Section 2.13(a).

"Administrative Services Agreement" has the meaning ascribed thereto in the Recitals.

"Administrator" means the Reinsurer in its capacity as administrator under the Administrative Services Agreement.

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such other Person at the time at which the determination of affiliation is made. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or other ownership interests, by contract or otherwise.

"Agreement" has the meaning ascribed thereto in the Recitals.

"ALAC Coinsurance Treaty" means that certain Coinsurance and Assumption Agreement, by and between Aviva Life and Annuity Company and Presidential Life Insurance Company – USA, dated as of the date hereof.

"Amortization Period" means the ten (10) years following the Effective Date.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"Applicable Rate" means, with respect to any date of determination, an interest rate equal to one-month LIBOR for dollars that appears on page LIBOR 01 (or a successor page) of the Reuters Telerate Screen as of 11:00 a.m., London time, on such date.

"Asset Identification Protocol" has the meaning ascribed thereto in the Purchase Agreement.

"Assigned EI Hedge Costs Amount" shall mean, with respect to each EI Hedge, an amount equal to the Assigned EI Hedge Interest Proportion of the gross actual direct acquisition costs paid by the Company for such EI Hedge. For the avoidance of doubt, the Assigned EI Hedge Costs Amount shall be determined without regard to any netting of amounts between the Company and the relevant Hedge Counterparty.

"Assigned EI Hedge Proceeds Amount" shall mean, with respect to each EI Hedge and for each applicable Monthly Accounting Period, an amount equal to any amounts actually received (or deemed received) by the Company from the relevant Hedge Counterparty during such Monthly Accounting Period in accordance with the provisions of such EI Hedge, including upon an early exercise of an EI Hedge by the Company. For the avoidance of doubt, the Assigned EI Hedge Proceeds Amount shall be determined without regard to any netting of amounts between the Company and the relevant Hedge Counterparty.

"Assumed Reinsurance Agreement" means any reinsurance agreement in effect as of the Effective Time under which the Company assumes liabilities or obligations with respect to any Policy, including the assumed reinsurance agreements listed on Schedule 1.1(i) hereto.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in Boston, Massachusetts, New York, New York or Des Moines, Iowa are required or authorized by Applicable Law to be closed.

"Canada Life" means The United States Business of The Canada Life Assurance Company.

"Canada Life Policies" means those policies ceded under the Canada Life Reinsurance Agreement.

"Canada Life Reinsurance Agreement" means that certain Reinsurance Agreement by and between Canada Life and the Company, effective as of October 1, 2012 and novated to the Reinsurer pursuant to that certain Novation Agreement, by and between Canada Life, the Company and the Reinsurer dated as of [●], 2013.

"Captives" means any captive reinsurance company established by the Reinsurer to enter into a Redundant Reserve Financing Transaction.

"Ceding Commission" has the meaning ascribed thereto in Section 2.3(b), and may be either positive or negative.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning ascribed thereto in Section 2.10(b).

"Company" has the meaning ascribed thereto in the Recitals.

"Company Indemnified Parties" has the meaning ascribed thereto in Section 12.2.

"Company Termination Payment" has the meaning ascribed thereto in Section 10.4.

"Confidential Information" means (a) with respect to the Company, any information with respect to the Company (other than information relating to the Policies) that is not generally available to the public, and includes, without limitation, policyholder lists, any medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants, and beneficiaries of the Company (other than proposed, current, and former policyowners, insureds, applicants and beneficiaries of the Policies) and information or knowledge about the Company's processes, services, finances and reserving methodology and

(b) with respect to the Reinsurer, any information with respect to the Policies or the Reinsurer that is not generally available to the public, and includes, without limitation, policyholder lists, any medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants, and beneficiaries of Policies and information or knowledge about the Reinsurer's processes, services, finances and pricing and reserving methodology.

"Consultation Period" has the meaning ascribed thereto in Section 11.1(b).

"CPA Firm" has the meaning ascribed thereto in Section 11.1(b).

"Effective Date" means [●], 2013.

"Effective Time" means 11:58 p.m. Eastern time on the last calendar day of the month prior to the month in which the Effective Date occurs.

"EI Hedge" and "EI Hedges" have the meanings ascribed thereto in Section 2.11(a).

"Equity Indexed Reinsured Policies" means all indexed universal life insurance Policies included in the Reinsured Policies.

"Estimated Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(ii).

"Excluded Liabilities" has the meaning ascribed thereto in the Purchase Agreement.

"Excluded Reinsured Liability" has the meaning ascribed thereto in the Purchase Agreement.

"Extra Contractual Obligations" means all obligations or Losses (whether known or unknown, contingent or otherwise) incurred or arising at any time under or relating to any Policy that are not provided by the contractual benefits arising under the express terms and conditions of such Policy or are in excess of the applicable Policy benefits, including any liability for taxes, toll charges, fines, penalties, forfeitures, excess or penalty interest, punitive, special, exemplary or other form of extra-contractual damages or attorneys' fees and costs awarded, which obligations or Losses arise from any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise, including obligations or Losses arising out of or relating to: (a) the form, marketing, distribution, sale, underwriting, issuance, cancellation or administration of the Policies; (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Policies; (c) the failure to pay, the delay in payment of, or errors in calculating or administering the payment of, benefits, claims or any other amounts due or alleged to be due under or in connection with the Policies; (d) Premium Taxes other than those settled under Section 2.6 in connection with premiums received under the Policies; (e) the failure of any Policy to provide the purchaser, policyholder, account holder or other holder or intended beneficiaries thereof with tax treatment under the Code that is the same as or more favorable than the tax treatment under the Code (i) that was purported to apply in materials provided at the time of issuance, assumption, exchange, modification or sale of the Policy by the Company or any of its predecessors or (ii) for which policies or contracts of that type were reasonably expected to qualify under the Code; (f) the treatment of any Policy as a "modified endowment contract" within the meaning of Section 7702A of the Code, except where the holder of the Policy shall have consented to its status as a "modified endowment contract" under Section 7702A; (g) the failure of the Company to comply with any applicable tax information reporting, withholding or disclosure requirements with respect to distributions or payments made pursuant to the Policies; (h) any taxes applicable to the Reinsurance Assets (but excluding the Company's share of any taxes under Section 15.3); and (i) the failure to pay, the delay in payment, or errors in calculating or administering the payment of, unclaimed property, escheat or other similar liabilities related to the Policies; provided that "Extra Contractual Obligations" will not under any circumstances include (x) any such liabilities, obligations or Losses incurred or arising solely as a result of actions or omissions of the Company, but only to the extent such actions or omissions of the Company constitute gross negligence or bad faith and were not taken or omitted at the direction of the Reinsurer or consented to by the Reinsurer in writing or (y) U.S. federal or state income or capital stock or similar taxes (or any interest or penalties imposed with respect to the payment or reporting thereof) imposed upon the Company or any of its Affiliates.

"Fair Market Value" means, with respect to any asset, the fair market value thereof calculated in accordance with the accounting and actuarial practices of the Company, consistently applied.

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self-regulatory body or arbitral body or arbitrator.

"Governmental Order" means any order, writ, judgment, injunction, declaration, decree, stipulation, determination, award, agreement or permitted practice entered by or with any Governmental Entity.

"Hedge Counterparty" means, with respect to each EI Hedge, the counterparty of the Company with respect to such EI Hedge.

"Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(i).

"Initial Coinsurance Premium Adjustment" has the meaning ascribed thereto in Section 2.3(a)(iv).

"Initial Coinsurance Premium Reconciliation Statement" has the meaning ascribed thereto in Section 2.3(a)(iv).

"Interest Maintenance Reserve" means the amounts set forth on Schedule 2.12 as revised as of the Effective Date. The calculation of the Interest Maintenance Reserve for purposes of Section 2.3(a)(i)(D) (the calculation of the Interest Maintenance Reserve created at the Effective Time as a direct result of the transactions contemplated by this Agreement) shall be equal to any net pre-tax realized capital gains multiplied by 65%.

"Life Reference Balance Sheet" has the meaning ascribed thereto in the Purchase Agreement.

"Losses" means any damages, claims, losses, liabilities, charges, actions, suits, proceedings, deficiencies, taxes, fees, assessments, interest, penalties and reasonable costs and expenses (including reasonable attorneys' fees and expenses).

"Monthly Accounting Period" means, with respect to any calendar month, the period beginning on the first day of such calendar month and ending on the last day of such calendar month.

"Net Retained Liabilities" means, with respect to any time of determination, all liabilities or obligations in respect of any Policy that, under the terms of any Other Reinsurance Agreement covering such Policy, (a) the Company is required to retain unreinsured and for its own account or (b) in the opinion of the Company and the Reinsurer, requires consent from any party to such Other Reinsurance Agreement in order to effect reinsurance under this Agreement, and as to which a waiver of such requirement or other consent has not been obtained prior to such time of determination.

"Net Retained Liabilities Adjustment Period" has the meaning ascribed thereto in Section 2.4(b)(iii).

"Net Retained Liability Reserve Transfer Amount" means, with respect to any Net Retained Liability for which subsequent to the Effective Date a waiver or consent is obtained to reinsure such Net Retained Liability under the terms of this Agreement or the Parties otherwise agree that any such waivers or consents shall not be required as a condition to coverage hereunder, the sum of (a) the gross statutory reserves (including deficiency reserves) and any additional policy-related liabilities that are required to be held by the Company with respect to such Net Retained Liability as of the Effective Date, less (b) the Reinsurer's Share of (x) policy loan balances on such Net Retained Liability as of the Effective Date, and (y) net due and deferred Premiums on such Net Retained Liability as of the Effective Date, reduced by credit for reinsurance taken by the Company in respect of such Net Retained Liability for Other Reinsurance as of the Effective Date.

"Net Settlement" has the meaning ascribed thereto in Section 6.2(a).

"Non-Guaranteed Elements" has the meaning ascribed thereto in Section 2.8(b).

"Notice and Certificate of Assumption" has the meaning ascribed thereto in Section 7.3(a).

"Notice of Agreement" has the meaning ascribed thereto in Section 11.1(a).

"Novated Contracts" has the meaning ascribed thereto in Section 7.4.

"Option Letter" has the meaning ascribed thereto in Section 7.3(a).

"Other Reinsurance" means reinsurance ceded with respect to Reinsured Policies under the terms of the ceded reinsurance agreements that the Company has entered into with third parties prior to the Effective Time covering the Reinsured Policies, including the ceded reinsurance agreements listed on Schedule 1.1(ii), and any ceded reinsurance agreement entered into by the Company with the Reinsurer's prior written consent pursuant to Section 2.7, as all such reinsurance ceded may be in force from time to time.

"Other Reinsurance Agreements" means the reinsurance treaties and agreements documenting the Other Reinsurance (including all amendments and modifications thereto entered into prior to the Effective Date or pursuant to Section 3.2).

"Other Reinsurance Benefits" means, for any period, the aggregate amount of benefits, fees, allowances and other amounts actually received by the Company for reinsurance ceded pursuant to Other Reinsurance Agreements with respect to the Reinsured Policies during such period.

"Other Reinsurance Premiums" means, for any period, the aggregate amount of premiums paid by the Company pursuant to Other Reinsurance Agreements with respect to the Reinsured Policies during such period.

"Other Transaction Agreements" means, collectively, all of the Transaction Documents other than this Agreement.

"Party" has the meaning ascribed thereto in the Recitals.

"Parties" has the meaning ascribed thereto in the Recitals.

"Payee" has the meaning ascribed thereto in Section 9.3(a).

"Person" means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization or other entity.

"Policies" means, collectively, (a) the life insurance policies and contracts listed on the Policy List (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company, (b) the life insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company on or after January 1, 2013 and prior to the Effective Date and (c) any additional life insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company from time to time determined to be a Policy in accordance with Section 5.7, but in the case of each of (a), (b) and (c), excluding the Canada Life Policies.

"Policy List" means the list of policies set forth in the file entitled [●] that was dated as of March 31, 2013 and sent to [●] by [●] on April 30, 2013, together with any written update to such file provided by the Company to the Reinsurer and, with respect to policies included on any such written update, which were issued or assumed by the Company prior to January 1, 2013 only if such policies are approved in writing by the Reinsurer at least three Business Days prior to the Effective Date.

"Premiums" means premiums and considerations due or to become due, premiums deferred and uncollected, premium adjustments and any and all amounts or payments, including any and all policy fees, charges, reimbursements and similar amounts, which are or were held, received or collected by the Company, or which are now due or will become due from any source under or in connection with the Reinsured Policies, but not including Other Reinsurance Premiums.

"Premium Taxes" has the meaning ascribed thereto in Section 2.6(b).

"Producer" means each Person, including salaried employees of the Company or its Affiliates, performing the duties of insurance producer, agency, managing general agent, third party administrator, broker, solicitor, adjuster, marketer, underwriter, wholesaler, distributor, producer or customer representative for the Company.

"Producer Agreements" means contracts between the Company and any Producer.

"Producer Payments" means any expense allowance, commission, override commission, service fee or other compensation payable by the Company to a Producer pursuant to a Producer Agreement in connection with any Reinsured Policy.

"Purchase Agreement" means that certain Purchase and Sale Agreement, dated as of April 30, 2013, by and among Athene Holding Ltd. and Commonwealth Annuity and Life Insurance Company.

"Qualified United States Financial Institution" means an institution that is (a) organized or, for a United States branch or agency office of a foreign banking organization, licensed under the laws of the United States or any state thereof and has been granted authority to operate with fiduciary powers and (b) regulated, supervised and examined by federal or state authorities having regulatory authority over banks and trust companies.

"RBC Ratio" means the ratio, as of the date of determination, of the Reinsurer's "total adjusted capital" over its "company action level risk-based capital", as such terms are defined and prescribed by requirements promulgated by the National Association of Insurance Commissioners and regulations adopted by the insurance regulatory authorities in the Reinsurer's state of domicile, which are in effect as of such date, calculated as of the end of each calendar quarter, and using reserving methodologies and asset classifications that are in accordance with generally accepted statutory accounting principles and practices required or permitted by the National Association of Insurance Commissioners and the insurance regulatory authority in the Reinsurer's state of domicile, consistently applied throughout the specified period and in the immediately prior comparable period; provided, that in the event there is a material change in the factors and formulae prescribed by the insurance regulatory authority in the Reinsurer's state of domicile with respect to the components of and methodologies contained in such calculation, the Parties shall amend this Agreement to incorporate an alternate calculation that is reasonably equivalent to the components of and methodologies contained in the calculation of the Reinsurer's RBC Ratio in effect as of the Effective Date within thirty (30) calendar days after the implementation of such change, and if the Parties cannot agree on any such alternative, the Reinsurer shall continue to calculate its RBC Ratio as if such material change had not occurred.

"Redundant Reserve Financing Transactions" means the Regulation AXXX and Regulation XXX redundant reserve financing transactions to be entered into by the Company and the Captives.

"Reinsurance Assets" has the meaning ascribed thereto in Section 2.3(a)(i).

"Reinsured Liabilities" means all gross liabilities and obligations, net of Other Reinsurance Benefits, to the extent such liabilities and obligations arise out of or relate to the Reinsured Policies, including payments of any such liabilities or obligations to any Governmental Entity, whether for tax withholding, escheat, unclaimed property or otherwise, and Extra Contractual Obligations, but excluding Net Retained Liabilities, any liabilities or obligations arising out of or relating to the Novated Contracts and any Excluded Liabilities.

"Reinsured Policies" has the meaning ascribed thereto in Section 2.1.

"Reinsurer" has the meaning ascribed thereto in the Recitals.

"Reinsurer Indemnified Parties" has the meaning ascribed thereto in Section 12.1.

"Reinsurer's Objection" has the meaning ascribed thereto in Section 11.1(a).

"Reinsurer's Share" has the meaning ascribed thereto in Section 2.2.

"Reinsurer Termination Event" means any failure by the Company (or any successor by operation of law of the Company, including any receiver, liquidator, rehabilitator, conservator or similar Person of the Company) to pay any material amount due to the Reinsurer under this Agreement payable by the Company if such failure has not been cured within ninety (90) calendar days after receipt of written notice thereof from the Reinsurer.

"Reinsurer Termination Payment" has the meaning ascribed thereto in Section 10.5.

"Representatives" has the meaning ascribed thereto in Section 13.1.

"Required Balance" has the meaning ascribed thereto in Section 4.1(b).

"Required Party" means any policyholder, contractholder, certificate holder and/or plan sponsor, as applicable, of a Reinsured Policy whose consent is required for novation of such Reinsured Policy under (a) Applicable Law, (b) the terms of the applicable Reinsured Policy, or (c) the consent solicitation procedures set forth on Schedule 7.3(a) (which identifies requirements applicable to different types of Reinsured Policies).

"Review Period" has the meaning ascribed thereto in Section 11.1(a).

"SAP" means the statutory accounting principles and practices prescribed by the insurance regulatory authorities in the Company's state of domicile.

"SPA" has the meaning ascribed thereto in the Purchase Agreement.

"SPA Adjusted Coinsurance Premium" shall have the meaning ascribed thereto in Section 2.3(a)(v).

"SPA Coinsurance Premium Reconciliation Statement" shall have the meaning ascribed thereto in Section 2.3(a)(v).

"Statutory Book Value" means the carrying value of the subject asset or liability on the books of the Reinsurer for statutory statement purposes determined in accordance with the statutory accounting principles and practices prescribed by the Reinsurer's state of domicile, consistently applied.

"Statutory Reserves" means, as of any date of determination, the gross statutory reserves (including deficiency reserves) and any additional policy-related liabilities that are required to be held by the Company with respect to the Reinsured Policies as of such date of determination, in each case, as determined in accordance with SAP, consistently applied, and reduced by credit for reinsurance taken by the Company in respect of the Reinsured Policies for Other Reinsurance as of such date of determination. In no event shall Statutory Reserves include additional actuarial reserves (as used in connection with SAP), if any, established by the Company as a result of its annual cash flow testing.

"Targeted Policies" has the meaning ascribed thereto in Section 7.1.

"Taxes" has the meaning ascribed thereto in the Purchase Agreement.

"Tax Returns" has the meaning ascribed thereto in the Purchase Agreement.

"Transaction Documents" has the meaning ascribed thereto in the Purchase Agreement.

"Transition Services Agreement" has the meaning ascribed thereto in the recitals.

"True-Up Date" has the meaning ascribed thereto in Section 2.3(a)(iv).

"Trust Account" has the meaning ascribed thereto in Section 4.1(a).

"Trust Agreement" means the Trust Agreement between the Reinsurer, as grantor, the Company, as beneficiary, and the Trustee, as trustee, substantially in the form attached as Exhibit I hereto.

"Trust Ceding Commission Amount" means an amount equal to (i) the ratio of (x) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies if this Agreement were not in effect as of the date of determination, over (y) the Reinsurer's Share of the Statutory Reserves with respect to the Reinsured Policies as of the Effective Date, *multiplied by* (ii) the absolute value of the Ceding Commission, *multiplied by* (iii) the ratio of (x) the remaining number of months in the Amortization Period over (y) 120.

"Trustee" has the meaning ascribed thereto in Section 4.1(a).

"Trust OC Amount" means 2.75% *multiplied by* the sum of (i) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies if this Agreement were not in effect, *plus* (ii) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (iii) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement, in each case, as of such date of determination and determined in accordance with SAP, consistently applied.

"UCC" has the meaning ascribed thereto in Section 2.9(c)(i).

"Unresolved Items" has the meaning ascribed thereto in Section 11.1(b).

Section 1.2 Construction.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole unless otherwise indicated.

(b) Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate.

(c) For purposes of this Agreement, the term "including" means "including but not limited to."

(d) Whenever used in this Agreement, the masculine gender shall include the feminine and neutral genders.

(e) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits, Annexes and Schedules shall be deemed references to Articles, Sections, Subsections and Paragraphs of, and Exhibits, Annexes and Schedules to, this Agreement, unless the context shall otherwise require.

(f) Any reference herein to any statute, agreement or document, or any section thereof, shall, unless otherwise expressly provided, be a reference to such statute, agreement, document or section as amended, modified, restated, supplemented or otherwise changed (including any successor section) and in effect from time to time.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Annex, Exhibit, certificate or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II
COINSURANCE

Section 2.1 Scope and Basis of Reinsurance. The reinsurance provided under this Agreement applies to all Policies, other than Novated Contracts, that are (a) issued by the Company and in force as of the Effective Time, (b) issued by the Company after the Effective Time in accordance with Section 5.6 hereof, (c) reinsured by the Company under the terms of any Assumed Reinsurance Agreement as of the Effective Time, and (d) reinstated by the Company in accordance with Section 5.4 hereof (collectively, the "Reinsured Policies").

Section 2.2 Reinsuring Clause. Subject to the terms and conditions of this Agreement, the Company hereby cedes and the Reinsurer hereby reinsures on a coinsurance basis as of the Effective Time, 100% (the "Reinsurer's Share") of all Reinsured Liabilities.

Section 2.3 Transfer of Assets and Ceding Commission.

(a) Coinsurance Premium.

(i) On the Effective Date, the Company will pay to the Reinsurer an initial coinsurance premium that relates to the Reinsured Policies consisting of assets that are listed and that have Fair Market Values set forth on Annex A (with any modifications made pursuant to the Asset Identification Protocol) (the "Reinsurance Assets"), equal to the Reinsurer's Share of the following amount: (A) the Statutory Reserves held by the Company with respect to the Reinsured Policies, *plus* (B) the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (C) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement divided by 65%, *minus* (D) the amount of outstanding policy loans on the Reinsured Policies (to the extent such policy loans constitute admitted assets under SAP, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto), *minus* (E) the net due and deferred Premiums on the Reinsured Policies, *minus* (F) the aggregate Statutory Book Value of the EI Hedges as of the Effective Date, *plus* (G) the other liabilities set forth on the Life Reference Balance Sheet, in the case of each of clauses (A) through (D), determined in accordance with SAP, consistently applied, as of the Effective Time (such amount, the "Initial Coinsurance Premium"). For the avoidance of doubt, notwithstanding anything to the contrary in this Agreement, for purposes of calculating the Initial Coinsurance Premium, the term "Reinsured Policies" shall not include the portion of the policies from which Net Retained Liabilities, if any, arise.

(ii) The amount of the Initial Coinsurance Premium paid on the Effective Date shall be determined on an estimated basis (the "Estimated Initial Coinsurance Premium") as follows: (x) with respect to each of the items set forth in clauses (A), (B), (D) and (G) of the definition of "Initial Coinsurance Premium" the portion of the Estimated Initial Coinsurance Premium attributable to such items shall be equal to the respective amounts set forth on the Life Reference Balance Sheet; and (y) with respect to the items set forth in clauses (C), (E) and (F) of the definition of the "Initial Coinsurance Premium," the portion of the Estimated Initial Coinsurance Premium attributable to such items shall be determined by the Company in good faith and in a manner consistent with the principles governing the preparation of the Life Reference Balance Sheet on an estimated basis as of the date that is three (3) Business Days prior to the Effective Date.

(iii) On the Effective Date, the Company shall deliver to the Reinsurer a statement setting forth (A) the amount of the Estimated Initial Coinsurance Premium, determined as of the date that is three (3) Business Days prior to the Effective Date, and (B) the final list of Reinsurance Assets, which will be based on Annex A and the Asset Identification Protocol, and will include the Fair Market Value and the Statutory Book Value of the Reinsurance Assets, determined as of the date that is three (3) Business Days prior to the Effective Date.

(iv) No later than sixty (60) Business Days after the Effective Date (the "True-Up Date"), the Company shall deliver to the Reinsurer a statement (the "Initial Coinsurance Premium Reconciliation Statement") prepared in good faith by the Company, in the same form as, and using the same principles that govern, the Life Reference Balance Sheet, setting forth, as of the Effective Date, (1) the calculation of each of the items set forth in clauses (A) through (G) of the definition of the "Initial Coinsurance Premium" (such amount, the "Actual Initial Coinsurance Premium") and (2) the Fair Market Value of the Reinsurance Assets as of the Effective Date. The "Initial Coinsurance Premium Adjustment" shall be equal to the following amount (whether positive or negative): (A) the difference (whether positive or negative) between the Actual Initial Coinsurance Premium *minus* the Estimated Initial Coinsurance Premium, *minus* (B) the difference (whether positive or negative) between the Fair Market Value of the Reinsurance Assets on the Effective Date *minus* the Fair Market Value of the Reinsurance Assets determined in connection with the calculation of the Estimated Initial Coinsurance Premium pursuant to Section 2.3(a)(i). If the Initial Coinsurance Premium Adjustment is positive, then the Company shall pay to the Reinsurer an amount of cash equal to the Initial Coinsurance Premium Adjustment within five (5) Business Days after the Initial Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the Initial Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment. If the Initial Coinsurance Premium Adjustment is negative, then the Reinsurer shall pay to the Company an amount of cash equal to the absolute value of the Initial Coinsurance Premium Adjustment within five (5) Business Days after the Initial Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the Initial Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.

(v) No later than thirty (30) Business Days following any final adjustments to the Purchase Price (as defined in the SPA) in accordance with Annex C of the SPA, the Company shall deliver to the Reinsurer a statement (the "SPA Coinsurance Premium Reconciliation Statement") prepared in good faith by the Company, in the same form as, and using the same principles that govern, the Life Reference Balance Sheet, setting forth, as of the Effective Date, (1) the calculation of each of the items set forth in clauses (A) through (G) of the definition in the "Initial Coinsurance Premium" (such amount, the "SPA Adjusted Coinsurance Premium") and (2) the Fair Market Value of the Reinsurance Assets as of the Effective Date. The "SPA Coinsurance Premium Adjustment" shall be equal to the following amount (whether positive or negative): (A) the difference (whether positive or negative) between the SPA Adjusted Coinsurance Premium *minus* the Actual Initial Coinsurance Premium, *minus* (B) the difference (whether positive or negative) between the Fair Market Value of the Reinsurance Assets determined in connection with the calculation of the Actual Initial Coinsurance Premium *minus* the Fair Market Value of the Reinsurance Assets determined in connection with the calculation of the SPA Adjusted Coinsurance Premium. If the SPA Coinsurance Premium Adjustment is positive, then the Company shall pay to the Reinsurer an amount of cash equal to the SPA Coinsurance Premium Adjustment within five (5) Business Days after the SPA Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the SPA Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment. If the SPA Coinsurance Premium Adjustment is negative, then the Reinsurer shall pay to the Company an amount of cash equal to the absolute value of the SPA Coinsurance Premium Adjustment within five (5) Business Days after the SPA Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the SPA Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.[1]

(b) Ceding Commission. [redacted]

Section 2.4 Net Retained Liabilities.

(a) The Company shall be solely responsible for, and the Reinsurer will cooperate reasonably to obtain all waivers and consents necessary in order to reinsure 100% of the Net Retained Liabilities under this Agreement. The Company and the Reinsurer, at the Company's reasonable instruction, shall each use their reasonable best efforts in the context of current market conditions to obtain any such waivers and consents (it being understood

1 SPA post closing true up subject to Buyer confirmation.

2 [redacted]

that the Company's and the Reinsurer's executive officers shall, to the extent reasonably appropriate, be personally engaged in that process) and promptly advise the other Party of any communications with respect to any such waivers and consents. All correspondence from the Reinsurer to any Person from whom such a waiver or consent is sought shall be in a form approved by the Company. The Company shall effect any such action with respect to such waivers and consents, including sending correspondence requesting such waivers and consents. To the extent that after the Effective Time, any written waivers or consents are obtained to reinsure a Net Retained Liability in respect of a Policy under the terms of this Agreement or the Parties otherwise agree in writing that any such waivers or consents shall not be required as a condition to coverage of such Policy hereunder, then the liability and obligation pertaining to such Policy shall no longer be deemed a Net Retained Liability for purposes of this Agreement and the liability and obligation pertaining to such Policy shall be reinsured hereunder effective as of the date of such written consent, waiver or agreement by the Parties, as applicable.

(b) With respect to any such written waiver or consent that is obtained or any such other agreement between the Parties that any such waivers or consents shall not be required as a condition to coverage hereunder, in each case, after the Effective Date:

(i) the Company shall pay the Reinsurer an amount of cash equal to the Net Retained Liability Reserve Transfer Amount with respect to such Net Retained Liability for which waiver or consent was obtained or with respect to which the Parties agreed did not require a consent or waiver as a condition to coverage hereunder;

(ii) the Company shall deliver to the Reinsurer a statement setting forth the Company's good faith calculation of the difference (whether positive or negative) between (x) the aggregate amount of the premiums and considerations, premium adjustments and any and all amounts or payments, including any and all policy fees, charges, reimbursements, reinsurance recoverables and similar amounts, received or collected by the Company in respect of the portion of the Policies from which the relevant Net Retained Liabilities arise during the period following the Effective Date and prior to the date on which such waiver or consent was obtained or with respect to which the Parties agreed such waiver or consent was not required as a condition to coverage hereunder (the "<u>Net Retained Liabilities Adjustment Period</u>"); and (y) the aggregate amount equal to the obligations, including any and all death claims, cash surrender benefits, policyholder dividends, reinsurance premiums, commissions and similar amounts, arising out of or relating to the portion of the Policies from which the relevant Net Retained Liabilities arise (including Extra Contractual Obligations) incurred by the Company during the Net Retained Liabilities Adjustment Period. If such amount is positive, then such amount shall be due to be paid the Company by the Reinsurer, and if such amount is negative, then such amount shall be due to be paid to the Reinsurer by the Company, in each case, together with an amount of interest on such payment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.

(iii) The payment of the amounts in clauses (i) and (ii) shall be reflected in the Net Settlement for the month in which such consent or waiver was obtained and paid in accordance with Section 6.2.

(c) For the avoidance of doubt, prior to obtaining any such required written consents or waivers, or the making of any such written agreement, the portion of each Policy from which Net Retained Liabilities arise shall not be deemed to constitute a Reinsured Policy for purposes of this Agreement; provided that the Reinsurer shall provide administrative services with respect to any Net Retained Liabilities (and the associated Policies) pursuant to the Administrative Services Agreement. Except as otherwise contemplated by this Section 2.4, the Company shall bear the cost of obtaining any waivers or consents to reinsure a Net Retained Liability.

(d) Until 100% of the Net Retained Liabilities have been reinsured under this Agreement, the Net Settlement for each month shall reflect an adjustment to the Ceding Commission calculated by reference to the then-current amount of the Net Retained Liabilities in accordance with Annex C.

Section 2.5 Producer Payments.

(a) The Reinsurer hereby assumes any and all liabilities and obligations of the Company to make, and agrees that it shall be financially responsible for, all Producer Payments owed from and after the Effective Time that are due in respect of premiums collected and received with respect to the Reinsured Policies. The Company hereby designates the Reinsurer as "paying agent" to make such Producer Payments directly to the applicable Producers from and after the Effective Date. The Company shall act at the Reinsurer's written direction and expense to exercise all rights of the Company relating to the Reinsured Policies under the terms of the Producer Agreements, including any rights to suspend or terminate Producer Payments to such Producers for any reason or cause set forth in the Producer Agreements, in each case only to the extent such rights thereunder relate to the Reinsured Policies; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer.As part of the Net Settlement, the Reinsurer shall pay to the Company from Producer Payments due to a Producer aggregate amounts equal to the agent debit balance maintained by the Company with respect to the applicable Producer and identified by the Company and the Reinsurer. The Reinsurer shall not be required to pay any such amounts paid to the Company under this Section 2.5(b) to a Producer pursuant to Section 2.5(a).

(c) At any such time in which the Reinsurer enters into a new producer agreement with a Producer and the Company terminates its Producer Agreement with such Producer, then the Company shall transfer any remaining agent debit balance associated with such Producer to the Reinsurer and the Reinsurer shall be obligated to pay the Company for such remaining amount of such agent debit balance.

Section 2.6 Guaranty Fund Assessments and Premium Taxes.

(a) Guaranty Funds Assessments. In the event the Company is required to pay an assessment on or after the Effective Date in respect of the Reinsured Policies to any insurance guaranty, insolvency or other similar fund maintained by any jurisdiction, the portion, if any, of such assessment related to such Reinsured Policies shall be reimbursed by the Reinsurer as part of the applicable monthly settlement pursuant to Section 6.2. To the extent there is any recovery of any such assessment paid by the Reinsurer, the Company shall promptly pay the Reinsurer's Share of such recovery to the Reinsurer.

(b) Premium Taxes.

(i) The Reinsurer shall pay to the Company a provision for premium taxes and other charges, fees, taxes and assessments, including retaliatory taxes (collectively, "Premium Taxes"), incurred or imposed on or after the Effective Date in connection with premiums written or received under the Reinsured Policies. The provision for Premium Taxes shall be estimated at 1.8% of premiums received under the Reinsured Policies, as calculated on a monthly basis, and shall be paid by the Reinsurer to the Company as part of the monthly settlement pursuant to Section 6.2 and adjusted annually to an actual rate for each year as part of the monthly settlement pursuant to Section 6.2 for the second calendar month of the following year, with such monthly settlement to reflect the difference between actual Premium Taxes in respect of the Reinsured Policies (after giving effect to any offsets for guaranty fund assessments reimbursed by the Reinsurer pursuant to Section 2.6(a)) and estimated Premium Taxes.

(ii) Each Party shall promptly notify the other in writing upon receipt by it or any of its Affiliates of notice of any pending or threatened Action related to any Premium Taxes or any Tax Returns filed in connection with such Premium Taxes.

(i) The Company shall have the right to control the conduct of any Action related to any Premium Taxes or any Tax Returns filed in connection with such Premium Taxes, and to employ counsel of the Company's choice; provided, that the Reinsurer shall be permitted, at the Reinsurer's expense, to be present at, and to participate in, any Action related to Premium Taxes. Notwithstanding such control, the Company shall not settle, either administratively or after the commencement of litigation, any claim for Premium Taxes without the consent of the Reinsurer, which consent shall not be unreasonably withheld or delayed. The Parties shall furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the preparation for any Premium Tax audit or other Action related to Premium Taxes, and the prosecution or defense of any Action related to any Premium Taxes or any Premium Tax Returns filed in connection with such Premium Taxes. The Parties shall reasonably cooperate with each other in the conduct of any Action related to any Premium Taxes. Any information obtained under this Section 2.6(b)(iii) shall be kept confidential, except as otherwise reasonably may be required in connection with the filing of Premium Tax Returns or claims for Premium Tax refunds or in conducting any Action related to Premium Taxes..

Section 2.7 Other Reinsurance. This Agreement is written on a "gross" basis and thus the costs and benefits of Other Reinsurance inuring on the Reinsured Policies are intended to be borne by the Reinsurer. Other Reinsurance with respect to the Reinsured Policies shall be deemed to be inuring to the Reinsurer's benefit for all purposes of this Agreement and shall be accounted for herein such that the Reinsurer participates in the Reinsurer's Share of any premiums, benefits, recoveries, ceding or expense allowances, other allowances and other adjustments as such amounts and such risks are paid, received or otherwise collected by the Company with respect to such Other Reinsurance, it being understood that the Reinsurer shall bear all risk of collecting third party reinsurance (except as otherwise provided in Section 3.2(c)). Risks under the terms of any agreement of Other Reinsurance as shall be terminated or recaptured with the Reinsurer's prior written consent shall be ceded automatically hereunder to the Reinsurer without any further action required, subject to the receipt by the Reinsurer of the Reinsurer's Share of any reserve transfer or similar transfer or settlement amount received by the Company from the applicable third party reinsurer. In connection with any such termination or recapture with the Reinsurer's prior written consent, the Reinsurer shall pay the Reinsurer's Share of any resulting special transfer or recapture fee incurred by the Company. The Company covenants that absent the prior written consent of the Reinsurer, the Company shall not enter into any new or change any existing reinsurance cession with respect to any of the Reinsured Policies.

Section 2.8 Policy Changes and Non-Guaranteed Elements.

(a) Policy Changes. The Company agrees that it shall not make any changes in the provisions and conditions of a Reinsured Policy or an Assumed Reinsurance Agreement except with the Reinsurer's prior written consent or to the extent that any change to the terms of any Reinsured Policy is required by Applicable Law. To the extent a change is required by Applicable Law, the Company shall, within a reasonable period of time prior to effecting such change, provide reasonably detailed written notice to the Reinsurer describing the nature of such change and the reasons for making such change. The Company shall also afford the Reinsurer, at the Reinsurer's expense, the opportunity, to the extent reasonably practicable, to object to such change under applicable administrative procedures; provided, that the Reinsurer may only object to such change in the same manner and to the same extent as it objects to any similar change required by any Applicable Law to substantially similar Novated Contracts.

(b) Non-Guaranteed Elements. The Company will be responsible for determining the cost of insurance charges, loads and expense charges, credited interest rates, mortality and expense charges, administrative expense risk charges and policyholder dividends, as applicable, under the Reinsured Policies ("Non-Guaranteed Elements"); provided, that the Reinsurer may provide written recommendations regarding the Non-Guaranteed Elements to the Company and, provided that such recommendations are the same as the Non-Guaranteed Elements established by the Reinsurer for substantially similar Novated Contracts and comply with the written terms of the Policies, Applicable Law and Actuarial Standards of Practice promulgated by the Actuarial Standards Board governing redetermination of non-guaranteed charges. The Company shall fully consider any such recommendations and act reasonably and in good faith in determining whether to accept any such recommendations and shall not unreasonably delay implementation of any accepted recommendations more than ten (10) Business Days after such recommendations are provided to the Company in writing.

Section 2.9 Ownership of Premiums. Payment of Premiums to the Reinsurer, as Administrator pursuant to the Administrative Services Agreement, by or on behalf of a policyholder shall be deemed received by the Company. All monies, checks, drafts, money orders, postal notes and other instruments that may be received after the Effective Date by the Company for premiums, fees or other payments on or in respect of the Reinsured Policies shall be held in trust by the Company for the benefit of the Reinsurer and shall be immediately transferred and delivered to the Reinsurer, and any such instruments when so delivered shall bear all endorsements required to effect the transfer of same to the Reinsurer. The Reinsurer is hereby authorized to endorse for payment to the Reinsurer any such checks, drafts, money orders and other instruments pertaining to the Reinsured Policies that are payable to, or to the order of, the Company and received by the Reinsurer under this Agreement. As between the Parties, the Reinsurer shall be deemed owner of all such payments.

Section 2.10 Assignment; Security Interest.

(a) The Company hereby assigns, transfers and conveys to the Reinsurer, effective as of the Effective Time, all of Company's right, title and interest (legal, equitable or otherwise), if any, (i) under the Reinsured Policies to receive principal and interest paid on policy loans, (ii) in and to the Premiums, fees and other payments due or made on or after the Effective Date under the Reinsured Policies and (iii) in and to agent debit balances included in the Life Reference Balance Sheet. The Reinsurer and the Company hereby agree that, in connection with any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable or otherwise) in and to the items set forth in (i), (ii) and (iii) above shall be immediately assigned, transferred and conveyed to the Company without any further action by the Parties. Each Party, as reasonably requested by the other from time to time, shall take all reasonably appropriate action and execute any reasonably necessary and appropriate additional documents, instruments or conveyances of any kind which may be reasonably necessary to carry out the provisions of this Section 2.10(a).

(b) The Parties intend that at all times prior to the termination of this Agreement the Company's assignment pursuant to Section 2.10(a) to be a present assignment of all of the Company's rights, title and interest and not an assignment as collateral. However, to the extent that such assignment is not recognized as a present assignment, is not valid or is recharacterized as a pledge rather than a lawful conveyance to the Reinsurer, the Company does hereby bargain, sell, convey, assign and otherwise pledge to the Reinsurer, and grant a first priority security interest to the Reinsurer in, all of the Company's right, title and interest (legal, equitable or otherwise), if any, (i) under the Reinsured Policies to receive principal and interest paid on policy loans, (ii) in and to all Premiums, fees and other payments due or made on or after the Effective Date under the Reinsured Policies and (iii) in and to agent debit balances included in the Life Reference Balance Sheet (collectively, the "Collateral") to secure all of the Company's obligations under this Agreement.

(c) Upon the failure of the Company to fully perform any of its material obligations under this Agreement, including Sections 6.2 and 10.5, which failure is not caused by the Reinsurer as Administrator and remains uncured ten (10) days after written notice thereof is received by the Company, the Reinsurer shall have, in addition to all other rights under this Agreement or under Applicable Law, the following rights:

(i) the right to exercise all rights and remedies granted a secured party under the Uniform Commercial Code, as said code has been enacted in the State of New York or any other applicable jurisdiction (the "UCC"), as though all the Collateral constituted property subject to a security interest under Article 9 thereof;

(ii) the right to set off against any of the Collateral any amounts owed by the Company to the Reinsurer;

(iii) the right to attorneys' fees incurred in connection with the enforcement of this Agreement or in connection with the disposition of the Collateral; and

(iv) the right to dispose of the Collateral, subject to commercial reasonableness.

(d) This Section 2.10 is being included in this Agreement to ensure that, if an insolvency or other court determines that, notwithstanding the provisions of this Agreement, including Sections 2.1, 2.2, 2.3, 2.9, 6.2 and 13.1, and the intent of this Agreement, the Company retained ownership of or any rights in the Collateral, the Reinsurer's rights to the Collateral are protected with a first priority, perfected security interest, and it is the intent of the Parties that this Section 2.10 be interpreted as such.

(e) At or prior to the Effective Time, the Company shall file, and the Reinsurer is authorized to file, any and all financing statements reasonably requested by the Reinsurer in order to perfect the Reinsurer's right title and interest under Article 9 of the UCC in and to the Collateral, and the Company shall do such further acts and things as Reinsurer may reasonably request in order that the security interest granted hereunder may be maintained as a first priority perfected security interest; provided, that the Reinsurer shall be required to bear all out-of-pocket costs and expenses (including reasonable attorney's fees) incurred by the Company in connection with any such action or other thing requested by the Reinsurer.

Section 2.11 Hedging.

(a) For a period of [●] following the Effective Date, the Company shall purchase derivatives to hedge the index risk associated with the Equity Indexed Reinsured Policies (each, an "EI Hedge" and collectively, the "EI Hedges"). The Company hereby conveys, transfers and assigns to the Reinsurer, effective as of the Effective Date, a 100% interest in the gross proceeds in respect of the EI Hedges purchased by the Company prior to or following the Effective Date, intended to hedge the index risk associated with the Reinsurer's Share of the Equity Indexed Reinsured Policies (such fractional interest, the "Assigned EI Hedge Interest Proportion"). Such assignment shall occur automatically, without further action on the part of either Party, upon the purchase by the Company of any

EI Hedge or, in the case of any EI Hedges entered into prior to the date hereof, as of the date hereof.[3]

(b) The Company shall pay to the Reinsurer any Assigned EI Hedge Proceeds Amounts to the Bank Accounts (as defined in the Administrative Services Agreement).

(c) The Reinsurer shall pay the Company any Assigned EI Hedge Costs Amounts in accordance with Section 6.2 until the applicable EI Hedges have been novated to the Reinsurer.

(d) The Company shall use reasonable care in its hedging activities with respect to the Reinsured Policies, and such activities shall be (i) consistent with the Company's hedging strategies with respect to equity indexed reinsured policies issued by the Company, including with respect to counterparty exposure, and (iii) no less favorable than the hedging activities used by the Company with respect to equity indexed policies issued by the Company that are not Equity Indexed Reinsured Policies. In addition, the Company shall not treat the EI Hedges in any respect in a manner that is different than the manner in which it treats the hedges it enters into with respect to equity indexed policies issued by the Company that are not Equity Indexed Reinsured Policies.

(e) The Company agrees that other than as provided expressly in this Agreement, it shall take any actions reasonably requested by the Reinsurer to maintain in full force and effect each of the EI Hedges and to perform fully each of its obligations thereunder. The Company may not modify, amend or terminate any EI Hedge or waive any of its rights under any such EI Hedge without the Reinsurer's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) and shall fully enforce, at the expense of the Reinsurer, all of its rights thereunder, including, at the Reinsurer's request and if applicable, requiring the collateralization by the Hedge Counterparty of exposure and other amounts required to be paid or delivered thereunder. With the Reinsurer's prior written consent, the Company may exercise any right it may have to terminate any such EI Hedge and shall, at the Reinsurer's instruction and expense, effect any discretionary action with respect to the management or administration of the EI Hedges as the Reinsurer shall reasonably request, including termination, as may be available pursuant to the terms and conditions of any EI Hedge; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such discretionary action so requested by the Reinsurer and the Company shall indemnify and hold harmless the Reinsurer for Losses to the extent arising out of any failure by the Company to take any such discretionary action as reasonably requested by the Reinsurer. The Company agrees that it shall, at the direction and at the cost and expense of the Reinsurer, pursue commercially reasonable management and collection efforts with respect to the EI Hedges and, in general, will reasonably cooperate with the Reinsurer in the management and administration of the EI Hedges.

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3 The parties will cooperate to implement any revisions that are necessary, based on accounting advice, in order to allocate the EI Hedges to an account in the Company's books and records or to otherwise assure that statutory credit is given for the EI Hedges.

(f) Following the Effective Date, at the Reinsurer's request and expense, the Company shall cooperate with the Reinsurer and use its reasonable best efforts in the context of current market conditions to novate any EI Hedges from the Company to the Reinsurer or a designated Affiliate of the Reinsurer. The Company shall promptly advise the Reinsurer of any communications with respect to any such proposed novation. All material, written correspondence from either the Company or the Reinsurer to any Hedge Counterparty in connection with any such proposed novation shall be in a form approved by the other Party; provided that any such approval shall not be unreasonably withheld, conditioned or delayed. At the Reinsurer's instruction and at the Reinsurer's cost and expense, the Company shall take any such action with respect to any such proposed novation as Reinsurer shall reasonably request, including sending correspondence requesting that an EI Hedge be novated to the Reinsurer or a designated Affiliate of the Reinsurer in a form approved by the Reinsurer; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer and the Company shall indemnify and hold harmless the Reinsurer for Losses to the extent arising out of any failure by the Company to take any such action as reasonably requested by the Reinsurer.

Section 2.12 Interest Maintenance Reserve. Set forth on Schedule 2.12 is the Reinsurer's Share of the existing Interest Maintenance Reserve attributable to the Reinsured Liabilities and the amount of the new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement. The entirety of such Interest Maintenance Reserve shall be calculated by the Company and ceded to and held by the Reinsurer, and shall be amortized as set forth on Schedule 2.12. The Company shall have no obligation to establish any such Interest Maintenance Reserve.

Section 2.13 Redundant Reserve Financing. The Reinsurer shall use its reasonable best efforts to enter into a Redundant Reserve Financing Transaction with respect to the 2013 Policies prior to the first anniversary of the Effective Date. The Reinsurer shall keep the Company reasonably informed on an ongoing basis of the progress of its efforts to complete any Redundant Reserve Financing Transaction with respect to the 2013 Policies in accordance with the preceding sentence. In the event that a Redundant Reserve Financing is entered into following the Effective and on or prior to the first anniversary of the Effective Date with respect to the 2013 Policies, the Reinsurer shall promptly pay to the Company, by wire transfer of immediately available funds, an amount equal to seventy-five percent (75%) of the difference between (i) the Statutory Reserves with respect to the 2013 Policies transferred to the Reinsurer as of the Effective Date, *minus* (ii) the economic reserves as of the Effective Date with respect to the 2013 Policies. Reinsurer's obligation under this Section 2.13 to make a payment to the Company shall in no event result in a duplication of payments to the Company under this agreement and under the corresponding provision of the ALAC Coinsurance Agreement.

Section 2.14 Additional Reserve Requirement

(a) If, prior to three (3) years following the Effective Date, the New York Department of Financial Services imposes on the Reinsurer, in lieu of on the Company, an asset adequacy or cash flow testing reserve requirement based on a scenario substantially similar to the cash flow testing scenario imposed on the Company by the New York

Department of Financial Services as part of its most recent triennial exam (an "Additional Reserve Requirement") with respect to the Reinsured Policies:

(i) the Company will promptly transfer assets to the Reinsurer in an amount equal to the Additional Reserve Requirement that the Company maintained or would have been required to maintain had there not been reinsurance in effect at the Effective Time; or

(ii) the Company may recapture the Reinsured Policies as provided in Sections 10.3(f) and 10.5.

(b) If an Additional Reserve Requirement is imposed as described above and the event the company elects to transfer assets in accordance with Section 2.13(a), the funding shall be accomplished by a deposit of assets into the respective funds withheld account; the income on such assets will be paid to the Reinsurer, and the Reinsurer will pay to the Company the portfolio yield on a similar pool of assets of similar duration and credit characteristics as determined by reference to a nationally recognized third party index. In addition, in the event of such funding, the Company shall retain the right to recapture the Reinsured Policies as provided in Sections 10.3(f) and 10.5 for as long as such funding remains in effect.

(c) The funding of any accounts, as contemplated above, shall be released back to the Company concurrently with, and in the same amount as, any releases of the respective Additional Reserve Requirement. Furthermore, on the third (3rd) anniversary of the Effective Date, the Reinsurer shall in any event return to the Company assets in an amount equal to the amount of the Additional Reserve Requirement together with any unpaid financing cost.

(d) If the recapture contemplated by this Section 2.13 occurs, then the parties will cooperate to cause the transition to the Company of any administrative servicing then being provided by third party administrators.

ARTICLE III
REINSURANCE LIABILITY

Section 3.1 Reinsurance Liability. The reinsurance by the Reinsurer of the Reinsured Policies is subject to the same rates, conditions, limitations and restrictions as the insurance under the Reinsured Policies written by the Company on which the reinsurance is based. The liability of the Reinsurer hereunder on the terms described herein begins as of the Effective Time and, subject to Article X hereof, the liability of the Reinsurer on any Reinsured Policy will terminate as and when all liability of the Company with respect to such Reinsured Policy terminates.

Section 3.2 Other Reinsurance.

(a) The Company agrees that other than as provided expressly in this Agreement, it shall take any actions reasonably requested by the Reinsurer to maintain in full force and effect each of the Other Reinsurance Agreements and to perform fully each of its obligations thereunder. The Company may not modify, amend, terminate or recapture any Other Reinsurance Agreement or waive any of its rights under any such agreement without the Reinsurer's prior written consent and shall fully enforce, at the expense of the Reinsurer, all of its rights thereunder, including, at the Reinsurer's request, requiring the collateralization by the third party reinsurer of reserve balances and other amounts thereunder. With the Reinsurer's prior written consent, the Company may exercise any right it may have to recapture risks ceded thereby under any of the Other Reinsurance Agreements or to otherwise terminate any such agreement and shall, at the Reinsurer's instruction and expense, effect any such action with respect to the management or administration of the Other Reinsurance as the Reinsurer shall reasonably request, including termination or recapture, as may be available under or with respect to the terms of any Other Reinsurance Agreement; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer. Subject to the terms and conditions of the Administrative Services Agreement, the Company agrees that it shall, at the direction and at the cost and expense of the Reinsurer (including any reasonable out-of-pocket expenses incurred by the Company), pursue commercially reasonable management and collection efforts with respect to the Other Reinsurance and, in general, will reasonably cooperate with the Reinsurer in the management of the Other Reinsurance.

(b) Following the Effective Date, at the Reinsurer's expense and reasonable request, the Company shall cooperate with the Reinsurer and shall use its reasonable best efforts in the context of current market conditions to novate any Other Reinsurance from the Company to the Reinsurer or a designated Affiliate of the Reinsurer. The Parties shall promptly advise each other of any communications with respect to any such proposed novation. All correspondence from either the Company or the Reinsurer to any reinsurer under Other Reinsurance in connection with any such proposed novation shall be in a form approved by the other Party; provided that any such approval shall not be unreasonably withheld, conditioned or delayed. At the Reinsurer's instruction and at the Reinsurer's cost and expense (including any reasonable out-of-pocket expenses incurred by the Company), the Company shall effect any such action with respect to any such proposed novation as the Reinsurer shall reasonably request, including sending correspondence requesting that an Other Reinsurance Agreement be novated to the Reinsurer or a designated Affiliate of the Reinsurer in a form approved by the Reinsurer; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer.

(c) The recoverability of the Other Reinsurance from reinsurers shall be at the risk of and for the account of the Reinsurer; provided, that to the extent the Other Reinsurance became unrecoverable (in accordance with the Company's ordinary-course evaluation and statutory accounting treatment) prior to the Effective Time, the recoverability of such amounts shall be borne by the Company. The Company agrees that whenever an

Other Reinsurance Agreement provides the Company with a right of set-off, the Company shall exercise such right of set-off in the event that amounts are due and unpaid from the Reinsurer. The Company shall have no obligation to pursue any claims it may have for indemnification to which it may be entitled in connection with the Other Reinsurance unless requested to do so by the Reinsurer and at the cost and expense of the Reinsurer (including reasonable out-of-pocket expenses incurred by the Company). In no event shall any such right to indemnification reduce the Reinsurer's responsibility for the risk of all Other Reinsurance. The Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by Reinsurer.

Section 3.3 Disclaimer. The Company has no duties, whether express or implied, including the duty of utmost good faith and other similar duties, which the Company expressly disclaims, and makes no representations or warranties to the Reinsurer, other than those expressly contained in this Agreement. The Reinsurer has no duties, whether express or implied, including the duty of utmost good faith and other similar duties, which the Reinsurer expressly disclaims, and makes no representations or warranties to the Company, other than those expressly contained in this Agreement.

ARTICLE IV
CERTAIN FINANCIAL PROVISIONS

Section 4.1 Provision of Security by the Reinsurer.

(a) On the Effective Date, the Reinsurer shall establish and fund with an amount of cash and assets having a Statutory Book Value equal to the Required Balance, calculated in good faith by the Reinsurer as of the Effective Date based on the information set forth in the statement delivered by the Company pursuant to Section 2.3(a)(ii), a trust account (the "Trust Account") with a Qualified United States Financial Institution unaffiliated with the Reinsurer and the Company and which is reasonably acceptable to the Reinsurer and the Company (the "Trustee") at the sole cost and expense of the Reinsurer naming the Company as sole beneficiary and shall enter into the Trust Agreement to provide security for the payment of amounts due the Company under this Agreement. The Reinsurer shall transfer or pay into the Trust Account, and shall thereafter maintain in the Trust Account, cash and assets managed by the Reinsurer or its designee in accordance with the requirements set forth in the Trust Agreement, having a Statutory Book Value, determined in good faith by the Reinsurer on a quarterly basis, to be not less than the Required Balance.

(b) For purposes of this Agreement, the term "Required Balance", as of any date of determination, means an amount equal to (i) (A) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies if this Agreement were not in effect, *plus* (B) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (C) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement, in each case, as of such date of determination and determined in accordance with SAP, consistently applied, *plus* (ii) the Trust OC Amount, *plus* (iii) the Trust Ceding Commission Amount. The Required Balance and the Statutory Book Value of any assets held in the Trust Account shall be calculated by the Reinsurer as of the last day of each calendar quarter, and the Reinsurer shall provide a certification with respect to such valuation, including the Statutory Book Value and Fair Market Value of the assets (both on an asset-by-asset basis and a cumulative basis), to the Company and the Trustee within thirty (30) days after the end of such quarter. If the amount of cash plus the Statutory Book Value of assets held in the Trust Account as of any quarter end is less than the Required Balance as of such quarter end, the Reinsurer shall within five (5) Business Days after such determination is made make such further deposits to the Trust Account as are required in order to restore the Required Balance as of such quarter end. If the amount of cash plus the Statutory Book Value of assets held in the Trust Account as of any quarter end is greater than the Required Balance as of such quarter end, the Reinsurer may provide notice to the Company of its desire to withdraw assets from the Trust Account, specifying the amount and type of assets to be withdrawn. Within five (5) Business Days following its delivery of such notice to the Company, the Reinsurer may withdraw such assets from the Trust Account in excess of the amount necessary to maintain such Required Balance as of the applicable quarter end in accordance with the requirements set forth in the Trust Agreement. Any disputes by the Company of the amount of the Required Balance or the valuation of any asset deposited in the Trust Account pursuant to this Section 4.1 shall be resolved in accordance with Section 11.1. Upon resolution of any such dispute in accordance with Section 11.1, either (A) the Reinsurer shall cause to be deposited additional assets that comply with Section 4.1(a) within two (2) Business Days following such resolution, such that following any such deposit, the amount of cash plus the Statutory Book Value of the assets held in the Trust Account is sufficient to maintain the Required Balance as of the applicable quarter end; or (B) the Reinsurer may withdraw assets from the Trust Account in accordance with this Section 4.1(b), such that following any such withdrawal, the amount of cash plus the Statutory Book Value of the assets held in the Trust Account is sufficient to maintain the Required Balance as of the applicable quarter end. Unless otherwise agreed upon in writing by the Company, the Reinsurer shall maintain the Trust Account until all obligations of the Reinsurer under this Agreement have been fully satisfied, as determined by the Company in its sole discretion.

(c) The Company and the Reinsurer agree that the assets maintained in the Trust Account may be withdrawn by the Company only after a default by the Reinsurer in the performance of its monetary obligations hereunder that is not being disputed by the Reinsurer in good faith, which undisputed payment default has not been cured by the Reinsurer within five (5) Business Days following its receipt of a written notice thereof delivered by the Company. The amount of any such withdrawal in excess of amounts then due to Company hereunder shall be deemed maintained in trust for the benefit of the Reinsurer and promptly returned to the Trust Account. Upon prior written notice to the Company, the Reinsurer shall have the right to substitute or exchange assets maintained in the Trust Account in accordance with the requirements set forth in the Trust Agreement.

(d) With respect to the transfer of any Reinsurance Assets to the Trust Account, the Reinsurer will hold valid title to all such Reinsurance Assets free and clear of all liens or other encumbrances, other than interests of nominees, custodians or similar intermediaries. As of the date of the transfer of any assets to the Trust Account after the Effective Date, the Reinsurer will have good and marketable title to all such assets transferred by it to the Trust Account, all assets transferred by the Reinsurer after the

Effective Date to the Trust Account shall be transferred free and clear of any liens other than interests of nominees, custodians or similar intermediaries, and the Reinsurer will not create, incur, assume or permit any lien or other encumbrance on any of the assets held in the Trust Account, or on any interest therein or on any of the proceeds thereof, other than interests of nominees, custodians or similar intermediaries.

(e) The Reinsurer shall notify the Company in writing of any payment default occurring as to any asset in the Trust Account promptly after the Reinsurer receives notice of such default. In the event the Reinsurer determines that a delinquency of a timely payment in regard to any of the assets in the Trust Account has occurred, the Reinsurer shall inform the Company of such delinquency promptly upon such determination.

(f) Assets in the Trust Account may be withdrawn and applied by the Company or any successor of the Company without diminution because of insolvency on the part of the Company or the Reinsurer only for the following purposes:

(i) to pay to the Company any amount due to be paid out of the Trust Account as part of the Reinsurer Termination Payment to the extent such amount is not being disputed by the Reinsurer in good faith;

(ii) to pay any portion of the Net Settlement due to be paid to the Company from the Trust Account in accordance with Section 6.2(b) to the extent such portion is not being disputed by the Reinsurer in good faith; or

(iii) to pay or reimburse the Company for any other amounts due but not yet recovered from the Reinsurer under this Agreement in order to satisfy liabilities under the Reinsured Policies to the extent such amounts are not being disputed by the Reinsurer in good faith.

For the avoidance of doubt, any amounts referred to above that are not the subject of a good faith dispute may be withdrawn and applied for the purposes provided above.

Section 4.2 Credit for Reinsurance. If at any time during the term of this Agreement, the Reinsurer fails to hold and maintain all licenses, permits and authorities required under Applicable Law to enable the Company to receive statutory reserve credit for the reinsurance ceded to the Reinsurer hereunder in the Company's state of domicile, the Reinsurer shall, at its sole expense, establish and maintain security in the form of letters of credit, assets held in a reinsurance trust or a combination thereof in a manner that meets all Applicable Laws regarding credit for reinsurance, so as to permit the Company to receive full statutory reserve credit for the reinsurance ceded to the Reinsurer hereunder in the Company's state of domicile.

Section 4.3 RBC Reports.

(a) Within forty-five (45) days following the end of the first three calendar quarters of each year during the term of this Agreement, the Reinsurer shall provide to the Company a report of its RBC Ratio as of the end of such calendar quarter, as estimated in good faith by the Reinsurer.

(b) Within five (5) Business Days of the submission by the Reinsurer to the insurance department of its domiciliary state of a report of its risk-based capital levels as of the end of the previous calendar year, but in no event later than 60 days following the end of each calendar year, the Reinsurer shall provide to the Company written certification of its RBC Ratio as of the end of such calendar year.

ARTICLE V
PLAN OF REINSURANCE

Section 5.1 Plan. Reinsurance under this Agreement is on a 100% coinsurance basis and is subject to the terms and conditions of the original policy forms for the Reinsured Policies and any amendments thereto in effect as of the Effective Date.

Section 5.2 Follow the Fortunes. The Reinsurer's liability under this Agreement shall commence on the Effective Date, and all reinsurance with respect to which the Reinsurer shall be liable by virtue of this Agreement shall be subject in all respects to the same risks, terms, rates, conditions, interpretations, assessments, waivers, proportion of premiums paid to, and reinsurance recoveries benefiting, the Company with respect to the Reinsured Liabilities and the Reinsured Policies, the true intent of this Agreement being that the Reinsurer shall follow the fortunes of the Company with respect to the Reinsured Liabilities and Reinsured Policies.

Section 5.3 Reductions and Terminations. Reinsurance amounts are calculated in terms of coverages on a "per policy" basis. If the coverage of any Reinsured Policy on an insured is reduced or terminated, reinsurance under this Agreement on such Reinsured Policy will be equally reduced or terminated.

Section 5.4 Reinstatements. Reinsured Policies ceded under this Agreement shall include any Policy that is reduced, terminated, lapsed or surrendered, and later reinstated pursuant to and in accordance with its policy provisions and will be reinsured by the Reinsurer in accordance with the terms of this Agreement. The Reinsurer will retain any Premiums and interest that the Company has received for reinstatement in respect of periods on or after the Effective Date. A terminated Policy that would have been a Reinsured Policy had it been in force at the Effective Time, that later reinstates pursuant to and in accordance with its policy provisions, will be reinsured by the Reinsurer and become a Reinsured Policy. The Reinsurer will be entitled to retain any Premiums and interest for coverage on or after the Effective Date that is received for such reinstatement, and the Company will transfer to the Reinsurer the amount of reserves for such reinstated Reinsured Policy as of the Effective Date, calculated in a manner that is consistent with the reserve calculations used for the other Reinsured Policies. The date of reinsurance for such reinstated Reinsured Policies shall be the Effective Date. For the avoidance of doubt, the reinstated Policies reinsured under this Section 5.4 shall include any Policy treated as lapsed or otherwise terminated prior to the Effective Time under which the Company subsequently becomes liable as a result of a determination that the policyowner, insured or beneficiary has died prior to the lapse or termination.

Section 5.5 Contractual Conversions; Internal Replacement.

(a) Any conversion, exchange or replacement policy or contract arising from the Reinsured Policies that is converted, exchanged or replaced pursuant to and in accordance with its policy terms shall be deemed to constitute a Reinsured Policy for purposes of this Agreement and, in the event of a conversion, exchange or replacement of any Reinsured Policy, the Reinsurer shall reinsure the risk resulting from such conversion on the basis set forth hereby with respect to the Reinsured Policies; provided, however, that the Reinsurer shall not be required to pay any additional ceding commission with respect to any such converted, exchanged or replacement policy or contract. The Reinsurer will reimburse the Company for any expenses incurred in issuing a converted, exchanged or replacement policy or contract, but only to the extent such expenses are not covered by payments made by the Reinsurer under the Transition Services Agreement.

(b) Absent the Reinsurer's prior written consent (which may be withheld in its sole discretion), the Company will not solicit owners, beneficiaries or policyholders in connection with, or sponsor or assist, directly or indirectly, in the conduct of, (and will cause each of its Affiliates to refrain from soliciting in connection with, and sponsoring or assisting, directly or indirectly, in the conduct of) any program of internal replacement under which the owners, beneficiaries or policyholders of Reinsured Policies are or would be encouraged to exchange, or assisted in the exchange of, Reinsured Policies for other insurance policies or contracts that are not reinsured under this Agreement. Should the Company or its Affiliates or any of their respective successors or assigns initiate such a program of internal replacement that would include any of the risks reinsured hereunder in violation of the preceding sentence, the Company will immediately notify the Reinsurer. For each risk reinsured hereunder that has been replaced under a program of internal replacement, the Reinsurer shall have the option, at its sole discretion, of either treating the risks reinsured as recaptured on terms reasonably acceptable to the Reinsurer or continuing reinsurance on the new policy under the terms of this Agreement without any additional ceding commission therefor.

Section 5.6 New Policies. From and after the Effective Date, the Company shall issue in its name (a) new Policies issued or reinstated pursuant to Section 5.4 or 5.5(a) and (b) new Policies issued or renewed in accordance the terms of the Administrative Services Agreement.

Section 5.7 Policy List Errors.

(a) The Company or the Reinsurer, as applicable, shall notify the other Party if any life insurance policies or contracts issued or reinsured by the Company and in force as of the Effective Date were inadvertently not included on the Policy List and are determined to be a Policy, which shall in no event include any insurance policies and contracts falling within the following lines of business: health, annuities, funding agreements, corporate-owned life insurance and bank-owned life insurance when sold on a group basis, synthetic guaranteed investment contracts and variable life or other variable business.

(b) If any policies or contracts (or components thereof) are determined to be Policies in accordance with this Section 5.7, then:

(i) the Company shall transfer cash or assets reasonably satisfactory to the Reinsurer in an amount equal to the Statutory Reserves required to be held with respect to such Policies to the extent such Statutory Reserves were not previously transferred to the Reinsurer; and

(ii) the Parties shall adjust the Ceding Commission in a manner consistent with the adjustment required under Section 2.4(b)(ii) in connection with changes in the Net Retained Liabilities to the extent such Ceding Commission relates to an aggregate increase in Statutory Reserves equal to or greater than $10,000,000.

ARTICLE VI
ADMINISTRATION

Section 6.1 Administrative Services. The Parties hereby agree that the Policies, Other Reinsurance Agreements [and, subject to Section 2.11, the EI Hedges] shall be administered in accordance with or as otherwise provided in the Administrative Services Agreement and the Transition Services Agreement.

Section 6.2 Net Settlements.

(a) For each Monthly Accounting Period, the Parties will effect a settlement on a net basis (the "Net Settlement") as contemplated in Annex B hereto.

(b) A report reflecting in detail the Net Settlement determinations contemplated in Annex B shall be prepared not later than fifteen (15) Business Days after the end of each Monthly Accounting Period. For as long as required under the Transition Services Agreement, the Company shall prepare and deliver such report to the Reinsurer. After such time, the Reinsurer shall prepare and deliver such report to the Company. If a Net Settlement report reflects a balance due the Company, the amount(s) shown as due shall be paid within ten (10) Business Days of the delivery of the report. If a Net Settlement report reflects a balance due the Reinsurer, the amount(s) shown as due shall be paid within ten (10) Business Days after the date on which the report was delivered. If there is a delayed settlement of any payment due hereunder, interest will accrue on such payment at the Applicable Rate. For purposes of this section, a payment will be considered overdue on the date which is ten (10) Business Days after the date such payment is due hereunder; provided that such interest will begin to accrue from the original due date with respect to such payment. All settlements of account between the Company and the Reinsurer shall be made in cash or its equivalent.

(c) To the extent that the Reinsurer makes any direct payments to or on behalf of the Company in respect of Reinsured Liabilities or other amounts payable to the Company pursuant to the Net Settlement in respect of a Monthly Accounting Period prior to the Net Settlement process, whether in its capacity as the Administrator or otherwise, the amount of any such payments shall be taken into account for purposes of determining the Net Settlement. In addition, to the extent the Reinsurer receives any Premiums or other amounts payable to the Reinsurer pursuant to the Net Settlement in respect of a Monthly Accounting Period prior to the Net Settlement process, whether in its capacity as the Administrator or otherwise, the amount of any such Premiums received shall be taken into account for purposes of determining the Net Settlement.

(d) In connection with any settlement under this Agreement, the Reinsurer shall not be obligated to pay any Excluded Reinsured Liability.

ARTICLE VII
OPTION LETTERS; ASSUMPTION CERTIFICATES; NOVATION

Section 7.1 Novation. The Reinsurer shall pursue novation of all of the Reinsured Policies other than any Reinsured Policies that are the subject of litigation or arbitration proceedings (the "Targeted Policies"). The Reinsurer may manage the novation process so as to ensure that the Targeted Policies are novated to the Reinsurer only once the requisite systems are in place in order to reflect the Novated Contracts on the books and records of the Reinsurer in accordance with the migration processes and related time periods contemplated by the Transition Services Agreement.

Section 7.2 Licenses; Regulatory Approvals for Novation.

(a) Following the Effective Date, the Reinsurer shall use its reasonable best efforts to obtain all material licenses, permits and authorizations required under Applicable Law to qualify the Reinsurer to transact life insurance business in each state where any Targeted Policies are in force as of the Effective Date.

(b) Following the Effective Date, the Reinsurer shall use its reasonable best efforts to obtain all required regulatory approvals, including approval of the requisite form and rate filings, from each applicable Governmental Entity to assume by novation such Targeted Policies (effective as of their inception) including all of the Company's liabilities and obligations under each such Targeted Policy, in order to ensure that such liabilities and obligations are solely, directly and exclusively vested in the Reinsurer.

(c) Each Party shall cooperate fully with the other in all reasonable respects in order to effectuate the novation and assumption of the Targeted Policies as set forth in this Article VII. The Reinsurer shall be responsible for and shall pay its own costs, fees and expenses relating to the regulatory filings contemplated under this Section 7.2, and shall reimburse the Company for any reasonable out-of-pocket expenses that it incurs in connection with such filings.

Section 7.3 Option Letter.

(a) Subject to Section 7.3(b), the Reinsurer, at its sole cost and expense, promptly following receipt of the requisite approvals of applicable Governmental Entities, shall transmit by mail to every Required Party as required by the Applicable Law and in accordance with the consent solicitation procedures set forth on Schedule 7.3(a), an option letter (the "Option Letter"), together with a Notice and Certificate of Assumption, including, where required, a form for rejection or acceptance, as permitted by Applicable Law, and a self-addressed return envelope, substantially in the form attached hereto as Exhibit II (which identifies and includes the forms of Option Letters to be furnished to the various classes of

Required Parties), as modified to reflect such changes as may be required by the relevant Governmental Entity following the Effective Date (the "Notice and Certificate of Assumption"). Option Letters and Notices and Certificates of Assumption shall not be sent with respect to a Targeted Policy unless and until all requisite approvals of applicable Governmental Entities have been received with respect to such Targeted Policy.

(b) Subject to the receipt of the requisite regulatory approvals and Applicable Law, the Reinsurer may, at its option, in lieu of transmission of an Option Letter to a Required Party by mail, effect such transmission by electronic mail to an appropriately confirmed electronic mail address for the Required Party, or in the alternative, by any other method allowed under Applicable Law.

(c) The Reinsurer and the Company shall in good faith agree to modify the procedures set forth in this Section 7.3 and in Schedule 7.3(a) on a state-by-state basis to the extent required to conform to any procedures for novation and assumption of Targeted Policies imposed or required by the applicable Governmental Entity or as reasonably requested by the Reinsurer.

(d) Notwithstanding anything in this Agreement to the contrary, with respect to the classes of Required Parties described on Schedule 7.3(d), the Option Letter, to the extent permitted by Applicable Law, may be accompanied by a form for rejection, and a self-addressed return envelope, substantially in the form attached hereto as Exhibit III, and the Reinsurer shall not be required to seek affirmative consent from such Required Parties, unless required by Applicable Law.

(e) The Reinsurer shall pay its own costs, fees and expenses relating to soliciting or obtaining the consent of a Required Party to the novation and assumption by the Reinsurer of a Targeted Policy. The Company shall cooperate in any such actions taken by the Reinsurer, and the Reinsurer shall reimburse the Company for its reasonable out-of-pocket costs incurred in connection with such cooperation.

Section 7.4 Novated Contracts. Targeted Policies satisfying all of the requirements for novation and assumption under Section 7.3 and Applicable Law shall be assumed by the Reinsurer on the applicable Assumption Date and shall be deemed to have been assumed by novation. Such contracts shall cease to be deemed "Reinsured Policies," shall thenceforth not be deemed indemnity coinsured under Article II hereof, and shall be defined herein as "Novated Contracts." Notwithstanding the foregoing, in the event that (a) a Required Party rejects or fails to provide any consent required by Applicable Law to the novation of a Reinsured Policy, or (b) a Novated Contract is determined by appropriate Governmental Entities or a court of competent jurisdiction to be not novated from the Company to the Reinsurer (including, but not limited to, jurisdictions requiring the insured's affirmative consent for novation where the insured or policyholder, as the case may be, either did not or refused to provide such consent), then in the case of either of (a) or (b), such Novated Contract shall for all purposes of this Agreement be deemed, retroactive to the Effective Date, to be a Reinsured Policy and such novation shall be null and void and of no effect. For the avoidance of doubt, the Reinsured Liabilities for each such Novated Contract that is deemed to be a Reinsured Policy in accordance with the foregoing shall be deemed assumed by the Reinsurer retroactive to the Effective Date for all purposes of this Agreement. For each Novated Contract, the date of assumption shall be the later of (i) the date of assumption set forth in the relevant form of Option Letter with respect to the applicable Targeted Policy or (ii) the date on which all required consents and approvals of all Governmental Entities and Required Parties with respect to the applicable Targeted Policy have actually been received and all other requirements and conditions for novation and assumption have been satisfied (the "Assumption Date"). All Targeted Policies not novated by the Reinsurer shall remain Reinsured Policies of the Company.

Section 7.5 Effect of Assumption. Upon the satisfaction of all requirements for the novation and assumption of a Targeted Policy, the Company shall be deemed to have assigned and transferred all of its rights relating to such Novated Contract as of the Assumption Date and the Reinsurer shall be deemed to have assumed and accepted all of the risks, liabilities and obligations (including, without limitation, any Extra Contractual Obligations) under or arising out of the applicable Novated Contract, whether arising prior, on or subsequent to the applicable Assumption Date. The Reinsurer hereby agrees that it shall be directly and solely liable for such risks, liabilities and obligations. On each Assumption Date, the Reinsurer shall assume all risks, liabilities and obligations under or arising out of the applicable Novated Contract such that the Reinsurer shall be considered and deemed the original party in lieu of the Company, from the inception date of the applicable Reinsured Policy. The Novated Contracts shall continue and remain in full force and effect, except as modified by the Notice and Certificate of Assumption. For the avoidance of doubt, a Novated Contract shall not constitute the creation of a new contract or the termination of the applicable Reinsured Policy, rather such Novated Contract shall be considered and deemed a continuation of the existing contract as if the Reinsurer were the original party in lieu of the Company. It is understood and agreed that such assignment, transfer and assumption shall not affect any indemnification rights of the parties pursuant to Article XII, or any other indemnification or right to recovery provided to a party under any other agreement. Pursuant to the terms of the Trust Agreement, the portion of the assets held in the Trust Account relating to Novated Contracts not in dispute shall be released from the Trust Account and transferred to the Reinsurer. Promptly after assumption by the Reinsurer of any Novated Contracts, the Company shall deliver original books and records that relate to such Novated Contracts to the Reinsurer to the extent required by Applicable Law.

ARTICLE VIII
DAC TAX

Section 8.1 DAC Tax Election. The Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Company and the Reinsurer will each attach a schedule to its federal income tax return for the first taxable year ending after the Effective Date that identifies this Agreement as a reinsurance agreement for which a joint election under Treasury Regulation Section 1.848-2(g)(8) has been made, and will otherwise file its respective federal income tax returns in a manner consistent with the provisions of Treasury Regulation Section 1.848-2 as in effect on the date this Agreement is executed;

(b) For each taxable year under this Agreement, the Party with the net positive consideration, as defined in the regulations promulgated under Section 848 of the Code, will capitalize specified policy acquisition expenses with respect to this Agreement without regard to the general deductions limitation of Section 848(c)(1) of the Code;

(c) The Company and the Reinsurer agree to exchange information pertaining to the amount of net consideration under this Agreement each year to ensure consistency or as otherwise required by the Code and applicable Treasury Regulations;

(d) The first tax year for which this election is effective is [2013];

(e) The Reinsurer will submit to the Company by May 15 each year its calculation of the amount of the net consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement that the Reinsurer will report such amount of net consideration in its tax return for the preceding calendar year;

(f) The Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) days of the Company's receipt of the Reinsurer's calculation. If the Company does not so notify the Reinsurer, the Company will report the amount of net consideration as determined by the Reinsurer in the Company's tax return for the previous calendar year;

(g) If the Company contests the Reinsurer's calculation of the amount of net consideration, the dispute shall be resolved in accordance with Section 11.2.

Both the Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

ARTICLE IX
INSOLVENCY AND CUT THROUGH

Section 9.1 Insolvency. The reinsurance ceded hereunder shall be payable by the Reinsurer on the basis of liability of the Company under the Reinsured Policies without diminution because of the insolvency of the Company, directly to the Company or its liquidator, receiver or statutory successor, except (i) where this Agreement specifically provides for another payee of the reinsurance in the event of the insolvency of the Company or (ii) where the Reinsurer, with the consent of the direct insured, has assumed the policy obligations of the Company as direct obligations of the Reinsurer to the payees under a Reinsured Policy and in substitution for the obligations of the Company to the payees. It is agreed and understood, however, that (i) in the event of the insolvency of the Company, the liquidator, receiver or statutory successor of the Company shall give the Reinsurer written notice of the pendency of a claim against the insolvent Company on a Reinsured Policy within a reasonable time after such claim is filed in the insolvency proceeding and (ii) during the pendency of such claim the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defenses which it deems available to the Company, its liquidator, receiver or statutory successor

Section 9.2 Expenses. It is further understood that any expense thus incurred by the Reinsurer pursuant to Section 9.1 shall be chargeable, subject to court approval, against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer. Where two or more assuming reinsurers are involved in the same claim and a majority in interest elect to interpose defenses to such claim, the expense shall be apportioned in accordance with the terms of this Agreement as though such expense had been incurred by the Company.

Section 9.3 Cut Through.

(a) Subject to Applicable Law and the applicable terms of the Reinsured Policies, if the Company becomes insolvent or is subject to any liquidation, rehabilitation, conservatorship, receivership, administrative supervision or any other similar proceeding, the Reinsurer may pay any Reinsured Liabilities otherwise due and payable by the Reinsurer to the Company hereunder directly to the named insureds or their designees under the applicable Reinsured Policies (the "Payee"), in accordance with and subject to the terms, conditions, exclusions and limitations of such Reinsured Policies. Any such payment by the Reinsurer shall discharge the Company from its related payment obligation under the subject Reinsured Policy and shall be treated as a payment by the Company for all purposes of such Reinsured Policy and related documentation and otherwise.

(b) The Reinsurer shall have no obligation to indemnify the Company for amounts paid or payable by the Company in respect of a Reinsured Policy to the extent of any payments made by the Reinsurer to the applicable Payee under such Reinsured Policy in accordance with Section 9.3(a), and the Reinsurer shall be discharged of its payment obligations to the Company, or to its liquidator, receiver, rehabilitator, conservator or other similar Person, under this Agreement to the extent of such payments. The cut-through afforded by Section 9.3(a) shall not be available pursuant to this Agreement if, under Applicable Law, regulation, court rule or order or similar requirement either: (i) the Reinsurer's direct payment to such Payee will not, to the extent thereof, discharge the Reinsurer's obligations to the Company or its legal representative or (ii) the Reinsurer is required by Applicable Law to make any payment to the Company or its liquidator, receiver, rehabilitator, conservator or other similar Person notwithstanding the provisions of this Agreement. Nothing herein or in any Reinsured Policy shall be construed to require the Reinsurer to make duplicative payments or payments duplicative of payments that have been made by the Company.

ARTICLE X
TERMINATION

Section 10.1 Duration of Coinsurance. This Agreement will be effective as of the Effective Time. Subject to the provisions of this Article X, this Agreement will remain in effect, and the reinsurance provided hereunder will remain in force, until termination of the policy or policies on which the reinsurance is based (whether by expiration of the term thereof or by novation thereof by the Reinsurer or one of its Affiliates) in accordance with the terms of this Agreement. Except as provided in Sections 10.3, the Reinsured Policies are not eligible for recapture by the Company.

Section 10.2 Termination. This Agreement shall terminate:

(a) at any time upon the mutual written consent of the Parties hereto, which writing shall state the effective date of termination; or

(b) automatically at such time as no liability remains under this Agreement.

Section 10.3 Termination by the Company. The Company, in its sole discretion, shall have the option to terminate this Agreement upon the occurrence of any one of the following events:

(a) the Reinsurer is placed in receivership, conservatorship, rehabilitation or liquidation by any insurance regulatory authority;

(b) the Reinsurer breaches Section 4.1, and the Reinsurer fails to cure such breach within the earlier of (i) thirty (30) days following receipt of written notice of such breach from the Company and (ii) the last day of the calendar year in which such breach occurs; provided that, in the case of clause (ii) only, the Company shall have no right to terminate with a cure period of fewer than thirty (30) days to the extent that the Company continues to receive full credit for the Trust Account in its risk-based capital calculation;

(c) the Reinsurer breaches Section 4.2, and the Reinsurer fails to cure such breach within the earlier of (i) thirty (30) days following receipt of written notice of such breach from the Company and (ii) the last day of the calendar quarter in which such breach occurs; provided that the Company shall have no right to terminate if the Reinsurer cannot take any action reasonably required for the Company to receive statutory reserve credit without the reasonable cooperation of the Company and the Company shall not have reasonably cooperated with the Reinsurer; provided, further, that it shall be deemed unreasonable to require the Company to cooperate in the event such cooperation would impose on the Company any cost and the Reinsurer has not agreed to be responsible for such cost;

(d) the Reinsurer fails to pay any material amount due to the Company under this Agreement and (i) such amount is not subject to a good faith dispute and (ii) such failure is not cured within ten (10) Business Days following the Reinsurer's receipt of written notice of such failure from the Company;

(e) in the event that (i) the Reinsurer's RBC Ratio is less than 175% or (ii) the Reinsurer fails to provide its RBC Ratio in accordance with Section 4.4 and, upon delivery of written notice from the Company to the Reinsurer, the Reinsurer shall fail to provide its RBC Ratio within ten (10) Business Days following such notice; or

(f) in the circumstance described in Section 2.13(b).

Section 10.4 Termination by the Reinsurer. Upon the occurrence of a Reinsurer Termination Event, the Reinsurer shall have the right (but not the obligation) to terminate this Agreement by providing written notice of its intent to terminate. Termination of this Agreement shall be effective on the date specified in such notice, provided that such date shall not be prior to the date on which the Termination Event occurred. Upon termination of this Agreement pursuant to this Section 10.4, the Company shall be deemed to have recaptured and reassumed all Reinsured Liabilities. Recapture of the Reinsured Policies shall be effective on the date specified in the notice of termination.

Section 10.5 Settlement Upon Termination. Upon the termination of this Agreement by the Company pursuant to Section 10.3 or by the Reinsurer pursuant to Section 10.4, subject to payment by the Reinsurer of any amounts due to the Company pursuant to this Section 10.5 and the payment by the Company of any amounts due to the Reinsurer pursuant to this Section 10.5, the Company shall recapture all liabilities previously ceded to the Reinsurer and the Reinsurer's liability under this Agreement will terminate (provided, that such termination shall not relieve any Party of any pre-termination breach of this Agreement). The Company shall prepare a Net Settlement report for the period commencing on the first day of the then-current calendar month and ending on the date this Agreement is terminated pursuant to Sections 10.3 or 10.4. On the tenth Business Day following the delivery of such Net Settlement report (a) the applicable Party shall pay any amounts due and owing by such Party on such Net Settlement report; (b) the Reinsurer shall transfer to the Company cash and assets with an aggregate Fair Market Value equal to 100% of an amount equal to: (i) the Reinsurer's Share of the Statutory Reserves held by the Company with respect to the Reinsured Policies, *plus* (ii) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (iii) (x) the amount of any new Interest Maintenance Reserve created at the time of recapture as a result of such recapture divided by 65%, and (y) the amount of any new Interest Maintenance Reserve created at the Effective Time as a direct result of the transactions contemplated by this Agreement that remains unamortized as of the date of termination, *minus* (iv) the Reinsurer's Share of the amount of outstanding policy loans on the Reinsured Policies (to the extent such policy loans constitute admitted assets under SAP, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto), *minus* (v) the Reinsurer's Share of net due and deferred Premiums on the Reinsured Policies reduced by advances thereon, *minus* (vi) the Ceding Commission *multiplied by* the ratio of (x) the remaining number of months in the Amortization Period over (y) 120, in each case, determined by the Company in accordance with SAP, consistently applied, as of the date of termination (such amount, the "Reinsurer Termination Payment"); and (c) the Company shall pay to the Reinsurer cash equal to the amount of any cash and assets withdrawn by the Company or any successor by operation of law, including any liquidator, rehabilitator, receiver or conservator of the Company, from the Trust Account prior to the date of termination, and not used to satisfy claims of policyholders under the Reinsured Policies prior to the date of termination or to otherwise pay amounts due to the Company pursuant to this Agreement (the "Company Termination Payment"). Any dispute by either Party of the Company Termination Payment or the Reinsurer Termination Payment shall be resolved in accordance with Section 11.2.

ARTICLE XI
RESOLUTION OF CERTAIN DISPUTES

Section 11.1 Disputes over Actual Initial Coinsurance Premium Calculations and SPA Adjusted Coinsurance Premium.

(a) Within thirty (30) days following its receipt from the Company of the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, (such period, a "Review Period"), the Reinsurer shall either (i) notify the Company in writing of its agreement with the calculation of the Actual Initial Coinsurance Premium or SPA Adjusted Coinsurance Premium, as applicable, set forth therein ("Notice of Agreement"); or (ii) if the Company determines that the Initial Coinsurance Premium Reconciliation Statement or SPA Coinsurance Premium Reconciliation Statement, as applicable, or the calculations reflected therein either (x) have not been prepared on the basis set forth in Section 2.3 or in Section 5.8 of the Purchase Agreement or (y) contain or reflect mathematical errors, inform the Company in writing of its objection (the "Reinsurer's Objection"), which notice shall set forth in reasonable detail a description of the basis of the Reinsurer's Objection and the adjustments to such Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, or the calculations reflected therein that the Reinsurer requests be made. The Company, as applicable, shall, following the Effective Date through the date that the Initial Coinsurance Premium Reconciliation Statement or SPA Coinsurance Premium Reconciliation Statement, as applicable, becomes final in accordance with the last sentence of Section 11.1(c), take all actions necessary or desirable to maintain and preserve all accounting books, records, policies and procedures on which such Initial Coinsurance Premium Reconciliation Statement or SPA Premium Reconciliation Statement, as applicable, are based or on which the finalized Initial Coinsurance Premium Adjustment or SPA Coinsurance Premium Adjustment, as applicable, are to be based so as not to impede or delay the determination of the finalized Actual Initial Coinsurance Premium, the finalized SPA Adjusted Coinsurance Premium, the finalized Fair Market Value of the Reinsurance Assets as of the Effective Date or the preparation of the Reinsurer's Objection in the manner and utilizing the methods permitted by this Agreement. Upon receipt by the Company of a Notice of Agreement from the Reinsurer or if no Reinsurer's Objection is received by the Company prior to the expiration of the Review Period, the Actual Initial Coinsurance Premium, the SPA Adjusted Coinsurance Premium and the Reinsurer's calculation of the Initial Coinsurance Premium Adjustment (as set forth in the Initial Coinsurance Premium Reconciliation Statement) and the SPA Coinsurance Premium Adjustment (as set forth in the SPA Coinsurance Premium Reconciliation Statement) shall be deemed to have been accepted by the Reinsurer and will become final and binding upon the Parties in accordance with the last sentence of Section 11.1(c).

(b) If the Reinsurer timely delivers a Reinsurer's Objection to the Company, the Company shall have thirty (30) days from the date of such delivery to review and respond to such Reinsurer's Objection (the "Consultation Period"). The Parties shall use reasonable, good faith efforts to resolve any disagreements that they may have with respect to the matters set forth in the Reinsurer's Objection. If the Parties are unable to resolve all of their disagreements with respect to the matters set forth in the Reinsurer's Objection within ten

(10) Business Days following the expiration of the Consultation Period, then the Parties shall submit all matters that remain in dispute with respect to the Reinsurer's Objection (along with a copy of the Initial Coinsurance Premium Reconciliation Statement, SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein, marked to indicate those line items that are still in dispute) to an independent internationally recognized accounting firm of independent certified public accountants with appropriate actuarial expertise mutually agreed by the Parties (the "CPA Firm"), which shall, acting as an expert and not as an arbitrator, make a final determination, on the basis of the standards set forth in Section 2.3 hereof, and only with respect to any remaining differences submitted to the CPA Firm, in accordance with this Section 11.1(b), of the appropriate amount of each line item in the Initial Coinsurance Premium Reconciliation Statement, SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein as to which the Parties disagree (such items that remain in dispute, the "Unresolved Items").

(c) The Parties shall instruct the CPA Firm to deliver its written determination to the Reinsurer and the Company no later than fifteen Business Days after the Unresolved Items are referred to the CPA Firm. The CPA Firm's determination shall include a certification that it reached such determination in accordance with this Section 11.1(c) and shall be conclusive and binding upon the Parties, absent fraud or clear and manifest error. With respect to each Unresolved Item, the CPA Firm's determination, if not in accordance with the position of either the Company or the Reinsurer, shall not be more favorable to the Reinsurer than the amounts advocated by the Reinsurer in the Reinsurer's Objection or more favorable to the Company than the amounts advocated by the Company in the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement or the Company's calculations of the amounts set forth therein with respect to such disputed line item and/or calculation. For the avoidance of doubt, (i) the CPA Firm's review of the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein shall be limited to a determination of whether such documents and calculations were prepared in accordance with Section 2.3, and (ii) the CPA Firm shall not review any line items or make any determination with respect to any matters other than the Unresolved Items that were referred to the CPA Firm for resolution pursuant to this Section 11.1(c). The determination of the amounts set forth in the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, that are final and binding on the Parties, as determined either through (1) the Reinsurer's delivery of a Notice of Agreement pursuant to Section 11.1(a), (2) the Reinsurer's failure to deliver Reinsurer's Objection prior to expiration of the Review Period pursuant to Section 11.1(a), (3) agreement by the Parties during the Consultation Period or (4) the determination of the CPA Firm pursuant to this Section 11.1(c) are referred to herein as the "finalized Actual Initial Coinsurance Premium," the "finalized Initial Coinsurance Premium Adjustment," the "finalized Fair Market Value of the Reinsurance Assets as of the Effective Date," the "finalized SPA Adjusted Coinsurance Premium," and the "finalized SPA Coinsurance Premium Adjustment" as the case may be.

(d) The Parties agree that judgment may be entered upon the CPA Firm's determination in any court having jurisdiction over the Reinsurer or the Company or their respective assets, as the case may be. The fees and disbursements of the CPA Firm shall be paid by the Parties in proportion to those matters submitted to the CPA Firm that are resolved against that Party, as such fees and disbursements are allocated by the CPA Firm in accordance with this Section 11.1 at the time of the CPA Firm's determination. At any time following delivery of the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, the Reinsurer shall provide to the Company and its Representatives full access to books and records and other information with respect to the Reinsured Policies, the Net Retained Liabilities and the Ceding Commission, including work papers of its accountants (subject to execution by the Company and/or its Representatives, as applicable, of a customary hold-harmless agreement in form and substance reasonably acceptable to such accountants), and to any employees during regular business hours and on reasonable advance notice, to the extent necessary for the Company to prepare the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement or to prepare materials for presentation to the CPA Firm. The Parties shall make readily available to the CPA Firm, during regular business hours and on reasonable advance notice, interviews with such employees, and all relevant information, books and records and any work papers of their respective accountants (in each case, subject to execution by the CPA Firm of a customary hold-harmless agreement in form and substance reasonably acceptable to such accountants) relating to the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement and any Unresolved Items and all other items reasonably required by the CPA Firm to fulfill its obligations under Section 11.1(c). In acting under this Section 11.2, the CPA Firm will be entitled to the privileges and immunities of an arbitrator.

(e) For the avoidance of doubt, this Section 11.1 shall not apply to any dispute between the Parties with respect to the interpretation of any provision, term or condition of this Agreement.

Section 11.2 Disputes over Calculations. After the Effective Date, any dispute between the Parties with respect to the calculation of amounts that are to be calculated or reported pursuant to this Agreement (other than disputes with respect to the Actual Initial Coinsurance Premium and the SPA Adjusted Initial Coinsurance Premium, which shall be resolved in accordance with Section 11.1 hereof), including disputes with respect to any Net Settlement, calculations relating to DAC tax, valuation of the assets held in the Trust Account or the amount of the Reinsurer Termination Payment or the Company Termination Payment, that cannot be resolved by the Parties within sixty (60) calendar days, shall be referred to an independent accounting firm of national recognized standing (which shall not have any material relationship with the Reinsurer or the Company) mutually agreed to by the Parties; provided, however, that where the dispute involves an actuarial issue, the dispute shall instead be referred to an independent actuarial firm of national recognized standing (which shall not have any material relationship with the Reinsurer or the Company) mutually agreed to by the Parties. Within twenty (20) Business Days following the selection of the accounting firm or actuarial firm, as applicable, the Parties shall submit their positions and supporting documentation to such accounting firm or actuarial firm. Within forty (40) Business Days of such submission, the accounting firm or actuarial firm, as applicable, shall, in light of the evidence provided by both Parties, determine the calculations in dispute within the range of difference between the Reinsurer's position thereto and the Company's position thereto. There shall be no appeal from the decision made by such firm, which shall be final and binding (absent fraud or clear and manifest error), except that, either Party may petition a court having jurisdiction over the other Party or its assets to reduce the arbitrator's decision to judgment. The fees charged by the accounting firm or actuarial firm, as applicable, to resolve the dispute shall be allocated between the Company and the Reinsurer by such firm in accordance with its judgment as to the relative merits of the Parties' positions in respect of the dispute. For the avoidance of doubt, this Section 11.2 shall not apply to any dispute between the Parties with respect to the interpretation of any provision, term or condition of this Agreement.

ARTICLE XII
INDEMNIFICATION

Section 12.1 Indemnification of the Reinsurer by the Company. From and after the Effective Date, the Company shall indemnify, defend and hold harmless the Reinsurer and its officers, directors and authorized Representatives (the "Reinsurer Indemnified Parties") from and against, and pay and reimburse the Reinsurer Indemnified Parties for, all Losses imposed on, sustained, incurred or suffered by, or asserted against, the Reinsurer Indemnified Parties (a) solely as a result of actions or omissions of the Company, but only to the extent such actions or omissions of the Company constitute gross negligence or bad faith and were not taken or omitted at the direction of the Reinsurer or consented to by the Reinsurer or (b) arising out of any breach or nonfulfillment by the Company of, or any failure by the Company to perform, any of the covenants, terms or conditions of or any of its duties or obligations under this Agreement unless such breach, nonfulfillment or failure arises out of or results from the action or omission of the Reinsurer pursuant to the Administrative Services Agreement; provided, however, that the Company shall have no obligation to indemnify, defend and hold harmless the Reinsurer Indemnified Parties for any Reinsured Liabilities.

Section 12.2 Indemnification of the Company by the Reinsurer. From and after the Effective Date, the Reinsurer shall indemnify, defend and hold harmless the Company, and its officers, directors and authorized Representatives (the "Company Indemnified Parties") from and against, and pay and reimburse the Company Indemnified Parties for, all Losses imposed on, sustained or incurred or suffered by, or asserted against, the Company Indemnified Parties to the extent such Losses (a) constitute Reinsured Liabilities, (b) arise out of any breach or nonfulfillment by the Reinsurer of, or any failure by the Reinsurer to perform, any of the covenants, terms or conditions of or any of its duties or obligations under this Agreement unless such breach, nonfulfillment or failure arises out of or results from the action or omission of the Company or its Affiliates pursuant to the Transition Services Agreement, (c) arise out of written instructions of the Reinsurer given pursuant to Section 2.5 or 3.2 hereof, or (d) arise out of the Company following a written recommendation of the Reinsurer given in accordance with Section 2.8(b).

ARTICLE XIII
CONFIDENTIALITY

Section 13.1 Confidentiality. Except as provided in the Other Transaction Agreements, each of the Reinsurer and the Company agrees to hold any Confidential Information with respect to the other Party in strictest confidence and to take all reasonable steps to ensure that such

Confidential Information is not disclosed in any form by any means by it or by its Affiliates, employees, advisors, agents or administrators (collectively, "Representatives") to third parties of any kind or used by it or its Representatives for any purpose other than the performance of its obligations under this Agreement; provided that the foregoing obligation shall not prohibit disclosure of any such information (a) if required by Applicable Law or stock exchange rules, or if required or requested by any Governmental Entity (provided in the case of this clause (a) that the disclosing party shall allow (to the extent permitted by Applicable Law and reasonably practicable) the other Party a reasonable opportunity to comment on such disclosure in advance of such disclosure); (b) to the disclosing Party's Representatives, auditors or ratings agencies, provided, that such Representatives, auditors or ratings agencies are made aware of the provisions of this Article XIII; (c) to the extent that the information has been made public by or on behalf of, or with the prior consent of, the non-disclosing Party; (d) if required in connection with any report required to be filed or submitted with any Governmental Entity; (e) to a retrocessionaire of the Reinsurer; (f) to the extent reasonably necessary in connection with any dispute with respect to this Agreement; and (g) as necessary for the Reinsurer to perform its obligations as Administrator under the Administrative Services Agreement. The Reinsurer agrees to hold medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants and beneficiaries of Policies in confidence to the extent required to be held in confidence under Applicable Law and the Reinsurer's privacy policy or policies and shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of such information which are no less rigorous than those maintained by Reinsurer for its own information of a similar nature. Notwithstanding anything to the contrary, for purposes of this Section 13.1, the Reinsurer, in its capacity as Administrator on behalf of the Company, shall not be considered an advisor, agent or administrator of the Company.

ARTICLE XIV
REPRESENTATIONS AND WARRANTIES

Section 14.1 Representations and Warranties of Reinsurer. The Reinsurer hereby represents and warrants to the Company as of the Effective Time:

(a) Organization, Standing and Authority. The Reinsurer is a corporation duly organized and validly existing under the laws of the State of Massachusetts and has all requisite power and authority to own, lease and operate its assets, properties and business and to carry on the operations of its business as they are now being conducted, except where the failure to have such authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect. The Reinsurer is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(b) Authorization. The Reinsurer has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Reinsurer, and, subject to the due execution and delivery by the Company, this Agreement is valid and the binding obligation of the Reinsurer, enforceable against the Reinsurer in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other similar laws now or hereafter in effect relating to or affecting the rights of creditors of insurance companies or creditor's rights generally and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(c) Actions and Proceedings. There are no outstanding orders, decrees or judgments by or with any Governmental Entity applicable to the Reinsurer or its properties or assets that, individually or in the aggregate, have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. There are no actions, suits, arbitrations or legal, administrative or other proceedings pending or, to the knowledge of the Reinsurer, threatened against, at law or in equity, or before or by any Governmental Entity or before any arbitrator of any kind which would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) No Conflict or Violation. The execution, delivery and performance by the Reinsurer of this Agreement and the consummation of the transactions contemplated hereby in accordance with the terms and conditions hereof will not: (i) violate any provision of the charter, bylaws or other organizational document of the Reinsurer, (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of the effect of, otherwise give any other contracting party the right to terminate or constitute (or with notice or lapse of time or both, constitute) a default under, any contract to which the Reinsurer is a party or by or to which its properties may be bound or subject, (iii) violate any order, judgment, injunction, award or decree of any arbitrator or Governmental Entity, or any agreement with, or condition imposed by, any arbitrator or Governmental Entity, binding upon, the Reinsurer, (iv) violate any Applicable Law or (v) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment of, any license or authorization related to the Reinsurer's business or necessary to enable the Reinsurer to perform its obligations under this Agreement, except for any such violations, conflicts or breaches which would not individually or in the aggregate reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(e) Brokers and Financial Advisers. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, the Reinsurer in connection with this Agreement or the transactions contemplated hereby.

Section 14.2 Representations and Warranties of the Company. The Company hereby represents and warrants to the Reinsurer as of the Effective Time:

(a) Organization, Standing and Authority. The Company is a corporation duly organized and validly existing under the laws of the State of New York and has all requisite power and authority to own, lease and operate its assets, properties and business and to carry on the operations of its business as they are now being conducted, except where the failure to have such authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Company, and, subject to the due execution and delivery by the Reinsurer, this Agreement is valid and the binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other similar laws now or hereafter in effect relating to or affecting the rights of creditors of insurance companies or creditor's rights generally and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(c) Actions and Proceedings. There are no outstanding orders, decrees or judgments by or with any Governmental Entity applicable to the Company or its properties or assets that, individually or in the aggregate, have a material adverse effect on the Company's ability to perform its obligations under this Agreement. There are no actions, suits, arbitrations or legal, administrative or other proceedings pending or, to the knowledge of the Company, threatened against, at law or in equity, or before or by any Governmental Entity or before any arbitrator of any kind which would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(d) No Conflict or Violation. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby in accordance with the terms and conditions hereof will not: (i) violate any provision of the charter, bylaws or other organizational document of the Company, (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of the effect of, otherwise give any other contracting party the right to terminate or constitute (or with notice or lapse of time or both, constitute) a default under, any contract to which the Company is a party or by or to which its properties may be bound or subject, (iii) violate any order, judgment, injunction, award or decree of any arbitrator or Governmental Entity, or any agreement with, or condition imposed by, any arbitrator or Governmental Entity, binding upon, the Company, (iv) violate any Applicable Law or (v) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment of, any license or authorization related to the Company's business or necessary to enable the Company to perform its obligations under this Agreement, except for any such violations, conflicts or breaches which would not individually or in the aggregate reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(e) Brokers and Financial Advisers. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, the Company in connection with this Agreement or the transactions contemplated hereby.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Errors and Omissions. If any delay, omission, error or failure to pay amounts due or to perform any other act required by this Agreement is caused by mistake, misunderstanding or oversight, the Parties will equitably adjust the situation to what it would have been had the mistake, misunderstanding or oversight not occurred, and the reinsurance provided hereunder will not be invalidated. Should it not be possible to adjust the situation, it will be resolved in accordance with dispute resolution procedures mutually selected by the Parties.

Section 15.2 Offset and Recoupment. The Company or the Reinsurer may offset or recoup any undisputed balance or amount due from one Party to the other Party under this Agreement; provided, that in the event of the insolvency of the Company, offsets shall only be allowed in accordance with New York Insurance Law Section 7427. The right of setoff shall not be affected or diminished because of the insolvency of either Party.

Section 15.3 Expenses. Except as otherwise provided in this Agreement each Party shall bear its own costs and expenses incurred in connection with the transactions contemplated by this Agreement. All transfer, sales, use, value added, excise, stock transfer, documentary, stamp, recording, registration and any similar taxes that become payable as a result of the acquisition by the Reinsurer from the Company of the Reinsurance Assets (including any real property transfer tax and any similar tax) shall be borne fifty percent (50%) by the Company and fifty percent (50%) by the Reinsurer.

Section 15.4 Parties to this Agreement. This is an agreement for indemnity reinsurance solely between the Company and the Reinsurer. The performance of the obligations of each Party under this Agreement shall be rendered solely to the other Party. The acceptance of risks under this Agreement shall create no right or legal relationship between the Reinsurer and the insured, owner or beneficiary of any insurance policy or other contract of the Company.

Section 15.5 Authority. Neither the Company nor the Reinsurer shall have any power or authority to act for or on behalf of the other except as expressly granted herein or in the Administrative Services Agreement or Transition Services Agreement, and no other or greater power or authority shall be implied by the grant or denial of power or authority specifically mentioned herein. No employee or agent of either Party shall be considered an employee or agent of the other.

Section 15.6 No Assignment. This Agreement may not be assigned by either of the Parties hereto without the prior written approval of the other Party. Notwithstanding the foregoing, the Reinsurer shall not be prohibited from further transfer of risks accepted hereunder on a retrocession or other basis without the prior approval of the Company; provided that any transfer shall not relieve the Reinsurer of its obligations under this Agreement.

Section 15.7 Notices. Any notice, approval, request, consent, instruction, or other document to be given hereunder by any Party hereto to the other Party hereto will be delivered by personal delivery, overnight express or facsimile (followed by telephone confirmation with the intended recipient), as follows:

If to the Company, to:

Aviva Life and Annuity Company of New York

[●]

with copies (which shall not constitute notice) to:

[●]

and

Sidley Austin LLP
1 South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Facsimile: (312) 853-7036
Attn: Perry J. Shwachman, Esq.

and

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5835
Facsimile: (212) 839-5599
Attn: Jonathan J. Kelly, Esq.

If to the Reinsurer, to:

First Allmerica Financial Life Insurance Company
[c/o Commonwealth Annuity and Life Insurance Company]
132 Turnpike Road Suite 210
Southborough, Massachusetts 01772
Telephone: (508) 460-2408
Facsimile: (212) 493-9888
Attn: Scott Silverman, Esq.

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 909 6647
Facsimile: (212) 909 6836

Attn: John M. Vasily, Esq.
Thomas M. Kelly, Esq.

or at such other address for a Party as will be specified by like notice. Each notice or other communication required or permitted under this Agreement that is addressed as provided in this Section 15.7 will be deemed given upon delivery.

Section 15.8 Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of the Company or the Reinsurer under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement, and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 15.9 Announcements. Except as required by Applicable Law or in connection with public disclosure to investors or analysts, the content and timing of public announcements by either Party concerning the transactions contemplated by this Agreement must be approved in advance by both Parties, but such approval shall not be unreasonably withheld, conditioned or delayed.

Section 15.10 Schedules, Annexes and Exhibits. All Schedules, Annexes and Exhibits to this Agreement are attached hereto and are incorporated herein by reference. The provisions of this Agreement (without reference to any attached Schedules, Annexes and Exhibits) shall be deemed to control in the event of any inconsistency or conflict between the provisions of this Agreement (without reference to any attached Schedules, Annexes and Exhibits) and the Schedules, Annexes and Exhibits attached hereto.

Section 15.11 Entire Agreement. This Agreement (including all Exhibits, Annexes and Schedules hereto), and the Other Transaction Agreements constitute the entire agreement, and supersede all prior agreements, understandings, representations and warranties, both written and oral, between the Parties with respect to the subject matter of this Agreement and such other agreements. Except as set forth in Sections 12.1 and 12.2 with respect to the Reinsurer Indemnified Parties and the Company Indemnified Parties, this Agreement is not intended to and shall not confer upon any Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

Section 15.12 Binding Effect. This Agreement is binding upon, and will inure to the benefit of, the Parties and their respective permitted assignees and successors (including any liquidator, rehabilitator, receiver or conservator of a Party).

Section 15.13 Waiver and Amendment. This Agreement may be modified or amended only by a writing duly executed by the Company and the Reinsurer. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof. A waiver must be in writing and must be executed by such Party. A waiver on any occasion shall not be deemed to be a waiver of the same or any term or condition on a future occasion.

Section 15.14 Headings. The headings in this Agreement are for reference purposes only and shall not affect the interpretation of this Agreement.

Section 15.15 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

Section 15.16 No Prejudice. The Parties agree that this Agreement has been jointly negotiated and drafted by the Parties hereto and that the terms hereof shall not be construed in favor of or against any Party on account of its participation in such negotiations and drafting.

Section 15.17 Governing Law; Jurisdiction; Enforcement.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of law rules thereof.

(b) Subject to Section 11.1 and Section 11.2, each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York County, for purposes of all legal proceedings arising out of or relating to this Agreement, or the transactions contemplated by this Agreement, or for recognition and enforcement of any judgment in respect thereof. In any such action, suit or other proceeding, each party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of the venue of any such proceedings brought in such court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each party also agrees that any final and unappealable judgment against a party in connection with any action, suit or other proceeding shall be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment. Each party agrees that any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered, sent or mailed in accordance with Section 15.7, constitute good, proper and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT

OF OR RELATING TO THIS AGREEMENT CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.17.

Section 15.18 Further Assurances. Each Party shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that the other Party may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers, effective as of the date first written above.

AVIVA LIFE AND ANNUITY COMPANY OF NEW YORK

By:______________________________
Name:
Title:

FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

By:______________________________
Name:
Title:

Annex K

Pro Forma Shares Closing Date Balance Sheet

Presidential Life Insurance Company - USA

in whole dollars

Statutory Balance Sheet of PLIC-USA	**As Reported 12/31/12**
Bonds	$ 2,630,890
Cash and cash equivalents	3,076,983
Total Invested Assets	5,707,873
Investment income due and accrued	27,355
Total Assets	5,735,228
Policyholder reserves	-
IMR	50,579
AVR	4,500
Accrued general expenses, taxes, licenses and fees	55,723
Current federal taxes [1, 2]	74,183
Other Liabilities	
Total Liabilities	184,985
Capital & Surplus - beginning of period	8,248,382
Other changes to capital and surplus	(3,425,263)
Net income (loss) [1]	727,124
Capital & Surplus - end of period	5,550,243
Total Liabilities and Capital & Surplus	$ 5,735,228

<u>Exhibit 5(b)(i)(B)</u>

Form of Coinsurance and Assumption Agreement by and Between ALAC and PLIC-USA

Please see attached.

COINSURANCE AND ASSUMPTION AGREEMENT

between

AVIVA LIFE AND ANNUITY COMPANY

and

[PRESIDENTIAL LIFE INSURANCE COMPANY – USA][1]

Dated as of [●], 2013

[1] Entity to be renamed by the Buyer.

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COINSURANCE AND ASSUMPTION AGREEMENT

This Coinsurance and Assumption Agreement (this "Agreement"), dated as of [●], 2013, is made by and between Aviva Life and Annuity Company, an insurance company organized under the laws of the State of Iowa (the "Company"), and [Presidential Life Insurance Company - USA], an insurance company organized under the laws of the State of Iowa (the "Reinsurer"; each of the Company and the Reinsurer, a "Party" and together, the "Parties").

RECITALS

WHEREAS, the Company desires to cede or retrocede to the Reinsurer, on the terms and conditions stated herein, all of its liabilities under certain life insurance policies issued and reinsured by it;

WHEREAS, the Reinsurer desires to reinsure such policies from the Company on the terms and conditions stated herein;

WHEREAS, the Company and the Reinsurer intend that the basis of the reinsurance shall be 100% coinsurance by the Reinsurer;

WHEREAS, subject to a transition services agreement entered into on the date hereof between Aviva USA Corporation and the Reinsurer (the "Transition Services Agreement"), the Company and the Reinsurer intend that the Reinsurer will provide certain administrative services for policies reinsured hereunder, and the Company and the Reinsurer have entered into an Administrative Services Agreement, dated as of the date hereof (the "Administrative Services Agreement"), pursuant to which the Reinsurer shall provide such administrative services on the terms and conditions stated therein; and

WHEREAS, with the exception of the Closed Block Policies (as defined herein), the Reinsurer is required to novate each Reinsured Policy (as defined herein) for which Required Party (as defined herein) consents have been obtained and to assume any such Reinsured Policy as the Reinsurer's direct obligation, and the Company and the Reinsurer intend to cooperate fully in effectuating the assumption and novation of any such Reinsured Policies in accordance with all requirements of Applicable Law (as defined herein).

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the Company and the Reinsurer hereby agree as follows:

ARTICLE I
DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. Unless the context requires otherwise, for all purposes of this Agreement, the capitalized terms set forth below shall have the following meanings:

"2013 Policies" means any Policies issued or reinsured by the Company on or after January 1, 2013 and prior to the Effective Date.

"Action" has the meaning ascribed thereto in the Purchase Agreement.

"Actual Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(vi).

"Administrative Services Agreement" has the meaning ascribed thereto in the Recitals.

"Administrator" means the Reinsurer in its capacity as administrator under the Administrative Services Agreement.

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such other Person at the time at which the determination of affiliation is made. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or other ownership interests, by contract or otherwise.

"Agreement" has the meaning ascribed thereto in the Recitals.

"AmerUS Closed Block" means the closed block of business established pursuant to the AmerUS Plan of Reorganization and operated in accordance with the AmerUS Closed Block Memorandum.

"AmerUS Closed Block Memorandum" means the Closed Block Memorandum dated as of October 25, 1995, and attached as Exhibit A to the AmerUS Plan of Reorganization.

"AmerUS Closed Block Policies" means all insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, that have been issued or assumed by the Company and which are included in the AmerUS Closed Block.

"AmerUS Plan of Reorganization" means the Plan of Reorganization of American Mutual Life Insurance Company dated as of October 30, 1995.

"Amortization Period" means the ten (10) years following the Effective Date.

"Applicable Law" means any law, statute, regulation, rule, ordinance, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to a party hereto, or any of its respective businesses, properties or assets, as may be amended from time to time.

"Applicable Rate" means, with respect to any date of determination, an interest rate equal to one-month LIBOR for dollars that appears on page LIBOR 01 (or a successor page) of the Reuters Telerate Screen as of 11:00 a.m., London time, on such date.

"Asset Identification Protocol" has the meaning ascribed thereto in the Purchase Agreement.

"Assigned EI Hedge Costs Amount" shall mean, with respect to each EI Hedge, an amount equal to the Assigned EI Hedge Interest Proportion of the gross actual direct acquisition costs paid by the Company for such EI Hedge. For the avoidance of doubt, the Assigned EI Hedge Costs Amount shall be determined without regard to any netting of amounts between the Company and the relevant Hedge Counterparty.

"Assigned EI Hedge Proceeds Amount" shall mean, with respect to each EI Hedge and for each applicable Monthly Accounting Period, an amount equal to any amounts actually received (or deemed received) by the Company from the relevant Hedge Counterparty during such Monthly Accounting Period in accordance with the provisions of such EI Hedge, including upon an early exercise of an EI Hedge by the Company. For the avoidance of doubt, the Assigned EI Hedge Proceeds Amount shall be determined without regard to any netting of amounts between the Company and the relevant Hedge Counterparty.

"Assumed Reinsurance Agreement" means any reinsurance agreement in effect as of the Effective Time under which the Company assumes liabilities or obligations with respect to any Policy, including the assumed reinsurance agreements listed on Schedule 1.1(i) hereto.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York or Des Moines, Iowa are required or authorized by Applicable Law to be closed.

"Captive Asset Balance" means, as of any day, for each Captive Reinsurer, the sum of (i) the amount of capital and surplus of such Captive Reinsurer, (ii) the amount of the Captive Statutory Reserves for such Captive Reinsurer less the amount of such Captive Statutory Reserves financed by the financing counterparties to the Captive Financing in respect of such Captive Reinsurer and (iii) without duplication to clause (ii), the aggregate Statutory Book Value of any assets withheld by the Company as funds withheld under the Captive Reinsurance Agreement to which such Captive Reinsurer is a party, in each case, disregarding any new business not included on April 30, 2013 within a Company Captive Financing.

"Captive Financing Period" means, for any Captive Financing with a financing counterparty, the period beginning on the Effective Date and ending on the scheduled termination date as set forth in the applicable transaction documents entered into with such financing counterparty in connection with the Company Captive Financing.

"Captive Financings" has the meaning ascribed thereto in the Purchase Agreement.

"Captive Policies" means those Reinsured Policies ceded under the Captive Reinsurance Agreements.

"Captive Reinsurer" means for any Captive Financing, the captive reinsurance company formed in connection with such Captive Financing.

"Captive Reinsurance Agreements" means the reinsurance treaties and agreements listed on Schedule 1.1(ii) hereto.

"Captive Statutory Reserves" means, for any Captive Reinsurer, the definition of "Statutory Reserves" as set forth in the Captive Reinsurance Agreement to which such Captive Reinsurer is a party.

"Captives" means any captive reinsurance company established by the Reinsurer to enter into a Redundant Reserve Financing Transaction.

"Ceding Commission" has the meaning ascribed thereto in Section 2.3(b), and may be either positive or negative.

"Closed Block Policies" means the AmerUS Closed Block Policies and the Indy Life Closed Block Policies, taken together.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning ascribed thereto in Section 2.10(b).

"Company" has the meaning ascribed thereto in the Recitals.

"Company Captive Financing" means each captive financing arrangement in place as of April 30, 2013 with a financing counterparty which is party to a Captive Financing.

"Company Indemnified Parties" has the meaning ascribed thereto in Section 12.2.

"Company Termination Payment" has the meaning ascribed thereto in Section 10.4.

"Confidential Information" means (a) with respect to the Company, any information with respect to the Company (other than information relating to the Policies) that is not generally available to the public, and includes, without limitation, policyholder lists, any medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants, and beneficiaries of the Company (other than proposed, current, and former policyowners, insureds, applicants and beneficiaries of the Policies) and information or knowledge about the Company's processes, services, finances and reserving methodology and (b) with respect to the Reinsurer, any information with respect to the Policies or the Reinsurer that is not generally available to the public, and includes, without limitation, policyholder lists, any medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants, and beneficiaries of Policies and information or knowledge about the Reinsurer's processes, services, finances and pricing and reserving methodology.

"Consultation Period" has the meaning ascribed thereto in Section 11.1(b).

"CPA Firm" has the meaning ascribed thereto in Section 11.1(b).

"Economic Reserves" means, as of any date of determination, an amount equal to the greater of (a) zero and (b) an amount calculated in accordance with the accounting and actuarial practices of the Company, consistently applied.

"Effective Date" means [●], 2013.

"Effective Time" means 11:58 p.m. Eastern time on the last calendar day of the month prior to the month in which the Effective Date occurs.

"EI Hedge" and "EI Hedges" have the meanings ascribed thereto in Section 2.11(a).

"Equity Indexed Reinsured Policies" means all indexed universal life insurance Policies included in the Reinsured Policies.

"Estimated Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(iv).

"Excluded Liabilities" has the meaning ascribed thereto in the Purchase Agreement.

"Excluded Reinsured Liability" has the meaning ascribed thereto in the Purchase Agreement.

"Extra Contractual Obligations" means all obligations or Losses (whether known or unknown, contingent or otherwise) incurred or arising at any time under or relating to any Policy that are not provided by the contractual benefits arising under the express terms and conditions of such Policy or are in excess of the applicable Policy benefits, including any liability for taxes, toll charges, fines, penalties, forfeitures, excess or penalty interest, punitive, special, exemplary or other form of extra-contractual damages or attorneys' fees and costs awarded, which obligations or Losses arise from any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise, including obligations or Losses arising out of or relating to: (a) the form, marketing, distribution, sale, underwriting, issuance, cancellation or administration of the Policies; (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Policies; (c) the failure to pay, the delay in payment of, or errors in calculating or administering the payment of, benefits, claims or any other amounts due or alleged to be due under or in connection with the Policies; (d) Premium Taxes other than those settled under Section 2.6 in connection with premiums received under the Policies; (e) the failure of any Policy to provide the purchaser, policyholder, account holder or other holder or intended beneficiaries thereof with tax treatment under the Code that is the same as or more favorable than the tax treatment under the Code (i) that was purported to apply in materials provided at the time of issuance, assumption, exchange, modification or sale of the Policy by the Company or any of its predecessors or (ii) for which policies or contracts of that type were reasonably expected to qualify under the Code; (f) the treatment of any Policy as a "modified endowment contract" within the meaning of Section 7702A of the Code, except where the holder of the Policy shall have consented to its status as a "modified endowment contract" under Section 7702A; (g) the failure of the Company to comply with any applicable tax information reporting, withholding or disclosure requirements with respect to distributions or payments made pursuant to the Policies; (h) any taxes applicable to the Reinsurance Assets (but excluding the Company's share of any taxes under Section 15.3); and (i) the failure to pay, the delay in payment, or errors in calculating or administering the payment of, unclaimed property, escheat or other similar liabilities related to the Policies; provided that "Extra Contractual Obligations" will not under any circumstances include (x) any such liabilities, obligations or Losses incurred or arising solely as a result of actions or omissions of the Company, but only to the extent such actions or omissions of the Company constitute gross negligence or bad faith and were not taken or omitted at the direction of the Reinsurer or consented to by the Reinsurer in writing or (y) U.S. federal or state income or capital stock or similar taxes (or any interest or penalties imposed with respect to the payment or reporting thereof) imposed upon the Company or any of its Affiliates.

"Fair Market Value" means, with respect to any asset, the fair market value thereof calculated in accordance with the accounting and actuarial practices of the Company, consistently applied.

"Funds Withheld Account" has the meaning ascribed thereto in Section 2.3(a)(ii).

"Funds Withheld Assets" has the meaning ascribed thereto in Section 2.3(a)(iii).

"Governmental Entity" means any foreign, federal, state, local or other governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court or entity or any instrumentality thereof or any self-regulatory body or arbitral body or arbitrator.

"Governmental Order" means any order, writ, judgment, injunction, declaration, decree, stipulation, determination, award, agreement or permitted practice entered by or with any Governmental Entity.

"Hedge Counterparty" means, with respect to each EI Hedge, the counterparty of the Company with respect to such EI Hedge.

"Indy Life Closed Block" means the closed block of business established pursuant to the Indy Life Plan of Conversion and operated in accordance with the Indy Life Closed Block Memorandum.[2]

"Indy Life Closed Block Memorandum" means the Closed Block Memorandum dated as of September 18, 2000, and attached as Exhibit I to the Indy Life Plan of Conversion.

"Indy Life Closed Block Policies" means all insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, that have been issued or assumed by the Company and which are included in the Indy Life Closed Block.

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[2] Subject to regulatory approval, Indy Life Closed Block Policies will be reinsured on a coinsurance basis, with a separate comfort trust that has no over-collateralization. The revisions made to implement this change will be consistent with the other portions of this Agreement that provide for coinsurance with a trust, including IMR gross-up and additional ceding commission.

"Indy Life Plan of Conversion" means the Plan of Conversion of Indianapolis Life Insurance Company dated as of September 18, 2000.

"Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(ii).

"Initial Coinsurance Premium Adjustment" has the meaning ascribed thereto in Section 2.3(a)(vi).

"Initial Coinsurance Premium Reconciliation Statement" has the meaning ascribed thereto in Section 2.3(a)(vi).

"Initial Funds Withheld Amount" has the meaning ascribed thereto in Section 2.3(a)(ii).

"Interest Maintenance Reserve" means the amounts set forth on Schedule 2.12 as revised as of the Effective Date. The calculation of the Interest Maintenance Reserve for purposes of Section 2.3(a)(i)(D) (the calculation of the Interest Maintenance Reserve created at the Effective Time as a direct result of the transactions contemplated by this Agreement) shall be equal to any net pre-tax realized capital gains multiplied by 65%.

"Life Reference Balance Sheet" has the meaning ascribed thereto in the Purchase Agreement.

"Losses" means any damages, claims, losses, liabilities, charges, actions, suits, proceedings, deficiencies, taxes, fees, assessments, interest, penalties and reasonable costs and expenses (including reasonable attorneys' fees and expenses).

"Monthly Accounting Period" means, with respect to any calendar month, the period beginning on the first day of such calendar month and ending on the last day of such calendar month.

"Net Retained Liabilities" means, with respect to any time of determination, all liabilities or obligations in respect of any Policy that, under the terms of any Other Reinsurance Agreement covering such Policy, (a) the Company is required to retain unreinsured and for its own account or (b) in the opinion of the Company and the Reinsurer, requires consent from any party to such Other Reinsurance Agreement in order to effect reinsurance under this Agreement, and as to which a waiver of such requirement or other consent has not been obtained prior to such time of determination.

"Net Retained Liabilities Adjustment Period" has the meaning ascribed thereto in Section 2.4(b)(ii).

"Net Retained Liability Reserve Transfer Amount" means, with respect to any Net Retained Liability for which subsequent to the Effective Date a waiver or consent is obtained to reinsure such Net Retained Liability under the terms of this Agreement or the Parties otherwise agree that any such waivers or consents shall not be required as a condition to coverage hereunder, the sum of (a) the gross statutory reserves (including deficiency reserves) and any additional policy-related liabilities that are required to be held by the Company with respect to such Net Retained Liability as of the Effective Date, less (b) the Reinsurer's Share of (x) policy loan balances on such Net Retained Liability as of the Effective Date, and (y) net due and deferred Premiums on such Net Retained Liability as of the Effective Date, reduced by credit for reinsurance taken by the Company in respect of such Net Retained Liability for Other Reinsurance as of the Effective Date.

"Net Settlement" has the meaning ascribed thereto in Section 6.2(a).

"Non-Closed Block Initial Coinsurance Premium" has the meaning ascribed thereto in Section 2.3(a)(i).

"Non-Guaranteed Elements" has the meaning ascribed thereto in Section 2.8(b).

"Notice and Certificate of Assumption" has the meaning ascribed thereto in Section 7.3(a).

"Notice of Agreement" has the meaning ascribed thereto in Section 11.1(a).

"Novated Contracts" has the meaning ascribed thereto in Section 7.4.

"Option Letter" has the meaning ascribed thereto in Section 7.3(a).

"Other Reinsurance" means reinsurance ceded with respect to Reinsured Policies under the terms of the ceded reinsurance agreements that the Company has entered into with third parties prior to the Effective Time covering the Reinsured Policies, including the ceded reinsurance agreements listed on Schedule 1.1(iii), and any ceded reinsurance agreement entered into by the Company with the Reinsurer's prior written consent pursuant to Section 2.7, as all such reinsurance ceded may be in force from time to time.

"Other Reinsurance Agreements" means the reinsurance treaties and agreements documenting the Other Reinsurance (including all amendments and modifications thereto entered into prior to the Effective Date or pursuant to Section 3.2).

"Other Reinsurance Benefits" means, for any period, the aggregate amount of benefits, fees, allowances and other amounts actually received by the Company for reinsurance ceded pursuant to Other Reinsurance Agreements with respect to the Reinsured Policies during such period.

"Other Reinsurance Premiums" means, for any period, the aggregate amount of premiums paid by the Company pursuant to Other Reinsurance Agreements with respect to the Reinsured Policies during such period.

"Other Transaction Agreements" means, collectively, all of the Transaction Documents other than this Agreement.

"Party" has the meaning ascribed thereto in the Recitals.

"Parties" has the meaning ascribed thereto in the Recitals.

"Payee" has the meaning ascribed thereto in Section 9.2(a).

"Person" means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization or other entity.

"Policies" means, collectively, (a) the life insurance policies and contracts listed on the Policy List (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company, including the Closed Block Policies, (b) the life insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company on or after January 1, 2013 and prior to the Effective Date and (c) any additional life insurance policies and contracts (including supplementary contracts), together with all related binders, slips and certificates and including applications therefor and all supplements, endorsements, riders and agreements in connection therewith, issued or reinsured by the Company from time to time determined to be a Policy in accordance with Section 5.7.

"Policy List" means the list of policies set forth in the file entitled [●] that was dated as of March 31, 2013 and sent to [●] by [●] on April 30, 2013, together with any written update to such file provided by the Company to the Reinsurer and, with respect to policies included on any such written update, which were issued or assumed by the Company prior to January 1, 2013 only if such policies are approved in writing by the Reinsurer at least three Business Days prior to the Effective Date.

"Premiums" means premiums and considerations due or to become due, premiums deferred and uncollected, premium adjustments and any and all amounts or payments, including any and all policy fees, charges, reimbursements and similar amounts, which are or were held, received or collected by the Company, or which are now due or will become due from any source under or in connection with the Reinsured Policies, but not including Other Reinsurance Premiums.

"Premium Taxes" has the meaning ascribed thereto in Section 2.6(b).

"Producer" means each Person, including salaried employees of the Company or its Affiliates, performing the duties of insurance producer, agency, managing general agent, third party administrator, broker, solicitor, adjuster, marketer, underwriter, wholesaler, distributor, producer or customer representative for the Company.

"Producer Agreements" means contracts between the Company and any Producer.

"Producer Payments" means any expense allowance, commission, override commission, service fee or other compensation payable by the Company to a Producer pursuant to a Producer Agreement in connection with any Reinsured Policy.

"Purchase Agreement" means that certain Purchase and Sale Agreement, dated as of April 30, 2013, by and among Athene Holding Ltd. and Commonwealth Annuity and Life Insurance Company.

"Qualified United States Financial Institution" means an institution that is (a) organized or, for a United States branch or agency office of a foreign banking organization, licensed under the laws of the United States or any state thereof and has been granted authority to operate with fiduciary powers and (b) regulated, supervised and examined by federal or state authorities having regulatory authority over banks and trust companies.

"RBC Ratio" means the ratio, as of the date of determination, of the Reinsurer's "total adjusted capital" over its "company action level risk-based capital", as such terms are defined and prescribed by requirements promulgated by the National Association of Insurance Commissioners and regulations adopted by the insurance regulatory authorities in the Reinsurer's state of domicile, which are in effect as of such date, calculated as of the end of each calendar quarter, and using reserving methodologies and asset classifications that are in accordance with generally accepted statutory accounting principles and practices required or permitted by the National Association of Insurance Commissioners and the insurance regulatory authority in the Reinsurer's state of domicile, consistently applied throughout the specified period and in the immediately prior comparable period; provided, that in the event there is a material change in the factors and formulae prescribed by the insurance regulatory authority in the Reinsurer's state of domicile with respect to the components of and methodologies contained in such calculation, the Parties shall amend this Agreement to incorporate an alternate calculation that is reasonably equivalent to the components of and methodologies contained in the calculation of the Reinsurer's RBC Ratio in effect as of the Effective Date within thirty (30) calendar days after the implementation of such change, and if the Parties cannot agree on any such alternative, the Reinsurer shall continue to calculate its RBC Ratio as if such material change had not occurred.

"Reduction Methodology" means the methodology set forth on Annex D.[3]

"Redundant Reserve Financing Transactions" means the Regulation AXXX and Regulation XXX redundant reserve financing transactions to be entered into by the Company and the Captives.

"Reinsurance Assets" has the meaning ascribed thereto in Section 2.3(a)(ii).

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[3] Reduction Methodology to provide, for each Captive Financing, that the 25 bps will be reduced or eliminated based on binding improvements made to the current (April) versions of the investment guidelines by either Seller prior to the Closing or Buyer following the Closing, measured on an aggregate net economic basis. The value of such reduction will be determined by Buyer based on its good faith, commercially reasonable calculation thereof in accordance with the more detailed reduction methodology under discussion by the parties. Reduction Methodology to also provide that a parental guarantee financing that replaces any Captive Financing will be treated as a pro rata reduction of the Swiss Re and Hannover financings. Such valuation will be subject to the dispute mechanism set forth in Section 11.2 of the Reinsurance Agreement.

"Reinsured Liabilities" means all gross liabilities and obligations, net of Other Reinsurance Benefits, to the extent such liabilities and obligations arise out of or relate to the Reinsured Policies, including payments of any such liabilities or obligations to any Governmental Entity, whether for tax withholding, escheat, unclaimed property or otherwise, and Extra Contractual Obligations, but excluding Net Retained Liabilities, any liabilities or obligations arising out of or relating to the Novated Contracts and any Excluded Liabilities.

"Reinsured Policies" has the meaning ascribed thereto in Section 2.1.

"Reinsurer" has the meaning ascribed thereto in the Recitals.

"Reinsurer Indemnified Parties" has the meaning ascribed thereto in Section 12.1.

"Reinsurer's Objection" has the meaning ascribed thereto in Section 11.1(a).

"Reinsurer's Share" has the meaning ascribed thereto in Section 2.2.

"Reinsurer Termination Event" means any failure by the Company (or any successor by operation of law of the Company, including any receiver, liquidator, rehabilitator, conservator or similar Person of the Company) to pay any material amount due to the Reinsurer under this Agreement payable by the Company if such failure has not been cured within ninety (90) calendar days after receipt of written notice thereof from the Reinsurer.

"Reinsurer Termination Payment" has the meaning ascribed thereto in Section 10.5.

"Representatives" has the meaning ascribed thereto in Section 13.1.

"Required Balance" has the meaning ascribed thereto in Section 4.1(b).

"Required Party" means any policyholder, contractholder, certificate holder and/or plan sponsor, as applicable, of a Reinsured Policy whose consent is required for novation of such Reinsured Policy under (a) Applicable Law, (b) the terms of the applicable Reinsured Policy, or (c) the consent solicitation procedures set forth on Schedule 7.3(a) (which identifies requirements applicable to different types of Reinsured Policies).

"Review Period" has the meaning ascribed thereto in Section 11.1(a).

"SAP" means the statutory accounting principles and practices prescribed by the insurance regulatory authorities in the Company's state of domicile.

"SPA" has the meaning ascribed thereto in the Purchase Agreement.

"SPA Adjusted Coinsurance Premium" shall have the meaning ascribed thereto in Section 2.3(b)(vii).

"SPA Coinsurance Premium Reconciliation Statement" shall have the meaning ascribed thereto in Section 2.3(b)(vii).

"Statutory Book Value" means the carrying value of the subject asset or liability on the books of the Reinsurer for statutory statement purposes determined in accordance with the statutory accounting principles and practices prescribed by the Reinsurer's state of domicile, consistently applied.

"Statutory Reserves" means, as of any date of determination, the gross statutory reserves (including deficiency reserves) and any additional policy-related liabilities that are required to be held by the Company with respect to the Reinsured Policies as of such date of determination, in each case, as determined in accordance with SAP, consistently applied, and reduced by credit for reinsurance taken by the Company in respect of the Reinsured Policies for Other Reinsurance as of such date of determination. In no event shall Statutory Reserves include additional actuarial reserves (as used in connection with SAP), if any, established by the Company as a result of its annual cash flow testing.

"Supplemental Allowance" [redacted]

"Supplemental Allowance Fee Rate" [redacted]

"Targeted Policies" has the meaning ascribed thereto in Section 7.1.

"Taxes" has the meaning ascribed thereto in the Purchase Agreement.

"Tax Returns" has the meaning ascribed thereto in the Purchase Agreement.

"Transaction Documents" has the meaning ascribed thereto in the Purchase Agreement.

"Transferred Assets" has the meaning ascribed thereto in Section 2.3(a)(ii).

"Transition Services Agreement" has the meaning ascribed thereto in the recitals.

"True-Up Date" has the meaning ascribed thereto in Section 2.3(a)(vi).

"Trust Account" has the meaning ascribed thereto in Section 4.1(a).

"Trust Agreement" means the Trust Agreement between the Reinsurer, as grantor, the Company, as beneficiary, and the Trustee, as trustee, substantially in the form attached as Exhibit I hereto.

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[4] The aggregate Supplemental Allowance for all Captive Financings will be included as part of the regular net settlement calculations under the Reinsurance Agreement.

"Trust Ceding Commission Amount" means an amount equal to (i) the ratio of (x) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies if this Agreement were not in effect as of the date of determination, over (y) the Reinsurer's Share of the Statutory Reserves with respect to the Reinsured Policies as of the Effective Date, *multiplied by* (ii) the absolute value of the Ceding Commission, *multiplied by* (iii) the ratio of (x) the remaining number of months in the Amortization Period over (y) 120.

"Trustee" has the meaning ascribed thereto in Section 4.1(a).

"Trust OC Amount" means 2.75% *multiplied by* the sum of (i) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies (other than the Captive Policies and the Closed Block Policies) if this Agreement were not in effect, *plus* (ii) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities (other than any Interest Maintenance Reserve with respect to the Closed Block Policies), *plus* (iii) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement (other than any new Interest Maintenance Reserve created with respect to the Closed Block Policies), in each case, as of such date of determination and determined in accordance with SAP, consistently applied.

"UCC" has the meaning ascribed thereto in Section 2.9(c)(i).

"Unresolved Items" has the meaning ascribed thereto in Section 11.1(b).

Section 1.2 Construction.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole unless otherwise indicated.

(b) Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate.

(c) For purposes of this Agreement, the term "including" means "including but not limited to."

(d) Whenever used in this Agreement, the masculine gender shall include the feminine and neutral genders.

(e) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits, Annexes and Schedules shall be deemed references to Articles, Sections, Subsections and Paragraphs of, and Exhibits, Annexes and Schedules to, this Agreement, unless the context shall otherwise require.

(f) Any reference herein to any statute, agreement or document, or any section thereof, shall, unless otherwise expressly provided, be a reference to such statute, agreement, document or section as amended, modified, restated, supplemented or otherwise changed (including any successor section) and in effect from time to time.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Annex, Exhibit, certificate or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II
COINSURANCE

Section 2.1 Scope and Basis of Reinsurance. The reinsurance provided under this Agreement applies to all Policies, other than Novated Contracts, that are (a) issued by the Company and in force as of the Effective Time, (b) issued by the Company after the Effective Time in accordance with Section 5.6 hereof, (c) reinsured by the Company under the terms of any Assumed Reinsurance Agreement as of the Effective Time, and (d) reinstated by the Company in accordance with Section 5.4 hereof (collectively, the "Reinsured Policies").

Section 2.2 Reinsuring Clause. Subject to the terms and conditions of this Agreement, the Company hereby cedes and the Reinsurer hereby reinsures on a coinsurance basis as of the Effective Time, 100% (the "Reinsurer's Share") of all Reinsured Liabilities.

Section 2.3 Transfer of Assets and Ceding Commission.

(a) Coinsurance Premium.

(i) On the Effective Date, the Company will pay to the Reinsurer an initial coinsurance premium that relates to the Reinsured Policies other than the Closed Block Policies consisting of assets that are listed and that have Fair Market Values set forth on Annex A-1 (with any modifications made pursuant to the Asset Identification Protocol) equal to the Reinsurer's Share of the following amount: (A) the Statutory Reserves held by the Company with respect to the Reinsured Policies (other than the Captive Policies), *plus* (B) the Economic Reserves held by the Company with respect to the Captive Policies, *plus* (C) the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (D) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement divided by 65%, *minus* (E) the amount of outstanding policy loans on the Reinsured Policies (to the extent such policy loans constitute admitted assets under SAP, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto), *minus* (F) the net due and deferred Premiums on the Reinsured Policies, *minus* (G) the aggregate Statutory Book Value of the EI Hedges as of the Effective Date, *plus* (H) the other liabilities set forth on the Life Reference Balance Sheet, in the case of each of clauses (A) through (E), determined in accordance with SAP, consistently applied, as of the Effective Time (such amount, the "Non-Closed Block Initial Coinsurance Premium"); provided, that notwithstanding anything to the contrary in this Agreement, solely for purposes of calculating the Non-Closed Block Initial Coinsurance Premium, the term "Reinsured Policies" shall not include the portion of the Policies which are Closed Block Policies.

(ii) On the Effective Date, the Company will allocate to a funds withheld account established in its books and records (the "Funds Withheld Account") an initial coinsurance premium that relates to the Closed Block Policies consisting of cash, cash equivalents and the assets that are listed and that have the Statutory Book Values set forth on Annex A-2 (with any modifications made pursuant to the Asset Identification Protocol) (the "Funds Withheld Assets", and together with the Transferred Assets, the "Reinsurance Assets") with an aggregate Statutory Book Value, determined three (3) Business Days prior to the Effective Date, equal to the Reinsurer's Share of the following amount: (A) the Statutory Reserves held by the Company with respect to the Closed Block Policies, *plus* (B) the Interest Maintenance Reserve attributable to the Closed Block Policies, *minus* (C) the amount of outstanding policy loans on the Closed Block Policies (to the extent such policy loans constitute admitted assets under SAP, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto), *minus* (D) the net due and deferred Premiums on the Closed Block Policies, *minus* (E) the aggregate Statutory Book Value of the EI Hedges solely with respect to the Closed Block Policies as of the Effective Date, in the case of each of clauses (A) through (C), determined in accordance with SAP, consistently applied, as of the Effective Time (such amount, the "Initial Funds Withheld Amount", and together with the Non-Closed Block Initial Coinsurance Premium, the "Initial Coinsurance Premium").

(iii) For the avoidance of doubt, notwithstanding anything to the contrary in this Agreement, for purposes of calculating the Initial Coinsurance Premium, the term "Reinsured Policies" shall not include the portion of the policies from which Net Retained Liabilities, if any, arise.

(iv) The amount of the Initial Coinsurance Premium paid on the Effective Date shall be determined on an estimated basis (the "Estimated Initial Coinsurance Premium") as follows: (x) with respect to each of the items set forth in clauses (A), (B), (C), (E) and (H) of the definition of "Non-Closed Block Initial Coinsurance Premium" and the items set forth in clauses (A), (B) and (C) of the definition of "Initial Funds Withheld Amount," the portion of the Estimated Initial Coinsurance Premium attributable to such items shall be equal to the respective amounts set forth on the Life Reference Balance Sheet; and (y) with respect to the items set forth in clauses (D), (F) and (G) of the definition of "Non-Closed Block Initial Coinsurance Premium" and the items set forth in clauses (D) and (E) of the definition of "Initial Funds Withheld Amount," the portion of the Estimated Initial Coinsurance Premium attributable to such items shall be determined by the Company in good faith and in a manner consistent with the principles governing the preparation of the Life Reference Balance Sheet on an estimated basis as of the date that is three (3) Business Days prior to the Effective Date.

(v) On the Effective Date, the Company shall deliver to the Reinsurer a statement setting forth (A) the amount of the Estimated Initial Coinsurance Premium, determined as of the date that is three (3) Business Days prior to the Effective Date, and (B) the final list of Reinsurance Assets, which will be based on Annexes A-1 and A-2 and the Asset Identification Protocol, and will include the Fair Market Value and the

Statutory Book Value of the Reinsurance Assets, determined as of the date that is three (3) Business Days prior to the Effective Date.

(vi) No later than sixty (60) Business Days after the Effective Date (the "True-Up Date"), the Company shall deliver to the Reinsurer a statement (the "Initial Coinsurance Premium Reconciliation Statement") prepared in good faith by the Company, in the same form as, and using the same principles that govern, the Life Reference Balance Sheet, setting forth, as of the Effective Date, (1) the calculation of each of the items set forth in clauses (A) through (E) of the definition in each of the "Non-Closed Block Initial Coinsurance Premium" and clauses (A) through (F) of the definition of the "Initial Funds Withheld Amount" (such amount, the "Actual Initial Coinsurance Premium") and (2) the Fair Market Value of the Transferred Assets as of the Effective Date and the Statutory Book Value of the Funds Withheld Assets as of the Effective Date. The "Initial Coinsurance Premium Adjustment" shall be equal to the following amount (whether positive or negative): (A) the difference (whether positive or negative) between the Actual Initial Coinsurance Premium *minus* the Estimated Initial Coinsurance Premium, *minus* (B) the difference (whether positive or negative) between the Fair Market Value of the Transferred Assets on the Effective Date *minus* the Fair Market Value of the Transferred Assets determined in connection with the calculation of the Estimated Initial Coinsurance Premium pursuant to Section 2.3(a)(i), *minus* (C) the difference (whether positive or negative) between the Statutory Book Value of the Funds Withheld Assets on the Effective Date *minus* the Statutory Book Value of the Funds Withheld Assets determined in connection with the calculation of the Estimated Initial Coinsurance Premium pursuant to Section 2.3(a)(ii). If the Initial Coinsurance Premium Adjustment is positive, then the Company shall pay to the Reinsurer an amount of cash equal to the Initial Coinsurance Premium Adjustment within five (5) Business Days after the Initial Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the Initial Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment. If the Initial Coinsurance Premium Adjustment is negative, then the Reinsurer shall pay to the Company an amount of cash equal to the absolute value of the Initial Coinsurance Premium Adjustment within five (5) Business Days after the Initial Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the Initial Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.

(vii) No later than thirty (30) Business Days following any final adjustments to the Purchase Price (as defined in the SPA) in accordance with Annex C of the SPA, the Company shall deliver to the Reinsurer a statement (the "SPA Coinsurance Premium Reconciliation Statement") prepared in good faith by the Company, in the same form as, and using the same principles that govern, the Life Reference Balance Sheet, setting forth, as of the Effective Date, (1) the calculation of each of the items set forth in clauses (A) through (H) of the definition in each of the "Non-Closed Block Initial Coinsurance Premium" and in clauses (A) through (F) of the definition of "Initial Funds Withheld Amount" (such amount, the "SPA Adjusted Coinsurance Premium") and (2) the

Fair Market Value of the Transferred Assets as of the Effective Date and the Statutory Book Value of the Funds Withheld Assets as of the Effective Date. The "SPA Coinsurance Premium Adjustment" shall be equal to the following amount (whether positive or negative): (A) the difference (whether positive or negative) between the SPA Adjusted Coinsurance Premium *minus* the Actual Initial Coinsurance Premium, *minus* (B) the difference (whether positive or negative) between the Fair Market Value of the Transferred Assets determined in connection with the calculation of the Actual Initial Coinsurance Premium *minus* the Fair Market Value of the Transferred Assets determined in connection with the calculation of the SPA Adjusted Coinsurance Premium, *minus* (C) the difference (whether positive or negative) between the Statutory Book Value of the Funds Withheld Assets determined in connection with the calculation of the Actual Initial Coinsurance Premium *minus* the Statutory Book Value of the Funds Withheld Assets determined in connection with the calculation of the SPA Adjusted Coinsurance Premium. If the SPA Coinsurance Premium Adjustment is positive, then the Company shall pay to the Reinsurer an amount of cash equal to the SPA Coinsurance Premium Adjustment within five (5) Business Days after the SPA Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the SPA Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment. If the SPA Coinsurance Premium Adjustment is negative, then the Reinsurer shall pay to the Company an amount of cash equal to the absolute value of the SPA Coinsurance Premium Adjustment within five (5) Business Days after the SPA Coinsurance Premium Adjustment is finalized pursuant to Section 11.1, together with an amount of interest on the SPA Coinsurance Premium Adjustment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.[5]

(b) Ceding Commission. [redacted]

Section 2.4 Net Retained Liabilities.

(a) The Company shall be solely responsible for, and the Reinsurer will cooperate reasonably to obtain all waivers and consents necessary in order to reinsure 100%

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5 SPA post-closing true-up subject to Buyer confirmation.

6 [redacted]

of the Net Retained Liabilities under this Agreement. The Company and the Reinsurer, at the Company's reasonable instruction, shall each use their reasonable best efforts in the context of current market conditions to obtain any such waivers and consents (it being understood that the Company's and the Reinsurer's executive officers shall, to the extent reasonably appropriate, be personally engaged in that process) and promptly advise the other Party of any communications with respect to any such waivers and consents. All correspondence from the Reinsurer to any Person from whom such a waiver or consent is sought shall be in a form approved by the Company. The Company shall effect any such action with respect to such waivers and consents, including sending correspondence requesting such waivers and consents. To the extent that after the Effective Time, any written waivers or consents are obtained to reinsure a Net Retained Liability in respect of a Policy under the terms of this Agreement or the Parties otherwise agree in writing that any such waivers or consents shall not be required as a condition to coverage of such Policy hereunder, then the liability and obligation pertaining to such Policy shall no longer be deemed a Net Retained Liability for purposes of this Agreement and the liability and obligation pertaining to such Policy shall be reinsured hereunder effective as of the date of such written consent, waiver or agreement by the Parties, as applicable.

(b) With respect to any such written waiver or consent that is obtained or any such other agreement between the Parties that any such waivers or consents shall not be required as a condition to coverage hereunder, in each case, after the Effective Date:

(i) the Company shall pay the Reinsurer an amount of cash equal to the Net Retained Liability Reserve Transfer Amount with respect to such Net Retained Liability for which waiver or consent was obtained or with respect to which the Parties agreed did not require a consent or waiver as a condition to coverage hereunder;

(ii) the Company shall deliver to the Reinsurer a statement setting forth the Company's good faith calculation of the difference (whether positive or negative) between (x) the aggregate amount of the premiums and considerations, premium adjustments and any and all amounts or payments, including any and all policy fees, charges, reimbursements, reinsurance recoverables and similar amounts, received or collected by the Company in respect of the portion of the Policies from which the relevant Net Retained Liabilities arise during the period following the Effective Date and prior to the date on which such waiver or consent was obtained or with respect to which the Parties agreed such waiver or consent was not required as a condition to coverage hereunder (the "Net Retained Liabilities Adjustment Period"); and (y) the aggregate amount equal to the obligations, including any and all death claims, cash surrender benefits, policyholder dividends, reinsurance premiums, commissions and similar amounts, arising out of or relating to the portion of the Policies from which the relevant Net Retained Liabilities arise (including Extra Contractual Obligations) incurred by the Company during the Net Retained Liabilities Adjustment Period. If such amount is positive, then such amount shall be due to be paid the Company by the Reinsurer, and if such amount is negative, then such amount shall be due to be paid to the Reinsurer by the Company, in each case, together with an amount of interest on such payment at the Applicable Rate, calculated on the basis of a 360-day year for the actual number of days elapsed, accrued from the Effective Date until, but not including, the date of payment.

(iii) The payment of the amounts in clauses (i) and (ii) shall be reflected in the Net Settlement for the month in which such consent or waiver was obtained and paid in accordance with Section 6.2.

(c) For the avoidance of doubt, prior to obtaining any such required written consents or waivers, or the making of any such written agreement, the portion of each Policy from which Net Retained Liabilities arise shall not be deemed to constitute a Reinsured Policy for purposes of this Agreement; provided that the Reinsurer shall provide administrative services with respect to any Net Retained Liabilities (and the associated Policies) pursuant to the Administrative Services Agreement. Except as otherwise contemplated by this Section 2.4, the Company shall bear the cost of obtaining any waivers or consents to reinsure a Net Retained Liability.

(d) Until 100% of the Net Retained Liabilities have been reinsured under this Agreement, the Net Settlement for each month shall reflect an adjustment to the Ceding Commission calculated by reference to the then-current amount of the Net Retained Liabilities in accordance with Annex C.

Section 2.5 Producer Payments.

(a) The Reinsurer hereby assumes any and all liabilities and obligations of the Company to make, and agrees that it shall be financially responsible for, all Producer Payments owed from and after the Effective Time that are due in respect of premiums collected and received with respect to the Reinsured Policies. The Company hereby designates the Reinsurer as "paying agent" to make such Producer Payments directly to the applicable Producers from and after the Effective Date. The Company shall act at the Reinsurer's written direction and expense to exercise all rights of the Company relating to the Reinsured Policies under the terms of the Producer Agreements, including any rights to suspend or terminate Producer Payments to such Producers for any reason or cause set forth in the Producer Agreements, in each case only to the extent such rights thereunder relate to the Reinsured Policies; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer.

(b) As part of the Net Settlement, the Reinsurer shall pay to the Company from Producer Payments due to a Producer aggregate amounts equal to the agent debit balance maintained by the Company with respect to the applicable Producer and identified by the Company and the Reinsurer. The Reinsurer shall not be required to pay any such amounts paid to the Company under this Section 2.5(b) to a Producer pursuant to Section 2.5(a).

(c) At any such time in which the Reinsurer enters into a new producer agreement with a Producer and the Company terminates its Producer Agreement with such Producer, then the Company shall transfer any remaining agent debit balance associated with such Producer to the Reinsurer and the Reinsurer shall be obligated to pay the Company for such remaining amount of such agent debit balance.

Section 2.6 Guaranty Fund Assessments and Premium Taxes.

(a) Guaranty Funds Assessments. In the event the Company is required to pay an assessment on or after the Effective Date in respect of the Reinsured Policies to any insurance guaranty, insolvency or other similar fund maintained by any jurisdiction, the portion, if any, of such assessment related to such Reinsured Policies shall be reimbursed by the Reinsurer as part of the applicable monthly settlement pursuant to Section 6.2. To the extent there is any recovery of any such assessment paid by the Reinsurer, the Company shall promptly pay the Reinsurer's Share of such recovery to the Reinsurer.

(b) Premium Taxes.

(i) The Reinsurer shall pay to the Company a provision for premium taxes and other charges, fees, taxes and assessments, including retaliatory taxes (collectively, "Premium Taxes"), incurred or imposed on or after the Effective Date in connection with premiums written or received under the Reinsured Policies. The provision for Premium Taxes shall be estimated at 1.8% of premiums received under the Reinsured Policies, as calculated on a monthly basis, and shall be paid by the Reinsurer to the Company as part of the monthly settlement pursuant to Section 6.2 and adjusted annually to an actual rate for each year as part of the monthly settlement pursuant to Section 6.2 for the second calendar month of the following year, with such monthly settlement to reflect the difference between actual Premium Taxes in respect of the Reinsured Policies (after giving effect to any offsets for guaranty fund assessments reimbursed by the Reinsurer pursuant to Section 2.6(a)) and estimated Premium Taxes.

(ii) Each Party shall promptly notify the other in writing upon receipt by it or any of its Affiliates of notice of any pending or threatened Action related to any Premium Taxes or any Tax Returns filed in connection with such Premium Taxes.

(i) The Company shall have the right to control the conduct of any Action related to any Premium Taxes or any Tax Returns filed in connection with such Premium Taxes, and to employ counsel of the Company's choice; provided, that the Reinsurer shall be permitted, at the Reinsurer's expense, to be present at, and to participate in, any Action related to Premium Taxes. Notwithstanding such control, the Company shall not settle, either administratively or after the commencement of litigation, any claim for Premium Taxes without the consent of the Reinsurer, which consent shall not be unreasonably withheld or delayed. The Parties shall furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the preparation for any Premium Tax audit or other Action related to Premium Taxes, and the prosecution or defense of any Action related to any Premium Taxes or any Premium Tax Returns filed in connection with such Premium Taxes. The Parties shall reasonably cooperate with each other in the conduct of any Action related to any Premium Taxes. Any information obtained under this Section 2.6(b)(iii) shall be kept confidential, except as otherwise reasonably may be required in connection with the filing of Premium Tax Returns or claims for Premium Tax refunds or in conducting any Action related to Premium Taxes..

Section 2.7 Other Reinsurance. This Agreement is written on a "gross" basis and thus the costs and benefits of Other Reinsurance inuring on the Reinsured Policies are intended to be borne by the Reinsurer. Other Reinsurance with respect to the Reinsured Policies shall be deemed to be inuring to the Reinsurer's benefit for all purposes of this Agreement and shall be accounted for herein such that the Reinsurer participates in the Reinsurer's Share of any premiums, benefits, recoveries, ceding or expense allowances, other allowances and other adjustments as such amounts and such risks are paid, received or otherwise collected by the Company with respect to such Other Reinsurance, it being understood that the Reinsurer shall bear all risk of collecting third party reinsurance (except as otherwise provided in Section 3.2(c)). Risks under the terms of any agreement of Other Reinsurance as shall be terminated or recaptured with the Reinsurer's prior written consent shall be ceded automatically hereunder to the Reinsurer without any further action required, subject to the receipt by the Reinsurer of the Reinsurer's Share of any reserve transfer or similar transfer or settlement amount received by the Company from the applicable third party reinsurer. In connection with any such termination or recapture with the Reinsurer's prior written consent, the Reinsurer shall pay the Reinsurer's Share of any resulting special transfer or recapture fee incurred by the Company. The Company covenants that absent the prior written consent of the Reinsurer, the Company shall not enter into any new or change any existing reinsurance cession with respect to any of the Reinsured Policies.

Section 2.8 Policy Changes and Non-Guaranteed Elements.

(a) Policy Changes. The Company agrees that it shall not make any changes in the provisions and conditions of a Reinsured Policy or an Assumed Reinsurance Agreement except with the Reinsurer's prior written consent or to the extent that any change to the terms of any Reinsured Policy is required by Applicable Law. To the extent a change is required by Applicable Law, the Company shall, within a reasonable period of time prior to effecting such change, provide reasonably detailed written notice to the Reinsurer describing the nature of such change and the reasons for making such change. The Company shall also afford the Reinsurer, at the Reinsurer's expense, the opportunity, to the extent reasonably practicable, to object to such change under applicable administrative procedures; provided, that the Reinsurer may only object to such change in the same manner and to the same extent as it objects to any similar change required by any Applicable Law to substantially similar Novated Contracts.

(b) Non-Guaranteed Elements. The Company will be responsible for determining the cost of insurance charges, loads and expense charges, credited interest rates, mortality and expense charges, administrative expense risk charges and policyholder dividends, as applicable, under the Reinsured Policies ("Non-Guaranteed Elements"); provided, that the Reinsurer may provide written recommendations regarding the Non-Guaranteed Elements to the Company and, provided that such recommendations are the same as the Non-Guaranteed Elements established by the Reinsurer for substantially similar Novated Contracts and comply with the written terms of the Policies, Applicable Law and Actuarial Standards of Practice promulgated by the Actuarial Standards Board governing redetermination of non-guaranteed charges, if the Company does not follow such recommendations, then, the Company shall indemnify and hold harmless the Reinsurer for Losses arising out of the Company's failure to follow the recommendations of the Reinsurer.

The Company may not change the Non-Guaranteed Elements without the Reinsurer's prior written consent.[7]

Section 2.9 Ownership of Premiums. Payment of Premiums to the Reinsurer, as Administrator pursuant to the Administrative Services Agreement, by or on behalf of a policyholder shall be deemed received by the Company. All monies, checks, drafts, money orders, postal notes and other instruments that may be received after the Effective Date by the Company for premiums, fees or other payments on or in respect of the Reinsured Policies shall be held in trust by the Company for the benefit of the Reinsurer and shall be immediately transferred and delivered to the Reinsurer, and any such instruments when so delivered shall bear all endorsements required to effect the transfer of same to the Reinsurer. The Reinsurer is hereby authorized to endorse for payment to the Reinsurer any such checks, drafts, money orders and other instruments pertaining to the Reinsured Policies that are payable to, or to the order of, the Company and received by the Reinsurer under this Agreement. As between the Parties, the Reinsurer shall be deemed owner of all such payments.

Section 2.10 Assignment; Security Interest.

(a) The Company hereby assigns, transfers and conveys to the Reinsurer, effective as of the Effective Time, all of Company's right, title and interest (legal, equitable or otherwise), if any, (i) under the Reinsured Policies to receive principal and interest paid on policy loans, (ii) in and to the Premiums, fees and other payments due or made on or after the Effective Date under the Reinsured Policies and (iii) in and to agent debit balances included in the Life Reference Balance Sheet. The Reinsurer and the Company hereby agree that, in connection with any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable or otherwise) in and to the items set forth in (i), (ii) and (iii) above shall be immediately assigned, transferred and conveyed to the Company without any further action by the Parties. Each Party, as reasonably requested by the other from time to time, shall take all reasonably appropriate action and execute any reasonably necessary and appropriate additional documents, instruments or conveyances of any kind which may be reasonably necessary to carry out the provisions of this Section 2.10(a).

(b) The Parties intend that at all times prior to the termination of this Agreement the Company's assignment pursuant to Section 2.10(a) to be a present assignment of all of the Company's rights, title and interest and not an assignment as collateral. However, to the extent that such assignment is not recognized as a present assignment, is not valid or is recharacterized as a pledge rather than a lawful conveyance to the Reinsurer, the Company does hereby bargain, sell, convey, assign and otherwise pledge to the Reinsurer,

7 Language with respect to Non-Guaranteed Elements would change to reflect the New York Department of Insurance requirements in connection with the reinsurance of the ALACNY business. There will be an indemnification arrangement in connection with the ALACNY reinsurance agreement in which AUSA will indemnify the NY Reinsurer if ALACNY does not follow the NY Reinsurer's instructions regarding non-guaranteed elements. If such an arrangement is not possible under applicable law, the parties will work together to develop an alternate construct that gives the NY Reinsurer the same benefits and protections as an indemnification arrangement.

and grant a first priority security interest to the Reinsurer in, all of the Company's right, title and interest (legal, equitable or otherwise), if any, (i) under the Reinsured Policies to receive principal and interest paid on policy loans, (ii) in and to all Premiums, fees and other payments due or made on or after the Effective Date under the Reinsured Policies and (iii) in and to agent debit balances included in the Life Reference Balance Sheet (collectively, the "Collateral") to secure all of the Company's obligations under this Agreement.

(c) Upon the failure of the Company to fully perform any of its material obligations under this Agreement, including Sections 6.2 and 10.5, which failure is not caused by the Reinsurer as Administrator and remains uncured ten (10) days after written notice thereof is received by the Company, the Reinsurer shall have, in addition to all other rights under this Agreement or under Applicable Law, the following rights:

(i) the right to exercise all rights and remedies granted a secured party under the Uniform Commercial Code, as said code has been enacted in the State of Iowa or any other applicable jurisdiction (the "UCC"), as though all the Collateral constituted property subject to a security interest under Article 9 thereof;

(ii) the right to set off against any of the Collateral any amounts owed by the Company to the Reinsurer;

(iii) the right to attorneys' fees incurred in connection with the enforcement of this Agreement or in connection with the disposition of the Collateral; and

(iv) the right to dispose of the Collateral, subject to commercial reasonableness.

(d) This Section 2.10 is being included in this Agreement to ensure that, if an insolvency or other court determines that, notwithstanding the provisions of this Agreement, including Sections 2.1, 2.2, 2.3, 2.9, 6.2 and 13.1, and the intent of this Agreement, the Company retained ownership of or any rights in the Collateral, the Reinsurer's rights to the Collateral are protected with a first priority, perfected security interest, and it is the intent of the Parties that this Section 2.10 be interpreted as such.

(e) At or prior to the Effective Time, the Company shall file, and the Reinsurer is authorized to file, any and all financing statements reasonably requested by the Reinsurer in order to perfect the Reinsurer's right title and interest under Article 9 of the UCC in and to the Collateral, and the Company shall do such further acts and things as Reinsurer may reasonably request in order that the security interest granted hereunder may be maintained as a first priority perfected security interest; provided, that the Reinsurer shall be required to bear all out-of-pocket costs and expenses (including reasonable attorney's fees) incurred by the Company in connection with any such action or other thing requested by the Reinsurer.

Section 2.11 Hedging.

(a) For a period of [●] following the Effective Date, the Company shall purchase derivatives to hedge the index risk associated with the Equity Indexed Reinsured Policies (each, an "EI Hedge" and collectively, the "EI Hedges"). The Company hereby conveys, transfers and assigns to the Reinsurer, effective as of the Effective Date, a 100% interest in the gross proceeds in respect of the EI Hedges purchased by the Company prior to or following the Effective Date, intended to hedge the index risk associated with the Reinsurer's Share of the Equity Indexed Reinsured Policies (such fractional interest, the "Assigned EI Hedge Interest Proportion"). Such assignment shall occur automatically, without further action on the part of either Party, upon the purchase by the Company of any EI Hedge or, in the case of any EI Hedges entered into prior to the date hereof, as of the date hereof.[8]

(b) The Company shall pay to the Reinsurer any Assigned EI Hedge Proceeds Amounts to the Bank Accounts (as defined in the Administrative Services Agreement) [or, with respect to any EI Hedges in respect of the Closed Block Policies, to the Funds Withheld Account].

(c) The Reinsurer shall pay the Company any Assigned EI Hedge Costs Amounts in accordance with Section 6.2 until the applicable EI Hedges have been novated to the Reinsurer.

(d) The Company shall use reasonable care in its hedging activities with respect to the Reinsured Policies, and such activities shall be (i) consistent with the Company's hedging strategies with respect to equity indexed reinsured policies issued by the Company, including with respect to counterparty exposure, and (iii) no less favorable than the hedging activities used by the Company with respect to equity indexed policies issued by the Company that are not Equity Indexed Reinsured Policies. In addition, the Company shall not treat the EI Hedges in any respect in a manner that is different than the manner in which it treats the hedges it enters into with respect to equity indexed policies issued by the Company that are not Equity Indexed Reinsured Policies.

(e) The Company agrees that other than as provided expressly in this Agreement, it shall take any actions reasonably requested by the Reinsurer to maintain in full force and effect each of the EI Hedges and to perform fully each of its obligations thereunder. The Company may not modify, amend or terminate any EI Hedge or waive any of its rights under any such EI Hedge without the Reinsurer's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) and shall fully enforce, at the expense of the Reinsurer, all of its rights thereunder, including, at the Reinsurer's request and if applicable, requiring the collateralization by the Hedge Counterparty of exposure and other amounts required to be paid or delivered thereunder. With the Reinsurer's prior written consent, the Company may exercise any right it may have to

[8] The parties will cooperate to implement any revisions that are necessary, based on accounting advice, in order to allocate the EI Hedges to an account in the Company's books and records or to otherwise assure that statutory credit is given for the EI Hedges.

terminate any such EI Hedge and shall, at the Reinsurer's instruction and expense, effect any discretionary action with respect to the management or administration of the EI Hedges as the Reinsurer shall reasonably request, including termination, as may be available pursuant to the terms and conditions of any EI Hedge; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such discretionary action so requested by the Reinsurer and the Company shall indemnify and hold harmless the Reinsurer for Losses to the extent arising out of any failure by the Company to take any such discretionary action as reasonably requested by the Reinsurer. The Company agrees that it shall, at the direction and at the cost and expense of the Reinsurer, pursue commercially reasonable management and collection efforts with respect to the EI Hedges and, in general, will reasonably cooperate with the Reinsurer in the management and administration of the EI Hedges.

(f) Following the Effective Date, at the Reinsurer's request and expense, the Company shall cooperate with the Reinsurer and use its reasonable best efforts in the context of current market conditions to novate any EI Hedges from the Company to the Reinsurer or a designated Affiliate of the Reinsurer. The Company shall promptly advise the Reinsurer of any communications with respect to any such proposed novation. All material, written correspondence from either the Company or the Reinsurer to any Hedge Counterparty in connection with any such proposed novation shall be in a form approved by the other Party; provided that any such approval shall not be unreasonably withheld, conditioned or delayed. At the Reinsurer's instruction and at the Reinsurer's cost and expense, the Company shall take any such action with respect to any such proposed novation as Reinsurer shall reasonably request, including sending correspondence requesting that an EI Hedge be novated to the Reinsurer or a designated Affiliate of the Reinsurer in a form approved by the Reinsurer; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer and the Company shall indemnify and hold harmless the Reinsurer for Losses to the extent arising out of any failure by the Company to take any such action as reasonably requested by the Reinsurer.

Section 2.12 Interest Maintenance Reserve. Set forth on Schedule 2.12 is the Reinsurer's Share of the existing Interest Maintenance Reserve attributable to the Reinsured Liabilities and the amount of the new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement. The entirety of such Interest Maintenance Reserve shall be calculated by the Company and ceded to and held by the Reinsurer, and shall be amortized as set forth on Schedule 2.12. The Company shall have no obligation to establish any such Interest Maintenance Reserve.

Section 2.13 Redundant Reserve Financing. The Reinsurer shall use its reasonable best efforts to enter into a Redundant Reserve Financing Transaction with respect to the 2013 Policies prior to the first anniversary of the Effective Date. The Reinsurer shall keep the Company reasonably informed on an ongoing basis of the progress of its efforts to complete any Redundant Reserve Financing Transaction with respect to the 2013 Policies in accordance with the preceding sentence. In the event that a Redundant Reserve Financing is entered into following the Effective and on or prior to the first anniversary of the Effective Date with respect to the 2013 Policies, the Reinsurer shall promptly pay to the Company, by wire transfer of immediately available funds, an amount equal to seventy-five percent (75%) of the difference between (i) the Statutory Reserves with respect to the 2013 Policies transferred to the Reinsurer as of the Effective Date, *minus* (ii) the economic reserves as of the Effective Date with respect to the 2013 Policies.

Section 2.14 Supplemental Allowance. Following the Effective Date and for so long as the Supplemental Allowance remains payable, Buyer shall provide Seller copies of any amendment made to the documents constituting the Captive Financings to the extent such amendment is reasonably expected to change the value of the Supplemental Allowance in accordance with the Reduction Methodology, as well as any change to the investment guidelines under any Captive Financings. For the avoidance of doubt, amendments to such documents include any termination, partial termination or recapture.[9]

ARTICLE III
REINSURANCE LIABILITY

Section 3.1 Reinsurance Liability. The reinsurance by the Reinsurer of the Reinsured Policies is subject to the same rates, conditions, limitations and restrictions as the insurance under the Reinsured Policies written by the Company on which the reinsurance is based. The

[9] To be added to the New York Reinsurance Agreements covering both the Non-NLG ALACNY Block and the Financed ALACNY Block:

Section 2.15. Additional Reserve Requirement. If, prior to three (3) years following the Effective Date, the New York Department of Financial Services imposes on the Reinsurer, in lieu of on the Company, an asset adequacy or cash flow testing reserve requirement based on a scenario substantially similar to the cash flow testing scenario imposed on the Company by the New York Department of Financial Services as part of its most recent triennial exam (an "Additional Reserve Requirement") with respect to the Reinsured Policies:

(a) the Company will promptly transfer assets to the Reinsurer in an amount equal to the Additional Reserve Requirement that the Company maintained or would have been required to maintain had there not been reinsurance in effect at the Effective Time; or

(b) the Company may recapture the Reinsured Policies as provided in Sections 10.3(f) and 10.5.

If an Additional Reserve Requirement is imposed as described above and the event the company elects to transfer assets in accordance with Section 2.15(a), the funding shall be accomplished by a deposit of assets into the respective funds withheld account; the income on such assets will be paid to the Reinsurer, and the Reinsurer will pay to the Company the portfolio yield on a similar pool of assets of similar duration and credit characteristics as determined by reference to a nationally recognized third party index. In addition, in the event of such funding, the Company shall retain the right to recapture the Reinsured Policies as provided in Sections 10.3(f) and 10.5 for as long as such funding remains in effect.

The funding of any accounts, as contemplated above, shall be released back to the Company concurrently with, and in the same amount as, any releases of the respective Additional Reserve Requirement. Furthermore, on the third (3rd) anniversary of the Effective Date, the Reinsurer shall in any event return to the Company assets in an amount equal to the amount of the Additional Reserve Requirement together with any unpaid financing cost.

If the recapture contemplated by this Section 2.15 occurs, then the parties will cooperate to cause the transition to the Company of any administrative servicing then being provided by third party administrators.

liability of the Reinsurer hereunder on the terms described herein begins as of the Effective Time and, subject to Article X hereof, the liability of the Reinsurer on any Reinsured Policy will terminate as and when all liability of the Company with respect to such Reinsured Policy terminates.

Section 3.2 Other Reinsurance.

(a) The Company agrees that other than as provided expressly in this Agreement, it shall take any actions reasonably requested by the Reinsurer to maintain in full force and effect each of the Other Reinsurance Agreements and to perform fully each of its obligations thereunder. The Company may not modify, amend, terminate or recapture any Other Reinsurance Agreement or waive any of its rights under any such agreement without the Reinsurer's prior written consent and shall fully enforce, at the expense of the Reinsurer, all of its rights thereunder, including, at the Reinsurer's request, requiring the collateralization by the third party reinsurer of reserve balances and other amounts thereunder. With the Reinsurer's prior written consent, the Company may exercise any right it may have to recapture risks ceded thereby under any of the Other Reinsurance Agreements or to otherwise terminate any such agreement and shall, at the Reinsurer's instruction and expense, effect any such action with respect to the management or administration of the Other Reinsurance as the Reinsurer shall reasonably request, including termination or recapture, as may be available under or with respect to the terms of any Other Reinsurance Agreement; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer. Subject to the terms and conditions of the Administrative Services Agreement, the Company agrees that it shall, at the direction and at the cost and expense of the Reinsurer (including any reasonable out-of-pocket expenses incurred by the Company), pursue commercially reasonable management and collection efforts with respect to the Other Reinsurance and, in general, will reasonably cooperate with the Reinsurer in the management of the Other Reinsurance.

(b) Following the Effective Date, at the Reinsurer's expense and reasonable request, the Company shall cooperate with the Reinsurer and shall use its reasonable best efforts in the context of current market conditions to novate any Other Reinsurance from the Company to the Reinsurer or a designated Affiliate of the Reinsurer. The Parties shall promptly advise each other of any communications with respect to any such proposed novation. All correspondence from either the Company or the Reinsurer to any reinsurer under Other Reinsurance in connection with any such proposed novation shall be in a form approved by the other Party; provided that any such approval shall not be unreasonably withheld, conditioned or delayed. At the Reinsurer's instruction and at the Reinsurer's cost and expense (including any reasonable out-of-pocket expenses incurred by the Company), the Company shall effect any such action with respect to any such proposed novation as the Reinsurer shall reasonably request, including sending correspondence requesting that an Other Reinsurance Agreement be novated to the Reinsurer or a designated Affiliate of the Reinsurer in a form approved by the Reinsurer; provided, however, that the Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by the Reinsurer.

(c) The recoverability of the Other Reinsurance from reinsurers shall be at the risk of and for the account of the Reinsurer; provided, that to the extent the Other Reinsurance became unrecoverable (in accordance with the Company's ordinary-course evaluation and statutory accounting treatment) prior to the Effective Time, the recoverability of such amounts shall be borne by the Company. The Company agrees that whenever an Other Reinsurance Agreement provides the Company with a right of set-off, the Company shall exercise such right of set-off in the event that amounts are due and unpaid from the Reinsurer. The Company shall have no obligation to pursue any claims it may have for indemnification to which it may be entitled in connection with the Other Reinsurance unless requested to do so by the Reinsurer and at the cost and expense of the Reinsurer (including reasonable out-of-pocket expenses incurred by the Company). In no event shall any such right to indemnification reduce the Reinsurer's responsibility for the risk of all Other Reinsurance. The Reinsurer shall indemnify and hold harmless the Company for Losses arising out of any such action so requested by Reinsurer.

Section 3.3 Disclaimer. The Company has no duties, whether express or implied, including the duty of utmost good faith and other similar duties, which the Company expressly disclaims, and makes no representations or warranties to the Reinsurer, other than those expressly contained in this Agreement. The Reinsurer has no duties, whether express or implied, including the duty of utmost good faith and other similar duties, which the Reinsurer expressly disclaims, and makes no representations or warranties to the Company, other than those expressly contained in this Agreement.

ARTICLE IV
CERTAIN FINANCIAL PROVISIONS

Section 4.1 Provision of Security by the Reinsurer.[10]

(a) On the Effective Date, the Reinsurer shall establish and fund with an amount of cash and assets having a Statutory Book Value equal to the Required Balance, calculated in good faith by the Reinsurer as of the Effective Date based on the information set forth in the statement delivered by the Company pursuant to Section 2.3(a)(iii), a trust account (the "Trust Account") with a Qualified United States Financial Institution unaffiliated with the Reinsurer and the Company and which is reasonably acceptable to the Reinsurer and the Company (the "Trustee") at the sole cost and expense of the Reinsurer naming the Company as sole beneficiary and shall enter into the Trust Agreement to provide security for the payment of amounts due the Company under this Agreement. The Reinsurer shall transfer or pay into the Trust Account, and shall thereafter maintain in the Trust Account, cash and assets managed by the Reinsurer or its designee in accordance with the requirements set forth in the Trust Agreement, having a Statutory Book Value, determined in good faith by the Reinsurer on a quarterly basis, to be not less than the Required Balance.

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10 Captive Reinsurance Agreements to include a cut-through whereby the Company may continue to make payments of financing fees and costs if the Reinsurer fails to pay such financing fees and costs and no alternative financing or means of supporting reserves through an Iowa parental guarantee is in place.

(b) For purposes of this Agreement, the term "Required Balance", as of any date of determination, means an amount equal to (i) (A) the Reinsurer's Share of the Statutory Reserves that would be required to be held by the Company with respect to the Reinsured Policies (other than the Captive Policies and the Closed Block Policies) if this Agreement were not in effect, *plus* (B) the Reinsurer's Share of the Economic Reserves that would be required to be held by the Company with respect to the Captive Policies if this Agreement were not in effect, *less* (C) the amount of any assets supporting Economic Reserves to the extent such assets are held by a Captive Reinsurer or in a trust established by a Captive Reinsurer pursuant to the terms of any Captive Reinsurance Agreement, *plus* (D) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities (other than any Interest Maintenance Reserve with respect to the Closed Block Policies), *plus* (E) the amount of any new Interest Maintenance Reserve that is created at the Effective Time as a direct result of the transactions contemplated by this Agreement (other than any new Interest Maintenance Reserve created with respect to the Closed Block Policies), in each case, as of such date of determination and determined in accordance with SAP, consistently applied, *plus* (ii) the Trust OC Amount, *plus* (iii) the Trust Ceding Commission Amount. The Required Balance and the Statutory Book Value of any assets held in the Trust Account shall be calculated by the Reinsurer as of the last day of each calendar quarter, and the Reinsurer shall provide a certification with respect to such valuation, including the Statutory Book Value and Fair Market Value of the assets (both on an asset-by-asset basis and a cumulative basis), to the Company and the Trustee within thirty (30) days after the end of such quarter. If the amount of cash plus the Statutory Book Value of assets held in the Trust Account as of any quarter end is less than the Required Balance as of such quarter end, the Reinsurer shall within five (5) Business Days after such determination is made make such further deposits to the Trust Account as are required in order to restore the Required Balance as of such quarter end. If the amount of cash plus the Statutory Book Value of assets held in the Trust Account as of any quarter end is greater than the Required Balance as of such quarter end, the Reinsurer may provide notice to the Company of its desire to withdraw assets from the Trust Account, specifying the amount and type of assets to be withdrawn. Within five (5) Business Days following its delivery of such notice to the Company, the Reinsurer may withdraw such assets from the Trust Account in excess of the amount necessary to maintain such Required Balance as of the applicable quarter end in accordance with the requirements set forth in the Trust Agreement. Any disputes by the Company of the amount of the Required Balance or the valuation of any asset deposited in the Trust Account pursuant to this Section 4.1 shall be resolved in accordance with Section 11.1. Upon resolution of any such dispute in accordance with Section 11.1, either (A) the Reinsurer shall cause to be deposited additional assets that comply with Section 4.1(a) within two (2) Business Days following such resolution, such that following any such deposit, the amount of cash plus the Statutory Book Value of the assets held in the Trust Account is sufficient to maintain the Required Balance as of the applicable quarter end; or (B) the Reinsurer may withdraw assets from the Trust Account in accordance with this Section 4.1(b), such that following any such withdrawal, the amount of cash plus the Statutory Book Value of the assets held in the Trust Account is sufficient to maintain the Required Balance as of the applicable quarter end. Unless otherwise agreed upon in writing by the Company, the Reinsurer shall maintain the Trust Account until all obligations of the

Reinsurer under this Agreement have been fully satisfied, as determined by the Company in its sole discretion.

(c) The Company and the Reinsurer agree that the assets maintained in the Trust Account may be withdrawn by the Company only after a default by the Reinsurer in the performance of its monetary obligations hereunder that is not being disputed by the Reinsurer in good faith, which undisputed payment default has not been cured by the Reinsurer within five (5) Business Days following its receipt of a written notice thereof delivered by the Company. The amount of any such withdrawal in excess of amounts then due to Company hereunder shall be deemed maintained in trust for the benefit of the Reinsurer and promptly returned to the Trust Account. Upon prior written notice to the Company, the Reinsurer shall have the right to substitute or exchange assets maintained in the Trust Account in accordance with the requirements set forth in the Trust Agreement.

(d) With respect to the transfer of any Transferred Assets to the Trust Account, the Reinsurer will hold valid title to all such Transferred Assets free and clear of all liens or other encumbrances, other than interests of nominees, custodians or similar intermediaries. As of the date of the transfer of any assets to the Trust Account after the Effective Date, the Reinsurer will have good and marketable title to all such assets transferred by it to the Trust Account, all assets transferred by the Reinsurer after the Effective Date to the Trust Account shall be transferred free and clear of any liens other than interests of nominees, custodians or similar intermediaries, and the Reinsurer will not create, incur, assume or permit any lien or other encumbrance on any of the assets held in the Trust Account, or on any interest therein or on any of the proceeds thereof, other than interests of nominees, custodians or similar intermediaries.

(e) The Reinsurer shall notify the Company in writing of any payment default occurring as to any asset in the Trust Account promptly after the Reinsurer receives notice of such default. In the event the Reinsurer determines that a delinquency of a timely payment in regard to any of the assets in the Trust Account has occurred, the Reinsurer shall inform the Company of such delinquency promptly upon such determination.

(f) Assets in the Trust Account may be withdrawn and applied by the Company or any successor of the Company without diminution because of insolvency on the part of the Company or the Reinsurer only for the following purposes:

(i) to pay to the Company any amount due to be paid out of the Trust Account as part of the Reinsurer Termination Payment to the extent such amount is not being disputed by the Reinsurer in good faith;

(ii) to pay any portion of the Net Settlement due to be paid to the Company from the Trust Account in accordance with Section 6.2(b) to the extent such portion is not being disputed by the Reinsurer in good faith; or

(iii) to pay or reimburse the Company for any other amounts due but not yet recovered from the Reinsurer under this Agreement in order to satisfy liabilities under the Reinsured Policies (other than the Closed Block Policies) to the extent such amounts are not being disputed by the Reinsurer in good faith.

For the avoidance of doubt, any amounts referred to above that are not the subject of a good faith dispute may be withdrawn and applied for the purposes provided above.

Section 4.2 Credit for Reinsurance. If at any time during the term of this Agreement, the Reinsurer fails to hold and maintain all licenses, permits and authorities required under Applicable Law to enable the Company to receive statutory reserve credit for the reinsurance ceded to the Reinsurer hereunder in the Company's state of domicile, the Reinsurer shall, at its sole expense, establish and maintain security in the form of letters of credit, assets held in a reinsurance trust or a combination thereof in a manner that meets all Applicable Laws regarding credit for reinsurance, so as to permit the Company to receive full statutory reserve credit for the reinsurance ceded to the Reinsurer hereunder in the Company's state of domicile.

Section 4.3 RBC Reports.

(a) Within forty-five (45) days following the end of the first three calendar quarters of each year during the term of this Agreement, the Reinsurer shall provide to the Company a report of its RBC Ratio as of the end of such calendar quarter, as estimated in good faith by the Reinsurer.

(b) Within five (5) Business Days of the submission by the Reinsurer to the insurance department of its domiciliary state of a report of its risk-based capital levels as of the end of the previous calendar year, but in no event later than 60 days following the end of each calendar year, the Reinsurer shall provide to the Company written certification of its RBC Ratio as of the end of such calendar year.

Section 4.4 Funds Withheld Account.

(a) The Funds Withheld Account shall be a notional account established in relation to the Closed Block Policies, and shall be clearly designated on the books, records and information systems of the Company. The Company will retain, control and own the Funds Withheld Assets. The Company shall record the balance of the Funds Withheld Account on its statutory financial statements as a payable to the Reinsurer.

(b) Funds Withheld Assets may be withdrawn and applied by the Company or any successor of the Company without diminution because of insolvency on the part of the Company or the Reinsurer only for the following purposes:

(i) to pay to the Company any amount due to be paid out of the Funds Withheld Account as part of the Reinsurer Termination Payment to the extent such amount is not being disputed by the Reinsurer in good faith;

(ii) to adjust the Funds Withheld Account on a monthly basis in accordance with Section 6.2(b) to the extent such adjustment is not being disputed by the Reinsurer in good faith, and to pay the Reinsurer any amounts due in connection with such monthly adjustment to the extent such amounts are not being disputed by the Company in good faith;

(iii) to pay to the Reinsurer any amounts remaining in the Funds Withheld Account, if any, after the payment of any amounts due to be paid out of the Funds Withheld Account as part of the Reinsurer Termination Payment to the extent such amount is not being disputed by the Company in good faith; or

(iv) to pay or reimburse the Company for any other amounts due but not yet recovered from the Reinsurer under this Agreement in order to satisfy liabilities under the Closed Block Policies to the extent such amounts are not being disputed by the Reinsurer in good faith.

For the avoidance of doubt, any amounts referred to above that are not the subject of a good faith dispute may be withdrawn and applied for the purposes provided above.

(c) The Funds Withheld Assets shall be managed on behalf of the Company by the Reinsurer or by an investment manager selected by the Reinsurer pursuant to an investment management agreement. The Funds Withheld Assets must be invested in accordance with requirements of Applicable Law.

ARTICLE V
PLAN OF REINSURANCE

Section 5.1 Plan. Reinsurance under this Agreement is on a 100% coinsurance basis and is subject to the terms and conditions of the original policy forms for the Reinsured Policies and any amendments thereto in effect as of the Effective Date.

Section 5.2 Follow the Fortunes. The Reinsurer's liability under this Agreement shall commence on the Effective Date, and all reinsurance with respect to which the Reinsurer shall be liable by virtue of this Agreement shall be subject in all respects to the same risks, terms, rates, conditions, interpretations, assessments, waivers, proportion of premiums paid to, and reinsurance recoveries benefiting, the Company with respect to the Reinsured Liabilities and the Reinsured Policies, the true intent of this Agreement being that the Reinsurer shall follow the fortunes of the Company with respect to the Reinsured Liabilities and Reinsured Policies.

Section 5.3 Reductions and Terminations. Reinsurance amounts are calculated in terms of coverages on a "per policy" basis. If the coverage of any Reinsured Policy on an insured is reduced or terminated, reinsurance under this Agreement on such Reinsured Policy will be equally reduced or terminated.

Section 5.4 Reinstatements. Reinsured Policies ceded under this Agreement shall include any Policy that is reduced, terminated, lapsed or surrendered, and later reinstated pursuant to and in accordance with its policy provisions and will be reinsured by the Reinsurer in accordance with the terms of this Agreement. The Reinsurer will retain any Premiums and interest that the Company has received for reinstatement in respect of periods on or after the Effective Date. A terminated Policy that would have been a Reinsured Policy had it been in force at the Effective Time, that later reinstates pursuant to and in accordance with its policy provisions, will be reinsured by the Reinsurer and become a Reinsured Policy. The Reinsurer will be entitled to retain any Premiums and interest for coverage on or after the Effective Date that is received for such reinstatement, and the Company will transfer to the Reinsurer the amount of reserves for such reinstated Reinsured Policy as of the Effective Date, calculated in a manner that is consistent with the reserve calculations used for the other Reinsured Policies. The date of reinsurance for such reinstated Reinsured Policies shall be the Effective Date. For the avoidance of doubt, the reinstated Policies reinsured under this Section 5.4 shall include any Policy treated as lapsed or otherwise terminated prior to the Effective Time under which the Company subsequently becomes liable as a result of a determination that the policyowner, insured or beneficiary has died prior to the lapse or termination.

Section 5.5 Contractual Conversions; Internal Replacement.

(a) Any conversion, exchange or replacement policy or contract arising from the Reinsured Policies that is converted, exchanged or replaced pursuant to and in accordance with its policy terms shall be deemed to constitute a Reinsured Policy for purposes of this Agreement and, in the event of a conversion, exchange or replacement of any Reinsured Policy, the Reinsurer shall reinsure the risk resulting from such conversion on the basis set forth hereby with respect to the Reinsured Policies; provided, however, that the Reinsurer shall not be required to pay any additional ceding commission with respect to any such converted, exchanged or replacement policy or contract. The Reinsurer will reimburse the Company for any expenses incurred in issuing a converted, exchanged or replacement policy or contract, but only to the extent such expenses are not covered by payments made by the Reinsurer under the Transition Services Agreement.

(b) Absent the Reinsurer's prior written consent (which may be withheld in its sole discretion), the Company will not solicit owners, beneficiaries or policyholders in connection with, or sponsor or assist, directly or indirectly, in the conduct of, (and will cause each of its Affiliates to refrain from soliciting in connection with, and sponsoring or assisting, directly or indirectly, in the conduct of) any program of internal replacement under which the owners, beneficiaries or policyholders of Reinsured Policies are or would be encouraged to exchange, or assisted in the exchange of, Reinsured Policies for other insurance policies or contracts that are not reinsured under this Agreement. Should the Company or its Affiliates or any of their respective successors or assigns initiate such a program of internal replacement that would include any of the risks reinsured hereunder in violation of the preceding sentence, the Company will immediately notify the Reinsurer. For each risk reinsured hereunder that has been replaced under a program of internal replacement, the Reinsurer shall have the option, at its sole discretion, of either treating the risks reinsured as recaptured on terms reasonably acceptable to the Reinsurer or continuing reinsurance on the new policy under the terms of this Agreement without any additional ceding commission therefor.

Section 5.6 New Policies. From and after the Effective Date, the Company shall issue in its name (a) new Policies issued or reinstated pursuant to Section 5.4 or 5.5(a) and (b) new Policies issued or renewed in accordance the terms of the Administrative Services Agreement.

Section 5.7 Policy List Errors.

(a) The Company or the Reinsurer, as applicable, shall notify the other Party if any life insurance policies or contracts issued or reinsured by the Company and in force as of the Effective Date were inadvertently not included on the Policy List and are determined to be a Policy, which shall in no event include any insurance policies and contracts falling within the following lines of business: health, annuities, funding agreements, corporate-owned life insurance and bank-owned life insurance when sold on a group basis, synthetic guaranteed investment contracts and variable life or other variable business.

(b) If any policies or contracts (or components thereof) are determined to be Policies in accordance with this Section 5.7, then:

(i) the Company shall transfer cash or assets reasonably satisfactory to the Reinsurer in an amount equal to the Statutory Reserves required to be held with respect to such Policies to the extent such Statutory Reserves were not previously transferred to the Reinsurer; and

(ii) the Parties shall adjust the Ceding Commission in a manner consistent with the adjustment required under Section 2.4(b)(ii) in connection with changes in the Net Retained Liabilities to the extent such Ceding Commission relates to an aggregate increase in Statutory Reserves equal to or greater than $10,000,000.

ARTICLE VI
ADMINISTRATION

Section 6.1 Administrative Services. The Parties hereby agree that the Policies, Other Reinsurance Agreements [and, subject to Section 2.11, the EI Hedges] shall be administered in accordance with or as otherwise provided in the Administrative Services Agreement and the Transition Services Agreement.

Section 6.2 Net Settlements.

(a) For each Monthly Accounting Period, the Parties will effect a settlement on a net basis (the "Net Settlement") as contemplated in Annex B hereto.

(b) A report reflecting in detail the Net Settlement determinations contemplated in Annex B shall be prepared not later than fifteen (15) Business Days after the end of each Monthly Accounting Period. For as long as required under the Transition Services Agreement, the Company shall prepare and deliver such report to the Reinsurer. After such time, the Reinsurer shall prepare and deliver such report to the Company. If a Net Settlement report reflects a balance due the Company, the amount(s) shown as due shall be paid within ten (10) Business Days of the delivery of the report. If a Net Settlement report reflects a balance due the Reinsurer, the amount(s) shown as due shall be paid within ten (10) Business Days after the date on which the report was delivered. If there is a delayed settlement of any payment due hereunder, interest will accrue on such payment at the Applicable Rate. For purposes of this section, a payment will be considered overdue on the date which is ten (10) Business Days after the date such payment is due hereunder; provided that such interest will begin to accrue from the original due date with respect to such payment. All settlements of account between the Company and the Reinsurer shall be made in cash or its equivalent.

(c) To the extent that the Reinsurer makes any direct payments to or on behalf of the Company in respect of Reinsured Liabilities or other amounts payable to the Company pursuant to the Net Settlement in respect of a Monthly Accounting Period prior to the Net Settlement process, whether in its capacity as the Administrator or otherwise, the amount of any such payments shall be taken into account for purposes of determining the Net Settlement. In addition, to the extent the Reinsurer receives any Premiums or other amounts payable to the Reinsurer pursuant to the Net Settlement in respect of a Monthly Accounting Period prior to the Net Settlement process, whether in its capacity as the Administrator or otherwise, the amount of any such Premiums received shall be taken into account for purposes of determining the Net Settlement.

(d) In connection with any settlement under this Agreement, the Reinsurer shall not be obligated to pay any Excluded Reinsured Liability.

ARTICLE VII
OPTION LETTERS; ASSUMPTION CERTIFICATES; NOVATION

Section 7.1 Novation. The Reinsurer shall pursue novation of all of the Reinsured Policies other than the Closed Block Policies and any Reinsured Policies that are the subject of litigation or arbitration proceedings (the "Targeted Policies"). The Reinsurer may manage the novation process so as to ensure that the Targeted Policies are novated to the Reinsurer only once the requisite systems are in place in order to reflect the Novated Contracts on the books and records of the Reinsurer in accordance with the migration processes and related time periods contemplated by the Transition Services Agreement.

Section 7.2 Licenses; Regulatory Approvals for Novation.

(a) Following the Effective Date, the Reinsurer shall use its reasonable best efforts to obtain all material licenses, permits and authorizations required under Applicable Law to qualify the Reinsurer to transact life insurance business in each state where any Targeted Policies are in force as of the Effective Date.

(b) Following the Effective Date, the Reinsurer shall use its reasonable best efforts to obtain all required regulatory approvals, including approval of the requisite form and rate filings, from each applicable Governmental Entity to assume by novation such Targeted Policies (effective as of their inception) including all of the Company's liabilities and obligations under each such Targeted Policy, in order to ensure that such liabilities and obligations are solely, directly and exclusively vested in the Reinsurer.

(c) Each Party shall cooperate fully with the other in all reasonable respects in order to effectuate the novation and assumption of the Targeted Policies as set forth in this Article VII. The Reinsurer shall be responsible for and shall pay its own costs, fees and expenses relating to the regulatory filings contemplated under this Section 7.2, and shall reimburse the Company for any reasonable out-of-pocket expenses that it incurs in connection with such filings.

Section 7.3 Option Letter.

(a) Subject to Section 7.3(b), the Reinsurer, at its sole cost and expense, promptly following receipt of the requisite approvals of applicable Governmental Entities, shall transmit by mail to every Required Party as required by the Applicable Law and in accordance with the consent solicitation procedures set forth on Schedule 7.3(a), an option letter (the "Option Letter"), together with a Notice and Certificate of Assumption, including, where required, a form for rejection or acceptance, as permitted by Applicable Law, and a self-addressed return envelope, substantially in the form attached hereto as Exhibit II (which identifies and includes the forms of Option Letters to be furnished to the various classes of Required Parties), as modified to reflect such changes as may be required by the relevant Governmental Entity following the Effective Date (the "Notice and Certificate of Assumption"). Option Letters and Notices and Certificates of Assumption shall not be sent with respect to a Targeted Policy unless and until all requisite approvals of applicable Governmental Entities have been received with respect to such Targeted Policy.

(b) Subject to the receipt of the requisite regulatory approvals and Applicable Law, the Reinsurer may, at its option, in lieu of transmission of an Option Letter to a Required Party by mail, effect such transmission by electronic mail to an appropriately confirmed electronic mail address for the Required Party, or in the alternative, by any other method allowed under Applicable Law.

(c) The Reinsurer and the Company shall in good faith agree to modify the procedures set forth in this Section 7.3 and in Schedule 7.3(a) on a state-by-state basis to the extent required to conform to any procedures for novation and assumption of Targeted Policies imposed or required by the applicable Governmental Entity or as reasonably requested by the Reinsurer.

(d) Notwithstanding anything in this Agreement to the contrary, with respect to the classes of Required Parties described on Schedule 7.3(d), the Option Letter, to the extent permitted by Applicable Law, may be accompanied by a form for rejection, and a self-addressed return envelope, substantially in the form attached hereto as Exhibit III, and the Reinsurer shall not be required to seek affirmative consent from such Required Parties, unless required by Applicable Law.

(e) The Reinsurer shall pay its own costs, fees and expenses relating to soliciting or obtaining the consent of a Required Party to the novation and assumption by the Reinsurer of a Targeted Policy. The Company shall cooperate in any such actions taken by the Reinsurer, and the Reinsurer shall reimburse the Company for its reasonable out-of-pocket costs incurred in connection with such cooperation.

Section 7.4 Novated Contracts. Targeted Policies satisfying all of the requirements for novation and assumption under Section 7.3 and Applicable Law shall be assumed by the Reinsurer on the applicable Assumption Date and shall be deemed to have been assumed by novation. Such contracts shall cease to be deemed "Reinsured Policies," shall thenceforth not be deemed indemnity coinsured under Article II hereof, and shall be defined herein as "Novated Contracts." Notwithstanding the foregoing, in the event that (a) a Required Party rejects or fails to provide any consent required by Applicable Law to the novation of a Reinsured Policy, or (b) a Novated Contract is determined by appropriate Governmental Entities or a court of competent jurisdiction to be not novated from the Company to the Reinsurer (including, but not limited to, jurisdictions requiring the insured's affirmative consent for novation where the insured or policyholder, as the case may be, either did not or refused to provide such consent), then in the case of either of (a) or (b), such Novated Contract shall for all purposes of this Agreement be deemed, retroactive to the Effective Date, to be a Reinsured Policy and such novation shall be null and void and of no effect. For the avoidance of doubt, the Reinsured Liabilities for each such Novated Contract that is deemed to be a Reinsured Policy in accordance with the foregoing shall be deemed assumed by the Reinsurer retroactive to the Effective Date for all purposes of this Agreement. For each Novated Contract, the date of assumption shall be the later of (i) the date of assumption set forth in the relevant form of Option Letter with respect to the applicable Targeted Policy or (ii) the date on which all required consents and approvals of all Governmental Entities and Required Parties with respect to the applicable Targeted Policy have actually been received and all other requirements and conditions for novation and assumption have been satisfied (the "Assumption Date"). All Targeted Policies not novated by the Reinsurer shall remain Reinsured Policies of the Company.

Section 7.5 Effect of Assumption. Upon the satisfaction of all requirements for the novation and assumption of a Targeted Policy, the Company shall be deemed to have assigned and transferred all of its rights relating to such Novated Contract as of the Assumption Date and the Reinsurer shall be deemed to have assumed and accepted all of the risks, liabilities and obligations (including, without limitation, any Extra Contractual Obligations) under or arising out of the applicable Novated Contract, whether arising prior, on or subsequent to the applicable Assumption Date. The Reinsurer hereby agrees that it shall be directly and solely liable for such risks, liabilities and obligations. On each Assumption Date, the Reinsurer shall assume all risks, liabilities and obligations under or arising out of the applicable Novated Contract such that the Reinsurer shall be considered and deemed the original party in lieu of the Company, from the inception date of the applicable Reinsured Policy. The Novated Contracts shall continue and remain in full force and effect, except as modified by the Notice and Certificate of Assumption. For the avoidance of doubt, a Novated Contract shall not constitute the creation of a new contract or the termination of the applicable Reinsured Policy, rather such Novated Contract shall be considered and deemed a continuation of the existing contract as if the Reinsurer were the original party in lieu of the Company. It is understood and agreed that such assignment, transfer and assumption shall not affect any indemnification rights of the parties pursuant to Article XII, or any other indemnification or right to recovery provided to a party under any other agreement. Pursuant to the terms of the Trust Agreement, the portion of the assets held in the Trust Account relating to Novated Contracts not in dispute shall be released from the Trust Account and transferred to the Reinsurer. Promptly after assumption by the Reinsurer of any Novated Contracts, the Company shall deliver original books and records that relate to such Novated Contracts to the Reinsurer to the extent required by Applicable Law.

ARTICLE VIII
DAC TAX

Section 8.1 DAC Tax Election. The Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Company and the Reinsurer will each attach a schedule to its federal income tax return for the first taxable year ending after the Effective Date that identifies this Agreement as a reinsurance agreement for which a joint election under Treasury Regulation Section 1.848-2(g)(8) has been made, and will otherwise file its respective federal income tax returns in a manner consistent with the provisions of Treasury Regulation Section 1.848-2 as in effect on the date this Agreement is executed;

(b) For each taxable year under this Agreement, the Party with the net positive consideration, as defined in the regulations promulgated under Section 848 of the Code, will capitalize specified policy acquisition expenses with respect to this Agreement without regard to the general deductions limitation of Section 848(c)(1) of the Code;

(c) The Company and the Reinsurer agree to exchange information pertaining to the amount of net consideration under this Agreement each year to ensure consistency or as otherwise required by the Code and applicable Treasury Regulations;

(d) The first tax year for which this election is effective is [2013];

(e) The Reinsurer will submit to the Company by May 15 each year its calculation of the amount of the net consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement that the Reinsurer will report such amount of net consideration in its tax return for the preceding calendar year;

(f) The Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) days of the Company's receipt of the Reinsurer's calculation. If the Company does not so notify the Reinsurer, the Company will report the amount of net consideration as determined by the Reinsurer in the Company's tax return for the previous calendar year;

(g) If the Company contests the Reinsurer's calculation of the amount of net consideration, the dispute shall be resolved in accordance with Section 11.2.

Both the Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

ARTICLE IX
INSOLVENCY AND CUT THROUGH

Section 9.1 Insolvency. In the event of the insolvency of the Company, all reinsurance made, ceded, renewed or otherwise becoming effective under this Agreement shall be payable by the Reinsurer on the basis of the liability of the Company under the Reinsured Policies without diminution because of the insolvency of the Company directly to the Company or to its liquidator, receiver or statutory successor, except (i) where this Agreement specifically provides for another payee of the reinsurance in the event of the insolvency of the Company or (ii) where the Reinsurer, with the consent of the direct insured, has assumed the policy obligations of the Company as direct obligations of the Reinsurer to the payees under a Reinsured Policy and in substitution for the obligations of the Company to the payees. It is understood, however, that in the event of the insolvency of the Company, the liquidator or receiver or statutory successor of the insolvent Company shall give written notice to the Reinsurer of the pendency of the claim against the Company on any Reinsured Policy within a reasonable time after such claim is filed in the insolvency proceeding, and during the pendency of such claim, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense of defenses which it may deem available to the Company or its liquidator or receiver or statutory successor. The expenses incurred by the Reinsurer shall be chargeable, subject to court approval, against the Company as part of the expense of conservation or liquidation to the extent of a proportionate share of the benefit which may accrue to the Company in conservation or liquidation, solely as a result of the defense undertaken by the Reinsurer.

Section 9.2 Cut Through.

(a) Subject to Applicable Law and the applicable terms of the Reinsured Policies, if the Company becomes insolvent or is subject to any liquidation, rehabilitation, conservatorship, receivership, administrative supervision or any other similar proceeding, the Reinsurer may pay any Reinsured Liabilities otherwise due and payable by the Reinsurer to the Company hereunder directly to the named insureds or their designees under the applicable Reinsured Policies (the "Payee"), in accordance with and subject to the terms, conditions, exclusions and limitations of such Reinsured Policies. Any such payment by the Reinsurer shall discharge the Company from its related payment obligation under the subject Reinsured Policy and shall be treated as a payment by the Company for all purposes of such Reinsured Policy and related documentation and otherwise.

(b) The Reinsurer shall have no obligation to indemnify the Company for amounts paid or payable by the Company in respect of a Reinsured Policy to the extent of any payments made by the Reinsurer to the applicable Payee under such Reinsured Policy in accordance with Section 9.2(a), and the Reinsurer shall be discharged of its payment obligations to the Company, or to its liquidator, receiver, rehabilitator, conservator or other similar Person, under this Agreement to the extent of such payments. The cut-through afforded by Section 9.2(a) shall not be available pursuant to this Agreement if, under Applicable Law, regulation, court rule or order or similar requirement either: (i) the Reinsurer's direct payment to such Payee will not, to the extent thereof, discharge the Reinsurer's obligations to the Company or its legal representative or (ii) the Reinsurer is required by Applicable Law to make any payment to the Company or its liquidator, receiver, rehabilitator, conservator or other similar Person notwithstanding the provisions of this Agreement. Nothing herein or in any Reinsured Policy shall be construed to require the Reinsurer to make duplicative payments or payments duplicative of payments that have been made by the Company.

ARTICLE X
TERMINATION

Section 10.1 Duration of Coinsurance. This Agreement will be effective as of the Effective Time. Subject to the provisions of this Article X, this Agreement will remain in effect, and the reinsurance provided hereunder will remain in force, until termination of the policy or policies on which the reinsurance is based (whether by expiration of the term thereof or by novation thereof by the Reinsurer or one of its Affiliates) in accordance with the terms of this Agreement. Except as provided in Sections 10.3, the Reinsured Policies are not eligible for recapture by the Company.

Section 10.2 Termination. This Agreement shall terminate:

(a) at any time upon the mutual written consent of the Parties hereto, which writing shall state the effective date of termination; or

(b) automatically at such time as no liability remains under this Agreement.

Section 10.3 Termination by the Company. The Company, in its sole discretion, shall have the option to terminate this Agreement upon the occurrence of any one of the following events:

(a) the Reinsurer is placed in receivership, conservatorship, rehabilitation or liquidation by any insurance regulatory authority;

(b) the Reinsurer breaches Section 4.1, and the Reinsurer fails to cure such breach within the earlier of (i) thirty (30) days following receipt of written notice of such breach from the Company and (ii) the last day of the calendar year in which such breach occurs; provided that, in the case of clause (ii) only, the Company shall have no right to terminate with a cure period of fewer than thirty (30) days to the extent that the Company continues to receive full credit for the Trust Account in its risk-based capital calculation;

(c) the Reinsurer breaches Section 4.2, and the Reinsurer fails to cure such breach within the earlier of (i) thirty (30) days following receipt of written notice of such breach from the Company and (ii) the last day of the calendar quarter in which such breach occurs; provided that the Company shall have no right to terminate if the Reinsurer cannot take any action reasonably required for the Company to receive statutory reserve credit without the reasonable cooperation of the Company and the Company shall not have reasonably cooperated with the Reinsurer; provided, further, that it shall be deemed unreasonable to require the Company to cooperate in the event such cooperation would impose on the Company any cost and the Reinsurer has not agreed to be responsible for such cost;

(d) the Reinsurer fails to pay any material amount due to the Company under this Agreement and (i) such amount is not subject to a good faith dispute and (ii) such failure is not cured within ten (10) Business Days following the Reinsurer’s receipt of written notice of such failure from the Company; or

(e) in the event that (i) the Reinsurer’s RBC Ratio is less than 175% or (ii) the Reinsurer fails to provide its RBC Ratio in accordance with Section 4.4 and, upon delivery of written notice from the Company to the Reinsurer, the Reinsurer shall fail to provide its RBC Ratio within ten (10) Business Days following such notice.[11]

Section 10.4 Termination by the Reinsurer. Upon the occurrence of a Reinsurer Termination Event, the Reinsurer shall have the right (but not the obligation) to terminate this Agreement by providing written notice of its intent to terminate. Termination of this Agreement shall be effective on the date specified in such notice, provided that such date shall not be prior to the date on which the Termination Event occurred. Upon termination of this Agreement pursuant to this Section 10.4, the Company shall be deemed to have recaptured and reassumed all Reinsured Liabilities. Recapture of the Reinsured Policies shall be effective on the date specified in the notice of termination.

Section 10.5 Settlement Upon Termination. Upon the termination of this Agreement by the Company pursuant to Section 10.3 or by the Reinsurer pursuant to Section 10.4, subject to payment by the Reinsurer of any amounts due to the Company pursuant to this Section 10.5 and the payment by the Company of any amounts due to the Reinsurer pursuant to this Section 10.5, the Company shall recapture all liabilities previously ceded to the Reinsurer and the Reinsurer's liability under this Agreement will terminate (provided, that such termination shall not relieve any Party of any pre-termination breach of this Agreement). The Company shall prepare a Net Settlement report for the period commencing on the first day of the then-current calendar month and ending on the date this Agreement is terminated pursuant to Sections 10.3 or 10.4. On the tenth Business Day following the delivery of such Net Settlement report (a) the applicable Party shall pay any amounts due and owing by such Party on such Net Settlement report; (b) the Company shall withdraw the assets in the Funds Withheld Account; (c) the Reinsurer shall transfer to the Company cash and assets with an aggregate Fair Market Value equal to 100% of an amount equal to: (i) the Reinsurer's Share of the Statutory Reserves held by the Company with respect to the Reinsured Policies (other than the Captive Policies), *plus* (ii) the Reinsurer's Share of the Economic Reserves held by the Company with respect to the Captive Policies, *plus* (iii) the Reinsurer's Share of the Interest Maintenance Reserve attributable to the Reinsured Liabilities, *plus* (iv) (x) the amount of any new Interest Maintenance Reserve created at the time of recapture as a result of such recapture divided by 65% and (y) the amount of any new Interest Maintenance Reserve created at the Effective Time as a direct result of the transactions contemplated by this Agreement that remains unamortized as of the date of termination, *minus* (v) the Reinsurer's Share of the amount of outstanding policy loans on the Reinsured Policies (to the extent such policy loans constitute admitted assets under SAP, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto), *minus* (vi) the Reinsurer's Share of net due and deferred Premiums on the Reinsured Policies reduced by advances thereon, *minus* (vii) the Ceding Commission *multiplied by* the ratio of (x) the remaining number of months in the Amortization Period over (y) 120, *minus* (viii) the Statutory Book Value of the assets in the Funds Withheld Account (immediately prior to the withdrawal contemplated by clause (b) above), in each case, determined by the Company in

[11] Following recapture provision to be included in New York reinsurance agreement: "in the circumstance described in Section 2.15(b)".

accordance with SAP, consistently applied, as of the date of termination (such amount, the "Reinsurer Termination Payment"); and (c) the Company shall pay to the Reinsurer cash equal to the amount of any cash and assets withdrawn by the Company or any successor by operation of law, including any liquidator, rehabilitator, receiver or conservator of the Company, from the Trust Account or the Funds Withheld Account prior to the date of termination, and not used to satisfy claims of policyholders under the Reinsured Policies prior to the date of termination or to otherwise pay amounts due to the Company pursuant to this Agreement (the "Company Termination Payment"). Any dispute by either Party of the Company Termination Payment or the Reinsurer Termination Payment shall be resolved in accordance with Section 11.2.

ARTICLE XI
RESOLUTION OF CERTAIN DISPUTES

Section 11.1 Disputes over Actual Initial Coinsurance Premium Calculations and SPA Adjusted Coinsurance Premium.

(a) Within thirty (30) days following its receipt from the Company of the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, (such period, a "Review Period"), the Reinsurer shall either (i) notify the Company in writing of its agreement with the calculation of the Actual Initial Coinsurance Premium or SPA Adjusted Coinsurance Premium, as applicable, set forth therein ("Notice of Agreement"); or (ii) if the Company determines that the Initial Coinsurance Premium Reconciliation Statement or SPA Coinsurance Premium Reconciliation Statement, as applicable, or the calculations reflected therein either (x) have not been prepared on the basis set forth in Section 2.3 or in Section 5.8 of the Purchase Agreement, or (y) contain or reflect mathematical errors, inform the Company in writing of its objection (the "Reinsurer's Objection"), which notice shall set forth in reasonable detail a description of the basis of the Reinsurer's Objection and the adjustments to such Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, or the calculations reflected therein that the Reinsurer requests be made. The Company, as applicable, shall, following the Effective Date through the date that the Initial Coinsurance Premium Reconciliation Statement or SPA Coinsurance Premium Reconciliation Statement, as applicable, becomes final in accordance with the last sentence of Section 11.1(c), take all actions necessary or desirable to maintain and preserve all accounting books, records, policies and procedures on which such Initial Coinsurance Premium Reconciliation Statement or SPA Premium Reconciliation Statement, as applicable, are based or on which the finalized Initial Coinsurance Premium Adjustment or SPA Coinsurance Premium Adjustment, as applicable, are to be based so as not to impede or delay the determination of the finalized Actual Initial Coinsurance Premium, the finalized SPA Adjusted Coinsurance Premium, the finalized Fair Market Value of the Reinsurance Assets as of the Effective Date, the finalized Statutory Book Value of the Funds Withheld Assets as of the Effective Date or the preparation of the Reinsurer's Objection in the manner and utilizing the methods permitted by this Agreement. Upon receipt by the Company of a Notice of Agreement from the Reinsurer or if no Reinsurer's Objection is received by the Company prior to the expiration of the Review Period, the Actual Initial Coinsurance Premium, the SPA Adjusted Coinsurance Premium and the Reinsurer's calculation of the Initial Coinsurance Premium Adjustment (as set forth in the Initial Coinsurance Premium

Reconciliation Statement) and the SPA Coinsurance Premium Adjustment (as set forth in the SPA Coinsurance Premium Reconciliation Statement) shall be deemed to have been accepted by the Reinsurer and will become final and binding upon the Parties in accordance with the last sentence of Section 11.1(c).

(b) If the Reinsurer timely delivers a Reinsurer's Objection to the Company, the Company shall have thirty (30) days from the date of such delivery to review and respond to such Reinsurer's Objection (the "Consultation Period"). The Parties shall use reasonable, good faith efforts to resolve any disagreements that they may have with respect to the matters set forth in the Reinsurer's Objection. If the Parties are unable to resolve all of their disagreements with respect to the matters set forth in the Reinsurer's Objection within ten (10) Business Days following the expiration of the Consultation Period, then the Parties shall submit all matters that remain in dispute with respect to the Reinsurer's Objection (along with a copy of the Initial Coinsurance Premium Reconciliation Statement, SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein, marked to indicate those line items that are still in dispute) to an independent internationally recognized accounting firm of independent certified public accountants with appropriate actuarial expertise mutually agreed upon by the Parties (the "CPA Firm"), which shall, acting as an expert and not as an arbitrator, make a final determination, on the basis of the standards set forth in Section 2.3 hereof, and only with respect to any remaining differences submitted to the CPA Firm, in accordance with this Section 11.1(b), of the appropriate amount of each line item in the Initial Coinsurance Premium Reconciliation Statement, SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein as to which the Parties disagree (such items that remain in dispute, the "Unresolved Items").

(c) The Parties shall instruct the CPA Firm to deliver its written determination to the Reinsurer and the Company no later than fifteen Business Days after the Unresolved Items are referred to the CPA Firm. The CPA Firm's determination shall include a certification that it reached such determination in accordance with this Section 11.1(c) and shall be conclusive and binding upon the Parties, absent fraud or clear and manifest error. With respect to each Unresolved Item, the CPA Firm's determination, if not in accordance with the position of either the Company or the Reinsurer, shall not be more favorable to the Reinsurer than the amounts advocated by the Reinsurer in the Reinsurer's Objection or more favorable to the Company than the amounts advocated by the Company in the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement or the Company's calculations of the amounts set forth therein with respect to such disputed line item and/or calculation. For the avoidance of doubt, (i) the CPA Firm's review of the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement and the Company's calculation of the amounts set forth therein shall be limited to a determination of whether such documents and calculations were prepared in accordance with Section 2.3, and (ii) the CPA Firm shall not review any line items or make any determination with respect to any matters other than the Unresolved Items that were referred to the CPA Firm for resolution pursuant to this Section 11.1(c). The determination of the amounts set forth in the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, that are final and binding on the Parties, as determined either through (1) the Reinsurer's delivery of a Notice of Agreement pursuant to Section 11.1(a), (2) the Reinsurer's failure to deliver Reinsurer's Objection prior to expiration of the Review Period pursuant to Section 11.1(a), (3) agreement by the Parties during the Consultation Period or (4) the determination of the CPA Firm pursuant to this Section 11.1(c) are referred to herein as the "finalized Actual Initial Coinsurance Premium," the "finalized Initial Coinsurance Premium Adjustment," the "finalized Fair Market Value of the Transferred Assets as of the Effective Date," the "finalized SPA Adjusted Coinsurance Premium," the "finalized SPA Coinsurance Premium Adjustment" and the "finalized Statutory Book Value of the Funds Withheld Assets as of the Effective Date," as the case may be.

(d) The Parties agree that judgment may be entered upon the CPA Firm's determination in any court having jurisdiction over the Reinsurer or the Company or their respective assets, as the case may be. The fees and disbursements of the CPA Firm shall be paid by the Parties in proportion to those matters submitted to the CPA Firm that are resolved against that Party, as such fees and disbursements are allocated by the CPA Firm in accordance with this Section 11.1 at the time of the CPA Firm's determination. At any time following delivery of the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement, as applicable, the Reinsurer shall provide to the Company and its Representatives full access to books and records and other information with respect to the Reinsured Policies, the Net Retained Liabilities and the Ceding Commission, including work papers of its accountants (subject to execution by the Company and/or its Representatives, as applicable, of a customary hold-harmless agreement in form and substance reasonably acceptable to such accountants), and to any employees during regular business hours and on reasonable advance notice, to the extent necessary for the Company to prepare the Initial Coinsurance Premium Reconciliation Statement or the SPA Coinsurance Premium Reconciliation Statement or to prepare materials for presentation to the CPA Firm. The Parties shall make readily available to the CPA Firm, during regular business hours and on reasonable advance notice, interviews with such employees, and all relevant information, books and records and any work papers of their respective accountants (in each case, subject to execution by the CPA Firm of a customary hold-harmless agreement in form and substance reasonably acceptable to such accountants) relating to the Initial Coinsurance Premium Reconciliation Statement, the SPA Coinsurance Premium Reconciliation Statement and any Unresolved Items and all other items reasonably required by the CPA Firm to fulfill its obligations under Section 11.1(c). In acting under this Section 11.2, the CPA Firm will be entitled to the privileges and immunities of an arbitrator.

(e) For the avoidance of doubt, this Section 11.1 shall not apply to any dispute between the Parties with respect to the interpretation of any provision, term or condition of this Agreement.

Section 11.2 Disputes over Calculations. After the Effective Date, any dispute between the Parties with respect to the calculation of amounts that are to be calculated or reported pursuant to this Agreement (other than disputes with respect to the Actual Initial Coinsurance Premium and the SPA Adjusted Initial Coinsurance Premium, which shall be resolved in accordance with Section 11.1 hereof), including disputes with respect to any Net Settlement, calculations relating to DAC tax, valuation of the assets held in the Trust Account or the amount of the Reinsurer Termination Payment or the Company Termination Payment, that cannot be resolved by the Parties within sixty (60) calendar days, shall be referred to an independent accounting firm of national recognized standing (which shall not have any material relationship with the Reinsurer or the Company) mutually agreed to by the Parties; provided, however, that where the dispute involves an actuarial issue, the dispute shall instead be referred to an independent actuarial firm of national recognized standing (which shall not have any material relationship with the Reinsurer or the Company) mutually agreed to by the Parties. Within twenty (20) Business Days following the selection of the accounting firm or actuarial firm, as applicable, the Parties shall submit their positions and supporting documentation to such accounting firm or actuarial firm. Within forty (40) Business Days of such submission, the accounting firm or actuarial firm, as applicable, shall, in light of the evidence provided by both Parties, determine the calculations in dispute within the range of difference between the Reinsurer's position thereto and the Company's position thereto. There shall be no appeal from the decision made by such firm, which shall be final and binding (absent fraud or clear and manifest error), except that, either Party may petition a court having jurisdiction over the other Party or its assets to reduce the arbitrator's decision to judgment. The fees charged by the accounting firm or actuarial firm, as applicable, to resolve the dispute shall be allocated between the Company and the Reinsurer by such firm in accordance with its judgment as to the relative merits of the Parties' positions in respect of the dispute. For the avoidance of doubt, this Section 11.2 shall not apply to any dispute between the Parties with respect to the interpretation of any provision, term or condition of this Agreement.

ARTICLE XII
INDEMNIFICATION

Section 12.1 Indemnification of the Reinsurer by the Company. From and after the Effective Date, the Company shall indemnify, defend and hold harmless the Reinsurer and its officers, directors and authorized Representatives (the "Reinsurer Indemnified Parties") from and against, and pay and reimburse the Reinsurer Indemnified Parties for, all Losses imposed on, sustained, incurred or suffered by, or asserted against, the Reinsurer Indemnified Parties (a) solely as a result of actions or omissions of the Company, but only to the extent such actions or omissions of the Company constitute gross negligence or bad faith and were not taken or omitted at the direction of the Reinsurer or consented to by the Reinsurer, (b) arising out of any breach or nonfulfillment by the Company of, or any failure by the Company to perform, any of the covenants, terms or conditions of or any of its duties or obligations under this Agreement unless such breach, nonfulfillment or failure arises out of or results from the action or omission of the Reinsurer pursuant to the Administrative Services Agreement or (c) arising out of the Company's rejection of a written recommendation of the Reinsurer given in accordance with Section 2.8(b); provided, however, that except as provided in Section 2.8(b) and clause (c) of this Section 12.1, the Company shall have no obligation to indemnify, defend and hold harmless the Reinsurer Indemnified Parties for any Reinsured Liabilities.

Section 12.2 Indemnification of the Company by the Reinsurer. From and after the Effective Date, the Reinsurer shall indemnify, defend and hold harmless the Company, and its officers, directors and authorized Representatives (the "Company Indemnified Parties") from and against, and pay and reimburse the Company Indemnified Parties for, all Losses imposed on, sustained or incurred or suffered by, or asserted against, the Company Indemnified Parties to the extent such Losses (a) constitute Reinsured Liabilities, (b) arise out of any breach or nonfulfillment by the Reinsurer of, or any failure by the Reinsurer to perform, any of the covenants, terms or conditions of or any of its duties or obligations under this Agreement unless such breach, nonfulfillment or failure arises out of or results from the action or omission of the Company or its Affiliates pursuant to the Transition Services Agreement, (c) arise out of written instructions of the Reinsurer given pursuant to Section 2.5 or 3.2 hereof, or (d) arise out of the Company following a written recommendation of the Reinsurer given in accordance with Section 2.8(b).

ARTICLE XIII
CONFIDENTIALITY

Section 13.1 Confidentiality. Except as provided in the Other Transaction Agreements, each of the Reinsurer and the Company agrees to hold any Confidential Information with respect to the other Party in strictest confidence and to take all reasonable steps to ensure that such Confidential Information is not disclosed in any form by any means by it or by its Affiliates, employees, advisors, agents or administrators (collectively, "Representatives") to third parties of any kind or used by it or its Representatives for any purpose other than the performance of its obligations under this Agreement; provided that the foregoing obligation shall not prohibit disclosure of any such information (a) if required by Applicable Law or stock exchange rules, or if required or requested by any Governmental Entity (provided in the case of this clause (a) that the disclosing party shall allow (to the extent permitted by Applicable Law and reasonably practicable) the other Party a reasonable opportunity to comment on such disclosure in advance of such disclosure); (b) to the disclosing Party's Representatives, auditors or ratings agencies, provided, that such Representatives, auditors or ratings agencies are made aware of the provisions of this Article XIII; (c) to the extent that the information has been made public by or on behalf of, or with the prior consent of, the non-disclosing Party; (d) if required in connection with any report required to be filed or submitted with any Governmental Entity; (e) to a retrocessionaire of the Reinsurer; (f) to the extent reasonably necessary in connection with any dispute with respect to this Agreement; and (g) as necessary for the Reinsurer to perform its obligations as Administrator under the Administrative Services Agreement. The Reinsurer agrees to hold medical, financial and other personal information about proposed, current, and former policyowners, insureds, applicants and beneficiaries of Policies in confidence to the extent required to be held in confidence under Applicable Law and the Reinsurer's privacy policy or policies and shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of such information which are no less rigorous than those maintained by Reinsurer for its own information of a similar nature. Notwithstanding anything to the contrary, for purposes of this Section 13.1, the Reinsurer, in its capacity as Administrator on behalf of the Company, shall not be considered an advisor, agent or administrator of the Company.

ARTICLE XIV
REPRESENTATIONS AND WARRANTIES

Section 14.1 Representations and Warranties of Reinsurer. The Reinsurer hereby represents and warrants to the Company as of the Effective Time:

(a) Organization, Standing and Authority. The Reinsurer is a corporation duly organized and validly existing under the laws of the State of Iowa and has all requisite power and authority to own, lease and operate its assets, properties and business and to carry on the operations of its business as they are now being conducted, except where the failure to have such authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect. The Reinsurer is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(b) Authorization. The Reinsurer has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Reinsurer, and, subject to the due execution and delivery by the Company, this Agreement is valid and the binding obligation of the Reinsurer, enforceable against the Reinsurer in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other similar laws now or hereafter in effect relating to or affecting the rights of creditors of insurance companies or creditor's rights generally and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(c) Actions and Proceedings. There are no outstanding orders, decrees or judgments by or with any Governmental Entity applicable to the Reinsurer or its properties or assets that, individually or in the aggregate, have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. There are no actions, suits, arbitrations or legal, administrative or other proceedings pending or, to the knowledge of the Reinsurer, threatened against, at law or in equity, or before or by any Governmental Entity or before any arbitrator of any kind which would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) No Conflict or Violation. The execution, delivery and performance by the Reinsurer of this Agreement and the consummation of the transactions contemplated hereby in accordance with the terms and conditions hereof will not: (i) violate any provision of the charter, bylaws or other organizational document of the Reinsurer, (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of the effect of, otherwise give any other contracting party the right to terminate or constitute (or with notice or lapse of time or both, constitute) a default under, any contract to which the Reinsurer is a party or by or to which its properties may be bound or subject, (iii) violate any order, judgment, injunction, award or decree of any arbitrator or Governmental Entity, or any agreement with, or condition imposed by, any arbitrator or Governmental Entity, binding upon, the Reinsurer, (iv) violate any Applicable Law or (v) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment of, any license or authorization related to the Reinsurer's business or necessary to enable the Reinsurer to perform its obligations under this Agreement, except for any such violations, conflicts or breaches which would not individually or in the aggregate reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(e) Brokers and Financial Advisers. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, the Reinsurer in connection with this Agreement or the transactions contemplated hereby.

Section 14.2 Representations and Warranties of the Company. The Company hereby represents and warrants to the Reinsurer as of the Effective Time:

(a) Organization, Standing and Authority. The Company is a corporation duly organized and validly existing under the laws of the State of Iowa and has all requisite power and authority to own, lease and operate its assets, properties and business and to carry on the operations of its business as they are now being conducted, except where the failure to have such authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Company, and, subject to the due execution and delivery by the Reinsurer, this Agreement is valid and the binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other similar laws now or hereafter in effect relating to or affecting the rights of creditors of insurance companies or creditor's rights generally and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(c) Actions and Proceedings. There are no outstanding orders, decrees or judgments by or with any Governmental Entity applicable to the Company or its properties or assets that, individually or in the aggregate, have a material adverse effect on the Company's ability to perform its obligations under this Agreement. There are no actions, suits, arbitrations or legal, administrative or other proceedings pending or, to the knowledge of the Company, threatened against, at law or in equity, or before or by any Governmental Entity or before any arbitrator of any kind which would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(d) No Conflict or Violation. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby in accordance with the terms and conditions hereof will not: (i) violate any provision of the charter, bylaws or other organizational document of the Company, (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of the effect of, otherwise give any other contracting party the right to terminate or constitute (or with notice or lapse of time or both, constitute) a default under, any contract to which the Company is a party or by or to which its properties may be bound or subject, (iii) violate any order, judgment, injunction, award or decree of any arbitrator or Governmental Entity, or any agreement with, or condition imposed by, any arbitrator or Governmental Entity, binding upon, the Company, (iv) violate any Applicable Law or (v) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment of, any license or authorization related to the Company's business or necessary to enable the Company to perform its obligations under this Agreement, except for any such violations, conflicts or breaches which would not individually or in the aggregate reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(e) Brokers and Financial Advisers. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, the Company in connection with this Agreement or the transactions contemplated hereby.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Errors and Omissions. If any delay, omission, error or failure to pay amounts due or to perform any other act required by this Agreement is caused by mistake, misunderstanding or oversight, the Parties will equitably adjust the situation to what it would have been had the mistake, misunderstanding or oversight not occurred, and the reinsurance provided hereunder will not be invalidated. Should it not be possible to adjust the situation, it will be resolved in accordance with dispute resolution procedures mutually selected by the Parties.

Section 15.2 Offset and Recoupment. Any debits or credits incurred on or after the Effective Time in favor of or against either the Company or the Reinsurer with respect to this Agreement are deemed mutual debits or credits and may be set off and recouped, and only the net balance shall be allowed or paid hereunder. In the event of any insolvency, liquidation, rehabilitation, conservatorship, supervision, receivership or comparable proceeding by or against the Company or the Reinsurer, the rights of offset and recoupment set forth in this Section 15.2 shall apply to the fullest extent permitted by Applicable Law.

Section 15.3 Expenses. Except as otherwise provided in this Agreement each Party shall bear its own costs and expenses incurred in connection with the transactions contemplated by this Agreement. All transfer, sales, use, value added, excise, stock transfer, documentary, stamp, recording, registration and any similar taxes that become payable as a result of the acquisition by the Reinsurer from the Company of the Transferred Assets (including any real property transfer tax and any similar tax) or the allocation of the Funds Withheld Assets to the Funds Withheld Account shall be borne fifty percent (50%) by the Company and fifty percent (50%) by the Reinsurer.

Section 15.4 Parties to this Agreement. This is an agreement for indemnity reinsurance solely between the Company and the Reinsurer. The performance of the obligations of each Party under this Agreement shall be rendered solely to the other Party. The acceptance of risks under this Agreement shall create no right or legal relationship between the Reinsurer and the insured, owner or beneficiary of any insurance policy or other contract of the Company.

Section 15.5 Authority. Neither the Company nor the Reinsurer shall have any power or authority to act for or on behalf of the other except as expressly granted herein or in the Administrative Services Agreement or Transition Services Agreement, and no other or greater power or authority shall be implied by the grant or denial of power or authority specifically mentioned herein. No employee or agent of either Party shall be considered an employee or agent of the other.

Section 15.6 No Assignment. This Agreement may not be assigned by either of the Parties hereto without the prior written approval of the other Party. Notwithstanding the foregoing, the Reinsurer shall not be prohibited from further transfer of risks accepted hereunder on a retrocession or other basis without the prior approval of the Company; provided that any transfer shall not relieve the Reinsurer of its obligations under this Agreement.

Section 15.7 Notices. Any notice, approval, request, consent, instruction, or other document to be given hereunder by any Party hereto to the other Party hereto will be delivered by personal delivery, overnight express or facsimile (followed by telephone confirmation with the intended recipient), as follows:

If to the Company, to:

Aviva Life and Annuity Company

[●]

with copies (which shall not constitute notice) to:

[●]

and

Sidley Austin LLP
1 South Dearborn
Chicago, Illinois 60603
Telephone: (312) 853-7061
Facsimile: (312) 853-7036
Attn: Perry J. Shwachman, Esq.

and

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5835
Facsimile: (212) 839-5599
Attn: Jonathan J. Kelly, Esq.

If to the Reinsurer, to:

[Presidential Life Insurance Company - USA]
[c/o Commonwealth Annuity and Life Insurance Company]
132 Turnpike Road Suite 210
Southborough, Massachusetts 01772
Telephone: (508) 460-2408
Facsimile: (212) 493-9888
Attn: Scott Silverman, Esq.

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 909 6647
Facsimile: (212) 909 6836
Attn: John M. Vasily, Esq.
Thomas M. Kelly, Esq.

or at such other address for a Party as will be specified by like notice. Each notice or other communication required or permitted under this Agreement that is addressed as provided in this Section 15.7 will be deemed given upon delivery.

Section 15.8 Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of the Company or the Reinsurer under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement, and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 15.9 Announcements. Except as required by Applicable Law or in connection with public disclosure to investors or analysts, the content and timing of public announcements by either Party concerning the transactions contemplated by this Agreement must be approved in advance by both Parties, but such approval shall not be unreasonably withheld, conditioned or delayed.

Section 15.10 Schedules, Annexes and Exhibits. All Schedules, Annexes and Exhibits to this Agreement are attached hereto and are incorporated herein by reference. The provisions of this Agreement (without reference to any attached Schedules, Annexes and Exhibits) shall be deemed to control in the event of any inconsistency or conflict between the provisions of this Agreement (without reference to any attached Schedules, Annexes and Exhibits) and the Schedules, Annexes and Exhibits attached hereto.

Section 15.11 Entire Agreement. This Agreement (including all Exhibits, Annexes and Schedules hereto), and the Other Transaction Agreements constitute the entire agreement, and supersede all prior agreements, understandings, representations and warranties, both written and oral, between the Parties with respect to the subject matter of this Agreement and such other agreements. Except as set forth in Sections 12.1 and 12.2 with respect to the Reinsurer Indemnified Parties and the Company Indemnified Parties, this Agreement is not intended to and shall not confer upon any Person other than the Parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns any rights or remedies.

Section 15.12 Binding Effect. This Agreement is binding upon, and will inure to the benefit of, the Parties and their respective permitted assignees and successors (including any liquidator, rehabilitator, receiver or conservator of a Party).

Section 15.13 Waiver and Amendment. This Agreement may be modified or amended only by a writing duly executed by the Company and the Reinsurer. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof. A waiver must be in writing and must be executed by such Party. A waiver on any occasion shall not be deemed to be a waiver of the same or any term or condition on a future occasion.

Section 15.14 Headings. The headings in this Agreement are for reference purposes only and shall not affect the interpretation of this Agreement.

Section 15.15 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

Section 15.16 No Prejudice. The Parties agree that this Agreement has been jointly negotiated and drafted by the Parties hereto and that the terms hereof shall not be construed in favor of or against any Party on account of its participation in such negotiations and drafting.

Section 15.17 Governing Law; Jurisdiction; Enforcement.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of law rules thereof, except that the laws of the State of Iowa shall apply with respect to insurance and reinsurance matters, including credit for reinsurance.

(b) Subject to Section 11.1 and Section 11.2, each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York County, for purposes of all legal proceedings arising out of or relating to this Agreement, or the transactions contemplated by this Agreement, or for recognition and enforcement of any judgment in respect thereof. In any such action, suit or other proceeding, each party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of the venue of any such proceedings brought in such court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each party also agrees that any final and unappealable judgment against a party in connection with any action, suit or other proceeding shall be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment. Each party agrees that any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered, sent or mailed in accordance with Section 15.7, constitute good, proper and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.17.

Section 15.18 Further Assurances. Each Party shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that the other Party may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers, effective as of the date first written above.

AVIVA LIFE AND ANNUITY COMPANY

By:________________________________
Name:
Title:

[Presidential Life Insurance Company - USA]

By:________________________________
Name:
Title:

<u>Exhibit 5(b)(i)(C)</u>

Form of Trust Agreement by and Among ALAC, PLIC-USA and the Trustee

Submitted confidentially under separate cover.

Exhibit 5(b)(i)(D)

Form of Transition Services Agreement by and Between AUSA and CALIC

Submitted confidentially under separate cover.

Exhibit 5(b)(i)(E)

Form of Administrative Services Agreement by and Between ALAC and PLIC-USA

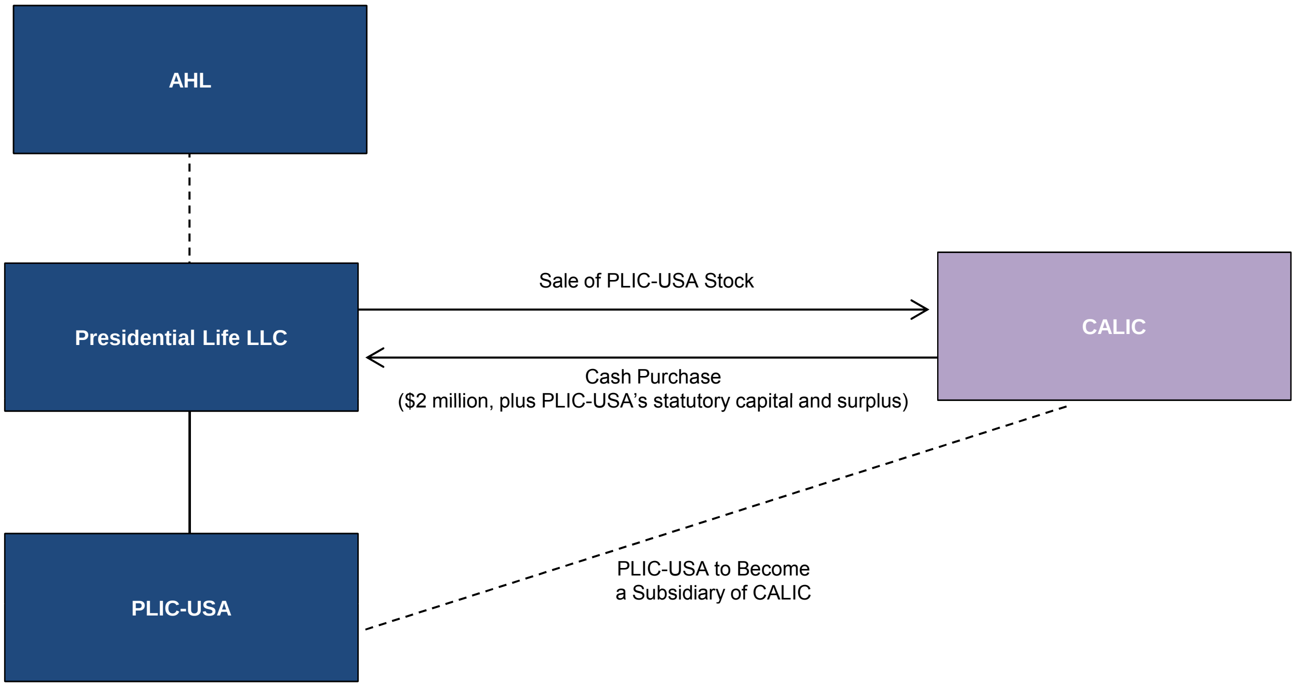
Submitted confidentially under separate cover.

<u>Exhibit 5(c)(i)</u>

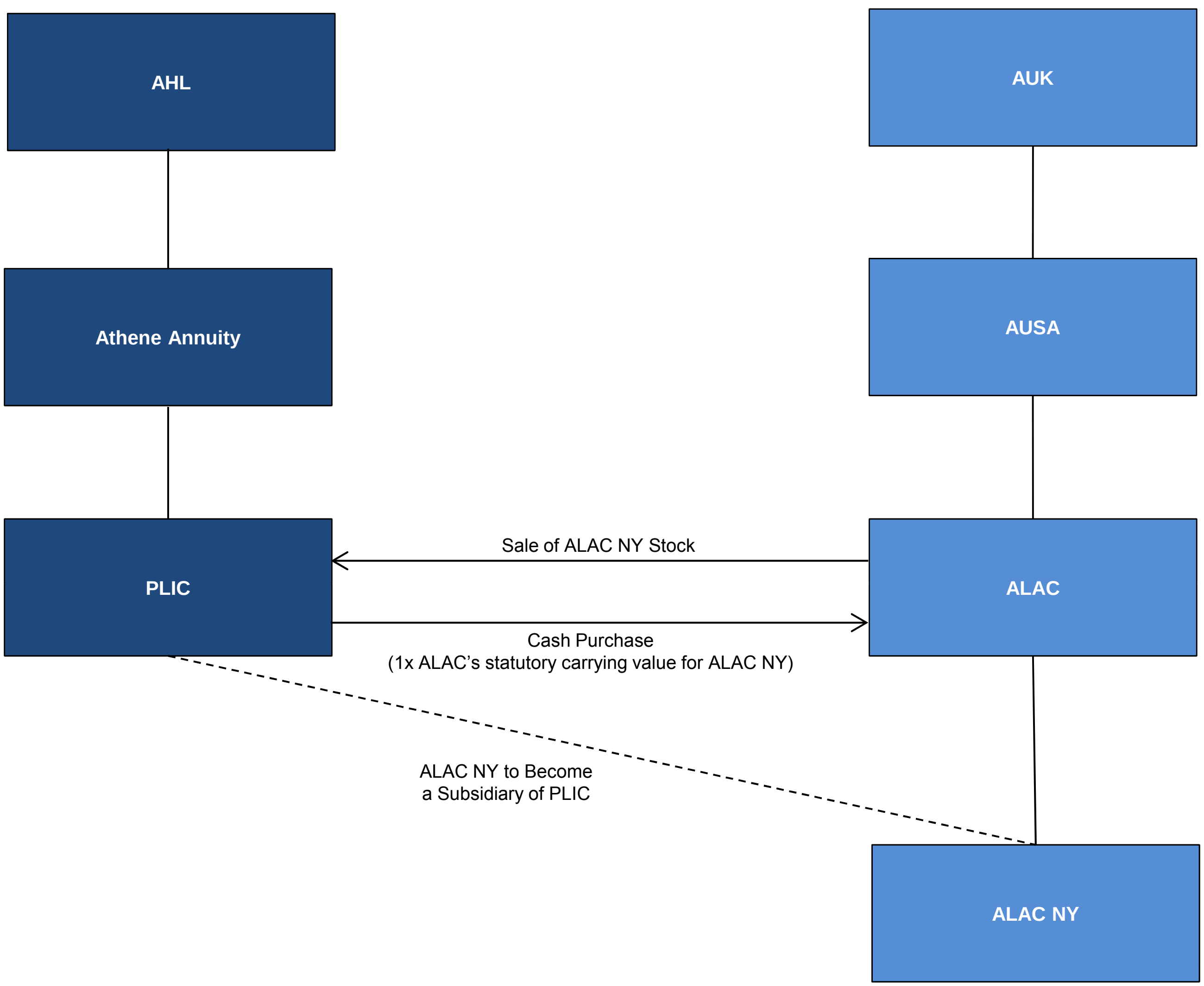
Organization Charts of Athene Holding Reflecting the Proposed Internal Restructuring Transactions

Please see attached.

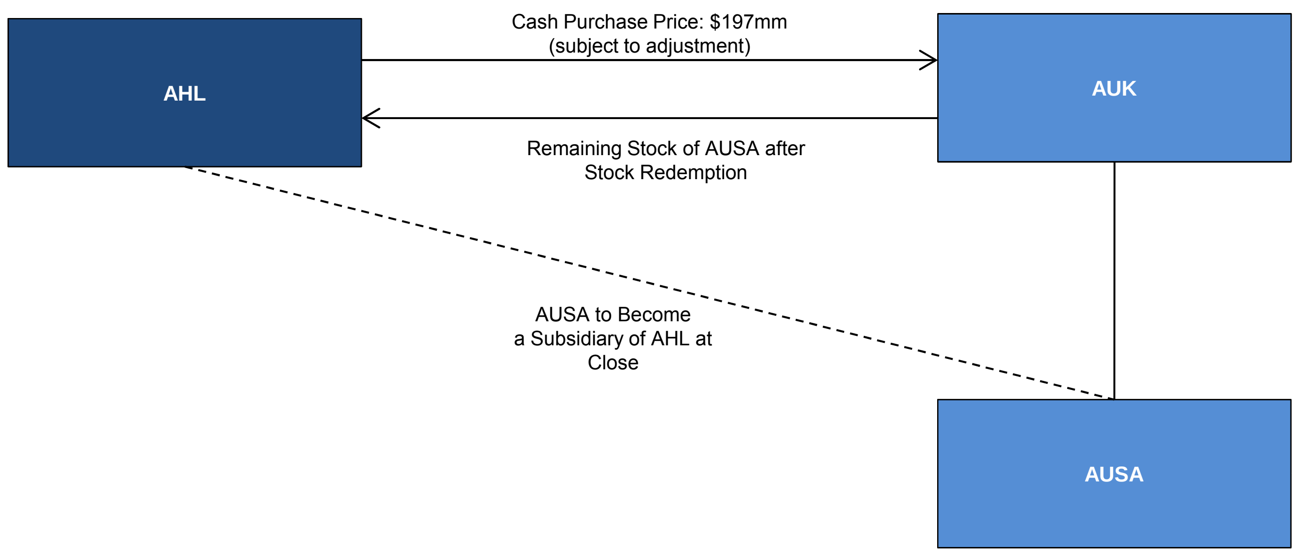
Sale of PLIC-USA to CALIC: Two Business Days Prior to Closing



Purchase of ALAC NY by PLIC: Immediately Prior to Closing

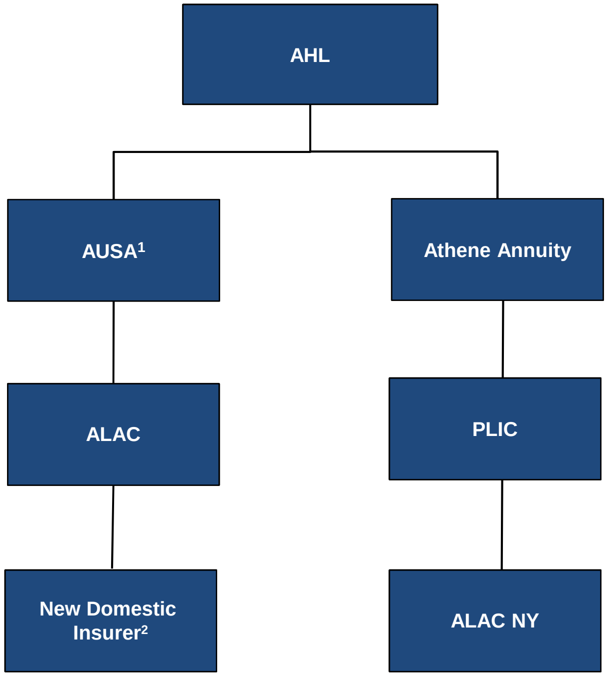


Purchase of AUSA: At Closing



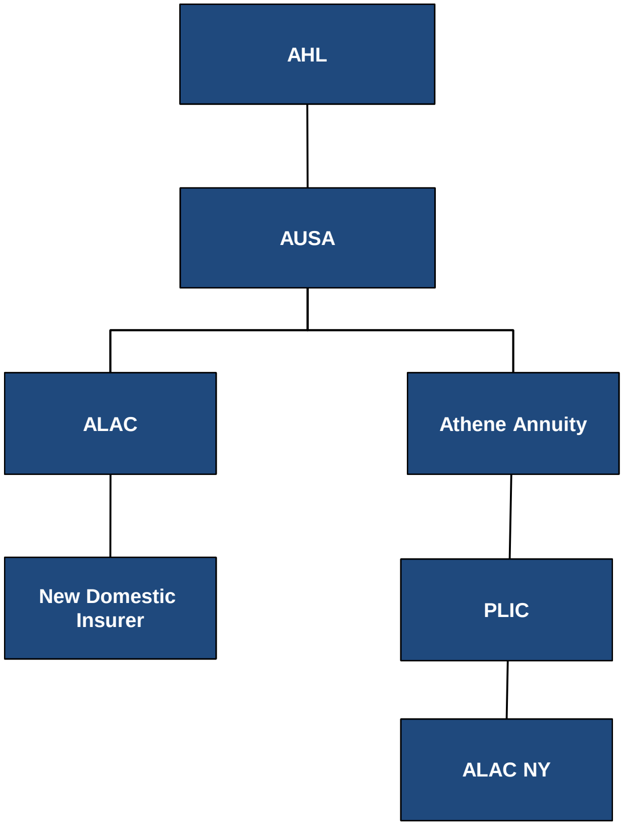
Athene Post-Acquisition Internal Restructuring Transactions

AHL Summary Organizational Structure
Immediately Following Acquisition of AUSA



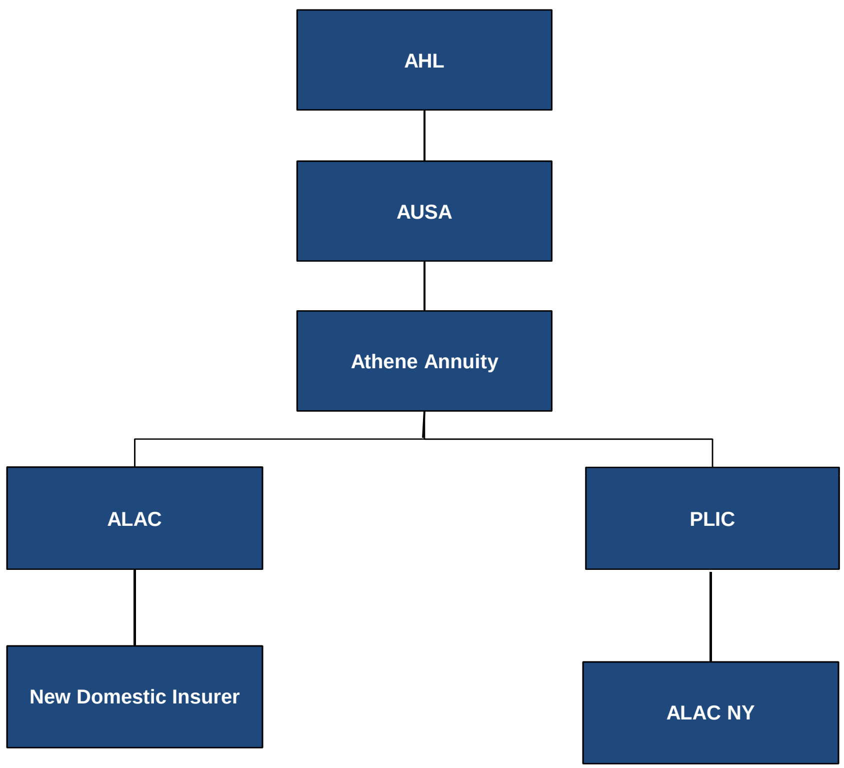
1. AUSA will change its name to "Athene USA" following acquisition by AHL.
2. As used herein, the "New Domestic Insurer" refers to Structured Annuity Reinsurance Company, a newly formed Iowa life insurance company.

Step 1 (Immediately Following Closing):
AHL Contribution of Athene Annuity to AUSA

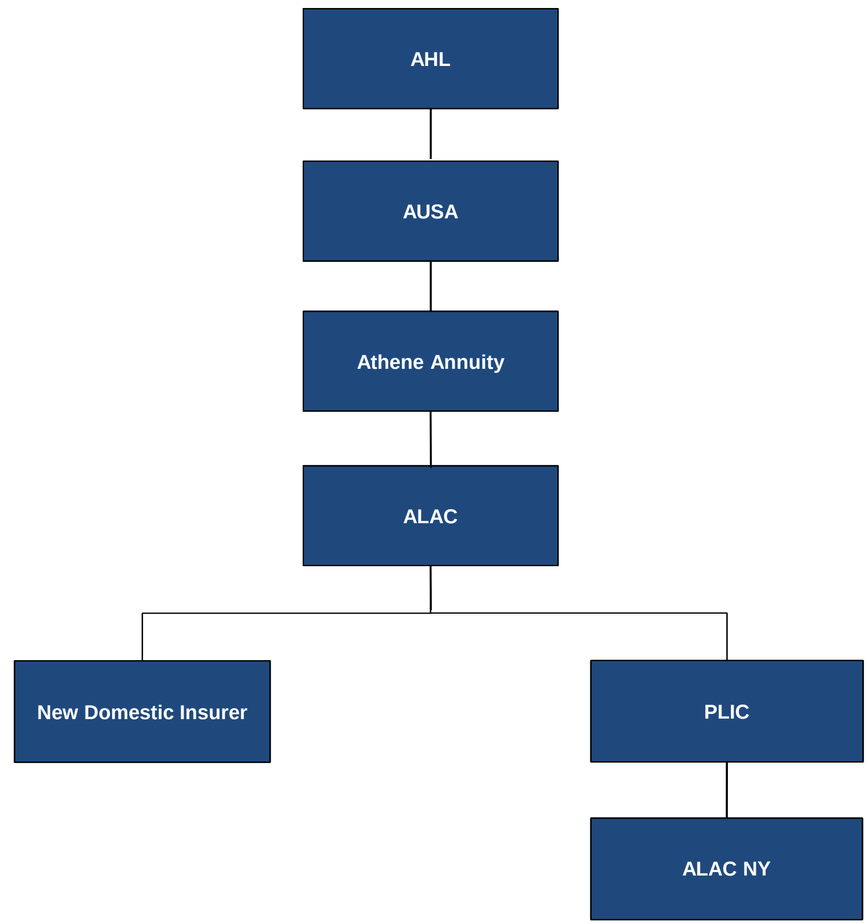


Athene Post-Acquisition Internal Restructuring Transactions (cont.)

Step 2 (Immediately Following Closing):
AUSA Contribution of ALAC to Athene Annuity



Step 3 (Immediately Following Closing):
Athene Annuity Contribution of PLIC to ALAC



ALAC NY – Merger with PLIC

Step 4 (Subject to Receipt of Required Approvals):
ALAC NY Merger with PLIC

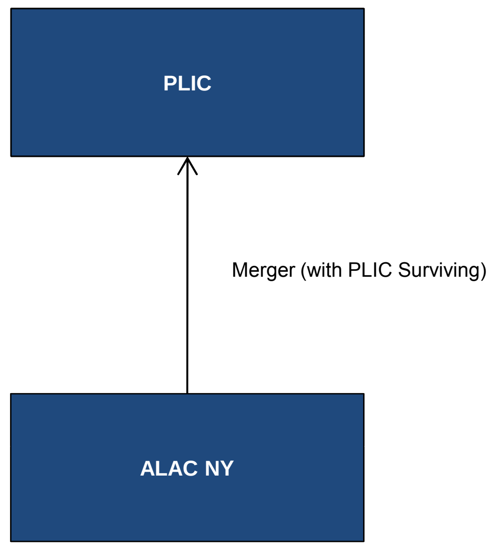


Exhibit 5(d)

Competitive Impact

Set forth below are the market shares in Iowa of Athene Holding Ltd.'s ("Athene") and Aviva USA Corporation's ("AUSA") U.S. subsidiaries by line of business for 2011 as reported by A.M. Best. Applying the criteria set forth in the NAIC's Model Insurance Holding Company System Regulatory Act, the combined market share of Athene and AUSA is less than 5% of the total market for each line of business, which would fully exempt the Proposed Acquisition from application of the pre-acquisition notification requirements. Accordingly, the Proposed Acquisition will not substantially lessen competition in any line of business in Iowa or tend to create a monopoly in any line of business in Iowa.

Line of Business	2011 Market Share		
	Total Market Share of Athene Holding's U.S. Subsidiaries[1]	Total Market Share of AUSA's U.S. Subsidiaries	Combined Total Market Share
Ordinary Life	0.08%	3.03%	3.11%
Credit Life	0.00%	0.00%	0.00%
Group Life	0.03%	(0.01%)	0.02%
Industrial Life	0.21%	0.00%	0.21%
Individual Annuities	0.07%	3.04%	3.11%
Group Annuities	0.00%	0.08%	0.08%
Individual Deposit Type Contracts	0.10%	4.60%	4.70%
Group Deposit Type Contracts	0.00%	0.00%	0.00%
Individual Other Considerations	0.00%	0.00%	0.00%
Group Other Considerations	0.00%	0.07%	0.07%
Accident & Health Group Policies	0.00%	0.00%	0.00%
Collectively Renewable Accident & Health	0.00%	0.00%	0.00%
Credit Accident & Health	0.00%	0.00%	0.00%
Federal Employee Health Benefits	0.05%	0.00%	0.05%
Guaranteed Renewable Accident and Health	0.01%	0.00%	0.01%
Medicare Title XVIII	0.00%	0.00%	0.00%
Non-Cancellable Accident & Health	0.00%	0.13%	0.13%
All Other Accident & Health	0.02%	0.20%	0.22%

[1] Restated to include market share of Presidential Life Corporation's U.S. subsidiaries, which were acquired by Athene in December 2012. As set forth herein, the Combined Total Market Share does not reflect the reduction in market share that would result from the sale through reinsurance of all of ALAC's life insurance business to CALIC as further described in Item 5 of the Amendment.

Exhibit 12(b)(1)

Financial Statements of AGM

Please see attached.

Audited Consolidated Financial Statements of AGM for the Year Ended December 31, 2012

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

New York, New York
March 1, 2013

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2012 AND DECEMBER 31, 2011
(dollars in thousands, except share data)

	December 31, 2012	December 31, 2011
Assets:		
Cash and cash equivalents	$ 946,225	$ 738,679
Cash and cash equivalents held at Consolidated Funds	1,226	6,052
Restricted cash	8,359	8,289
Investments	2,138,096	1,857,465
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,682,696	173,542
Investments, at fair value	12,689,535	3,301,966
Other assets	299,978	57,855
Carried interest receivable	1,878,256	868,582
Due from affiliates	173,312	176,740
Fixed assets, net	53,452	52,683
Deferred tax assets	542,208	576,304
Other assets	36,765	26,976
Goodwill	48,894	48,894
Intangible assets, net	137,856	81,846
Total Assets	**$ 20,636,858**	**$ 7,975,873**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 38,337	$ 33,545
Accrued compensation and benefits	56,125	45,933
Deferred revenue	252,157	232,747
Due to affiliates	477,451	578,764
Profit sharing payable	857,724	352,896
Debt	737,818	738,516
Liabilities of consolidated variable interest entities:		
Debt, at fair value	11,834,955	3,189,837
Other liabilities	634,053	122,264
Other liabilities	44,855	33,050
Total Liabilities	**14,933,475**	**5,327,552**
Commitments and Contingencies (see note 16)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 130,053,993 shares and 123,923,042 shares issued and outstanding at December 31, 2012, and 2011, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2012, and 2011	—	—
Additional paid in capital	3,043,334	2,939,492
Accumulated deficit	(2,142,020)	(2,426,197)
Appropriated partners' capital	1,765,360	213,594
Accumulated other comprehensive income (loss)	144	(488)
Total Apollo Global Management, LLC shareholders' equity	2,666,818	726,401
Non-Controlling Interests in consolidated entities	1,893,212	1,444,767
Non-Controlling Interests in Apollo Operating Group	1,143,353	477,153
Total Shareholders' Equity	**5,703,383**	**2,648,321**
Total Liabilities and Shareholders' Equity	**$ 20,636,858**	**$ 7,975,873**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Revenues:			
Advisory and transaction fees from affiliates	$ 149,544	$ 81,953	$ 79,782
Management fees from affiliates	580,603	487,559	431,096
Carried interest income (loss) from affiliates	2,129,818	(397,880)	1,599,020
Total Revenues	2,859,965	171,632	2,109,898
Expenses:			
Compensation and benefits:			
Equity-based compensation	598,654	1,149,753	1,118,412
Salary, bonus and benefits	274,574	251,095	249,571
Profit sharing expense	871,394	(63,453)	555,225
Incentive fee compensation	739	3,383	20,142
Total Compensation and benefits	1,745,361	1,340,778	1,943,350
Interest expense	37,116	40,850	35,436
Professional fees	64,682	59,277	61,919
General, administrative and other	87,961	75,558	65,107
Placement fees	22,271	3,911	4,258
Occupancy	37,218	35,816	23,067
Depreciation and amortization	53,236	26,260	24,249
Total Expenses	2,047,845	1,582,450	2,157,386
Other Income:			
Net gains (losses) from investment activities	288,244	(129,827)	367,871
Net (losses) gains from investment activities of consolidated variable interest entities	(71,704)	24,201	48,206
Income from equity method investments	110,173	13,923	69,812
Interest income	9,693	4,731	1,528
Other income, net	1,964,679	205,520	195,032
Total Other Income	2,301,085	118,548	682,449
Income (loss) before income tax provision	3,113,205	(1,292,270)	634,961
Income tax provision	(65,410)	(11,929)	(91,737)
Net Income (Loss)	3,047,795	(1,304,199)	543,224
Net (income) loss attributable to Non-Controlling Interests	(2,736,838)	835,373	(448,607)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617
Distributions Declared per Class A Share	$ 1.35	$ 0.83	$ 0.21
Net Income (Loss) Per Class A Share:			
Net Income (Loss) Per Class A Share – Basic and Diluted	$ 2.06	$ (4.18)	$ 0.83
Weighted Average Number of Class A Shares – Basic	127,693,489	116,364,110	96,964,769
Weighted Average Number of Class A Shares – Diluted	129,540,377	116,364,110	96,964,769

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Net Income (Loss)	**$3,047,795**	**$(1,304,199)**	**$ 543,224**
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $410, $855 and $1,449 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for the years ended December 31, 2012, 2011 and 2010, respectively)	2,653	6,728	11,435
Net (loss) income on available-for-sale securities (from equity method investment)	(11)	(225)	343
Total Other Comprehensive Income, net of tax	2,642	6,503	11,778
Comprehensive Income (Loss)	**3,050,437**	**(1,297,696)**	**555,002**
Comprehensive (Income) Loss attributable to Non-Controlling Interests	(922,172)	1,032,502	(446,467)
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	**$2,128,265**	**$ (265,194)**	**$ 108,535**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
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 adjustment relating to consolidation of variable interest entity	—	—	—	—	—	—	—	411,885	—	411,885
Capital increase related to equity-based compensation	—	—	376,380	—	—	—	376,380	—	735,698	1,112,078
Reclassification of equity-based compensation	—	—	(3,505)	—	—	—	(3,505)	—	—	(3,505)
Repurchase of Class A shares	(7,135)	—	(43)	—	—	—	(43)	—	—	(43)
Purchase of Class A shares	—	—	—	—	—	—	—	(48,768)	—	(48,768)
Capital contributions	—	—	—	—	—	—	—	187	—	187
Distributions	—	—	(24,115)	—	—	—	(24,115)	(166,918)	(50,400)	(241,433)
Distributions related to deliveries of Class A shares for RSUs	2,303,826	—	—	(2,876)	—	—	(2,876)	—	—	(2,876)
Non-cash distributions	—	—	—	(18)	—	—	(18)	(590)	—	(608)
Deconsolidation of fund	—	—	—	—	—	—	—	(7,204)	—	(7,204)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(7,014)	—	—	—	(7,014)	7,014	—	—
Satisfaction of liability related to AAA RDUs	—	—	7,594	—	—	—	7,594	—	—	7,594
Net income	—	—	—	94,617	11,359	—	105,976	409,356	27,892	543,224
Net income on available-for-sale securities (from equity method investment)	—	—	—	—	—	343	343	—	—	343
Net unrealized gain on interest rate swaps (net of taxes of $1,499 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,216	2,216	—	9,219	11,435
Balance at December 31, 2010	**97,921,232**	**1**	**$2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Issuance of Class A shares	21,500,000	—	382,488	—	—	—	382,488	—	—	382,488
Dilution impact of issuance of Class A shares	—	—	132,709	—	—	(356)	132,353	—	(127,096)	5,257
Capital increase related to equity-based compensation	—	—	451,543	—	—	—	451,543	—	696,361	1,147,904
Distributions	—	—	(115,139)	—	—	—	(115,139)	(349,509)	(199,199)	(663,847)
Distributions related to deliveries of Class A shares for RSUs	4,631,906	—	11,680	(17,081)	—	—	(5,401)	—	—	(5,401)
Repurchase for net settlement of Class A shares	(130,096)	—	—	(2,472)	—	—	(2,472)	—	—	(2,472)
Non-cash distributions	—	—	—	—	—	—	—	(3,176)	—	(3,176)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(6,524)	—	—	—	(6,524)	6,524	—	—
Satisfaction of liability related to AAA RDUs	—	—	3,845	—	—	—	3,845	—	—	3,845
Net (loss) income	—	—	—	(468,826)	202,235	—	(266,591)	(97,296)	(940,312)	(1,304,199)
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(225)	(225)	—	—	(225)
Net unrealized gain on interest rate swaps (net of taxes of $855 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	1,622	1,622	—	5,106	6,728
Balance at December 31, 2011	**123,923,042**	**1**	**$2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' Equity (Deficit)	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
Balance at January 1, 2012	**123,923,042**	**1**	**$2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**
Dilution impact of issuance of Class A shares	—	—	1,589	—	—	—	1,589	—	—	1,589
Capital increase related to equity-based compensation	—	—	282,288	—	—	—	282,288	—	313,856	596,144
Capital contributions	—	—	—	—	—	—	—	551,154	—	551,154
Distributions	—	—	(203,997)	—	(264,910)	—	(468,907)	(495,506)	(335,023)	(1,299,436)
Distributions related to deliveries of Class A shares for RSUs	6,130,951	—	9,090	(25,992)	—	—	(16,902)	—	—	(16,902)
Purchase of AAA shares	—	—	—	—	—	—	—	(102,072)	—	(102,072)
Non-cash distributions	—	—	—	(788)	—	—	(788)	(3,605)	—	(4,393)
Non-cash contributions to Non-controlling interests	—	—	—	—	—	—	—	2,547	—	2,547
Capital increase related to business acquisition (note 3)	—	—	14,001	—	—	—	14,001	—	—	14,001
Non-controlling interests in consolidated entities at acquisition date	—	—	—	—	—	—	—	306,351	—	306,351
Deconsolidation	—	—	—	—	—	—	—	(46,148)	—	(46,148)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(919)	—	—	—	(919)	919	—	—
Satisfaction of liability related to AAA RDUs	—	—	1,790	—	—	—	1,790	—	—	1,790
Net income	—	—	—	310,957	1,816,676	—	2,127,633	234,805	685,357	3,047,795
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(11)	(11)	—	—	(11)
Net unrealized gain on interest rate swaps (net of taxes of $410 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	643	643	—	2,010	2,653
Balance at December 31, 2012	**130,053,993**	**1**	**$3,043,334**	**$ (2,142,020)**	**$ 1,765,360**	**$ 144**	**$ 2,666,818**	**$ 1,893,212**	**$ 1,143,353**	**$ 5,703,383**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Cash Flows from Operating Activities:			
Net income (loss)	$ 3,047,795	$(1,304,199)	$ 543,224
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity-based compensation	598,654	1,149,753	1,118,412
Depreciation and amortization	10,226	11,132	11,472
Amortization of intangible assets	43,010	15,128	12,777
Amortization of debt issuance costs	511	511	44
Losses from investment in HFA	1,316	5,881	—
Non-cash interest income	(3,187)	(2,486)	—
Income from equity awards received for directors' fees	(2,536)	(19)	—
Income from equity method investment	(110,173)	(13,923)	(69,812)
Waived management fees	(6,161)	(23,549)	(24,826)
Non-cash compensation expense related to waived management fees	6,161	23,549	24,826
Change in fair value of contingent obligations	25,787	—	—
Deferred taxes, net	55,309	10,580	71,241
Gain on business acquisitions and dispositions	(1,951,897)	(196,193)	(29,741)
Loss on fixed assets	923	570	6,700
Changes in assets and liabilities:			
Carried interest receivable	(973,578)	998,491	(1,383,219)
Due from affiliates	5,779	(30,241)	(11,066)
Other assets	(7,901)	(7,019)	(7,880)
Accounts payable and accrued expenses	559	3,079	(5,052)
Accrued compensation and benefits	8,007	(6,128)	24,931
Deferred revenue	15,000	(21,934)	(69,949)
Due to affiliates	(103,773)	43,767	(33,529)
Profit sharing payable	361,606	(325,229)	503,589
Other liabilities	(5,052)	5,778	(7,573)
Apollo Funds related:			
Net realized (gains) losses from investment activities	(77,408)	11,313	(4,931)
Net unrealized (gains) losses from investment activities	(458,031)	113,114	(416,584)
Net realized gains on debt	—	(41,819)	(21,231)
Net unrealized losses on debt	497,704	19,880	55,040
Distributions from investment activities	99,675	30,248	58,368
Cash transferred in from consolidated funds	—	6,052	38,033
Change in cash held at consolidated variable interest entities	(348,138)	(17,400)	(87,556)
Purchases of investments	(7,525,473)	(1,294,477)	(1,240,842)
Proceeds from sale of investments and liquidating distributions	7,182,392	1,530,194	627,278
Change in other assets	(71,921)	(7,109)	(8,086)
Change in other liabilities	(49,634)	56,526	107,891
Net Cash Provided by (Used in) Operating Activities	**265,551**	**743,821**	**(218,051)**
Cash Flows from Investing Activities:			
Purchases of fixed assets	(11,259)	(21,285)	(5,601)
Acquisitions (net of cash assumed) (see note 3)	(99,190)	(29,632)	(1,354)
Proceeds from disposals of fixed assets	—	631	—
Cash received from business acquisition and disposition	—	—	21,624
Purchase of investments in HFA (see note 4)	—	(52,142)	—
Investment in Apollo Senior Loan Fund (see note 4)	—	(26,000)	—
Cash contributions to equity method investments	(126,917)	(64,226)	(63,459)
Cash distributions from equity method investments	152,645	64,844	38,868
Change in restricted cash	(70)	(1,726)	255
Net Cash Used in Investing Activities	**$ (84,791)**	**$ (129,536)**	**$ (9,667)**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Cash Flows from Financing Activities:			
Issuance of Class A shares	$ —	$ 383,990	$ —
Repurchase of Class A shares	—	(2,472)	(43)
Principal repayments of debt and repurchase of debt	(698)	(1,939)	(182,309)
Debt issuance costs	—	—	(3,085)
Issuance costs	—	(1,502)	—
Distributions related to deliveries of Class A shares for RSUs	(25,992)	(17,081)	(2,876)
Distributions to Non-Controlling Interests in consolidated entities	(8,779)	(13,440)	(13,628)
Contributions from Non-Controlling Interests in consolidated entities	4,069	—	187
Distributions paid	(202,430)	(102,598)	(21,284)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(335,023)	(199,199)	(50,400)
Apollo Funds related:			
Issuance of debt	1,413,334	454,356	1,050,377
Principal repayment of debt	(515,897)	(415,869)	(331,120)
Purchase of AAA shares	(102,072)	—	(48,768)
Distributions Paid	(264,910)	—	—
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(486,727)	(308,785)	(146,688)
Distributions paid to Non-Controlling Interests in consolidated entities	—	(27,284)	(6,602)
Contributions to Non-Controlling Interests in consolidated entities	547,085	—	—
Net Cash Provided by (Used in) Financing Activities	**21,960**	**(251,823)**	**243,761**
Net Increase in Cash and Cash Equivalents	202,720	362,462	16,043
Cash and Cash Equivalents, Beginning of Period	744,731	382,269	366,226
Cash and Cash Equivalents, End of Period	**$ 947,451**	**$ 744,731**	**$ 382,269**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 49,590	$ 49,296	$ 38,317
Interest paid by consolidated variable interest entities	116,392	20,892	12,522
Income taxes paid	7,128	10,732	13,468
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions on equity method investments	4,866	9,847	—
Non-cash distributions from equity method investments	(2,807)	(703)	—
Non-cash sale of assets held-for-sale for repayment of CIT loan	—	(11,069)	—
Non-cash distributions from investing activities	—	3,176	—
Change in accrual for purchase of fixed assets	(659)	967	(814)

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ (788)	$ —	$ (18)
Declared and unpaid distributions	(1,567)	(12,541)	(2,831)
Non-cash distributions to Non-Controlling Interests in consolidated entities	(3,605)	(3,176)	(590)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	313,856	696,361	735,698
Non-cash contributions from Non-Controlling Interests in consolidated entities	2,547	—	—
Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	2,010	5,106	9,219
Satisfaction of liability related to AAA RDUs	1,790	3,845	7,594
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	919	6,524	7,014
Net transfer of AAA ownership interest from AGM	(919)	(6,524)	(7,014)
Unrealized gain on interest rate swaps	1,053	2,477	3,715
Unrealized (loss) gain on available for sale securities (from equity method investment)	(11)	(225)	343
Capital increases related to equity-based compensation	282,288	451,543	376,380
Dilution impact of issuance of Class A shares	1,589	132,353	—
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group	—	(127,096)	—
Deferred tax asset related to interest rate swaps	(410)	(855)	(1,499)
Reclassification of equity-based compensation	—	—	(3,505)
Reclass of fixed assets to assets held for sale	—	—	11,331
Tax benefits related to deliveries of Class A shares for RSUs	(9,090)	(11,680)	—
Capital increase related to business acquisition	14,001	—	—
Satisfaction of liability related to repayment on CIT loan	—	11,069	—
Net Assets Transferred from Consolidated Funds:			
Cash	—	6,052	38,033
Investments	—	24,213	—
Other assets	—	609	443
Other liabilities	—	(4,874)	—
Net Assets Transferred from Consolidated Variable Interest Entities:			
Cash	1,161,016	68,586	—
Investments	8,805,916	2,195,986	1,102,114
Other assets	169,937	14,039	28,789
Debt	(7,255,172)	(2,046,157)	(706,027)
Other liabilities	(560,262)	(31,959)	(12,991)
Non-Controlling interest in consolidated entities related to acquisition	260,203	—	—
Net Assets of Deconsolidated Variable Interest Entities:			
Investments	—	—	419,198
Other assets	—	—	5,180
Debt	—	—	(329,836)
Other liabilities	—	—	(87,338)

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(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 investment manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, credit and real estate funds as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds, as well as other institutional and individual investors. For these investment 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;
- ***Credit***—primarily invests in non-control corporate and structured debt instruments; and
- ***Real estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organizational structure as well as the manner in which resource deployment and compensation decisions are made.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but which the Company controls through a majority voting interest. 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 and completed a reorganization of its predecessor businesses on July 13, 2007 (the "2007 Reorganization"). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is indirectly wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the "Managing Partners").

As of December 31, 2012, the Company owned, through three intermediate holding companies that include 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"), 35.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

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AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and certain of the Company's other partners (the "Contributing Partners") indirectly beneficially own, including in certain cases estate planning vehicles (through Holdings), Apollo Operating Group units ("AOG Units") that represent 64.9% of the economic interests in the Apollo Operating Group as of December 31, 2012. 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 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, upon notice, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner in Holdings must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to affect an exchange for one Class A share.

Initial Public Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. The Company received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and Apollo Global Management, LLC's ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in Additional Paid in Capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (e.g., AP Alternative Assets, L.P., ("AAA") and the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund")). Apollo also consolidates entities that are 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 the Company's 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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 the previous and amended consolidation rules, 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 the previous and amended consolidation rules, 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 whether Apollo is 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.

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 VIE's 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 the relationships and activities of the parties involved in determining if there is a related-party group, and if so, which party within the related-party group is most closely associated with the VIE. The use of these judgments has a material impact to certain components of Apollo's consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. The difference between the fair value of the assets and liabilities of these VIEs is presented within appropriated partners' capital in the consolidated statements of financial condition as these VIEs are funded solely with debt. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income is presented within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statements of financial condition as of December 31, 2012 and 2011.

Refer to additional disclosures regarding VIEs in note 5 to our consolidated financial statements. Intercompany transactions and balances, if any, have been eliminated in consolidation.

Equity Method Investments—For investments in 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

APOLLO GLOBAL MANAGEMENT, LLC
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(dollars in thousands, except share data)

such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations. The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

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 Interest in the consolidated financial statements. As of December 31, 2012, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes the 64.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximately 97% ownership interest held by limited partners in AAA as of December 31, 2012. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition; net income (loss) includes the net income (loss) attributed to the holders of Non-Controlling Interests on the Company's consolidated statements of operations; the primary components of Non-Controlling Interests are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities; and profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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 are on deposit in interest-bearing accounts with major financial institutions and exceed insured limits.

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

Revenues—Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and credit funds; (ii) 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; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

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 the transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to certain transactions that are not consummated ("broken deal costs"). These costs (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) are determined to be broken deal costs upon management's decision to no longer pursue the transaction. In accordance with the related fund agreement, in the event the deal is deemed broken, all of the costs are reimbursed by the funds and then included in the calculation of the Management Fee Offset described below. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company of all costs incurred and no offset is generated.

Advisory and Transaction fees from Affiliates also include underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of

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the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the income is reasonably assured and are included in the consolidated statements of operations. Fees recognized but not received are included in other assets on the consolidated statements of financial condition.

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition, in certain cases, and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations and directors' fees. The amounts due from portfolio companies are included in "—Due from Affiliates," which is discussed further in note 15. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and 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 statements of operations.

Management Fees from Affiliates—Management fees for private equity funds, real estate funds and certain credit funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement, and are generally based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 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. Carried interest receivable is presented separately in the consolidated statements of financial condition. The carried interest income from affiliates may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, 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 or realized until the end of a fund's life.

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 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. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

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 of such advisory and/or transaction fees, as applicable, 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 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 from Affiliates in the consolidated statements of operations.

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 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 fees or costs in connection with the offering and sale of interests in the 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 organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational 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 Other Income—Apollo recognizes security transactions on the trade date. 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.

Due from/to Affiliates—Apollo considers its existing partners, employees, certain former employees, portfolio companies of the funds and non-consolidated private equity, credit and real estate funds to be affiliates or related parties.

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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit

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higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

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 close 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 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, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. 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 and market information and assumptions, general economic and market conditions and other factors deemed relevant. 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.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our private equity investments. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis. 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.

Credit Investments

The majority of the investments in Apollo's credit funds are valued based on quoted market prices and valuation models. 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 credit funds also enter into foreign currency exchange contracts, total return swap 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. Total return swap contracts and 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 total return or credit default swap 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 credit 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.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our credit investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments

For the CMBS portfolio of Apollo's funds, the estimated fair value is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs for certain investments. For Apollo's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our real estate investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

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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 12), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2012. However, the carrying value that is recorded on the consolidated statements of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the AMH Credit Agreement would be categorized as a Level III liability in the fair-value hierarchy.

Fair Value Option—Apollo has elected the fair value option for the convertible notes issued by HFA and 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 the consolidated VIEs that otherwise would not have been carried at fair value. For the convertible notes issued by HFA, Apollo has elected to separately present interest income from other changes in the fair value of the convertible notes in the consolidated statements of operations. Refer to notes 4 and 5 for further disclosure on the investment in HFA and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Interest Rate Swap Agreements—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 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 (loss) 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 statements of operations.

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. When market quotations are not available a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available a model based approach is used. The valuation approach used to estimate the fair values of debt obligations for which market quotations are not available 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.

Pending Deal Costs

Pending deal costs consist of certain costs incurred (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) related to private equity, credit and real estate 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 generally 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 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 and in the case of leasehold improvements the lesser of the useful life or the term of the lease. 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. Under the purchase method of accounting, the purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2012, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Profit Sharing Payable—Profit sharing payable primarily 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. This portion of 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.

Profit sharing payable also includes amounts payable to certain employees of the Company who are entitled to a share in the earnings of and any appreciation in the value in one of the Company's subsidiaries, during the term of their employment. This portion of the liability is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined. This amount shall be payable out of distributable funds based upon proceeds received by the subsidiary through management fees earned.

Profit sharing payable also includes contingent obligations that were recognized in connection with certain Apollo acquisitions.

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 statements of financial condition.

Foreign Currency—The Company may, from time to time, hold foreign currency denominated assets and liabilities. 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), net in the consolidated statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss), net in the consolidated statements of operations.

Compensation and Benefits

Equity-Based Compensation—Equity-based compensation is 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. Equity-based awards granted to non-employees for services provided to the affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits—Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are generally accrued over the related service period.

From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying 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, 2012, 2011 and 2010, respectively.

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Profit Sharing Expense—Profit sharing expense consists of a portion of carried interest recognized in one or more funds allocated to employees and former employees. Profit sharing expense is recognized on an accrued basis as the related carried interest income is earned. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized. Additionally, profit sharing expenses previously distributed may be subject to clawback from employees, former employees and Contributing Partners.

Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions will be reflected in the Company's consolidated statements of operations as profit sharing expense.

Profit sharing expense is also the result of profits interests issued to certain employees whereby they are entitled to a share in earnings of and any appreciation of the value in a subsidiary of the Company during their term of employment. Profit sharing expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation—Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our credit funds, based on performance for the year. Incentive fee compensation expense is recognized on an accrual basis as the related carried interest income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income crystallizes.

Other Income (Loss)

Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening balance sheet date and the closing balance sheet date. The consolidated financial statements include the net realized and unrealized gains (losses) of investments at fair value.

Net Gains from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Other Income (Loss), Net—Other income, net includes the recognition of bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, and other miscellaneous non-operating income and expenses.

Comprehensive (Loss) Income—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 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

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previously. 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—The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to New York City unincorporated business taxes (" NYC UBT") and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Net Income (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from a hypothetical conversion of these potential common shares.

Use of Estimates—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the 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, contingent consideration obligations related to acquisitions, non-cash compensation and fair value of investments and debt in the consolidated and unconsolidated funds and VIEs. Actual results could differ materially from those estimates.

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Recent Accounting Pronouncements

In December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance will not have a material impact on the Company's financial statements.

In July 2012, the FASB issued amended guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not to be less than the carrying amount, then the entity must perform the quantitative impairment test; otherwise, further testing would not be required. The amendments are effective for all entities for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance will not have an impact on the Company's consolidated financial statements when the Company performs its annual impairment test in June 2013.

In February 2013, the FASB issued an update which includes amendments that require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income (OCI) on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other required disclosures that provide additional detail about those amounts. The new requirement presents information on amounts reclassified out of accumulated OCI and their corresponding effect on net income in one place or in some cases, provides for cross-references to related footnote disclosures. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. As the amendments are limited to disclosure only, the adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

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3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Stone Tower

On April 2, 2012, the Company completed its previously announced acquisition of the membership interests of Stone Tower Capital LLC and its related management companies ("Stone Tower"), a leading alternative credit manager. The acquisition was consummated by the Company for total consideration at fair value of approximately $237.2 million. The transaction added significant scale and several new credit product capabilities and increased the assets under management of the credit segment.

Consideration exchanged at closing included a payment of approximately $105.5 million, which the Company funded from its existing cash resources, and equity granted to the former owners of Stone Tower with grant date fair value of $14.0 million valued using the Company's closing stock price on April 2, 2012 of $14.40. Additionally, the Company will also make payments to the former owners of Stone Tower under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Stone Tower based on a specified percentage of carried interest income. The contingent consideration obligation had an acquisition date fair value of approximately $117.7 million, which was determined based on the present value of the estimated future carried interest payments of approximately $139.4 million using a discount rate of 9.5%, and is reflected in profit sharing payable in the consolidated statements of financial condition.

As a result of the acquisition, the Company incurred $4.6 million in acquisition costs, of which $2.8 million was incurred during the year ended December 31, 2012.

Tangible assets acquired in the acquisition consisted of management and carried interest receivable and other assets. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to management fees, senior fees, subordinate fees, and carried interest from existing CLOs, funds and strategic investment accounts.

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The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $1,951.1 million for the year ended December 31, 2012. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with corresponding amounts reflected as components of appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Cash	$ 6,310
Carried Interest Receivable	36,097
Due from Affiliates	1,642
Other Assets	2,492
Total assets of consolidated variable interest entities	10,136,869
Intangible Assets:	
Management Fees Contracts	9,658
Senior Fees Contracts	568
Subordinate Fees Contracts	2,023
Carried Interest Contracts	85,071
Non-Compete Covenants	200
Fair Value of Assets Acquired	10,280,930
Liabilities Assumed:	
Accounts payable and accrued expenses	3,570
Due to Affiliates	4,410
Other Liabilities	8,979
Total liabilities of consolidated variable interest entities	7,815,434
Fair Value of Liabilities Assumed	7,832,393
Fair Value of Net Assets Acquired	2,448,537
Less: Net assets attributable to Non-Controlling Interests in consolidated entities	260,203
Less: Fair Value of Consideration Transferred	237,201
Gain on Acquisition	$ 1,951,133

The bargain purchase gain was recorded in other income, net in the consolidated statements of operations. During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The acquisition related intangible assets valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	As of December 31, 2012
Management Fees contracts	2.2	$ 9,658
Senior Fees Contracts	2.4	568
Subordinate Fees Contracts	2.5	2,023
Carried Interest Contracts	3.7	85,071
Non-Compete Covenants	2.0	200
Total Intangible Assets		97,520
Less: Accumulated amortization		(20,456)
Net Intangible Assets		$ 77,064

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The results of operations of the acquired business since the acquisition date included in the Company's consolidated statements of operations for the period from April 2, 2012 to December 31, 2012 were as follows:

	For the Period from April 2, 2012 to December 31 2012
Total Revenues	$ 51,719
Net Income Attributable to Non-Controlling Interest	$ (1,925,053)
Net Income Attributable to Apollo Global Management, LLC	$ 12,446

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2012 and 2011 assuming the acquisition had occurred as of January 1, 2011 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the acquisition been completed on January 1, 2011, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2012	2011
	(in millions, except for per share data)	
Total Revenues	$ 2,873,903	$ 217,347
Net (Income) Attributable to Non-Controlling Interest	$ (739,862)	$ (1,194,226)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 321,420	$ (456,112)
Net Income (Loss) per Class A Share:		
Net Income (Loss) per Class A Share – Basic and Diluted	$ 2.14	$ (4.07)
Weighted Average Number of Class A Shares – Basic	127,693,489	116,364,110
Weighted Average Number of Class A Shares – Diluted	129,540,377	116,364,110

The supplemental pro forma earnings include an adjustment to exclude $5.5 million of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Gulf Stream

On October 24, 2011, the Company completed its previously announced acquisition of 100% of the membership interests of Gulf Stream Asset Management, LLC ("Gulf Stream"), a manager of collateralized loan obligations. The acquisition was consummated by the Company for total consideration at fair value of approximately $39.0 million.

The transaction broadens Apollo's existing senior credit business by expanding our credit coverage as well as investor relationships and increases the assets under management of Apollo's credit business.

Consideration exchanged at closing consisted of payment of approximately $29.6 million, of which $6.7 million was used to repay subordinated notes and debt due to the existing shareholder on behalf of Gulf Stream. The Company funded the consideration exchanged at closing from its existing cash resources. Additional consideration of $4.0 million having an acquisition date fair value of $3.9 million will be paid to the former owners of Gulf Stream on the fourteen-month anniversary of the closing date. The Company will also make payments to the former owners of Gulf Stream under a contingent

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consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent consideration liability had an acquisition date fair value of approximately $5.4 million, which was determined based on the present value of the estimated range of future carried interest payments between $0 and approximately $8.7 million using a discount rate of 13.7%.

Tangible assets acquired in the acquisition consisted of a management fee receivable. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and incentive fees from existing CLOs managed by Gulf Stream. Additionally, as part of the acquisition, the Company acquired the assets and liabilities of six consolidated CLOs.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $196.2 million. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with a corresponding amount reflected in appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Receivable, management fees	$ 1,720
Total assets of consolidated CLOs	2,278,612
Intangible Assets:	
Management Contracts	33,900
Fair Value of Assets Acquired	2,314,232
Liabilities assumed:	
Deferred Tax Liability	871
Total liabilities of consolidated CLOs	2,078,117
Fair Value of Liabilities Assumed	2,078,988
Fair Value of Net Assets Acquired	235,244
Less: Fair Value of Consideration Transferred	39,026
Gain on Acquisition	$ 196,218

The Company's rights under all management contracts acquired will be amortized over six years. The management contract valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	December 31, 2012	December 31, 2011
Management contracts	3.7	$ 33,900[(1)]	$ 32,400
Less: Accumulated amortization		(9,351)	(284)
Net intangible assets		$ 24,549	$ 32,116

(1) During 2012 the Company recorded a purchase price adjustment of $1.5 million to management contracts acquired as part of the Gulf Stream acquisition.

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The results of operations of the acquired business since the acquisition date included in the Company's consolidated statements of operations for the period from October 24, 2011 to December 31, 2011 were as follows:

	For the Period from October 24, 2011 to December 31, 2011
Total Revenues	$ 2,107
Net Income Attributable to Non-Controlling Interest	$ 194,852
Net Income Attributable to Apollo Global Management, LLC	$ 473

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2011 and 2010, assuming the Gulf Stream acquisition had occurred as of January 1, 2010 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the acquisition been completed on January 1, 2010, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2011	2010
	(in million, except for share data)	
Total Revenues	$ 174.9	$ 2,115.7
Net (Income) Loss Attributable to Non-Controlling Interest	$ (1,097.1)	$ 652.1
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468.7)	$ 95.9
Net (Loss) Income per Class A Share:		
Net (Loss) Income per Class A Share – Basic and Diluted	$ (4.18)	$ 0.84
Weighted Average Number of Class A Shares – Basic and Diluted	116,364,110	96,964,769

The 2011 and 2010 supplemental pro forma earnings include an adjustment to exclude $4.9 million and $9.7 million, respectively of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Other Acquisitions

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.

CPI

On November 12, 2010, Apollo completed the acquisition of substantially all of the assets of Citi Property Investors ("CPI"), the real estate investment management group of Citigroup Inc. CPI had AUM of approximately $3.6 billion as of December 31, 2010. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability was $1.2 million as of November 12, 2010. The acquisition was accounted for as a business combination and the Company recorded a $24.1 million gain on acquisition which is included in other income (loss), net in the accompanying consolidated statements of operations for the year ended December 31, 2010.

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The finite-life intangible assets relate to management contracts associated with the CPI funds. The fair value of the management contracts was estimated to be $8.3 million. The Company also received $15.5 million of cash and recorded a receivable valued at $1.5 million as of December 31, 2010.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed:

Tangible Assets:	
Cash	$ 15,468
Receivables, at fair value	1,500
Intangible Assets:	
Management Contracts	8,300
Total Assets	25,268
Less: Contingent consideration, at fair value	(1,200)
Gain on Acquisition	$ 24,068

The estimated useful life of the management contracts is 2.5 years. The Company is amortizing the management contracts over their estimated useful life using the straight-line method.

	Useful Life in Years	As of December 31, 2012	2011
Management contracts	2.5	$ 8,300	$ 8,300
Less: Accumulated amortization of intangibles		(7,081)	(3,761)
Net intangible assets		$ 1,219	$ 4,539

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31, 2012	2011
Finite-lived intangible assets/management contracts	$ 240,020	$ 141,000
Accumulated amortization	(102,164)	(59,154)
Intangible assets, net	$ 137,856	$ 81,846

The changes in intangible assets, net consist of the following:

	For the Year Ended December 31, 2012	2011
Balance, beginning of year	$ 81,846	$ 64,574
Amortization expense	(43,009)	(15,128)
Acquisitions	99,019(1)	32,400
Balance, end of year	$ 137,856	$ 81,846

(1) Includes impact of purchase price adjustments related to Gulf Stream acquisition

Amortization expense related to intangible assets was $43.0 million, $15.1 million, and $12.8 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

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	2013	2014	2015	2016	2017	There-After	Total
Amortization of intangible assets	$41,351	$36,246	$33,714	$7,881	$4,952	$13,712	$137,856

4. INVESTMENTS

The following table represents Apollo's investments:

	December 31, 2012	December 31, 2011
Investments, at fair value	$ 1,744,412	$1,552,122
Other investments	393,684	305,343
Total Investments	$2,138,096	$1,857,465

Investments, at Fair Value

Investments, at fair value consist of financial instruments held by AAA, investments held by the Apollo Senior Loan Fund, the Company's investment in HFA and other investments held by the Company at fair value. As of December 31, 2012 and 2011, the net assets of the consolidated funds (excluding VIEs) were $1,691.3 million and $1,505.5 million, respectively. The following investments, except the investment in HFA and other investments, are presented as a percentage of net assets of the consolidated funds:

	December 31, 2012					December 31, 2011				
	Fair Value					Fair Value				
Investments, at Fair Value – Affiliates	Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds	Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds
Investments held by:										
AAA	$1,666,448	$ —	$1,666,448	$1,561,154	98.5%	$1,480,152	$ —	$ 1,480,152	$1,662,999	98.4%
Investments held by Apollo Senior Loan Fund	—	27,653	27,653	27,296	1.5	—	24,213	24,213	24,569	1.6
HFA	—	48,723	48,723	57,815	N/A	—	46,678	46,678	54,628	N/A
Other Investments	1,588	—	1,588	3,563	N/A	1,079	—	1,079	2,881	N/A
Total	$1,668,036	$ 76,376	$1,744,412	$1,649,828	100.0%	$ 1,481,231	$ 70,891	$1,552,122	$1,745,077	100.0%

Securities

At December 31, 2012 and 2011, the sole investment held by AAA was its investment in AAA Investments, L.P. ("AAA Investments"), which is measured based on AAA's share of net asset value of AAA investments. The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

	December 31, 2012			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Athene Holding Ltd.(1)	Equity	$1,276,366	$1,578,954	93.4%

(1) Two subsidiaries of AAA Investments, AAA Guarantor-Athene, L.P. and Apollo Life Re Ltd., own the majority of the equity of Athene Holding Ltd.

AAA Investments owns through its subsidiaries the majority of the equity of Athene Holding Ltd. ("Athene"), the direct or indirect parent of the following principal operating subsidiaries: Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the fixed annuity reinsurance sector, Athene Annuity & Life Assurance Company (formerly Liberty Life Insurance Company), a Delaware-domiciled (formerly South Carolina-domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market, Athene Life Insurance Company, a Delaware-domiciled (formerly Indiana-domiciled) stock life insurance company focused on the institutional funding agreement backed note and funding agreement markets, and Presidential Life Corporation, a New-York-domiciled stock life insurance company focused on retail sales of fixed annuity products principally in New York.

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During the fourth quarter of 2012, AAA and AAA Investments consummated a transaction whereby a wholly-owned subsidiary of AAA Investments contributed substantially all of its investments to Athene Holding Ltd. in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2012, AAA through its investment in AAA Investments was the largest shareholder of Athene Holding Ltd with an approximate 77% ownership stake (without giving to effect to restricted common shares issued under Athene's management equity plan).

	December 31, 2011			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Apollo Life Re Ltd.	Equity	$ 358,241	$ 430,800	28.6%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	105,889	164,811	10.9
Rexnord Corporation	Equity	37,461	139,100	9.2
LeverageSource, L.P.	Equity	139,913	102,834	6.8
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	88,166	86,329	5.7
Momentive Performance Materials	Equity	80,657	85,300	5.7

Apollo Strategic Value Offshore Fund, Ltd. (the "Apollo Strategic Value Fund") has an ownership interest in a special purpose vehicle, Apollo VIF/SVF Bradco LLC, which owns interests in Bradco Supply Corporation. AAA Investments' combined share of these investments is greater than 5.0% of the net assets of the consolidated funds valued at $80.9 million at December 31, 2011.

In addition to the AAA Investments' private equity co-investment in Momentive Performance Materials ("Momentive") noted above, AAA Investments had an ownership interest in the debt of Momentive. AAA Investments' combined share of these debt and equity investments is greater than 5% of the net assets of the consolidated funds and is valued at $85.9 million at December 31, 2011.

The Apollo Strategic Value Fund 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 the Apollo Strategic Value Fund, the remainder of AAA Investments' investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Strategic Value 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 current expenses incurred by the Apollo Strategic Value Fund.

During the first quarter of 2012, the general partner of the Apollo Asia Opportunity Offshore Fund, Ltd. (the "Apollo Asia Opportunity Fund") determined that it was in the best interests of the limited partners in the Apollo Asia Opportunity Fund to wind down the fund and begin making distributions to investors as investments are liquidated. The remainder of the investment in the Apollo Asia Opportunity Fund is currently expected to be distributed as the less liquid investments are realized, with the final liquidation expected to occur in 2013, although the actual timing of the realizations may differ substantially from this estimate.

Apollo Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund"). As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Apollo Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Apollo Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Apollo Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Apollo Senior Loan Fund investment as Level II and Level III investments. All Level II and Level III investments of the Apollo Senior Loan Fund were valued using broker quotes.

HFA

On March 7, 2011, the Company invested $52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of $50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or "PIK" interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an "if-converted basis," which is based on a hypothetical exit through conversion to common equity(for which quoted price exists) as of the valuation date. The Company separately presents interest income in the consolidated statements of operations from other changes in the fair value of the convertible note. For the years ended December 31, 2012 and 2011 the Company has recorded $3.1 million and $2.5 million, respectively in PIK interest income included in interest income in the consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ("A$") of A$8.00 (exchange rate of A$1.00 to $1.04 and A$1.00 to $0.84 as of December 31, 2012 and 2011, respectively) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the years ended December 31, 2012 and 2011, the Company recorded an unrealized loss of approximately $1.1 million and $5.9 million, respectively, related to the convertible note and stock options within net gains (losses) from investment activities in the consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments.

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Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized gains (losses). Additionally net gains (losses) from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo's net gains (losses) from investment activities for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$ —	$ 443	$ 443
Change in net unrealized gains due to changes in fair values	288,140	(339)	287,801
Net Gains from Investment Activities	$ 288,140	$ 104	$ 288,244

	For the Year Ended December 31, 2011		
	Private Equity	Credit	Total
Change in net unrealized (losses) gains due to changes in fair values	$ (123,946)	$ (5,881)	$ (129,827)
Net (Losses) Gains from Investment Activities	$ (123,946)	$ (5,881)	$ (129,827)

	For the Year Ended December 31, 2010		
	Private Equity	Credit	Total
Realized (losses) gains on sales of investments	$ —	$ (2,240)	$ (2,240)
Change in net unrealized gains (losses) due to changes in fair values	370,145	(34)	370,111
Net Gains (Losses) from Investment Activities	$ 370,145	$ (2,274)	$ 367,871

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Other Investments

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

The following table presents income from equity method investments for the years ended December 31, 2012, 2011 and 2010:

	For the Years Ended December 31,		
	2012	2011	2010
Investments:			
Private Equity Funds:			
AAA Investments	$ 195	$ (55)	$ 215
Apollo Investment Fund IV, L.P. ("Fund IV")	(2)	8	24
Apollo Investment Fund V, L.P. ("Fund V")	20	(9)	39
Apollo Investment Fund VI, L.P. ("Fund VI")	3,947	2,090	599
Apollo Investment Fund VII, L.P. ("Fund VII")	60,576	10,156	37,499
Apollo Natural Resources Partners, L.P. ("ANRP")	(71)	(141)	—
AION Capital Management Limited ("AION")	71	—	—
Credit Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	843	(793)	1,106
Apollo Value Investment Fund, L.P. ("VIF")	19	(25)	29
Apollo Strategic Value Fund, L.P. ("SVF")	15	(21)	21
Apollo Credit Liquidity Fund, L.P. ("ACLF")	4,219	(295)	3,431
Apollo/Artus Investors 2007-I, L.P. ("Artus")	1,466	368	4,895
Apollo Credit Opportunity Fund I, L.P. ("COF I")	19,731	2,410	12,618
Apollo Credit Opportunity Fund II, L.P. ("COF II")	4,989	(737)	3,610
Apollo European Principal Finance Fund, L.P. ("EPF I")	3,933	1,729	2,568
Apollo Investment Europe II, L.P. ("AIE II")	1,948	(308)	1,496
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	2,228	(100)	903
Apollo Senior Floating Rate Fund ("AFT")	14	(16)	—
Apollo/ JH Loan Portfolio	5	—	—
Apollo Residential Mortgage, Inc. ("AMTG")	1,053(1)	(80)(2)	—
Apollo European Credit, L.P. ("AEC")	203	(10)	—
Apollo European Strategic Investments, L.P. ("AESI")	576	21	—
Apollo Centre Street Partnership, L.P. ("ACSP")	433	—	—
Apollo Investment Corporation ("AINV")	1,761	—	—
Apollo European Principle Finance Fund II, L.P. ("EPF II")	568	—	—
Apollo SK Strategic Investments, L.P.	18	—	—
Apollo SPN Investments I, L.P.	(10)	—	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. ("ARI")	1,100(1)	636(2)	(390)(3)
AGRE US Real Estate Fund, L.P.	(172)	(79)	—
CPI Capital Partners North America	17	98	—
CPI Capital Partners Asia Pacific	72	71	—
Apollo GSS Holding (Cayman), L.P.	(39)	—	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A/B")	(306)	(1,860)	(951)
VC Holdings, L.P. Series C ("Vantium C")	165	580	1,370
VC Holdings, L.P. Series D ("Vantium D")	588	285	730
Total Income from Equity Method Investments	$110,173	$ 13,923	$69,812

(1) Amounts are as of September 30, 2012.
(2) Amounts are as of September 30, 2011.
(3) Amounts are as of September 30, 2010.

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Other investments as of December 31, 2012 and 2011 consisted of the following:

	Equity Held as of			
	December 31, 2012	% of Ownership	December 31, 2011	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 998	0.057%	$ 859	0.057%
Fund IV	9	0.015	15	0.010
Fund V	173	0.014	202	0.014
Fund VI	9,814	0.094	7,752	0.082
Fund VII	164,773	1.316	139,765	1.318
ANRP	2,355	0.903	1,982	2.544
AION	625	10.000	—	—
Credit Funds:				
SOMA	5,887	0.643	5,051	0.525
VIF	141	0.093	122	0.081
SVF	137	0.076	123	0.059
ACLF	9,281	2.579	14,449	2.465
Artus	667	6.156	6,009	6.156
COF I	39,416	1.924	37,806	1.977
COF II	19,654	1.429	22,979	1.472
EPF I	18,329	1.363	14,423	1.363
AIE II	7,207	2.205	7,845	2.076
Palmetto	13,614	1.186	10,739	1.186
AFT	98	0.034	84	0.034
Apollo/JH Loan Portfolio, L.P.	—	0.000	100	0.189
AMTG(3)(5)	4,380(1)	0.811(1)	4,000(2)	1.850(2)
AEC	1,604	1.079	542	1.053
AESI	3,076	0.991	1,704	1.035
ACSP	5,327	2.457	—	—
AINV(5)	51,761(1)	2.955(1)	—	—
EPF II	5,337	1.316	—	—
Apollo SK Strategic Investments, L.P.	1,002	0.988	—	—
Asia Private Credit (“APC”)	17	0.058	—	—
Apollo SPN Investments I, L.P.	90	0.083	—	—
CION Investment Corporation	1,000	22.207	—	—
Real Estate:				
ARI(3)(5)	11,469(1)	2.729(1)	11,288(2)	2.730(2)
AGRE U.S. Real Estate Fund	5,210	1.845	5,884	2.065
CPI Capital Partners North America	455	0.413	564	0.344
CPI Capital Partners Europe	5	0.001	5	0.001
CPI Capital Partners Asia Pacific	186	0.039	256	0.039
Apollo GSS Holding (Cayman), L.P.	2,428	4.621	—	—
Other Equity Method Investments:				
Vantium A/B	54	6.450	359	6.450
Vantium C	5,172	2.071	6,944	2.300
Vantium D	1,933	6.345	1,345	6.300
Portfolio Company Holdings	—	N/A(4)	2,147	N/A(4)
Total Other Investments	$393,684		$ 305,343	

(1) Amounts are as of September 30, 2012.
(2) Amounts are as of September 30, 2011.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, at which point the RSUs are converted to common stock and delivered to the Company.
(4) Ownership percentages are not presented for these equity method investments in our portfolio companies as we only present ownership percentages for the funds in which we are the general partner. All equity methods of investments were sold during the year ended December 31, 2012.
(5) The value of the Company’s investment in AINV was $51,351 based on the quoted market price as of December 31, 2012.

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The most recently issued summarized aggregated financial information of the funds and other equity method investments in which Apollo has equity method investments is as follows:

	Private Equity		Credit		Real Estate	
	As of December 31,		As of December 31,		As of December 31,	
Balance Sheet Information	2012(2)(3)	2011(2)(3)	2012	2011	2012(1)	2011(1)
Investments	$25,896,569	$22,759,853	$ 17,089,006	$ 10,004,744	$1,912,369	$1,980,613
Assets	26,606,324	24,219,637	19,397,579	11,335,170	2,038,877	2,196,460
Liabilities	101,803	686,558	7,823,274	2,773,163	290,392	587,576
Equity	26,504,521	23,533,079	11,574,305	8,562,007	1,748,485	1,608,884

(1) Certain real estate amounts are as of September 30, 2012 and 2011.
(2) Certain equity investment amounts are as of September 30, 2012 and 2011.
(3) Financial information of certain equity method investments is not available as of December 31, 2012 and 2011.

	Aggregate Totals as of December 31,	
Balance Sheet Information	2012	2011
Investments	$44,897,944	$ 34,745,210
Assets	48,042,780	37,751,267
Liabilities	8,215,469	4,047,297
Equity	39,827,311	33,703,970

	Private Equity			Credit			Real Estate		
	For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,		
Income Statement Information	2012(2)(3)	2011(2)(3)	2010	2012	2011	2010	2012(1)	2011(1)	2010(1)
Revenues/Investment Income	$1,682,837	$1,522,831	$ 610,899	$ 1,330,160	$852,282	$ 304,332	$ 54,720	$ 46,654	$14,468
Expenses	275,126	377,985	286,719	699,250	290,843	145,138	32,077	30,350	6,377
Net Investment Income	1,407,711	1,144,846	324,180	630,910	561,439	159,194	22,643	16,304	8,091
Net Realized and Unrealized Gain (Loss)	6,856,074	2,239,373	5,918,694	2,053,440	(537,017)	1,531,056	275,659	172,018	(1,058)
Net Income	$8,263,785	$3,384,219	$6,242,874	$2,684,350	$ 24,422	$1,690,250	$298,302	$188,322	$ 7,033

(1) Certain real estate amounts are as of September 30, 2012, 2011 and 2010.
(2) Certain equity investment amounts are as of September 30, 2012 and 2011.
(3) Financial information of certain equity method investments is not available as of December 31, 2012 and 2011.

	Aggregate Totals for the Years Ended December 31,		
Income Statement Information	2012	2011	2010
Revenues/Investment Income	$ 3,067,717	$ 2,421,767	$ 929,699
Expenses	1,006,453	699,178	438,234
Net Investment Income	2,061,264	1,722,589	491,465
Net Realized and Unrealized Gain	9,185,173	1,874,374	7,448,692
Net Income	$11,246,437	$3,596,963	$7,940,157

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Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets, at fair value:								
Investment in AAA Investments	$ —	$ —	$ —	$ —	$1,666,448	$ 1,480,152	$1,666,448	$ 1,480,152
Investments held by Apollo Senior Loan Fund	—	—	27,063	23,757	590	456	27,653	24,213
Investments in HFA and Other	—	—	—	—	50,311	47,757	50,311	47,757
Total	$ —	$ —	$ 27,063	$ 23,757	$ 1,717,349	$1,528,365	$ 1,744,412	$1,552,122

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843
Total	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843

There was a transfer of investments from Level III into Level II as well as a transfer from Level II into Level III relating to investments held by the Apollo Senior Loan Fund during 2012, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. There were no transfers between Level I, II or III during the year ended December 31, 2011 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 1,480,152	$1,637,091	$ 1,324,939
Purchases	—	432	375
Distributions	(101,844)	(33,425)	(58,368)
Change in unrealized gains (losses), net	288,140	(123,946)	370,145
Balance, End of Period	$1,666,448	$ 1,480,152	$1,637,091

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The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31,	
	2012	2011
Balance, Beginning of Period	$47,757[1]	$ —
Acquisitions related to consolidated fund	46,148	—
Purchases	5,759	57,509
Deconsolidation	(48,037)[1]	—
Director Fees	—	(1,802)
Expenses incurred	—	(2,069)
Change in unrealized losses	(1,316)	(5,881)
Balance, End of Period	$ 50,311	$ 47,757

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

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

The following table summarizes the changes in the Apollo Senior Loan Fund, which is measured at fair value and characterized as a Level III investment for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31,	
	2012	2011
Balance, Beginning of Period	$ 456	$—
Acquisition	—	456
Purchases of investments	496	—
Sale of investments	(1,291)	—
Realized gains	20	—
Change in unrealized gains	8	—
Transfers out of Level III	(935)	—
Transfers into Level III	1,836	—
Balance, End of Period	$ 590	$456

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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 as of December 31, 2012 and 2011:

	Private Equity			
	December 31, 2012		December 31, 2011	
		% 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:				
Discounted cash flow models	$1,581,975	98.6%	$ 643,031	38.4%
Comparable company and industry multiples	—	—	749,374	44.6
Listed quotes	22,029	1.4	139,833	8.3
Broker quotes	—	—	179,621	10.7
Other net liabilities(1)	—	—	(33,330)	(2.0)
Total Investments	1,604,004	100.0%	1,678,529	100.0%
Other net assets (liabilities)(2)	62,444		(198,377)	
Total Net Assets	$ 1,666,448		$ 1,480,152	

(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 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, liabilities and general partner interests of AAA Investments. Balance at December 31, 2012 is primarily comprised of $113.3 million in notes receivable from affiliate. Balance at December 31, 2011 was primarily comprised of $402.5 million in long-term debt offset by cash and cash equivalents. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

The significant unobservable inputs used in the fair value measurement of the Level III investments are the comparable multiples and weighed average cost of capital rates applied in the valuation models for each investment. These inputs in isolation can cause significant increases or decreases in fair value. Specifically, the comparable multiples are generally multiplied by the underlying companies embedded value to establish the total enterprise value of our portfolio company investments. The comparable multiple is determined based on the implied trading multiple of public industry peers. Similarly, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the weighted average cost of capital calculation that weights the cost of equity and the cost of debt based on comparable debt to equity ratios.

5. VARIABLE INTEREST ENTITIES

The Company consolidates entities that are VIEs for 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 credit 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 obligations to provide funding to VIEs other than its own capital commitments. There is no recourse to the Company for the consolidated VIEs' liabilities.

The assets and liabilities of the consolidated VIEs are comprised primarily of investments and debt, at fair value, and are included within assets and liabilities of consolidated variable interest entities, respectively, in the consolidated statements of financial condition.

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Consolidated Variable Interest Entities

In accordance with the methodology described in note 2, Apollo has consolidated VIEs as of December 31, 2012, in connection with the Company's October 2011 acquisition of Gulf Stream Asset Management, LLC and the Company's April 2012 acquisition of Stone Tower. Refer to note 3 for further discussion of the Stone Tower and Gulf Stream acquisitions.

The majority of the consolidated VIEs were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the 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 against the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include 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 December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Investments, at fair value(1)	$ 168	$ —	$11,045,902	$3,055,357	$1,643,465	$246,609	$12,689,535	$3,301,966

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value	$ —	$ —	$ —	$ —	$11,834,955	$3,189,837	$11,834,955	$3,189,837

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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. All Level II investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are accounted for as of the end of the reporting period in which the transfer occurred.

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 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.

The following table summarizes the fair value transfers between Level I and Level II:

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	December 31, 2012	December 31, 2011
Transfers from Level II into Level I(1)	$ 164	$ —

(1) Transfers into Level I represents those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

The following table summarizes the quantitative inputs and assumptions used for Investments, at fair value, categorized as Level III in the fair value hierarchy as of December 31, 2012. The disclosure below excludes Level III Investments, at fair value as of December 31, 2012, for which the determination of fair value is based on broker quotes:

	Fair Value at December 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets:					
Bank Debt Term Loans	$ 67,920	Discounted Cash Flow – Comparable Yields	Discount Rates	11.8%–25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Total	$ 71,544				

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. When a comparable multiple model is used to determine fair value, the comparable multiples are generally multiplied by the underlying companies EBITDA to establish the total enterprise value of the company. The comparable multiple is determined based on the implied trading multiple of public industry peers.

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 246,609	$ 170,369	$ —
Acquisition of VIEs	1,706,145	335,353	—
Transition adjustment relating of consolidation of VIE	—	—	1,102,114
Deconsolidation of VIE	—	—	(20,751)
Elimination of investments attributable to consolidation of VIEs	(69,437)	—	—
Purchases	1,236,232	663,438	840,926
Sale of investments	(1,561,589)	(273,719)	(125,638)
Net realized gains (losses)	21,603	980	131
Changes in net unrealized (losses) gains	(56,013)	(7,669)	29,981
Transfers out of Level III	(712,040)	(802,533)	(1,663,755)
Transfers into Level III	831,955	160,390	7,361
Balance, End of Period	$ 1,643,465	$ 246,609	$ 170,369
Changes in net unrealized gains (losses) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ 7,464	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

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The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 3,189,837	$ 1,127,180	$ —
Acquisition of VIEs	7,317,144	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	—	706,027
Additions	1,639,271	454,356	1,050,377
Repayments	(741,834)	(415,869)	(331,120)
Net realized gains on debt	—	(41,819)	(21,231)
Changes in net unrealized losses from debt	497,704	19,880	55,040
Deconsolidation of VIE	—	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(67,167)	(48)	(2,077)
Balance, End of Period	$11,834,955	$ 3,189,837	$1,127,180
Changes in net unrealized losses (gains) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ 446,649	$ (25,347)	$ 16,916

Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the years ended December 31, 2012 and 2011, respectively:

	For the Year Ended December 31,		
	2012	2011	2010
Net unrealized gains from investment activities	$ 169,087	$ 10,832	$ 46,406
Net realized gains (losses) from investment activities	76,965	(11,313)	7,239
Net gains (losses) from investment activities	246,052	(481)	53,645
Net unrealized losses from debt	(497,704)	(19,880)	(55,040)
Net realized gains from debt	—	41,819	21,231
Net (losses) gains from debt	(497,704)	21,939	(33,809)
Interest and other income	581,610	75,004	62,696
Other expenses	(401,662)	(72,261)	(34,326)
Net (Losses) Gains from Investment Activities of Consolidated VIEs	$ (71,704)	$ 24,201	$ 48,206

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Senior Secured Notes, Subordinated Note, Term Loans—Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of December 31, 2012 and 2011:

	December 31, 2012			December 31, 2011		
	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes(2)(3)	$11,409,825	1.30%	7.3	$3,121,126	1.35%	8.9
Subordinated Notes(2)(3)	1,074,904	N/A(1)	7.7	416,275	N/A(1)	8.8
	$ 12,484,729			$ 3,537,401		

(1) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.
(2) The fair value of Senior Secured and Subordinated Notes as of December 31, 2012 and December 31, 2011 was $11,835 million and $3,190 million, respectively.
(3) The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another. As of December 31, 2012 and December 31, 2011, the fair value of the consolidated VIE assets was $14,672 million and $3,533 million, respectively. This collateral consists of cash and cash equivalents, investments at fair value and other assets.

The following table summarizes the quantitative inputs and assumptions used for Liabilities, at fair value categorized as Level III in the fair value hierarchy as of December 31, 2012. The disclosure below excludes Level III Liabilities, at fair value as of December 31, 2012, for which the determination of fair value is based on broker quotes:

	As of December 31, 2012			
	Fair Value	Valuation Technique	Unobservable Input	Ranges
Subordinated Notes	**$ 195,357**	**Discounted Cash Flow**	Discount Rate	17.0%
			Default Rate	1.5%–4.0%
			Recovery Rate	80.0%
Senior Secured Notes	**$2,066,250**	**Discounted Cash Flow**	Discount Rate	1.65%–1.95%
			Default Rate	2.0%
			Recovery Rate	30.0%–60.0%

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of subordinated and senior secured notes; conversely decrease in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for similar subordinated and senior secured notes with similar risks.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of December 31, 2012, the debt, at fair value, is classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

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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 the covenants.

As of December 31, 2012, the table below presents the maturities for debt of the consolidated VIEs:

	2013	2014	2015	2016	2017	Thereafter	Total
Secured notes	$ —	$—	$—	$2,175,000	$378,999	$8,855,826	$11,409,825
Subordinated notes	22,000	—	—	—	88,250	964,654	1,074,904
Total Obligations as of December 31, 2012	$22,000	$—	$—	$2,175,000	$ 467,249	$ 9,820,480	$ 12,484,729

Note: All of the CLOs are past their call date and therefore the collateral manager can call the CLO and liquidate (with the consent of each of the majority of the subordinated notes).

Variable Interest Entities Which 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.

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

	December 31, 2012		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 13,498,100	$ (34,438)	$ 7,105
Credit	3,276,198	(545,547)	12,605
Real Estate	1,685,793	(1,237,462)	—
Total	$18,460,091 (1)	$ (1,817,447) (2)	$ 19,710 (3)

(1) Consists of $452,116 in cash, $17,092,814 in investments and $915,161 in receivables.
(2) Represents $1,752,294 in debt and other payables, $32,702 in securities sold, not purchased, and $32,451 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

	December 31, 2011		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$11,879,948	$ (146,374)	$ 8,753
Credit	3,274,288	(1,095,266)	11,305
Real Estate	2,216,870	(1,751,280)	—
Total	$ 17,371,106 (1)	$ (2,992,920) (2)	$ 20,058 (3)

(1) Consists of $383,017 in cash, $16,507,142 in investments and $480,947 in receivables.
(2) Represents $2,874,394 in debt and other payables, $86,102 in securities sold, not purchased, and $32,424 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

At December 31, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At December 31, 2011, the aggregate amount of such investments was $131.8 million. The Company's ownership interest in AAA was 2.45% at December 31, 2011. As of December 31, 2012 AAA Investments did not hold investments in any of the Company's unconsolidated VIEs.

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6. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit, and real estate funds consists of the following:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Private equity	$ 1,413,306	$672,952
Credit	454,155	195,630
Real Estate	10,795	—
Total Carried Interest Receivable	$1,878,256	$868,582

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2012 and 2011:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2011	$1,578,135	$ 288,938	$ —	$ 1,867,073
Change in fair value of funds(1)(2)	(373,906)	67,971	—	(305,935)
Fund cash distributions to the Company	(531,277)	(161,279)	—	(692,556)
Carried Interest Receivable, December 31, 2011	$ 672,952	$ 195,630	$ —	$ 868,582
Change in fair value of funds(1)	1,592,234	448,670	15,074	2,055,978
Acquisition of Stone Tower	—	36,097	—	36,097
Fund cash distributions to the Company	(851,880)	(226,242)	(4,279)	(1,082,401)
Carried Interest Receivable, December 31, 2012	$ 1,413,306	$ 454,155	$10,795	$1,878,256

(1) Included in change in fair value of funds for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Included in change in fair value of funds for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million for Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Reclassified to include related foreign exchange loss attributable to credit segment in order to conform to current period presentation.

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 credit funds, carried interest is payable based on realizations after the end of the relevant fund's fiscal year or fiscal quarter, subject to high watermark provisions.

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7. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2012	December 31, 2011
Ownership interests in aircraft	15	$ 10,184	$ 10,184
Leasehold improvements	8-16	48,610	44,433
Furniture, fixtures and other equipment	4-10	16,047	14,455
Computer software and hardware	2-4	27,744	22,789
Other	4	509	506
Total fixed assets		103,094	92,367
Less – accumulated depreciation and amortization		(49,642)	(39,684)
Fixed Assets, net		$ 53,452	$ 52,683

In December 2010, the Company committed to a plan to sell its ownership interests in certain aircraft, which occurred in the first half of 2011. Accordingly, in 2010, the Company reclassified the assets to assets held for sale and measured the assets at the lower of cost or fair value less costs to sell. As a result of reclassifying the assets to assets held for sale, the Company recognized a loss of $2.8 million during the year ended December 31, 2010 on the assets held for sale, which is included in other income (loss), net in the accompanying consolidated statements of operations.

As part of the plan to liquidate its ownership interest in aircraft, the Company determined that the remaining interests in aircraft were higher than its current fair value. In 2010, the Company recognized an impairment loss of $3.1 million related to its remaining ownership in aircraft. This loss is included in other income (loss), net in the accompanying consolidated statements of operations.

Depreciation expense for the years ended December 31, 2012, 2011 and 2010 was $10.2 million, $11.1 million and $11.5 million, respectively.

8. OTHER ASSETS

Other assets consist of the following:

	December 31, 2012	December 31, 2011
Prepaid expenses	$ 12,650	$ 6,271
Tax receivables	5,380	10,465
Underwriting fee receivable	5,569	—
Receivable from broker	3,537	604
Debt issuance costs	2,113	2,624
Rent deposits	1,336	1,482
Other	6,180	5,530
Total Other Assets	$ 36,765	$ 26,976

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9. OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2012	December 31, 2011
Deferred rent	$ 14,829	$ 14,798
Deferred taxes	13,717	2,774
Unsettled trades and redemption payable	3,986	2,902
Deferred payment related to acquisition (note 3)	—	3,858
Interest rate swap agreements	—	3,843
Other	12,323	4,875
Total Other Liabilities	$ 44,855	$ 33,050

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 the Company's variable rate debt under the AMH Credit Agreement (discussed in note 12) 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 5.175%, on the notional amount of $167.0 million, effectively converting a portion of its floating rate borrowings to a fixed rate. The interest rate swap agreement related to the $167.0 million notional amount expired in May 2012. Apollo had hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2012 and 2011, the Company has recorded a liability of $0.0 million and $3.8 million, 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.

10. OTHER INCOME, NET

Other income, net consists of the following:

	For the Year Ended December 31,		
	2012	2011	2010
Insurance proceeds	$ —	$ —	$162,500
Tax receivable agreement adjustment	3,937	(137)	7,614
Gain on acquisitions and dispositions	1,951,897	196,193	29,741
Loss on assets held for sale	—	—	(2,768)
Impairment of fixed assets	—	—	(3,101)
AMTG offering costs	—	(8,000)	—
ARI reimbursed offering costs	—	8,000	—
Foreign exchange translation	(790)	6,169	(3,025)
Rental income	4,387	1,999	1,699
Other	5,248	1,296	2,372
Total Other Income, Net	$1,964,679	$ 205,520	$195,032

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11. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. Federal and State income taxes. APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, State and Local corporate income taxes. In addition, certain subsidiaries of the Company are subject to NYC UBT attributable to the Company's operations apportioned to New York City. Certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate income tax return, as well as file standalone corporate state and local income tax returns in California, New York State and New York City. The Company's provision for income taxes is accounted for in accordance with U.S. GAAP.

The Company's (provision) benefit for income taxes totaled $(65.4) million, $(11.9) and $(91.7) million for the years ended December 31, 2012, 2011 and 2010, respectively. The Company's effective tax rate was approximately 2.10%, (0.92) % and 14.45% for the years ended December 31, 2012, 2011 and 2010, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
Current:			
Federal income tax	$ —	$ (856)	$ (8,051)
Foreign income tax	(3,411)	(3,705)	(3,726)
State and local income tax	(7,722)	(6,943)	(8,648)
Subtotal	(11,133)	(11,504)	(20,425)
Deferred:			
Federal income tax	(55,114)	248	(64,633)
Foreign income tax	277	301	260
State and local income tax (net of federal (benefit) provision)	560	(974)	(6,939)
Subtotal	(54,277)	(425)	(71,312)
Total Income Tax Provision	$ (65,410)	$(11,929)	$(91,737)

For the years ended 2012, 2011 and 2010, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $(0.4) million, $1.4 million and $4.2 million, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
U.S. Statutory Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Non-Controlling Interest	(30.88)	(24.67)	(24.54)
Income passed through to Class A holders	(4.41)	(1.28)	(15.93)
Equity Based Compensation – AOG Units	1.84	(9.12)	16.49
Foreign income tax	0.10	(0.17)	0.54
State and Local Income Taxes (net of Federal Benefit)	0.20	(0.56)	2.32
Amortization & Other Accrual Adjustments	0.25	(0.12)	0.57
Effective Income Tax Rate	2.10%	(0.92)%	14.45%

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 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 statements of financial condition consist of the following:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Deferred Tax Assets:		
Depreciation and amortization	$ 448,372	$476,812
Revenue recognition	40,597	36,732
Net operating loss carry forward	5,514	17,238
Equity-based compensation – RSUs and AAA RDUs	41,083	37,336
Other	6,642	8,186
Total Deferred Tax Assets	542,208	576,304
Deferred Tax Liabilities:		
Unrealized gains from investments	12,882	1,307
Other	835	1,467
Total Deferred Tax Liabilities	$ 13,717	$ 2,774

As of December 31, 2012, the Company has approximately $4.8 million of federal net operating loss (NOL) carryforwards and $60.7 million of state and local NOL carryforwards available to be utilized in future periods. If the Company is unable to utilize its NOL carryforwards, they will begin to expire in 2031. For tax year ended December 31, 2012, the Company expects to utilize NOLs carried forward from prior periods to offset its entire federal and state taxable income. In addition, the Company has foreign tax credit carryforwards of $6.0 million that will begin to expire in 2020.

The Company has recorded a significant deferred income tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. The amortization period for these tax basis intangibles is 15 years and accordingly, the related deferred income tax assets will reverse over the same period.

The Company considered its historical and current year earnings in addition to the 15-year amortization period of the tax basis of its intangible assets 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, including the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicates that deferred income 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 income tax assets. Based upon this positive evidence, the Company has concluded it is more likely than not, that the deferred income tax assets will be realized and that no valuation allowance is needed at December 31, 2012.

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. Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined that no unrecognized tax benefits for uncertain tax positions were required to be 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 tax authorities. With a few exceptions, as of December 31, 2012, Apollo and its predecessor entities' U.S. Federal, state, local and foreign income tax returns for the years 2009 through 2012 are open under the general statute of limitations provisions and therefore subject to examination. In addition, the State of New York is examining APO Corp.'s tax returns for tax years 2008 to 2010 and the

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Internal Revenue Service is examining APO Corp.'s tax returns for tax years 2010 and 2011 in connection with the NOL carryback claim from tax year 2011 to tax year 2010.

12. DEBT

Debt consists of the following:

	December 31, 2012		December 31, 2011	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH Credit Agreement	$728,273	4.95%(1)	$ 728,273	5.39%(1)
CIT secured loan agreements	9,545	3.47	10,243	3.39
Total Debt	$737,818	4.93%	$738,516	5.35%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement—On April 20, 2007, Apollo Management Holdings, L.P. ("AMH"), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, 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 irrevocably elected three-month LIBOR for $167 million of the debt for five years from the closing date of the AMH Credit Agreement, which expired in May 2012. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for $995 million of the loan, as discussed below, and 1.00% for $5 million of the loan as of December 31, 2012 and 3.75% for $995 million of the loan and 1.00% for $5 million of the loan as of December 31, 2011). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loan from April 20, 2014 to January 3, 2017 and modified certain other terms of the AMH Credit Agreement. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of the term loan by December 31, 2014 and at least $100.0 million aggregate principal amount of the term loan (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of the term loan in connection with the extension of the maturity date of such loan and thus the AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2012 was 4.07% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2012 was 1.32%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of

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financial condition at December 31, 2012 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of December 31, 2012 and 2011, the AMH Credit Agreement was guaranteed by, and 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 forth in the AMH Credit Agreement. As of December 31, 2012, 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 and its consolidated subsidiaries were $94.9 million, $91.1 million, $62.3 million, $217.5 million and $(858.9) million, respectively. As of December 31, 2011, 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 $56.6 million, $46.2 million, $50.1 million, $131.9 million and $(1,014.3) million, respectively.

In accordance with the AMH Credit Agreement as of December 31, 2012, 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 respective subsidiaries were 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.

If AMH's debt to EBITDA ratio (the "Leverage Ratio") as of the end of any fiscal year exceeds the level set forth in the next sentence (the "Excess Sweep Leverage Ratio"), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage 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 is: for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

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 as necessary to reduce its Leverage 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 (the following specified levels for the specified years, the "Sweep Leverage Ratio") (i) for 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

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. As of December 31, 2012, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

CIT Secured Loan Agreements—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 $9.4 million due at the end of the terms in April 2013. At December 31, 2012, the interest rate was 3.40%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreements for $11.3 million with $11.1 million of the proceeds going to

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CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of December 31, 2012, the carrying value of the remaining CIT secured loan is $9.5 million.

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

As of December 31, 2012, the table below presents the contractual maturities for the AMH Credit Agreement and CIT secured loan agreements:

	2013	2014	2015	2016	2017	Total
AMH Credit Agreement	$ —	$55,000	$50,000	$—	$623,273	$728,273
CIT secured loan agreements	9,545	—	—	—	—	9,545
Total Obligations as of December 31, 2012	$9,545	$55,000	$50,000	$—	$623,273	$737,818

13. NET INCOME (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

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The table below presents basic and diluted net income (loss) per Class A share using the two-class method for the years ended December 31, 2012, 2011 and 2010:

	Basic and Diluted For the Year Ended December 31,		
	2012	2011	2010
Numerator:			
Net income (loss) attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617
Distributions declared on Class A shares	(172,887)(1)	(97,758)(2)	(20,453)(3)
Distributions on participating securities	(31,175)	(17,381)	(3,662)
Earnings allocable to participating securities	(16,855)	—(4)	(10,357)
Undistributed Income (Loss) Attributable to Class A Shareholders	$ 90,040	$ (583,965)	$ 60,145
Denominator:			
Weighted average number of Class A shares outstanding	127,693,489	116,364,110	96,964,769
Net income (loss) per Class A share: Basic and Diluted(5)			
Distributable Earnings	$ 1.35	$ 0.84	$ 0.21
Undistributed income (loss)	0.71	(5.02)	0.62
Net Income (Loss) per Class A Share	$ 2.06	$ (4.18)	$ 0.83

(1) The Company declared a $0.46 distribution on Class A shares on February 10, 2012, a $0.25 distribution on Class A shares on May 8, 2012, a $0.24 distribution on Class A shares on August 12, 2012, and a $0.40 distribution on Class A shares on November 9, 2012. As a result, there is a decrease in undistributed income attributable to Class A shareholders presented during the year ended December 31, 2012

(2) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on Class A shares on May 12, 2011, a $0.24 distribution on Class A shares on August 9, 2011, and a $0.20 distribution on Class A shares on November 3, 2011. As a result, there is an increase in undistributed loss attributable to Class A shareholders presented during the year ended December 31, 2011.

(3) The Company declared a $0.07 distribution on Class A shares on May 27, 2010, August 2, 2010 and November 1, 2010. As a result, there is a decrease in undistributed income attributable to Class A shareholders presented during the year ended December 31, 2010.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(5) For the year ended December 31, 2012, unvested RSUs and share options were determined to be dilutive and accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2011, unvested RSUs, share options, AOG Units and RSUs that participate in dividends were determined to be anti-dilutive. For the year ended December 31, 2010, unvested RSUs were determined to be dilutive and accordingly included in the diluted earnings per share calculation. The resulting diluted earnings per share amounts were not significantly different from basic earnings per share and therefore were presented as the same amount. The AOG Units and RSUs that participate in dividends were determined to be anti-dilutive for the years ended December 31, 2012 and 2010. The share options were also determined to be anti-dilutive for the year ended December 31, 2010.

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 Company's 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees during 2011 and 2012 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as "Plan Grants." For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees in 2011 and 2012 (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 distribution is declared. As of December 31, 2012, approximately 22.5 million vested RSUs and 4.4 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

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distribution equivalents qualify as participating securities and are included in the Company's basic and diluted earnings per share computations using the two-class method. The holder of an RSU 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 RSU 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, upon notice (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 ten Apollo Operating Group partnerships to affect an exchange for one Class A share. If fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. 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 distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share currently has a super voting power of 240,000,000 votes.

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The table below presents transactions in Class A shares during the years ended December 31, 2012, 2011 and 2010 and the resulting impact on the Company’s and Holdings’ ownership interests in the Apollo Operating Group:

Date	Type of AGM Class A Shares Transaction	Number of Shares Issued (Repurchased/Cancelled) in AGM Class A Shares Transaction (in thousands)	AGM ownership% in AOG before AGM Class A Shares Transaction	AGM ownership% in AOG after AGM Class A Shares Transaction	Holdings ownership% in AOG before AGM Class A Shares Transaction	Holdings ownership% in AOG after AGM Class A Shares Transaction
March 12, 2010	Issuance	721	28.5%	28.6%	71.5%	71.4%
July 9, 2010	Issuance	1,540	28.6%	29.0%	71.4%	71.0%
July 23, 2010	Issuance	31	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 16, 2010	Net Settlement	(7)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 30, 2010	Issuance	11	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 8, 2011	Issuance	2	N/A(1)	N/A(1)	N/A(1)	N/A(1)
March 15, 2011	Issuance	1,548	29.0%	29.3%	71.0%	70.7%
April 4, 2011	Issuance	21,500	29.3%	33.5%	70.7%	66.5%
April 7, 2011	Issuance	750	33.5%	33.7%	66.5%	66.3%
July 11, 2011	Issuance	77	N/A(1)	N/A(1)	N/A(1)	N/A(1)
August 15, 2011	Issuance	1,191	33.7%	33.9%	66.3%	66.1%
October 10, 2011	Issuance	52	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 10, 2011	Issuance	1,011	33.9%	34.1%	66.1%	65.9%
November 22, 2011	Net Settlement	(130)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 18, 2012	Issuance	394	34.1%	34.1%	65.9%	65.9%
February 13, 2012	Issuance	1,994	34.1%	34.5%	65.9%	65.5%
March 5, 2012	Issuance	50	N/A(1)	N/A(1)	N/A(1)	N/A(1)
April 3, 2012	Issuance	150	N/A(1)	N/A(1)	N/A(1)	N/A(1)
July 9, 2012	Issuance	1,452	34.5%	34.7%	65.5%	65.3%
August 6, 2012	Issuance	1,962	34.7%	35.1%	65.3%	64.9%
October 9, 2012	Issuance	150	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 12, 2012	Issuance	25	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 19, 2012	Issuance	5	N/A(1)	N/A(1)	N/A(1)	N/A(1)

(1) Transaction did not have a material impact on ownership.

14. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the years ended December 2012, 2011 and 2010, $480.9 million, $1,032.8 million and $1,032.9 million of compensation expense was recognized, respectively. The estimated forfeiture rate was 0% for Contributing Partners and 0% for Managing Partners based on actual forfeitures as well as the Company’s future forfeiture expectations. As of December 31, 2012, there was $30.0 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next 6 months.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2012, 2011 and 2010:

	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	(44,089,188)		23.43
Balance at December 31, 2010	66,742,906	$	23.13
Granted	—		—
Forfeited	—		—
Vested	(44,149,696)		23.39
Balance at December 31, 2011	22,593,210	$	22.64
Granted	199,050		17.36
Forfeited	(199,050)		20.00
Vested	(21,092,844)		22.80
Balance at December 31, 2012	1,500,366	$	20.00

Units Expected to Vest—As of December 31, 2012, 1,500,366 AOG Units are expected to vest over the next 6 months.

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. All grants after March 29, 2011 consider the public share price of the Company. The fair value of grants made in 2012, 2011 and 2010 was approximately $73.5 million, $116.6 million and $120.2 million, respectively. Of these awards, 972,266 RSUs relate to awards granted as part of the Stone Tower acquisition. The fair value of these awards was not charged to compensation expense, but charged to additional paid in capital in the consolidated statements of changes in shareholder's equity. Refer to note 3 for further discussion of the Stone Tower acquisition. For Plan Grants, the fair value is based on grant date fair value, and is discounted 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 is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). The actual forfeiture rate was 3.9%, 2.3% and 7.9% for the years ended December 31, 2012, 2011 and 2010, respectively. For the years ended December 31, 2012, 2011 and 2010, $110.2 million, $108.2 million and $78.9 million of compensation expense was recognized, respectively.

Delivery of Class A Shares

During 2012 and 2011, the Company delivered Class A Shares for vested RSUs. The Company generally allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment was $26.0 million and $19.6 million in 2012 and 2011, respectively, and is disclosed in the consolidated statement of equity.

The delivery of RSUs does not cause a transfer of amounts in the Consolidated Statement of Changes in Shareholders' Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the year ended December 31, 2012, the Company delivered 6.1

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million Class A shares in settlement of vested RSUs, which caused the Company's ownership interest in the Apollo Operating Group to increase to 35.1% from 34.1%.

The following table summarizes RSU activity for the years ended December 31, 2012, 2011 and 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2010	19,937,996	$ 10.87	12,092,019	32,030,015
Granted	12,861,969	9.34	—	12,861,969
Forfeited	(2,578,992)	10.07	—	(2,578,992)
Delivered	—	6.74	(3,227,155)	(3,227,155)
Vested	(6,778,057)	10.40	6,778,057	—
Balance at December 31, 2010	23,442,916	10.25	15,642,921	39,085,837
Granted	8,068,735	14.45	—	8,068,735
Forfeited	(737,372)	12.59	—	(737,372)
Delivered	—	10.12	(5,696,419)	(5,696,419)
Vested	(10,293,506)	11.13	10,293,506	—
Balance at December 31, 2011	20,480,773	11.38	20,240,008	40,720,781 (1)
Granted	5,377,562	13.68	—	5,377,562
Forfeited	(966,725)	11.02	—	(966,725)
Delivered	—	11.69	(7,894,214)	(7,894,214)
Vested	(10,167,136)	12.28	10,167,136	—
Balance at December 31, 2012	14,724,474	$ 11.62	22,512,930	37,237,404

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

Units Expected to Vest—As of December 31, 2012, approximately 13,841,000 RSUs are expected to vest during the next six years.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011 and 25,000 options were granted on April 9, 2011. Of the options granted on January 22, 2011, half of such options that vested and became exercisable on December 31, 2011 were exercised on March 5, 2012 and the other half that were due to become exercisable on December 31, 2012 were forfeited during the quarter ended March 31, 2012. The options granted on April 9, 2011 vested and became exercisable with respect to half of the options shares on December 31, 2011 and the other half vests in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012. In addition, 50,000 and 200,000 options were granted on July 9, 2012 and December 28, 2012, respectively. These options will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2013 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on June 30, 2018. For the years ended December 31, 2012, 2011, and 2010, $4.8 million, $6.9 million, and $0.3 million of compensation expense were recognized as a result of option grants, respectively.

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Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2012 and 2011:

Assumptions:	2012(2)	2011(2)	2010
Risk-free interest rate	1.11%	2.79%	2.34%
Weighted average expected dividend yield	8.13%	2.25%	2.79%
Expected volatility factor(1)	45.00%	40.22%	40.00%
Expected life in years	6.66	5.72	6.79
Fair value of options per share	$ 3.01	$ 8.44	$5.62

(1) The Company determined its expected volatility based on comparable companies using daily stock prices and the Company's volatility.
(2) Represents weighted average of 2012 and 2011 grants, respectively.

The following table summarizes the share option activity for the years ended December 31, 2012, 2011 and 2010:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2010	—	$ —	$ —	—
Granted	5,000,000	8.00	28,100	9.92
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2010	5,000,000	8.00	$ 28,100	9.92
Granted	580,556	9.39	4,896	9.09
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2011	5,580,556	8.14	$32,996	8.93
Granted	250,000	16.26	752	9.90
Exercised	(277,778)	9.00	(2,364)	—
Forfeited	(277,778)	9.00	(2,364)	—
Balance at December 31, 2012	5,275,000	8.44	$ 29,020	8.01
Exercisable at December 31, 2012	1,691,665	$ 8.15	$ 9,535	7.92

Units Expected to Vest—As of December 31, 2012, approximately 3,368,000 options are expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2012 was $18.3 million and is expected to be recognized over a weighted average period of 4.0 years. The total intrinsic value of options exercised during the year ended December 31, 2012 was $1.4 million.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depository units ("RDUs") following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The 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 AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value is based on the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the years ended December 31, 2012, 2011

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and 2010, the actual forfeiture rate was 0%, 0% and 1.5%, respectively. For the years ended December 31, 2012, 2011 and 2010, $1.0 million, $0.5 million and $5.5 million of compensation expense was recognized, respectively.

During the years ended December 31, 2012, 2011 and 2010, the Company delivered 60,702, 389,785 and 596,375 RDUs, respectively, to individuals who had vested in these units. The deliveries in 2012, 2011 and 2010 resulted in a satisfaction of liability of $1.8 million, $3.8 million and $7.6 million, respectively, and the recognition of a net decrease of additional paid in capital in 2012 of $2.5 million and a net decrease and increase in 2011 and 2010 of $2.7 million and $0.6 million, respectively. These amounts are presented in the consolidated statement of changes in shareholders' equity. There was $1.0 million and $0.5 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2012 and 2011, respectively. The following table summarizes RDU activity for the years ended December 31, 2012, 2011 and 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2010	221,221	$ 12.95	395,448	616,669
Granted	547,974	7.34	—	547,974
Forfeited	(11,816)	13.00	—	(11,816)
Delivered	—	12.73	(596,375)	(596,375)
Vested	(590,712)	9.36	590,712	—
Balance at December 31, 2010	166,667	7.20	389,785	556,452
Granted	90,688	10.30	—	90,688
Forfeited	—	—	—	—
Delivered	—	10.54	(389,785)	(389,785)
Vested	(60,702)	8.69	60,702	—
Balance at December 31, 2011	196,653	8.17	60,702	257,355
Granted	256,673	9.45	—	256,673
Forfeited	—	—	—	—
Delivered	—	8.69	(60,702)	(60,702)
Vested	(114,896)	9.02	114,896	—
Balance at December 31, 2012	338,430	$ 8.85	114,896	453,326

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Units Expected to Vest—As of December 31, 2012, approximately 318,000 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	96,661
Granted	(547,974)
Forfeited	11,816
Balance at December 31, 2010	1,979,031
Purchases	59,494
Granted	(90,688)
Forfeited	—
Balance at December 31, 2011	1,947,837
Purchases	187,261
Granted/Issued	(449,753)(1)
Forfeited	—
Balance at December 31, 2012	1,685,345

(1) During 2012, the Company delivered 193,080 RDUs to certain employees as part of AAA's carry reinvestment program. This resulted in a decrease in profit sharing payable of $1.2 million in the consolidated statements of financial condition. No additional compensation expense was recognized.

Restricted Stock and Restricted Stock Unit Awards—Apollo Commercial Real Estate Finance, Inc. ("ARI")

On September 29, 2009, 97,500 and 145,000 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 were granted to an employee of the company. The fair value of the Company and employee awards granted was $1.8 million and $2.7 million, respectively. These awards generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units ("ARI RSUs"), respectively, were granted to certain of the Company's employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company's employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI RSUs, respectively, were granted to certain of the Company's employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. On December 28, 2011, the Company issued 45,587 ARI RSUs to certain of the Company's employees. On March 15, 2012, 20,000 ARI RSUs were granted to an employee of the Company. The awards granted to the Company are accounted for as investments and deferred revenue in the consolidated statements 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 fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for transfer restrictions and timing of distributions. The awards granted to the Company's employees are remeasured each period to reflect the fair value of the asset and other liabilities and any changes in these values are recorded in the consolidated statements of operations. For the years ended December 31, 2012, 2011 and 2010, $2.3 million, $2.9 million and $1.5 million of management fees and $1.5 million, $1.3 million and $0.8 million of compensation expense were recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 1%, 7% and 2% for the years ended December 31, 2012, 2011 and 2010, respectively.

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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 years ended December 31, 2012, 2011 and 2010:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of RSUs Outstanding
Balance at January 1, 2010	242,500	—	$ 18.47	—	—
Granted to employees of the Company	—	123,959	16.97	—	123,959
Forfeited by employees of the Company	(118,959)	(5,000)	18.41	—	(5,000)
Vested awards employees of the Company	(26,039)	(22,709)	17.77	22,709	—
Vested awards for the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2010	65,002	96,250	17.57	22,709	118,959
Granted to employees of the Company	—	203,337	14.34	—	203,337
Granted to the Company	—	156,000	14.85	—	156,000
Forfeited by employees of the Company	—	(30,000)	14.85	—	(30,000)
Vested awards for employees of the Company	—	(50,833)	16.95	50,833	—
Vested awards of the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2011	32,502	374,754	15.12	73,542	448,296
Granted to employees of the Company	—	20,000	15.17	—	20,000
Granted to the Company	—	—	—	—	—
Forfeited by employees of the Company	—	(5,522)	14.09	—	(5,522)
Vested awards for employees of the Company	—	(99,690)	15.43	99,690	—
Vested awards of the Company	(32,502)	(52,000)	16.25	52,000	—
Balance at December 31, 2012	—	237,542	$ 14.62	225,232	462,774

Units Expected to Vest—As of December 31, 2012, approximately 230,000 shares of ARI RSUs are expected to vest.

Restricted Stock Unit Awards—Apollo Residential Mortgage, Inc. ("AMTG")

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units ("AMTG RSUs") were granted to the Company and certain of the Company's employees, respectively. On September 26, 2011, 875 AMTG RSUs were granted to certain employees of the Company. The fair value of the Company and employee awards granted were $0.3 million and $0.2 million, respectively. These awards generally vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. On June 30, 2012 and September 30, 2012, 5,000 AMTG RSUs were granted to employees of the Company with a Fair Value of $0.1 million. On November 26, 2012, 133,244 AMTG RSUs were granted to employees of the Company with a fair value of $2.8 million. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 other liabilities and any changes in these values are recorded in the consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for transfer restrictions and timing of distributions. For the year ended December 31, 2012, $0.2 million of management fees and $0.1 million of compensation expense were recognized in the consolidated statements of operations. For the year ended December 31, 2011, $0.1 million of management fees and $0.0 million of compensation expense were recognized in the consolidated statement of operations. The actual forfeiture rate for AMTG RSUs was 0% for the years ended December 31, 2012 and December 31, 2011.

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The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the years ended December 31, 2012 and December 31, 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	—	$ —	—	—
Granted to employees of the Company	12,125	16.57	—	12,125
Granted to the Company	18,750	18.20	—	18,750
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(1,008)	16.57	1,008	—
Vested awards of the Company	(1,562)	18.20	1,562	—
Balance at December 31, 2011	28,305	17.56	2,570	30,875
Granted to employees of the Company	143,244	20.62	—	143,244
Granted to the Company	—	—	—	—
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(4,042)	16.57	4,042	—
Vested awards of the Company	(6,250)	18.20	6,250	—
Balance at December 31, 2012	161,257	$ 20.28	12,862	174,119

Units Expected to Vest—As of December 31, 2012, approximately 152,000 AMTG RSUs are expected to vest.

Equity-Based Compensation Allocation

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders' Equity attributable to Apollo Global Management, LLC 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 attributable to Apollo Global Management, LLC in the Company's consolidated financial statements.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2012:

	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	$ 480,931	64.9%	$ 313,856	$167,075
RSUs and Share Options	115,013	—	—	115,013
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,674	64.9	1,093	581
AAA RDUs	1,036	64.9	676	360
Total Equity-Based Compensation	$598,654		315,625	283,029
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,769)	(741)
Capital Increase Related to Equity-Based Compensation			$ 313,856	$ 282,288

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2011:

	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	$ 1,032,762	65.9%	$696,361	$ 336,401
RSUs and Share Options	115,142	—	—	115,142
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,320	65.9	870	450
AAA RDUs	529	65.9	349	180
Total Equity-Based Compensation	$1,149,753		697,580	452,173
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,219)	(630)
Capital Increase Related to Equity-Based Compensation			$696,361	$ 451,543

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 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	$1,032,909	71.0%	$735,698	$297,211
RSUs and Share Options	79,169	—	—	79,169
ARI Restricted Stock Awards and ARI RSUs	801	71.0	569	232
AAA RDUs	5,533	71.0	3,930	1,603
Total Equity-Based Compensation	$1,118,412		740,197	378,215
Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs			(4,499)	(1,835)
Capital Increase Related to Equity-Based Compensation			$735,698	$ 376,380

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

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15. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

The Company typically facilitates the initial payment of 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:

	As of December 31, 2012	As of December 31, 2011
Due from Affiliates:		
Due from private equity funds	$ 28,201	$ 28,465
Due from portfolio companies	46,048	61,867
Management and advisory fees receivable from credit funds	46,000	23,545
Due from credit funds	22,278	15,822
Due from Contributing Partners, employees and former employees	9,536	30,353
Due from real estate funds	17,950	13,453
Other	3,299	3,235
Total Due from Affiliates	$ 173,312	$ 176,740
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$441,997	$ 451,743
Due to private equity funds	12,761	86,500
Due to credit funds	19,926	18,817
Due to real estate funds	1,200	1,200
Distributions payable to employees	1,567	12,532
Other (1)	—	7,972
Total Due to Affiliates	$477,451	$578,764

(1) As of December 31, 2011, includes a $4.7 million contingent consideration liability at fair value due to former owners of Gulf Stream as discussed in note 3 to the consolidated financial statements.

Tax Receivable Agreement and Other

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 of 1986, 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 ("TRA") 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 2007 Reorganization. If the Company does not make the required annual payment on a timely basis as outlined in the TRA, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 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% or $12.1 million of the required payments pursuant to the TRA that is attributable to the 2010 fiscal year for a period of four years until April 5, 2014.

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In April 2011, Apollo made cash payments of $39.8 million, in connection with the TRA to the Managing Partners and Contributing Partners resulting from realized tax benefits for the 2010 tax year. Included in the 2011 payment was $29.0 thousand and $3.0 thousand of interest paid to the Managing Partners and Contributing Partners, respectively. In April 2012, Apollo made a $5.8 million cash payment pursuant to the TRA resulting from the realized tax benefit for the 2011 tax year. Included in the payment was approximately $1.2 million and approximately $0.1 million of interest paid to the Managing Partners and Contributing Partners, respectively. Because distributions from the Apollo Operating Group are made pari passu to all unit holders, the TRA payment noted above resulted in an additional $11.0 million distribution to Holdings.

In addition, Apollo adjusted the remaining liability by $(3.9) million, $(0.1) million and $7.6 million and recorded a corresponding gain in other income (loss), net in the consolidated statement of operations during the years ended December 31, 2012 and 2011, respectively, and a corresponding loss in other income (loss), net in the consolidated statement of operations for the year ended December 31, 2010 due to changes in projected income estimates and fluctuations in the tax rates.

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 allowed for a maximum allocation of income from Holdings of $22.1 million in 2009 and $117.5 million in 2010. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation beyond such date. The Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

Due from Contributing Partners, Employees and Former Employees

For the year ended December 31, 2011, the Company accrued $22.1 million in receivables from the Contributing Partners and certain employees and former employees of Fund VI for the potential return of carried interest income that would be due if the private equity fund were liquidated at the balance sheet date. For the year ended December 31, 2012, the Company has no liability to Fund VI in connection with the potential general partner obligation to return previously distributed carried interest income. As a result, for the year ended December 31, 2012, the Company has no receivables from the Contributing Partners, certain employees and former employees of Fund VI in connection with the potential general partner obligation to return previously distributed carried interest income.

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 and related compensation expense amounted to $6.2 million, $23.5 million and $24.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

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Distributions

In addition to other distributions such as TRA payments, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the manager of the Company during 2010, 2011, and 2012 (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
May 27, 2010	$ 0.07	June 15, 2010	$ 6.7	$ 16.8	$ 23.5	$ 1.0
August 2, 2010	0.07	August 25, 2010	6.9	16.8	23.7	1.4
November 1, 2010	0.07	November 23, 2010	6.9	16.8	23.7	1.3
January 4, 2011	0.17	January 14, 2011	16.6	40.8	57.4	3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8	79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6	87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0	72.8	4.3
February 12, 2012	0.46	February 29, 2012	58.1	110.4	168.5	10.3
May 8, 2012	0.25	May 30, 2012	31.6	60.0	91.6	6.2
August 2, 2012	0.24	August 31, 2012	31.2	57.6	88.8	5.3
November 9, 2012	0.40	November 30, 2012	52.0	96.0	148.0	9.4

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.

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. The Company recorded an indemnification liability of $0.8 million as of December 31, 2011. There was no indemnification liability as of December 31, 2012.

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 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. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the consolidated statements of financial condition. During the year ended December 31, 2011, there was a $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. At December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. During the year ended December 31, 2012, there was no interest paid and $1.3 million accrued interest on the outstanding loan obligation. As of December 31, 2012, the total outstanding loan aggregated

$9.3 million, including accrued interest of $1.3 million which approximated fair value, of which approximately $6.7 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

As of December 31, 2011, the Company had also accrued a liability to Fund VI of $75.3 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $22.1 million was a receivable from Contributing Partners, employees and former employees. As of December 31, 2012, the general partner obligation was reversed and there was no liability.

Due to Credit Funds

In connection with the Gulf Stream acquisition during October 2011, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. Additionally the Company has deferred a payment obligation to the former owners. This obligation was $3.9 million at date of acquisition and was paid in December 2012. The contingent consideration liability had a fair value of approximately $4.7 million as of October 24, 2011 (the date of acquisition) and $14.1 million as of December 31, 2012. As of December 31, 2012, the former owner is no longer an employee of Apollo therefore the contingent consideration is reported within profit sharing payable in the consolidated statements of financial condition.

Similar to the private equity funds, certain credit funds allocate carried interest income to the Company. As of December 31, 2011, the Company had accrued a liability to SOMA of $18.1 million, in connection with the potential general partner obligation for carried interest income that was previously distributed from SOMA. This amount increased by $1.2 million during the year ended December 31, 2012. The Company also accrued a liability to APC of $0.3 million, in connection with the potential general obligation for carried interest income that was previously distributed from APC as of December 31, 2012. As such, there was a general partner obligation to return previously distributed carried interest income of $19.6 million accrued as of December 31, 2012.

Due to Real Estate Funds

In connection with the acquisition of CPI during November 2010, Apollo has a contingent liability to Citigroup Inc. based on a specified percentage of future earnings from the date of acquisition through December 31, 2012. The estimated fair value of the contingent liability was $1.2 million as of December 31, 2012 and 2011, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%.

Regulated Entities

During 2011, the Company formed Apollo Global Securities, LLC (“AGS”), which is a registered broker dealer with the United States Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, subject to the minimum net capital requirements of the SEC. AGS is in compliance with these requirements at December 31, 2012. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS earns underwriting and transaction fees for its services. The Company also has an entity based in London which is subject to the capital requirements of the U.K. Financial Services Authority. This entity has continuously operated in excess of these regulatory capital requirements.

All of the investment advisors of the Apollo funds are affiliates of certain subsidiaries of the Company that are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended.

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Underwriting Fee Paid for ARI

During 2009, the Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI's IPO on September 29, 2009, ARI's core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate. During the second quarter of 2011, the core earnings had exceeded the hurdle rate and the Company recorded $8.0 million of other income in the consolidated statement of operations.

Interests in Consolidated Entities

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net (income) loss attributable to Non-Controlling Interests consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
AAA[1]	$ (278,454)	$ 123,400	$(356,251)
Interest in management companies and a co-investment vehicle [2]	(7,307)	(12,146)	(16,258)
Other consolidated entities	50,956	(13,958)	(36,847)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(234,805)	97,296	(409,356)
Net (income) attributable to Appropriated Partners' Capital [3]	(1,816,676)	(202,235)	(11,359)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(685,357)	940,312	(27,892)
Net (income) loss attributable to Non-Controlling Interests	$ (2,736,838)	$ 835,373	$ (448,607)
Net income attributable to Appropriated Partners' Capital [4]	1,816,676	202,235	11,359
Other Comprehensive Income attributable to Non-Controlling Interests	(2,010)	(5,106)	(9,219)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$ (922,172)	$1,032,502	$ (446,467)

(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% during the year ended December 31, 2012, approximately 98% during the year ended December 31, 2011 and approximately 97% during the year ended 2010, respectively.
(2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies.
(3) Reflects net income of the consolidated CLOs classified as VIEs. Includes the bargain purchase gain from the Stone Tower acquisition of $1,951.1 million for the year ended December 31, 2012 and the bargain purchase gain from the Gulf Stream acquisition of $0.8 million and $195.4 million for the years ended December 31, 2012 and 2011, respectively.
(4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive (income) loss attributable to non-controlling interest on the statement of comprehensive income (loss).

16. 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 December 31, 2012, the maximum exposure relating to these financial guarantees approximated $3.4 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 financial statements.

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As the general partner of Apollo/Artus Investor 2007-I, L.P. ("Artus"), the Company may be obligated for certain 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, 2012, the Company had no current obligations to Artus.

Investment Commitments—As a limited partner, general partner and manager of the Apollo private equity funds, credit and real estate funds, Apollo has unfunded capital commitments as of December 31, 2012 and 2011 of $258.3 million and $137.9 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

On December 21, 2012, the Company agreed to provide up to $100 million of capital support to Athene to the extent such support is necessary in connection with Athene's pending acquisition of Aviva plc's annuity and life insurance operations in the United States.

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—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.

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 Apollo's motion. The court also dismissed two other defendants, Permira and Merrill Lynch. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding an additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the court granted plaintiffs' motion to file that amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo as a defendant. Apollo joined in the other defendants' October 21, 2010 motion to dismiss the third claim for relief and all claims by the PanAmSat Damages Sub-class in the fourth amended complaint, which motion was granted on January 13, 2011. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint, adding ten additional transactions and expanding the scope of the class seeking relief. On September 7, 2011, the court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. By court order, the parties concluded discovery on May 21, 2012. The plaintiffs then filed a fifth amended complaint on June 14, 2012. One week later, the defendants filed a motion to dismiss portions of the Fifth Amended Complaint. On July 18, 2012, the court granted the defendants' motion in part and denied it in part. On July 21, 2012, all defendants filed motions for summary judgment. While those motions were pending, the New York Times moved to intervene and unseal the fifth amended complaint. After a court order, the defendants submitted a version of the complaint containing only four redactions. The court publicly filed this version of the fifth amended complaint on the case docket on October 10, 2012. On December 18 and 19, 2012, the court heard oral argument on the defendants' motions

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for summary judgment. Those motions remain pending. Apollo does not believe that a loss from liability in this case is either probable or reasonably estimable. Apollo believes the plaintiffs' claims lack factual and legal merit and intends to defend it vigorously. For these reasons, no estimate of possible loss, if any, can be made at this time.

In March 2012, plaintiffs filed two putative class actions, captioned Kelm v. Chase Bank (No. 12-cv-332) and Miller v. 1-800-Flowers.com, Inc. (No. 12-cv-396), in the District of Connecticut on behalf of a class of consumers alleging online fraud. The defendants included, among others, Trilegiant Corporation, Inc. ("Trilegiant"), its parent company, Affinion Group, LLC ("Affinion"), and Apollo Global Management, LLC, which is affiliated with funds that are the beneficial owners of 69% of Affinion's common stock. In both cases, plaintiffs allege that Trilegiant, aided by its business partners, who include e-merchants and credit card companies, developed a set of business practices intended to create consumer confusion and ultimately defraud consumers into unknowingly paying fees to clubs for unwanted services. Plaintiffs allege that Apollo is a proper defendant because of its indirect stock ownership and ability to appoint the majority of Affinion's board. The complaints assert claims under the Racketeer Influenced Corrupt Organizations Act; the Electronic Communications Privacy Act; the Connecticut Unfair Trade Practices Act; and the California Business and Professional Code, and seek, among other things, restitution or disgorgement, injunctive relief, compensatory, treble and punitive damages, and attorneys' fees. The allegations in Kelm and Miller are substantially similar to those in Schnabel v. Trilegiant Corp. (No. 3:10-cv-957), a putative class action filed in the District of Connecticut in 2010 that names only Trilegiant and Affinion as defendants. The court has consolidated the Kelm, Miller, and Schnabel cases under the caption In re: Trilegiant Corporation, Inc. and ordered that they proceed on the same schedule. On June 18, 2012, the court appointed lead plaintiffs' counsel, and on September 7, 2012, plaintiffs filed their consolidated amended complaint ("CAC"), which alleges the same causes of action against Apollo as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, and plaintiffs filed opposition papers on February 7, 2013. Defendants' replies are due on March 11, 2013. On December 5, 2012, plaintiffs filed another putative class action, captioned Frank v. Trilegiant Corp. (No. 12-cv-1721), in the District of Connecticut, naming the same defendants and containing allegations substantially similar to those in the CAC. On January 23, 2013, plaintiffs moved to transfer and consolidate Frank into In re: Trilegiant, and on February 15, 2013, the Frank Court extended all defendants' deadlines to respond to the Frank complaint until the earlier of (i) April 1, 2013 or (ii) a ruling on the motion to transfer and consolidate. Apollo believes that plaintiffs' claims against it in these cases are without merit. For this reason, and because the claims against Apollo are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

On July 9, 2012, Apollo was served with a subpoena by the New York Attorney General's Office regarding Apollo's fee waiver program. The subpoena is part of what we understand to be an industry-wide investigation by the New York Attorney General into the tax implications of the fee waiver program implemented by numerous private equity and hedge funds. Under the fee waiver program, individual fund managers for Apollo-managed funds may elect to prospectively waive their management fees. Program participants receive an interest in the future profits, if any, earned on the invested amounts that represent waived fees. They receive such profits from time to time in the ordinary course when distributions are made generally, as provided for in the applicable fund governing documents and waiver agreements. Four Apollo funds have implemented the program. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former Chief Executive Officer of

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CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds managed by 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. On December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services, and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. On April 23, 2012, the SEC filed a lawsuit alleging securities fraud on the part of Arvco, as well as Messrs. Buenrostro and Villalobos, in connection with their activities concerning certain CalPERS investments in funds managed by Apollo. This lawsuit also does not allege wrongdoing on the part of Apollo, and in fact alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. Apollo believes that it has handled its use of placement agents in an appropriate manner. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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 effect on our financial statements. Legal actions material to us 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 December 31, 2012, the approximate aggregate minimum future payments required for operating leases were as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
Aggregate minimum future payments	$36,109	$36,853	$36,105	$35,265	$32,680	$74,174	$251,186

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $41.2 million, $38.3 million and $28.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Other Long-term Obligations—These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2012, fixed and determinable payments due in connection with these obligations are as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
Other long-term obligations	$7,418	$700	$250	$—	$—	$ —	$8,368

Contingent Obligations—Carried interest income in private equity funds and certain credit and real estate 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 December 31, 2012 and that would be

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reversed approximates $3.2 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2012
Private Equity Funds:	
Fund VII	$ 1,440,907
Fund VI	567,106
Fund V	213,739
Fund IV	19,739
Other (AAA, Stanhope Life, L.P. "Stanhope")	93,635
Total Private Equity Funds	2,335,126
Credit Funds(1):	
U.S. Performing Credit	656,518
Opportunistic Credit	27,222
Structured Credit	30,863
European Credit	47,206
Non-Performing Loans	102,101
Total Credit Funds	863,910
Real Estate Funds:	
CPI Other	10,406
Total Real Estate Funds	10,406
Total	$ 3,209,442

(1) Reclassified to conform to current presentation.

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 general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15, the Company has recorded a general partner obligation to return previously distributed carried interest income of $19.3 million and $0.3 million relating to SOMA and APC, respectively, as of December 31, 2012. As of December 31, 2012, the general partner obligation for Fund VI was reversed and there was no liability as discussed in note 15.

Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company's subsidiaries, AGS, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2012 and 2011, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the Stone Tower acquisition, the Company agreed to pay the former owners of Stone Tower a specified percentage of any future carried interest income earned from certain of the Stone Tower funds, CLOs, and strategic investment accounts. This contingent consideration liability had an acquisition date fair value of $117.7 million, which was determined based on the present value of estimated future carried interest payments, and is recorded in profit sharing payable in the consolidated statements of

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financial condition. The fair value of the contingent obligation was $126.9 million as of December 31, 2012. Refer to note 3 for additional details related to the Stone Tower acquisition.

In connection with the Gulf Stream acquisition, as discussed in note 3, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of approximately $14.1 million as of December 31, 2012, which is recorded in profit sharing payable in the consolidated statements of financial condition. The contingent liability had a fair value of approximately $4.7 million as of December 31, 2011, which is recorded in due to affiliates in the consolidated statements of financial condition.

In connection with the CPI acquisition, the consideration transferred in the acquisition was a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2012 and 2011 and is recorded in due to affiliates in the consolidated statements of financial condition.

The contingent consideration obligations will be remeasured to fair value at each reporting period until the obligations are satisfied. The changes in the fair value of the contingent consideration obligations will be reflected in profit sharing expense in the consolidated statements of operations.

During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The Company has determined that the contingent consideration obligations are categorized as a Level III liability in the fair value hierarchy as the pricing inputs into the determination of fair value requires significant management judgment and estimation.

The following table summarizes the quantitative inputs and assumptions used for the contingent consideration obligations categorized in Level III of the fair value hierarchy as of December 31, 2012:

	Fair Value at December 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges
Financial Assets:				
Contingent consideration obligations	$ 142,219	Discounted cash flow	Discount rate	7.0%-11.6%

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The significant unobservable input used in the fair value measurement of the contingent obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of the contingent consideration obligations; conversely decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. In order to determine the discount rate the Company considered the following: the weighted average cost of capital for the Company, the implied internal rate of return for the transaction, and weighted average return on assets.

The following table summarizes the changes in contingent consideration obligations, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 5,900	$ 1,200	$ —
Acquisition (see note 3)	117,700	4,700	1,200
Payments	(8,168)	—	—
Purchase accounting adjustments	1,000	—	—
Change in fair value	25,787		
Balance, End of Period	$142,219	$5,900	$1,200

17. 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 December 31, 2012, there were more than 1,000 limited partner investors in Apollo’s active private equity, credit and real estate funds, and no individual investor accounted for more than 10% of the total 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 December 31, 2012 and 2011, $737.8 million and $738.5 million of Apollo’s debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively. However, as of December 31, 2011, $167.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 12. As the interest rate swap expired in May 2012, the $167 million of debt was no longer converted to a fixed rate.

18. 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;
- ***Credit***—primarily invests in non-control corporate and structured debt instruments; and
- ***Real Estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors 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 exclude 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 tables below present the financial data for Apollo's reportable segments further separated between the management and incentive business as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the "management" business section 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, investment income, profit sharing expense and incentive fee based compensation.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change aligns with the Company's management reporting and organizational structure and is consistent with the manner in which resource deployment and compensation decisions are made.

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, credit and real estate segments. Management also believes the components of ENI such 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:

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- 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 relating to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. 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 (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, (ii) income tax expense, (iii) amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and (iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements.

During the fourth quarter 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, credit and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation expense for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the year ended December 31, 2010:

	Impact of Modification on ENI			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2010	$(6,525)	$(23,449)	$(3,975)	$(33,949)

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 138,531	$ 10,764	$ 749	$ 150,044
Management fees from affiliates	277,048	299,667	46,326	623,041
Carried interest income from affiliates	1,667,535	518,852	15,074	2,201,461
Total Revenues	2,083,114	829,283	62,149	2,974,546
Expenses	945,466	454,378	72,437	1,472,281
Other Income	78,691	59,966	2,253	140,910
Non-Controlling Interests	—	(8,730)	—	(8,730)
Economic Net Income (Loss)	$ 1,216,339	$ 426,141	$ (8,035)	$ 1,634,445
Total Assets	$2,589,645	$1,791,814	$76,851	$ 4,458,310

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$2,974,546	$ (114,581)(1)	$ 2,859,965
Expenses	1,472,281	575,564(2)	2,047,845
Other income	140,910	2,160,175(3)	2,301,085
Non-Controlling Interests	(8,730)	(2,728,108)	(2,736,838)
Economic Net Income	$ 1,634,445(4)	N/A	N/A
Total Assets	$ 4,458,310	$16,178,548(5)	$20,636,858

(1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.

(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.

(3) Results from the following:

	For the Year Ended December 31, 2012
Net gains from investment activities	$ 289,386
Net losses from investment activities of consolidated variable interest entities	(71,704)
Loss from equity method investments	(10,947)
Interest and other income	1,543
Gain on acquisition	1,951,897
Total Consolidation Adjustments	$ 2,160,175

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

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	For the Year Ended December 31, 2012
Economic Net Income	$1,634,445
Income tax provision	(65,410)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(685,357)
Non-cash charges related to equity-based compensation (6)	(529,712)
Amortization of intangible assets	(43,009)
Net Income Attributable to Apollo Global Management, LLC	$ 310,957

(5) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2012:

	For the Year Ended December 31, 2012					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 138,531	$ —	$ 138,531	$ 10,764	$ —	$ 10,764
Management fees from affiliates	277,048	—	277,048	299,667	—	299,667
Carried interest income from affiliates:						
Unrealized gains(1)	—	854,919	854,919	—	301,077	301,077
Realized gains	—	812,616	812,616	37,842	179,933	217,775
Total Revenues	415,579	1,667,535	2,083,114	348,273	481,010	829,283
Compensation and benefits(2)	159,678	702,477	862,155	149,801	155,526	305,327
Other expenses(2)	83,311	—	83,311	149,051	—	149,051
Total Expenses	242,989	702,477	945,466	298,852	155,526	454,378
Other Income	4,653	74,038	78,691	15,008	44,958	59,966
Non-Controlling Interests	—	—	—	(8,730)	—	(8,730)
Economic Net Income	$ 177,243	$ 1,039,096	$1,216,339	$ 55,699	$ 370,442	$ 426,141

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	For the Year Ended December 31, 2012		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 749	$ —	$ 749
Management fees from affiliates	46,326	—	46,326
Carried interest income from affiliates:			
Unrealized gains	—	10,401	10,401

Realized gains	—	4,673	4,673
Total Revenues	47,075	15,074	62,149
Compensation and benefits[(1)]	34,037	14,130	48,167
Other expenses[(1)]	24,270	—	24,270
Total Expenses	58,307	14,130	72,437
Other Income	1,271	982	2,253
Economic Net (Loss) Income	$ (9,961)	$ 1,926	$ (8,035)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 66,913	$ 14,699	$ 698	$ 82,310
Management fees from affiliates	263,212	186,700	40,279	490,191
Carried interest (loss) income from affiliates	(449,208)	51,801	—	(397,407)
Total Revenues	(119,083)	253,200	40,977	175,094
Expenses	155,994	250,020	77,179	483,193
Other Income (Loss)	15,041	(5,716)	10,420	19,745
Non-Controlling Interests	—	(12,146)	—	(12,146)
Economic Net Loss	$ (260,036)	$ (14,682)	$(25,782)	$ (300,500)
Total Assets	$1,764,166	$1,123,654	$ 61,970	$2,949,790

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 175,094	$ (3,462)(1)	$ 171,632
Expenses	483,193	1,099,257(2)	1,582,450
Other income	19,745	98,803(3)	118,548
Non-Controlling Interests	(12,146)	847,519	835,373
Economic Net Loss	$ (300,500)(4)	N/A	N/A
Total Assets	$2,949,790	$ 5,026,083(5)	$7,975,873

(1) Represents advisory and management fees earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

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	For the Year Ended December 31, 2011
Net losses from investment activities	$(123,946)
Net gains from investment activities of consolidated variable interest entities	24,201
Gain from equity method investments	3,094
Gain on acquisition	195,454
Total Consolidation Adjustments	$ 98,803

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2011
Economic Net Loss	$ (300,500)
Income tax provision	(11,929)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	940,312
Non-cash charges related to equity-based compensation (6)	(1,081,581)
Amortization of intangible assets	(15,128)
Net Loss Attributable to Apollo Global Management, LLC	$ (468,826)

(5) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2011:

	For the Year Ended December 31, 2011					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 66,913	$ —	$ 66,913	$ 14,699	$ —	$ 14,699
Management fees from affiliates	263,212	—	263,212	186,700	—	186,700
Carried interest (loss) income from affiliates:						
Unrealized losses(1)	—	(1,019,748)	(1,019,748)	—	(66,852)	(66,852)
Realized gains	—	570,540	570,540	44,540	74,113	118,653
Total Revenues	330,125	(449,208)	(119,083)	245,939	7,261	253,200
Compensation and benefits(2)	156,923	(100,267)	56,656	116,181	38,844	155,025
Other expenses(2)	99,338	—	99,338	94,995	—	94,995
Total Expenses	256,261	(100,267)	155,994	211,176	38,844	250,020
Other Income (Loss)	7,081	7,960	15,041	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	—	—	—	(12,146)	—	(12,146)
Economic Net Income (Loss)	$ 80,945	$ (340,981)	$ (260,036)	$ 20,639	$ (35,321)	$ (14,682)

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million with respect to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2011		
		Real Estate	
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698
Management fees from affiliates	40,279	—	40,279
Carried interest income from affiliates	—	—	—
Total Revenues	40,977	—	40,977
Compensation and benefits(1)	46,163	1,353	47,516
Other expenses(1)	29,663	—	29,663
Total Expenses	75,826	1,353	77,179
Other Income	9,694	726	10,420
Economic Net Loss	$(25,155)	$ (627)	$(25,782)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2010:

	As of and for the Year Ended December 31, 2010			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 60,444	$ 19,338	$ —	$ 79,782
Management fees from affiliates	259,395	160,318	11,383	431,096
Carried interest loss from affiliates	1,321,113	277,907	—	1,599,020
Total Revenues	1,640,952	457,563	11,383	2,109,898
Expenses	767,600	240,341	46,034	1,053,975
Other Income	212,845	41,606	23,231	277,682
Non-Controlling Interests	—	(16,258)	—	(16,258)
Economic Net Income (Loss)	$1,086,197	$ 242,570	$(11,420)	$ 1,317,347
Total Assets	$2,271,564	$1,152,389	$46,415	$ 3,470,368

	For the Year Ended December 31, 2010		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$2,109,898	$ —	$2,109,898
Expenses	1,053,975	1,103,411(1)	2,157,386
Other income	277,682	404,767(2)	682,449
Non-Controlling Interests	(16,258)	(432,349)	(448,607)
Economic Net Income	$ 1,317,347(3)	N/A	N/A
Total Assets	$ 3,470,368	$ 3,082,004(4)	$6,552,372

(1) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.

APOLLO GLOBAL MANAGEMENT, LLC
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(2) Results from the following:

	For the Year Ended December 31, 2010
Net gains from investment activities	$367,871
Net gains from investment activities of consolidated variable interest entities	48,206
Loss from equity method investments	(11,107)
Interest income	20
Other loss	(223)
Total Consolidation Adjustments	$ 404,767

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2010
Economic Net Income	$ 1,317,347
Income tax provision	(91,737)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)
Non-cash charges related to equity-based compensation (5)	(1,087,943)
Net loss of Metals Trading Fund	(2,380)
Amortization of intangible assets	(12,778)
Net Income Attributable to Apollo Global Management, LLC	$ 94,617

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

(5) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2010:

	For the Year Ended December 31, 2010					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 60,444	$ —	$ 60,444	$ 19,338	$ —	$ 19,338
Management fees from affiliates	259,395	—	259,395	160,318	—	160,318
Carried interest income from affiliates:						
Unrealized gains	—	1,251,526	1,251,526	—	103,918	103,918
Realized gains	—	69,587	69,587	47,385	126,604	173,989
Total Revenues	319,839	1,321,113	1,640,952	227,041	230,522	457,563
Compensation and benefits(1)	150,181	519,669	669,850	103,763	55,698	159,461
Other expenses(1)	97,750	—	97,750	80,880	—	80,880
Total Expenses	247,931	519,669	767,600	184,643	55,698	240,341
Other Income	162,213	50,632	212,845	10,928	30,678	41,606
Non-Controlling Interests	—	—	—	(16,258)	—	(16,258)
Economic Net Income	$ 234,121	$ 852,076	$ 1,086,197	$ 37,068	$205,502	$ 242,570

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2010		
		Real Estate	
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ —	$ —	$ —
Management fees from affiliates	11,383	—	11,383
Carried interest income from affiliates	—	—	—
Total Revenues	11,383	—	11,383
Compensation and benefits(1)	26,096	—	26,096
Other expenses(1)	19,938	—	19,938
Total Expenses	46,034	—	46,034
Other Income (Loss)	23,622	(391)	23,231
Economic Net Loss	$(11,029)	$ (391)	$ (11,420)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

19. SUBSEQUENT EVENTS

On January 9, 2013, the Company issued 150,000 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.1% to 35.2%.

On January 28, 2013, the Company issued 23,231 Class A shares in settlement of vested RSUs. The issuance had minimal impact on the Company's ownership in the Apollo Operating Group.

On February 11, 2013, the Company issued 1,912,632 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.2% to 35.5%.

On February 8, 2013, the Company declared a cash distribution of $1.05 per Class A share, which was paid on February 28, 2013 to holders of record on February 20, 2013.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenues	$ 776,743	$ 211,628	$ 712,373	$1,159,221
Expenses	523,230	316,962	520,008	687,645
Other Income	192,188	1,950,461	27,348	131,088
Income Before Provision for Taxes	$ 445,701	$1,845,127	$ 219,713	$ 602,664
Net Income	$ 431,141	$ 1,834,477	$197,796	$ 584,381
Income (Loss) attributable to Apollo Global Management, LLC.	$ 98,043	$ (41,386)	$ 82,791	$ 171,509
Net Income (Loss) per Class A Share – Basic and Diluted	$ 0.66	$ (0.38)	$ 0.55	$ 1.12

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	For the Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Revenues	$ 696,342	$ 308,876	$(1,479,580)	$ 645,994
Expenses	641,581	480,006	(158,100)	618,963
Other Income (Loss)	205,164	70,035	(442,310)	285,659
Income (Loss) Before Provision for Taxes	$259,925	$(101,095)	$(1,763,790)	$ 312,690
Net Income (Loss)	$ 251,105	$ (104,645)	$ (1,743,943)	$ 293,284
Income (Loss) attributable to Apollo Global Management, LLC.	$ 38,156	$ (50,989)	$ (466,926)	$ 10,933
Net Income (Loss) per Class A Share – Basic and Diluted	$ 0.33	$ (0.46)	$ (3.86)	$ 0.05

Audited Consolidated Financial Statements of AGM for the Year Ended December 31, 2011

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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, 2011 and 2010, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. 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 financial statements present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
March 8, 2012

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2011 AND DECEMBER 31, 2010
(dollars in thousands, except share data)

	December 31, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	$ 738,679	$ 382,269
Cash and cash equivalents held at Consolidated Funds	6,052	—
Restricted cash	8,289	6,563
Investments	1,857,465	1,920,553
Assets of consolidated variable interest entities:		
Cash and cash equivalents	173,542	87,556
Investments, at fair value	3,301,966	1,342,611
Other assets	57,855	36,754
Carried interest receivable	868,582	1,867,073
Due from affiliates	176,740	144,363
Fixed assets, net	52,683	44,696
Deferred tax assets	576,304	571,325
Other assets	26,976	35,141
Goodwill	48,894	48,894
Intangible assets, net	81,846	64,574
Total Assets	**$ 7,975,873**	**$ 6,552,372**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 33,545	$ 31,706
Accrued compensation and benefits	45,933	54,057
Deferred revenue	232,747	251,475
Due to affiliates	578,764	517,645
Profit sharing payable	352,896	678,125
Debt	738,516	751,525
Liabilities of consolidated variable interest entities:		
Debt, at fair value	3,189,837	1,127,180
Other liabilities	122,264	33,545
Other liabilities	33,050	25,695
Total Liabilities	**5,327,552**	**3,470,953**
Commitments and Contingencies (see note 16)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 123,923,042 shares and 97,921,232 shares issued and outstanding at December 31, 2011, and 2010, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2011, and 2010	—	—
Additional paid in capital	2,939,492	2,078,890
Accumulated deficit	(2,426,197)	(1,937,818)
Appropriated partners' capital	213,594	11,359
Accumulated other comprehensive loss	(488)	(1,529)
Total Apollo Global Management, LLC shareholders' equity	726,401	150,902
Non-Controlling Interests in consolidated entities	1,444,767	1,888,224
Non-Controlling Interests in Apollo Operating Group	477,153	1,042,293
Total Shareholders' Equity	**2,648,321**	**3,081,419**
Total Liabilities and Shareholders' Equity	**$ 7,975,873**	**$ 6,552,372**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Revenues:			
Advisory and transaction fees from affiliates	$ 81,953	$ 79,782	$ 56,075
Management fees from affiliates	487,559	431,096	406,257
Carried interest (loss) income from affiliates	(397,880)	1,599,020	504,396
Total Revenues	171,632	2,109,898	966,728
Expenses:			
Compensation and benefits:			
Equity-based compensation	1,149,753	1,118,412	1,100,106
Salary, bonus and benefits	251,095	249,571	227,356
Profit sharing expense	(63,453)	555,225	161,935
Incentive fee compensation	3,383	20,142	5,613
Total Compensation and Benefits	1,340,778	1,943,350	1,495,010
Interest expense	40,850	35,436	50,252
Professional fees	59,277	61,919	33,889
General, administrative and other	75,558	65,107	61,066
Placement fees	3,911	4,258	12,364
Occupancy	35,816	23,067	29,625
Depreciation and amortization	26,260	24,249	24,299
Total Expenses	1,582,450	2,157,386	1,706,505
Other Income:			
Net (losses) gains from investment activities	(129,827)	367,871	510,935
Net gains from investment activities of consolidated variable interest entities	24,201	48,206	—
Gains from repurchase of debt	—	—	36,193
Income from equity method investments	13,923	69,812	83,113
Interest income	4,731	1,528	1,450
Other income, net	205,520	195,032	41,410
Total Other Income	118,548	682,449	673,101
(Loss) income before income tax provision	(1,292,270)	634,961	(66,676)
Income tax provision	(11,929)	(91,737)	(28,714)
Net (Loss) Income	(1,304,199)	543,224	(95,390)
Net loss (income) attributable to Non-Controlling Interests	835,373	(448,607)	(59,786)
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	(155,176)
Distributions Declared per Class A Share	$ 0.83	$ 0.21	$ 0.05
Net (Loss) Income Per Class A Share:			
Net (Loss) Income Available to Class A Shareholders	$ (468,826)	$ 94,617	$ (155,176)
Net (Loss) Income Per Class A Share—Basic and Diluted	$ (4.18)	$ 0.83	$ (1.62)
Weighted Average Number of Class A Shares—Basic and Diluted	116,364,110	96,964,769	95,815,500

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (dollars in thousands, except share data)

	2011	2010	2009
Net (Loss) Income	**$(1,304,199)**	**$ 543,224**	**$ (95,390)**
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $855, $1,499 and $1,992 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for all three years ended December 31, 2011, 2010 and 2009, respectively)	6,728	11,435	14,591
Net (loss) income on available-for-sale securities (from equity method investment)	(225)	343	—
Total Other Comprehensive Income, net of tax	6,503	11,778	14,591
Comprehensive (Loss) Income	**(1,297,696)**	**555,002**	**(80,799)**
Comprehensive Loss (Income) attributable to Non-Controlling Interests	1,032,502	(446,467)	(71,629)
Comprehensive (Loss) Income Attributable to Apollo Global Management, LLC	**$ (265,194)**	**$ 108,535**	**$(152,428)**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011, 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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	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 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
Distributions	—	—	(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)
Net (loss) income	—	—	—	(155,176)	—	—	(155,176)	460,226	(400,440)	(95,390)
Net unrealized gain on interest rate swaps (net of taxes of $1,992 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,748	2,748	—	11,843	14,591
Balance at December 31, 2009	**95,624,541**	**1**	**$ 1,729,593**	**$ (2,029,541)**	**$ —**	**$ (4,088)**	**$ (304,036)**	**$ 1,283,262**	**$ 319,884**	**$ 1,299,110**
Transition adjustment relating to consolidation of variable interest entity	—	—	—	—	—	—	—	411,885	—	411,885
Capital increase related to equity-based compensation	—	—	376,380	—	—	—	376,380	—	735,698	1,112,078
Reclassification of equity-based compensation	—	—	(3,505)	—	—	—	(3,505)	—	—	(3,505)
Repurchase of Class A shares	(7,135)	—	(43)	—	—	—	(43)	—	—	(43)
Purchase of Class A shares	—	—	—	—	—	—	—	(48,768)	—	(48,768)
Capital contributions	—	—	—	—	—	—	—	187	—	187
Cash distributions	—	—	—	—	—	—	—	(160,316)	—	(160,316)
Distributions	—	—	(24,115)	—	—	—	(24,115)	(6,602)	(50,400)	(81,117)
Distributions related to deliveries of Class A shares for RSUs	2,303,826	—	—	(2,876)	—	—	(2,876)	—	—	(2,876)
Non-cash distributions	—	—	—	(18)	—	—	(18)	(590)	—	(608)
Deconsolidation of fund	—	—	—	—	—	—	—	(7,204)	—	(7,204)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(7,014)	—	—	—	(7,014)	7,014	—	—
Satisfaction of liability related to AAA RDUs	—	—	7,594	—	—	—	7,594	—	—	7,594

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES (CONT'D) IN SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011, 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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
Net income	—	—	—	94,617	11,359	—	105,976	409,356	27,892	543,224
Net income on available-for-sale securities (from equity method investment)	—	—	—	—	—	343	343	—	—	343
Net unrealized gain on interest rate swaps (net of taxes of $1,499 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,216	2,216	—	9,219	11,435
Balance at December 31, 2010	**97,921,232**	**1**	**$ 2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Balance at January 1, 2011	**97,921,232**	**1**	**$ 2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Issuance of Class A shares	21,500,000	—	382,488	—	—	—	382,488	—	—	382,488
Dilution impact of issuance of Class A shares	—	—	132,709	—	—	(356)	132,353	—	(127,096)	5,257
Capital increase related to equity-based compensation	—	—	451,543	—	—	—	451,543	—	696,361	1,147,904
Capital contributions	—	—	—	—	—	—	—	—	—	—
Cash distributions	—	—	—	—	—	—	—	(322,225)	—	(322,225)
Distributions	—	—	(115,139)	—	—	—	(115,139)	(27,284)	(199,199)	(341,622)
Distributions related to deliveries of Class A shares for RSUs	4,631,906	—	11,680	(17,081)	—	—	(5,401)	—	—	(5,401)
Repurchase for net settlement of Class A shares	(130,096)	—	—	(2,472)	—	—	(2,472)	—	—	(2,472)
Non-cash distributions	—	—	—	—	—	—	—	(3,176)	—	(3,176)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(6,524)	—	—	—	(6,524)	6,524	—	—
Satisfaction of liability related to AAA RDUs	—	—	3,845	—	—	—	3,845	—	—	3,845
Net (loss) income	—	—	—	(468,826)	202,235	—	(266,591)	(97,296)	(940,312)	(1,304,199)
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(225)	(225)	—	—	(225)
Net unrealized gain on interest rate swaps (net of taxes of $855 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	1,622	1,622	—	5,106	6,728
Balance at December 31, 2011	**123,923,042**	**1**	**$ 2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Cash Flows from Operating Activities:			
Net (loss) income	$ (1,304,199)	$ 543,224	$ (95,390)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity-based compensation	1,149,753	1,118,412	1,100,106
Depreciation and amortization	11,132	11,472	11,622
Amortization of intangible assets	15,128	12,777	12,677
Amortization of debt issuance costs	511	44	28
Losses from investment in HFA	5,881	—	—
Non-cash interest income	(2,486)	—	—
Income from equity awards received for directors' fees	(19)	—	—
Income from equity method investment	(13,923)	(69,812)	(83,113)
Waived management fees	(23,549)	(24,826)	(19,738)
Non-cash compensation expense related to waived management fees	23,549	24,826	19,738
Deferred taxes, net	10,580	71,241	19,059
Gain on business acquisitions and dispositions	(196,193)	(29,741)	—
Impairment of fixed assets	—	3,101	—
Loss related to general partner commitment	—	—	(38,444)
Loss on assets held for sale	—	2,768	—
Loss on disposal of fixed assets	570	831	847
Gain from repurchase of debt	—	—	(36,193)
Other	—	—	(584)
Changes in assets and liabilities:			
Carried interest receivable	998,491	(1,383,219)	(406,769)
Due from affiliates	(30,241)	(11,066)	11,681
Other assets	(7,019)	(7,880)	28,928
Accounts payable and accrued expenses	3,079	(5,052)	(8,189)
Accrued compensation and benefits	(6,128)	24,931	(4,027)
Deferred revenue	(21,934)	(69,949)	(45,279)
Due to affiliates	43,767	(33,529)	(4,284)
Profit sharing payable	(325,229)	503,589	144,460
Other liabilities	5,778	(7,573)	7,267
Apollo Funds related:			
Net realized losses (gains) from investment activities	11,313	(4,931)	—
Net unrealized losses (gains) from investment activities	113,114	(416,584)	(471,907)
Net realized gains on debt	(41,819)	(21,231)	—
Net unrealized losses on debt	19,880	55,040	—
Distributions from investment activities	30,248	58,368	—
Cash transferred in from consolidated funds	6,052	38,033	—
Change in cash held at consolidated variable interest entities	(17,400)	(87,556)	—
Purchases of investments	(1,294,477)	(1,240,842)	(40,000)
Proceeds from sale of investments and liquidating distributions	1,530,194	627,278	5,497
Change in other assets	(7,109)	(8,086)	—
Change in other liabilities	56,526	107,891	—
Net Cash Provided by (Used in) Operating Activities	**743,821**	**(218,051)**	**107,993**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Cash Flows from Investing Activities:			
Purchases of fixed assets	(21,285)	(5,601)	(15,849)
Proceeds from disposals of fixed assets	631	—	—
Cash received from business acquisition and disposition	—	21,624	—
Cash paid for acquisition	—	(1,354)	—
Purchase of investments in HFA (see note 4)	(52,142)	—	—
Investment in Senior Loan Fund (see note 4)	(26,000)	—	—
Acquisition of Gulf Stream (see note 3)	(29,632)	—	—
Cash contributions to equity method investments	(64,226)	(63,459)	(42,522)
Cash distributions from equity method investments	64,844	38,868	42,475
Change in restricted cash	(1,726)	255	(974)
Net Cash Used in Investing Activities	**$ (129,536)**	**$ (9,667)**	**$ (16,870)**
Cash Flows from Financing Activities:			
Issuance of Class A shares	$ 383,990	$ —	$ —
Repurchase of Class A shares	(2,472)	(43)	(3,485)
Principal repayments on debt and repurchase of debt	(1,939)	(182,309)	(55,783)
Debt issuance costs	—	(3,085)	—
Issuance costs	(1,502)	—	—
Distributions related to deliveries of Class A shares for RSUs	(17,081)	(2,876)	—
Distributions to Non-Controlling Interests in consolidated entities	(13,440)	(13,628)	(12,387)
Contributions from Non-Controlling Interests in consolidated entities	—	187	207
Distributions paid	(102,598)	(21,284)	(4,866)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(199,199)	(50,400)	(12,000)
Distributions to Non-Controlling Interests in Apollo Operating Group	—	—	(17,950)
Apollo Funds related:			
Issuance of debt	454,356	1,050,377	—
Principal repayment on term loans	(415,869)	(331,120)	—
Purchase of AAA shares	—	(48,768)	—
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(308,785)	(146,688)	—
Distributions paid to Non-Controlling Interests in consolidated entities	(27,284)	(6,602)	—
Net Cash (Used in) Provided by Financing Activities	**(251,823)**	**243,761**	**(106,264)**
Net Increase (Decrease) in Cash and Cash Equivalents	362,462	16,043	(15,141)
Cash and Cash Equivalents, Beginning of Period	382,269	366,226	381,367
Cash and Cash Equivalents, End of Period	**$ 744,731**	**$ 382,269**	**$ 366,226**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 49,296	$ 38,317	$ 51,850
Interest paid by consolidated variable interest entities	20,892	12,522	—
Income taxes paid	10,732	13,468	6,652
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions on equity method investments	9,847	—	1,802
Non-cash distributions from equity method investments	(703)	—	—
Non-cash sale of assets held-for-sale for repayment of CIT loan	(11,069)	—	—
Non-cash distributions from investing activities	3,176	—	—
Profit interests received in Fund VII	—	—	1,510
Change in accrual for purchase of fixed assets	967	(814)	3,649

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ —	$ (18)	$ (4,572)
Declared and unpaid distributions	(12,541)	(2,831)	—
Non-cash distributions to Non-Controlling Interests in consolidated entities	(3,176)	(590)	(4,273)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	696,361	735,698	738,431
Non-cash contributions from Non-Controlling Interests in consolidated entities	—	—	4,301
Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	5,106	9,219	11,843
Satisfaction of liability related to AAA RDUs	3,845	(7,594)	(6,618)
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	6,524	7,014	3,799
Net transfer of AAA ownership interest from AGM	(6,524)	(7,014)	(3,799)
Unrealized gain on interest rate swaps	2,477	3,715	4,741
Unrealized (loss) gain on available for sale securities (from equity method investment)	(225)	343	—
Capital increases related to equity-based compensation	451,543	376,380	355,659
Dilution impact of issuance of Class A shares	132,353	—	—
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group	(127,096)	—	—
Non-cash contributions	—	—	105
Deferred tax asset related to interest rate swaps	(855)	(1,499)	(1,993)
Reclassification of equity-based compensation	—	(3,505)	—
Reclass of fixed assets to assets held for sale	—	11,331	—
Tax benefits related to deliveries of Class A shares for RSUs	(11,680)	—	—
Satisfaction of liability related to repayment on CIT loan	11,069	—	—
Net Assets Transferred from Consolidated Funds:			
Cash	6,052	38,033	—
Investments	24,213	—	—
Other assets	609	443	—
Other liabilities	(4,874)	—	—
Net Assets Transferred from Consolidated Variable Interest Entities:			
Cash	68,586	—	—
Investments	2,195,986	1,102,114	—
Other assets	14,039	28,789	—
Debt	(2,046,157)	(706,027)	—
Other liabilities	(31,959)	(12,991)	—
Net Assets of Deconsolidated Variable Interest Entities:			
Investments	—	419,198	—
Other assets	—	5,180	—
Debt	—	(329,836)	—
Other liabilities	—	(87,338)	—

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
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1. ORGANIZATION AND BASIS OF PRESENTATION

Apollo Global Management, LLC and its consolidated subsidiaries (the "Company" or "Apollo"), is a global alternative investment manager whose predecessor was founded in 1990. Its primary business is to raise and invest private equity, capital markets and real estate funds as well as managed accounts, on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment 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***—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***—invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but in which the Company has a controlling financial interest. 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 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 December 31, 2011, the Company owned, through three intermediate holding companies that include 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"), 34.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and the Company's other partners (the "Contributing Partners") indirectly own (through Holdings) Apollo Operating Group units ("AOG Units") that represent 65.9% of the economic interests in the Apollo Operating Group as of December 31, 2011. 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 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.

The Company has historically consolidated Apollo Commodities Trading Fund, L.P. In April 2010, the Company became the sole investor in the master and feeder fund structure of Apollo Metals Trading Fund, L.P. (the "Metals Trading Fund") and Apollo Commodities Trading Fund, L.P., respectively, and began to consolidate the Metals Trading Fund. The Metals Trading Fund and Apollo Commodities Trading Fund were liquidated prior to December 31, 2010.

Initial Public Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. AGM received net proceeds from the initial public offering of approximately $382.5 million, which was used to acquire additional AOG Units. As a result, Holdings ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and the Company's ownership interest increased from 29.3% to 33.5%. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in additional paid in capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (e.g., AP Alternative Assets, L.P., a Guernsey limited partnership that, through AAA Investments L.P., its investment partnership, generally invests alongside certain of the Company's private equity funds and directly in certain of its capital markets funds and in other transactions that the Company sponsors and manages ("AAA") and Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund")). Apollo also consolidates entities that are 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 the Company's 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds

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a variable interest is a VIE and (b) 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 the previous and amended consolidation rules, 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 the previous and amended consolidation rules, 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 whether Apollo is 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.

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 VIE's 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 the 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 consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income are presented within appropriated partners' capital in the consolidated statement of financial condition as these VIEs are funded solely with debt and within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the

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consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statement of financial condition as of December 31, 2011 and 2010.

Refer to additional disclosures regarding VIEs in note 5. Intercompany transactions and balances, if any, have been eliminated in the consolidation.

Equity Method Investments—For investments in 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 such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations. The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

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 consolidated financial statements. The Non-Controlling Interest relating to Apollo Global Management, LLC primarily includes the 65.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximate 98% ownership interest held by limited partners in AAA as of December 31, 2011. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition; net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company's consolidated statements of operations; the primary components of Non-Controlling Interest are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities; and profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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 in interest-bearing accounts with major financial institutions exceed insured limits.

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

Revenues—Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and capital markets funds;

(ii) 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; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

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 certain private equity and capital markets portfolio companies, Apollo is generally 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 15. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and 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 statements of operations.

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, and are based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 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. Carried interest receivable is presented separately in the consolidated statements of financial condition. The carried interest income may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, 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 or realized until the end of a fund's life.

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 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.

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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 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 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 statements of operations.

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 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 the 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 organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational 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 Other Income—Apollo recognizes security transactions on the trade date. 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.

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

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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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected and the unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership 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. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

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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.

Real Estate Investments—For the CMBS portfolio of Apollo's funds, the estimated fair value is determined by reference to market prices provided by certain dealers who make a market in these financial instruments.

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Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Loans that the funds plan to sell or liquidate in the near term will be treated as loans held-for-sale and will be held at the lower of cost or fair value. For the illiquid investments, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

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 12), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $752.2 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 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 convertible notes issued by HFA and 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 elected to separately present interest income in the consolidated statement of operations from other changes in the fair value of the convertible notes issued by HFA. 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 5 for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

Interest Rate Swap Agreements—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 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 (loss) income ("OCI").

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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 statements of operations.

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.

Pending Deal Costs

Pending deal costs consist of certain costs incurred (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) related to private equity and capital markets 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 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 and in the case of leasehold improvements the lesser of the useful life or the term of the lease. 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.

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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.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method amortization. At June 30, 2011, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

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 statements of financial condition.

Foreign Currency—The Company may, from time to time, hold foreign currency denominated assets and liabilities. 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), net in the consolidated statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss), net in the consolidated statements of operations.

Compensation and Benefits

The components of compensation and benefits have been expanded in the consolidated statements of operations in 2009 and 2010 to conform with the 2011 presentation.

Equity-Based Compensation—Equity-based compensation is 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. Equity-based awards granted to non-employees for services provided to the affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits—Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are accrued over the service period.

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From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying 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, 2011, 2010 and 2009, respectively.

Profit Sharing Expense—Profit sharing expense consists of a portion of carried interest earned in one or more funds allocated to employees and former employees. Profit sharing 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. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and Contributing Partners.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation—Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our capital markets funds, based on performance for the year. Incentive fee compensation expense is recognized on accrual basis as the related carried interest income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income crystallizes.

Other Income (Loss)

Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening balance sheet date and the closing balance sheet date. The consolidated financial statements include the net realized and unrealized gains (losses) of AAA and the investment in HFA discussed in note 4.

Net Gains from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Comprehensive (Loss) Income—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 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 previously. 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.

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Income Taxes—The Apollo Operating Group and its subsidiaries continue to generally 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 are 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. Federal, state and local corporate 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 has a greater than 50 percent likelihood 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 recognized. The Company's tax positions are reviewed and evaluated 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

Net Income (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to common Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from a hypothetical conversion of these potential common shares.

Use of Estimates—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the 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 and VIEs. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In April 2011, the FASB amended existing guidance for agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments remove from the assessment of effective control the criterion requiring the transferor to have the

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ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee and the collateral maintenance implementation guidance related to that criterion. The guidance is effective for the first interim or annual period beginning on or after December 15, 2011 and is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued an update which includes amendments that result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Certain of the amendments could change how the fair value measurement guidance is applied including provisions related to highest and best use and valuation premise for nonfinancial assets, application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, premiums or discounts in fair value measurement, fair value of an instrument classified in a reporting entity's shareholders' equity, and additional disclosure requirements about fair value measurements. The update is effective for interim and annual periods beginning after December 15, 2011 for public entities and is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued an update which includes amendments that eliminate the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity and requires entities to report components of other comprehensive income in either (1) a single continuous statement of comprehensive income or (2) two separate but consecutive statements. In a single continuous statement, entities must include the components of net income, a total for net income, the components of OCI, a total for OCI, and a total for comprehensive income. Under the two separate but continuous statements approach, the first statement would include components of net income, consistent with the income statement format used today, and the second statement would include components of OCI. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In December 2011, the FASB issued an amendment to this update deferring changes related to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of this guidance will not have an impact on the Company's consolidated financial statements as the Company presents a separate statement of comprehensive income.

In September 2011, the FASB issued an update which amends the guidance related to testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option to perform a qualitative assessment before calculating the fair value of the reporting unit (i.e., step 1 of the goodwill impairment test). If entities determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not to be less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. The update does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant. The amendments are effective for all entities for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements.

In December 2011, the FASB issued amended guidance which will enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Gulf Stream

On October 24, 2011 (the "Acquisition Date"), the Company completed its previously announced acquisition (the "Acquisition") of 100% of the membership interests of Gulf Stream Asset Management, LLC ("Gulf Stream"), a manager of collateralized loan obligations. The Acquisition was consummated by the Company for total consideration at fair value of approximately $38.3 million.

The transaction broadens Apollo's existing senior credit business by expanding our credit coverage as well as investor relationships and increases the Assets Under Management of Apollo's capital markets.

Consideration exchanged at closing consisted of payment of approximately $29.6 million, of which $6.7 million was used to repay subordinated notes and debt due to the existing shareholder on behalf of Gulf Stream. The Company funded the consideration exchanged at closing from its existing cash resources. Additional consideration of $4.0 million having an acquisition date fair value of $3.9 million will be paid to the former owners of Gulf Stream on the fourteen-month anniversary of the closing date. The Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. The contingent consideration liability has an Acquisition Date fair value of approximately $4.7 million, which was determined based on the present value of the estimated range of undiscounted incentive fee payable cash flows between $0 and approximately $8.7 million using a discount rate of 13.7%.

Tangible assets acquired in the Acquisition consisted of a management fee receivable. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and incentive fees from existing CLOs managed by Gulf Stream. Additionally, as part of the Acquisition, the Company acquired the assets and liabilities of six consolidated CLOs.

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The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the Acquisition Date resulting in a bargain purchase gain of approximately $195.5 million. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with a corresponding amount reflected in appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:		
Receivable, management fees	$	1,720
Total assets of consolidated CLOs		2,278,612
Intangible Assets:		
Management Contracts		32,400
Fair Value of Assets Acquired		2,312,732
Liabilities assumed:		
Deferred Tax Liability		871
Total liabilities of consolidated CLOs		2,078,117
Fair Value of Liabilities Assumed		2,078,988
Fair Value of Net Assets Acquired		233,744
Less: Fair Value of Consideration Transferred		38,290
Gain on Acquisition	$	195,454

The Company's rights under all management contracts acquired will be amortized over six years. The management contract valuation and related amortization are as follows:

	Weighted Average Useful Life in Years		December 31, 2011
Management contracts	3.7	$	32,400
Less: Accumulated amortization			(284)
Net intangible assets		$	32,116

The results of operations of the acquired business since the Acquisition Date included in the Company's consolidated statements of operations for the period from October 24, 2011 to December 31, 2011 were as follows:

		For the Period from October 24, 2011 to December 31, 2011
Total Revenues	$	2,107
Net Income Attributable to Non-Controlling Interest	$	194,852
Net Income Attributable to Apollo Global Management, LLC	$	473

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Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2011 and 2010, assuming the Gulf Stream acquisition had occurred as of January 1, 2010 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the Acquisition been completed on January 1, 2010, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2011	2010
	(in million, except for share data)	
Total Revenues	$ 174.9	$ 2,115.7
Net (Income) Loss Attributable to Non-Controlling Interest	$ (1,097.1)	$ 652.1
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468.7)	$ 95.9
Net (Loss) Income per Class A Share:		
Net (Loss) Income per Class A Share—Basic and Diluted	$ (4.18)	$ 0.84
Weighted Average Number of Class A Shares—Basic and Diluted	116,364,110	96,964,769

The 2011 and 2010 supplemental pro forma earnings include an adjustment to exclude $4.9 million and $9.7 million, respectively of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the Acquisition.

Other Acquisitions

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.

CPI

On November 12, 2010, Apollo completed the acquisition of substantially all of the assets of Citi Property Investors ("CPI"), the real estate investment management group of Citigroup Inc. CPI had AUM of approximately $3.6 billion as of December 31, 2010. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of November 12, 2010. The acquisition was accounted for as a business combination and the Company recorded a $24.1 million gain on acquisition which is included in Other Income (Loss), Net in the accompanying consolidated statements of operations for the year ended December 31, 2010.

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The finite-life intangible assets relate to management contracts associated with the CPI funds. The fair value of the management contracts was estimated to be $8.3 million. The Company also received $15.5 million of cash and recorded a receivable valued at $1.5 million as of December 31, 2010.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed:

Tangible Assets:		
Cash	$	15,468
Receivables, at fair value		1,500
Intangible Assets:		
Management Contracts		8,300
Total Assets		25,268
Less: Contingent consideration, at fair value		(1,200)
Gain on Acquisition	$	24,068

The estimated useful life of the management contracts is 2.5 years. The Company is amortizing the management contracts over their estimated useful life using the straight-line method.

	Useful Life in Years		December31, 2011		December 31, 2010
Management contracts	2.5	$	8,300	$	8,300
Less: Accumulated amortization of intangibles			(3,761)		(433)
Net identified intangible assets, at fair value		$	4,539	$	7,867

Stone Tower

On December 16, 2011, Apollo announced that it has agreed to merge Stone Tower Capital LLC and its related management companies, a leading alternative credit manager with approximately $18 billion of assets under management, into Apollo's capital markets business. The transaction is subject to the satisfaction of certain conditions and is expected to close in April 2012, subject to satisfaction of closing conditions.

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31,			
		2011		2010
Finite-lived intangible assets/management contracts	$	141,000	$	108,600
Accumulated amortization		(59,154)		(44,026)
Intangible assets, net	$	81,846	$	64,574

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The changes in intangible assets, net consist of the following:

	For the Year Ended December 31,		
	2011	2010	2009
Balance, beginning of year	$ 64,574	$ 69,051	$ 81,728
Amortization expense	(15,128)	(12,777)	(12,677)
Acquisitions	32,400	8,300	—
Balance, end of year	$ 81,846	$ 64,574	$ 69,051

Amortization expense related to intangible assets, including the intangible assets related to acquisitions and the intangible assets as part of the acquisitions of Non-Controlling Interests in the Apollo Operating Group was $15.1 million, $12.8 million and $12.7 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2012	2013	2014	2015	2016	There-After	Total
Amortization of intangible assets	$ 21,987	$ 14,842	$ 9,598	$ 9,864	$ 7,120	$ 18,053	$ 81,464

4. INVESTMENTS

The following table represents Apollo's investments:

	December 31, 2011	December 31, 2010
Investments, at fair value	$ 1,552,122	$ 1,637,091
Other investments	305,343	283,462
Total Investments	$ 1,857,465	$ 1,920,553

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Investments at Fair Value

Investments at fair value consist of financial instruments held by AAA, the investment in HFA, Senior Loan Fund, other investments held at fair value and investments of consolidated VIEs as discussed further in note 5. As of December 31, 2011 and 2010, the net assets of the consolidated funds and VIEs were $1,724.2 million and $1,951.6 million, respectively. The following investments, except the investment in HFA and other investments, are presented as a percentage of net assets of the consolidated funds and VIEs:

	December 31, 2011					December 31, 2010				
	Fair Value					Fair Value				
Investments, at Fair Value—Affiliates	Private Equity	Capital Markets	Total	Cost	% of Net Assets of Consolidated Funds and VIEs	Private Equity	Capital Markets	Total	Cost	% of Net Assets of Consolidated Funds and VIEs
Investments, at fair value:										
AAA	$ 1,480,152	$ —	$ 1,480,152	$ 1,662,999	85.9%	$ 1,637,091	$ —	$ 1,637,091	$ 1,695,992	83.9%
Investments held by Senior Loan Fund	—	24,213	24,213	24,569	1.4	—	—	—	—	—
HFA	—	46,678	46,678	54,628	N/A	—	—	—	—	—
Other	1,079	—	1,079	2,881	N/A	—	—	—	—	—
Total	$ 1,481,231	$ 70,891	$ 1,552,122	$ 1,745,077	87.3%	$ 1,637,091	$ —	$ 1,637,091	$ 1,695,992	83.9%

Securities

At December 31, 2011 and 2010, 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 and VIEs as of the aforementioned dates:

	December 31, 2011			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds and VIEs
Apollo Life Re Ltd.	Equity	$ 358,241	$ 430,800	25.0%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	105,889	164,811	9.6
Rexnord Corporation	Equity	37,461	139,100	8.1
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	88,166	86,329	5.0
LeverageSource, L.P.	Equity	139,913	102,834	6.0

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	December 31, 2010			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds and VIEs
Apollo Life Re Ltd.	Equity	$ 201,098	$ 249,900	12.8%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	113,772	160,262	8.2
Momentive Performance Materials Holdings Inc.	Equity	76,007	137,992	7.1
Rexnord Corporation	Equity	37,461	133,700	6.9
LeverageSource, L.P.	Equity	140,743	115,677	5.9
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	102,530	110,029	5.6
Caesars Entertainment Corporation	Equity	176,729	99,000	5.1

AAA Investments owns equity as a private equity co-investment in Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.) and AAA Investments has an ownership interest in LeverageSource, L.P., which owns debt of Caesars Entertainment Corporation. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs and was valued at $102.8 million. In addition to AAA Investments' private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, AAA Investments has an ownership interest in the debt of Momentive. AAA Investments' combined share of these debt and equity investments is valued at $85.9 million and $138.8 million at December 31, 2011 and December 31, 2010, respectively. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs. Furthermore, AAA Investments 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 was valued at $75.2 million and $124.6 million as of December 31, 2011 and 2010, respectively. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs. Apollo Strategic Value Offshore Fund, Ltd. (the "Apollo Strategic Value Fund") has an ownership interest in a special purpose vehicle, Apollo VIF/SVF Bradco LLC, which owns interests in Bradco Supply Corporation. AAA Investments' share of this investment is valued at $80.9 million at December 31, 2011.

Apollo Strategic Value Fund 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 Fund, the remainder of AAA Investments' investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Strategic Value 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 current expenses incurred by the Apollo Strategic Value Fund.

Apollo Asia Opportunity Offshore 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

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redemption requested by 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 were initially 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 current expenses incurred or reserves set by the Asia Opportunity Fund. At December 31, 2011 and 2010, the liquidating shares of Asia Opportunity Fund had a fair value of $26.1 million and $45.0 million, respectively.

Apollo Life Re Ltd. is an Apollo-sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., ("Athene"), the parent of Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the life reinsurance sector, Athene Annuity & Life Assurance Company, a recently acquired Delaware-domiciled (formerly South Carolina domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market, Investors Insurance Corporation, a recently acquired Delaware-domiciled stock life insurance company focused on the retirement services market and Athene Life Insurance Company, a recently organized Indiana-domiciled stock life insurance company focused on the institutional guaranteed investment contract ("GIC") backed note and funding agreement markets.

Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Credit Senior Loan Fund, L.P. ("Senior Loan Fund"). As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Senior Loan Fund investment as Level II and Level III investments.

HFA

On March 7, 2011, the Company invested $52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of $50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or "PIK" interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the

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convertible note. The convertible note is valued using an as "if-converted basis." The Company separately presents interest income in the consolidated statement of operations from other changes in the fair value of the convertible note. For the year ended December 31, 2011 the Company has recorded $2.5 million in PIK interest income included in interest income in the consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ("A$") of A$8.00 (exchange rate of A$1.00 to $0.84 as of December 31, 2011) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the year ended December 31, 2011, the Company recorded an unrealized loss of approximately $5.9 million, related to the convertible note and stock options within net (losses) gains from investment activities in the consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments.

Net (Losses) Gains from Investment Activities

Net (losses) gains from investment activities in the consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized (losses) gains resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized (losses) gains. Additionally net (losses) gains from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo's net (losses) gains from investment activities for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31, 2011		
	Private Equity	Capital Markets	Total
Change in net unrealized (losses) gains due to changes in fair values	$ (123,946)	$ (5,881)	$ (129,827)
Net (Losses) Gains from Investment Activities	$ (123,946)	$ (5,881)	$ (129,827)

	For the Year Ended December 31, 2010		
	Private Equity	Capital Markets	Total
Realized (losses) gains on sales of investments	$ —	$ (2,240)	$ (2,240)
Change in net unrealized gains (losses) due to changes in fair values	370,145	(34)	370,111
Net Gains (Losses) from Investment Activities	$ 370,145	$ (2,274)	$ 367,871

	For the 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 values	471,873	38,478	510,351
Net Gains from Investment Activities	$ 472,457	$ 38,478	$ 510,935

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Other Investments

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

The following table presents income from equity method investments for the years ended December 31, 2011, 2010 and 2009:

	For the Years Ended December 31,		
	2011	2010	2009
Investments:			
Private Equity Funds:			
AAA Investments	$ (55)	$ 215	$ 261
Apollo Investment Fund IV, L.P. ("Fund IV")	8	24	17
Apollo Investment Fund V, L.P. ("Fund V")	(9)	39	44
Apollo Investment Fund VI, L.P. ("Fund VI")	2,090	599	1,335
Apollo Investment Fund VII, L.P. ("Fund VII")	10,156	37,499	31,527
Apollo Natural Resources Partners, L.P. ("ANRP")	(141)	—	—
Capital Markets Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	(793)	1,106	1,961
Apollo Value Investment Fund, L.P. ("VIF")	(25)	29	57
Apollo Strategic Value Fund, L.P. ("SVF")	(21)	21	57
Apollo Credit Liquidity Fund, L.P. ("ACLF")	(295)	3,431	13,768
Apollo/Artus Investors 2007-I, L.P. ("Artus")	368	4,895	2,249
Apollo Credit Opportunity Fund I, L.P. ("COF I")	2,410	12,618	16,473
Apollo Credit Opportunity Fund II, L.P. ("COF II")	(737)	3,610	8,294
Apollo European Principal Finance Fund, L.P. ("EPF")	1,729	2,568	330
Apollo Investment Europe II, L.P. ("AIE II")	(308)	1,496	2,937
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	(100)	903	258
Apollo Senior Floating Rate Fund ("AFT")	(16)	—	—
Apollo Residential Mortgage, Inc. ("AMTG")	(80)[1]	—	—
Apollo European Credit, L.P. ("AEC")	(10)	—	—
Apollo European Strategic Investment L.P. ("AESI")	21	—	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. ("ARI")	636[1]	(390)[2]	(743)
AGRE US Real Estate Fund, L.P.	(79)	—	—
CPI Capital Partners NA Fund	98	—	—
CPI Capital Partners Asia Pacific Fund	71	—	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A")	(1,860)	(951)	(3,770)
VC Holdings, L.P. Series C ("Vantium C")	580	1,370	8,072
VC Holdings, L.P. Series D ("Vantium D")	285	730	(14)
Total Income from Equity Method Investments	$ 13,923	$ 69,812	$ 83,113

(1) Amounts are as of September 30, 2011.
(2) Amounts are as of September 30, 2010.

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Other investments as of December 31, 2011 and 2010 consisted of the following:

	Equity Held as of			
	December 31, 2011	% of Ownership	December 31, 2010	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 859	0.057%	$ 929	0.056%
Fund IV	15	0.010	48	0.005
Fund V	202	0.014	231	0.013
Fund VI	7,752	0.082	5,860	0.051
Fund VII	139,765	1.318	122,384	1.345
Apollo Natural Resources Partners, L.P.	1,982	2.544	—	—
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	5,051	0.525	5,863	0.537
Apollo Value Investment Fund, L.P.	122	0.081	152	0.085
Apollo Strategic Value Fund, L.P.	123	0.059	144	0.055
Apollo Credit Liquidity Fund, L.P.	14,449	2.465	18,736	2.450
Apollo/Artus Investors 2007-I, L.P.	6,009	6.156	7,143	6.156
Apollo Credit Opportunity Fund I, L.P.	37,806	1.977	41,793	1.949
Apollo Credit Opportunity Fund II, L.P	22,979	1.472	27,415	1.441
Apollo European Principal Finance Fund, L.P.	14,423	1.363	15,352	1.363
Apollo Investment Europe II, L.P.	7,845	2.076	8,154	2.045
Apollo Palmetto Strategic Partnership, L.P.	10,739	1.186	6,403	1.186
Apollo Senior Floating Rate Fund	84	0.034	—	—
Apollo/JH Loan Portfolio, L.P.	100	0.189	—	—
Apollo Residential Mortgage, Inc.(3)	4,000(1)	1.850(1)	—	—
Apollo European Credit, L.P.	542	1.053	—	—
Apollo European Strategic Investments L.P.	1,704	1.035	—	—
Real Estate:				
Apollo Commercial Real Estate Finance, Inc.(3)	11,288(1)	2.730(1)	9,440(2)	3.198(2)
AGRE U.S. Real Estate Fund	5,884	2.065	—	—
CPI Capital Partners NA Fund	564	0.344	—	—
CPI Capital Partners Europe Fund	5	0.001	—	—
CPI Capital Partners Asia Pacific Fund	256	0.039	—	—
Other Equity Method Investments:				
Vantium A /B	359	6.450	2,219	12.240
Vantium C	6,944	2.300	10,135	2.166
Vantium D	1,345	6.300	1,061	6.345
Portfolio Company Holdings	2,147	N/A(4)	—	—
Total Other Investments	$ 305,343		$ 283,462	

(1) Amounts are as of September 30, 2011.
(2) Amounts are as of September 30, 2010.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, at which point the RSUs are converted to common stock and delivered to the Company.

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(4) Ownership percentages are not presented for these equity method investments in our portfolio companies as we only present for the funds in which we are the general partner.

As of December 31, 2011 and 2010, no single equity method investment held by Apollo exceeded 10% of Apollo's total consolidated assets or income, respectively.

The most recently issued summarized aggregated financial information of the funds and other equity method investments in which Apollo has equity method investments is as follows:

Balance Sheet Information	Private Equity(2) As of December 31, 2011(3)(4)	Private Equity(2) As of December 31, 2010	Capital Markets As of December 31, 2011	Capital Markets As of December 31, 2010	Real Estate As of December 31, 2011(1)	Real Estate As of December 31, 2010(1)
Investments	$ 22,759,853	$ 24,779,759	$ 10,004,744	$ 9,024,982	$ 1,980,613	$ 550,564
Assets	24,219,637	26,133,909	11,335,170	9,910,587	2,196,460	785,497
Liabilities	686,558	594,954	2,773,163	1,414,244	587,576	483,393
Equity	23,533,079	25,538,955	8,562,007	8,496,343	1,608,884	302,104

(1) Certain real estate amounts are as of September 30, 2011 and 2010.
(2) Amounts include Vantium A, C and D.
(3) Certain equity investment amounts are as of September 30, 2011.
(4) Financial information of certain equity method investments is not available as of December 31, 2011.

Balance Sheet Information	Aggregate Totals as of December 31, 2011	Aggregate Totals as of December 31, 2010
Investments	$ 34,745,210	$ 34,355,305
Assets	37,751,267	36,829,993
Liabilities	4,047,297	2,492,591
Equity	33,703,970	34,337,402

Income Statement Information	Private Equity(2) For the Years Ended December 31, 2011(3)(4)	Private Equity(2) 2010	Private Equity(2) 2009	Capital Markets For the Years Ended December 31, 2011	Capital Markets 2010	Capital Markets 2009	Real Estate For the Years Ended December 31, 2011(1)	Real Estate 2010(1)	Real Estate 2009
Revenues/Investment Income	$ 1,522,831	$ 610,899	$ 734,480	$ 852,282	$ 304,332	$ 427,030	$ 46,654	$ 14,468	$ 660
Expenses	377,985	286,719	233,257	290,843	145,138	114,991	30,350	6,377	2,834
Net Investment Income (Loss)	1,144,846	324,180	501,223	561,439	159,194	312,039	16,304	8,091	(2,174)
Net Realized and Unrealized Gain (Loss)	2,239,373	5,918,694	6,824,737	(537,017)	1,531,056	2,452,273	172,018	(1,058)	—
Net Income (Loss)	$ 3,384,219	$ 6,242,874	$ 7,325,960	$ 24,422	$ 1,690,250	$ 2,764,312	$ 188,322	$ 7,033	$ (2,174)

(1) Certain real estate amounts are as of September 30, 2011 and 2010.

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(2) Amounts include Vantium A, C and D.
(3) Certain equity investment amounts are as of September 30, 2011.
(4) Financial information of certain equity method investments is not available as of December 31, 2011.

	Aggregate Totals for the Years Ended December 31,		
Income Statement Information	**2011**	**2010**	**2009**
Revenues/Investment Income	$ 2,421,767	$ 929,699	$ 1,162,170
Expenses	699,178	438,234	351,082
Net Investment Income	1,722,589	491,465	811,088
Net Realized and Unrealized Gain	1,874,374	7,448,692	9,277,010
Net Income	$ 3,596,963	$ 7,940,157	$ 10,088,098

Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Assets, at fair value:								
Investment in AAA Investments, L.P.	$ —	$ —	$ —	$ —	$ 1,480,152	$ 1,637,091	$ 1,480,152	$ 1,637,091
Investments held by Senior Loan Fund	—	—	23,757	—	456	—	24,213	—
Investments in HFA and Other	—	—	—	—	47,757	—	47,757	—
Total	$ —	$ —	$ 23,757	$ —	$ 1,528,365	$ 1,637,091	$ 1,552,122	$ 1,637,091

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ 3,843	$ 11,531	$ —	$ —	$ 3,843	$ 11,531
Total	—	$ —	3,843	$ 11,531	—	$ —	3,843	$ 11,531

There were no transfers between Level I, II or III during the year ended December 31, 2011 and 2010 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31,		
	2011	2010	2009
Balance, Beginning of Period	$ 1,637,091	$ 1,324,939	$ 854,442
Purchases	432	375	4,121
Distributions	(33,425)	(58,368)	(5,497)
Change in unrealized (losses) gains, net	(123,946)	370,145	471,873
Balance, End of Period	$ 1,480,152	$ 1,637,091	$ 1,324,939

The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31,
	2011
Balance, Beginning of Period	$ —
Purchases	57,509
Change in unrealized losses, net	(5,881)
Director fees	(1,802)
Expenses incurred	(2,069)
Balance, End of Period	$ 47,757

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

The following table summarizes the changes in the Senior Loan Fund, which is measured at fair value and characterized as a Level III investment:

	For the Year Ended December 31,
	2011
Balance, Beginning of Period	$ —
Acquisition	456
Purchases	—
Distributions	—
Realized losses (gains)	—
Change in unrealized (losses) gains	—
Balance, End of Period	$ 456

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The following table summarizes the changes in the Metals Trading Fund investment, which was measured at fair value and characterized as a Level III investment:

	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ 40,034
Purchases	—
Distributions	(37,760)[1]
Realized losses	(2,240)
Change in unrealized losses	(34)
Balance, End of Period	$ —

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

The change in unrealized gains (losses) and realized losses have been recorded within the caption "Net gains (losses) from investment activities" in the 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			
	December 31, 2011		December 31, 2010	
		% 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	$ 749,374	44.6%	$ 782,775	42.6%
Discounted cash flow models	643,031	38.4	490,024	26.6
Listed quotes	139,833	8.3	24,232	1.3
Broker quotes	179,621	10.7	504,917	27.5
Other net (liabilities) assets[1]	(33,330)	(2.0)	37,351	2.0
Total Investments	1,678,529	100.0%	1,839,299	100.0%
Other net liabilities[2]	(198,377)		(202,208)	
Total Net Assets	$1,480,152		$1,637,091	

(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 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, liabilities and general partner interests of AAA Investments and are primarily comprised of $402.5 million and $537.5 million in long-term debt offset by cash and cash equivalents at the

December 31, 2011 and 2010 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

5. VARIABLE INTEREST ENTITIES

The Company consolidates entities that are VIEs for 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 obligations to provide funding to VIEs other than its own capital commitments.

Consolidated Variable Interest Entities

In accordance with the methodology described in note 2, Apollo consolidated four VIEs under the amended consolidation guidance during 2010, an additional VIE during the second quarter of 2011, and six additional VIEs during the fourth quarter of 2011 in connection with its acquisition of Gulf Stream.

One of the consolidated VIEs was formed to purchase loans and bonds in a leveraged structure for the benefit of its limited partners, which included certain Apollo funds that contributed equity to the consolidated VIE. Through its role as general partner of this VIE, it was determined that Apollo had the characteristics of the power to direct the activities that most significantly impact the VIE's economic performance. Additionally, the Apollo funds have involvement with the VIE that have the characteristics of the right to receive benefits from the VIE that could potentially be significant to the VIE. As a group, the Company and its related parties have the characteristics of a controlling financial interest. Apollo determined that it is the party within the related party group that is most closely associated with the VIE and therefore should consolidate it.

The remaining consolidated VIEs including the VIE formed during the second quarter 2011 and the six VIEs consolidated in connection with the acquisition of Gulf Steam were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

One of the consolidated VIEs, which qualified as an asset-backed financing entity, was formed during the fourth quarter of 2010 and the Company determined that it was the primary beneficiary of such VIE. Based on a restructuring of this VIE which occurred later in the fourth quarter of 2010, the Company no longer possessed the power to direct the activities of such VIE resulting in deconsolidation of such VIE in the fourth quarter of 2010.

Apollo holds no equity interest in any of the consolidated VIEs described above. The assets of these consolidated VIEs are not available to creditors of the Company. In addition, the investors in these consolidated

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VIEs have no recourse to the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include 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 December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Investments, at fair value[(1)]	$ —	$ —	$ 3,055,357	$ 1,172,242	$ 246,609	$ 170,369	$ 3,301,966	$ 1,342,611

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value	$ —	$ —	$ —	$ —	$ 3,189,837	$ 1,127,180	$ 3,189,837	$ 1,127,180

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. At December 31, 2010, the cost and fair value of the investments of this VIE were $719.5 million and $684.1 million, respectively. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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. All Level II and III investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are recorded as of the quarterly period in which the transfer occurred.

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 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.

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The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31,	
	2011	2010
Balance, Beginning of Period	$ 170,369	$ —
Acquisition of VIE	335,353	—
Transition adjustment relating to consolidation of VIE	—	1,102,114
Purchases	663,438	840,926
Sale of investments	(273,719)	(125,638)
Net realized gains	980	131
Changes in net unrealized (losses) gains	(7,669)	29,981
Deconsolidation of VIE	—	(20,751)
Transfers out of Level III	(802,533)	(1,663,755)
Transfers into Level III	160,390	7,361
Balance, End of Period	$ 246,609	$ 170,369
Changes in net unrealized (losses) gains included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

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The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,	
	2011	2010
Balance, Beginning of Period	$ 1,127,180	$ —
Acquisition of VIE	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	706,027
Borrowings	454,356	1,050,377
Repayments	(415,869)	(331,120)
Net realized gains on debt	(41,819)	(21,231)
Changes in net unrealized losses from debt	19,880	55,040
Deconsolidation of VIE	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(48)	(2,077)
Balance, End of Period	$ 3,189,837	$ 1,127,180
Changes in net unrealized (gains) losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ (25,347)	$ 16,916

Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the years ended December 31, 2011 and 2010, respectively:

	For the Year Ended December 31,	
	2011	2010
Net unrealized gains from investment activities	$ 10,832	$ 46,406
Net realized (losses) gains from investment activities	(11,313)	7,239
Net (losses) gains from investment activities	(481)	53,645
Net unrealized losses from debt	(19,880)	(55,040)
Net realized gains from debt	41,819	21,231
Net gains (losses) from debt	21,939	(33,809)
Interest and other income	75,004	62,696
Other expenses	(72,261)	(34,326)
Net Gains from Investment Activities of Consolidated VIEs	$ 24,201	$ 48,206

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Investments of Consolidated VIEs

The following table presents a condensed summary of investments of the consolidated VIEs that are included in the consolidated statements of financial condition as of December 31, 2011 and 2010:

	Fair Value as of December 31, 2011	% of Net Assets of Consolidated Funds and VIEs	Fair Value as of December 31, 2010	% of Net Assets of Consolidated Funds and VIEs
Corporate Loans:				
North America				
Chemicals	$ 88,135	5.1%	$ 13,950	0.7%
Communications				
Intelsat Jackson term loan due February 1, 2014	—	—	105,659	5.4
Other	182,127	10.6	221,383	11.3
Total Communications	182,127	10.6	327,042	16.7
Consumer & Retail	413,683	24.0	114,931	5.9
Distribution & Transportation	64,552	3.7	7,794	0.4
Energy	108,300	6.3	25,026	1.3
Financial and Business Services	604,852	35.1	85,713	4.4
Healthcare	476,487	27.6	144,343	7.4
Manufacturing & Industrial	231,746	13.4	200,290	10.3
Media, Cable & Leisure	543,696	31.6	93,798	4.8
Metals & Mining	56,890	3.3	14,025	0.7
Oil & Gas	34,864	2.0	—	—
Packaging & Materials	59,530	3.5	21,066	1.1
Printing and Publishing	45,055	2.6	—	—
Real Estate	42,256	2.4	—	—
Technology	92,027	5.3	34,862	1.8
Other	42,420	2.5	9,539	0.5
Total Corporate Loans—North America (amortized cost $3,151,576 and $1,075,287 as of December 31, 2011 and 2010, respectively)	3,086,620	179.0	1,092,379	56.0
Europe				
Chemicals	24,974	1.4	9,909	0.5
Consumer & Retail	—	—	75,007	3.8
Distribution & Transportation	3,640	0.2	—	—
Financial and Business Services	18,392	1.1	—	—
Healthcare				
Alliance Boots seniors facility B1 due July 5, 2015	—	—	143,105	7.3
Other	10,418	0.6	—	—
Total Healthcare	10,418	0.6	143,105	7.3
Manufacturing & Industrial	—	—	7,696	0.4
Media, Cable & Leisure	21,106	1.2	10,787	0.6
Oil & Gas	13,439	0.8	—	—
Technology	7,659	0.4	—	—
Total Corporate Loans—Europe (amortized cost $ 102,609 and $284,760 as of December 31, 2011 and 2010, respectively)	99,628	5.7	246,504	12.6
Total Corporate Loans (amortized cost $3,254,185 and $1,360,047 as of December 31, 2011 and 2010, respectively)	3,186,248	184.7	1,338,883	68.6
Corporate Bonds:				
North America				
Chemicals	14,473	0.8	—	—
Communications	2,026	0.1	1,564	0.1
Consumer & Retail	6,214	0.4	—	—
Distribution & Transportation	10,373	0.6	4,160	0.2
Energy	5,000	0.3	3,640	0.2
Healthcare	5,028	0.3	—	—
Manufacturing & Industrial	9,977	0.6	—	—

Media, Cable & Leisure	19,010	1.1	3,550	0.2
Oil and Gas	3,143	0.2	—	—
Total Corporate Bonds—North America (amortized cost $ 74,989 and $12,406 as of December 31, 2011 and 2010, respectively)	75,244	4.4	12,914	0.7

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	Fair Value as of December 31, 2011	% of Net Assets of Consolidated Funds and VIEs	Fair Value as of December 31, 2010	% of Net Assets of Consolidated Funds and VIEs
Europe				
Distribution & Transportation	2,767	0.2	—	—
Financial and Business Services	6,965	0.4	1,599	0.1
Total Corporate Bonds—Europe (amortized cost $9,555 and $1,519 as of December 31, 2011 and 2010, respectively)	9,732	0.6	1,599	0.1
Total Corporate Bonds (amortized cost $84,544 and $13,925 as of December 31, 2011 and 2010, respectively)	84,976	5.0	14,513	0.8
Common Stock:				
North America				
Financial and Business Services	226	0.0	—	—
Manufacturing & Industrial	1,648	0.1	—	—
Printing and Publishing	341	0.0	—	—
Real Estate	170	0.0	—	—
Total Common Stock—North America (amortized cost $3,962 and $0 as of December 31, 2011 and 2010, respectively)	2,385	0.1	—	—
Warrants:				
North America				
Media, Cable & Leisure	21	0.0	—	—
Total Warrants—North America (amortized cost $0 and $0 as of December 31, 2011 and 2010, respectively)	21	0.0	—	—
Asset Backed Securities:				
North America				
Financial and Business Services	30,513	1.8	—	—
Total Asset Backed Securities—North America (amortized cost $37,382 and $0 as of December 31, 2011 and 2010, respectively)	30,513	1.8	—	—
Elimination of equity investments attributable to consolidated VIEs	(2,177)	(0.1)	(10,785)	(0.6)
Total Investments, at fair value, of Consolidated VIEs (amortized cost $3,380,073 and $1,373,972 as of December 31, 2011 and 2010, respectively)	$ 3,301,966	191.5%	$ 1,342,611	68.8%

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Senior Secured Notes, Subordinated Note, Term Loans—Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of December 31, 2011 and 2010:

	As of December 31, 2011			As of December 31, 2010						
Description	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Apollo Credit Co-Invest II										
Loans:										
Term A Loan[1]	$ —	$ —	— %	$ 146,502	$142,601	0.91%	October 29, 2012	BBA 3 mo. LIBOR (USD) plus 0.50%	— [1]	— [1]
Term B Loan[1]	—	—	—	145,390	111,655	0.91%	June 13, 2013	BBA 3 mo. LIBOR (GBP) plus 0.50%	— [1]	— [1]
Term C Loan[1]	—	—	—	161,984	154,394	0.91%	October 29, 2013	BBA 3 mo. LIBOR (USD) plus 0.50%	— [1]	— [1]
	— [1]	— [1]		453,876	408,650					
ALM Loan Funding 2010-1										
Notes[2][3]										
Senior Secured Class A1 Notes	215,400	215,441	2.04%	215,400	215,400	2.02%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 1.70%	110.0%	137.5%
Senior Secured Class A2 Notes	11,100	10,620	2.60%	11,100	10,767	2.48%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.25%	110.0%	137.5%
Senior Secured Class B Notes	24,700	22,272	2.65%	24,700	22,971	2.52%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.30%	105.0%	126.4%
Subordinated Notes	70,946	68,385	N/A[4]	70,946	70,376	N/A[4]	May 20, 2020	N/A[4]	N/A	N/A
	322,146	316,718		322,146	319,514					
ALM Loan Funding 2010-3										
Notes[2][3]										
Senior Secured Class A1 Notes	262,000	258,463	2.09%	262,000	261,371	2.22%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 1.70%	110.0%	135.6%
Senior Secured Class A2 Notes	20,500	19,967	2.90%	20,500	19,959	3.05%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 2.5%	110.0%	135.6%
Senior Secured Class B Notes	25,750	24,784	3.40%	25,750	24,426	3.58%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 3.0%	105.0%	124.8%
Senior Secured Class C Notes	14,000	12,547	4.42%	14,000	12,604	4.62%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 4.0%	N/A	120.1%
Secured Class D Notes	10,000	8,714	6.45%	10,000	9,398	6.71%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 6.0%	N/A	117.4%
Subordinated Notes	71,258	68,465	N/A[4]	71,258	71,258	N/A[4]	November 20, 2020	N/A[4]	N/A	N/A
	403,508	392,940		403,508	399,016					

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Description	As of December 31, 2011 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
ALM Loan Funding 2010-4										
Notes[2]										
Senior Secured Notes—A	274,500	270,383	1.67%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 1.24%	[5]	125.1%
Senior Secured Notes—B	58,500	53,528	2.33%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 1.90%	[5]	125.1%
Mezzanine Secured Notes—C	29,812	26,533	3.18%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 2.75%	110.0%	118.0%
Mezzanine Secured Notes—D	20,250	16,605	3.63%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 3.20%	105.0%	113.5%
Junior Secured Note—E	23,625	17,364	4.63%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 4.20%	N/A	107.7%
Junior Secured Notes—F	11,270	8,002	5.93%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 5.50%	N/A	N/A
Subordinated Notes	43,350	38,582	N/A[4]	—	—	N/A[4]	July 18, 2022	N/A[4]	N/A	N/A
	461,307	430,997		—	—					
Gulf Stream—Sextant CLO 2006-1										
Notes[2]										
Class A-1-R Notes	24,613	23,998	0.68%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.28%	120.0%	110.6%
Class A-1-A Notes	196,906	188,045	0.63%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.23%	120.0%	110.6%
Class A-1-B Notes	56,250	50,063	0.75%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.34%	120.0%	110.6%
Class A-2 Notes	26,419	25,098	0.65%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.25%	120.0%	110.6%
Class B Notes	12,000	9,960	0.81%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.40%	120.0%	110.6%

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Class C Notes	24,000	18,120	1.11%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.70%	N/A	N/A
Class D Notes	28,000	17,640	2.01%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 1.60%	N/A	N/A
Subordinated Notes	28,000	16,240	N/A[4]	—	—	—	August 21, 2020	N/A[4]	N/A	N/A
	396,188	349,164		—	—	—				
Gulf Stream—Sextant CLO 2007-1										
Notes[2]										
Class A-1-R Notes	24,990	23,503	0.66%				June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.28%	120.0%	110.5%
Class A-1-A Notes	280,884	258,413	0.61%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.23%	120.0%	110.5%
Class A-1-B Notes	76,500	63,572	0.72%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.33%	120.0%	110.5%
Class B Notes	17,500	14,175	0.84%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.45%	120.0%	110.5%
Class C Notes	33,750	24,300	1.24%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.85%	N/A	N/A
Class D Notes	31,250	19,688	2.79%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 2.40%	N/A	N/A
Subordinated Notes	35,000	21,000	N/A[4]	—	—	—	June 17, 2021	N/A[4]	N/A	N/A
	499,874	424,651		—	—	—				
Gulf Stream—Rashinban CLO 2006-1										
Notes[2]										
Senior Secured Class A-1 Notes	18,992	17,387	0.68%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.27%	120.0%	112.0%
Senior Secured Class A-2 Notes	283,890	252,378	0.65%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.24%	120.0%	112.0%

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Description	As of December 31, 2011 Outstanding Principal Balance	As of December 31, 2011 Fair Value	As of December 31, 2011 Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	As of December 31, 2010 Fair Value	As of December 31, 2010 Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Senior Secured Class B Notes	12,000	9,816	0.76%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.35%	120.0%	112.0%
Senior Secured Class C Notes	26,000	18,663	1.09%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.68%	115.0%	106.3%
Secured Class D Notes	12,000	7,498	1.79%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 1.38%	110.0%	105.5%
Subordinated Notes	46,000	34,500	N/A[4]	—	—	—	November 26, 2020	N/A[4]	N/A	N/A
	398,882	340,242		—	—	—				
Gulf Stream—Compass CLO 2005-2 Notes[2]										
Senior Secured Class A-1 Notes	34,566	31,836	0.69%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.27%	120.0%	110.9%
Senior Secured Class A-2 Notes	345,663	318,280	0.68%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.26%	120.0%	110.9%
Senior Secured Class B Notes	15,000	13,103	0.87%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.45%	120.0%	110.9%
Senior Secured Class C Notes	35,000	26,705	1.22%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.80%	112.0%	103.0%
Secured Class D Notes	25,000	17,110	2.62%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 2.20%	110.0%	101.5%
Subordinated Notes	40,000	27,200	N/A[4]	—	—	—	January 24, 2020	N/A[4]		
	495,229	434,234		—	—					

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Description	As of December 31, 2011 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Gulf Stream—Compass CLO 2007										
Notes[2]										
Class A-1-A Notes	178,080	165,615	0.79%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.38%	120.0%	114.3%
Class A-1-B Notes	45,000	37,908	0.91%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.50%	120.0%	114.3%
Class B Notes	12,000	10,066	1.31%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.90%	120.0%	114.3%
Class C Notes	13,125	10,238	2.41%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 2.00%	114.0%	110.7%
Class D Notes	15,000	11,643	3.86%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 3.45%	110.0%	106.0%
Class E Notes	10,462	7,114	6.41%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 6.0%	N/A	103.8%
Subordinated Notes	23,250	16,508	N/A[4]	—	—	—	October 28, 2019	N/A[4]	N/A	N/A
	296,917	259,092		—	—	—				
Gulf Stream—Neptune Finance										
Notes[2]										
Class A Notes	194,879	182,699	1.02%	—	—	—	April 20, 2020	BBA 3 mo LIBOR (USD) plus 0.62%	120.0%	117.1%
Class B Notes	10,000	9,400	3.66%	—	—	—	April 20, 2020	BBA 3 mo LIBOR (USD) plus 3.25%	120.0%	117.1%
Subordinated Notes	58,471	49,700	N/A[4]	—	—	—	April 20, 2020	N/A[4]	N/A	N/A
	263,350	241,799		—	—	—				
Total notes and loans	$ 3,537,401	$ 3,189,837		$ 1,179,530	$ 1,127,180					

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(1) At December 31, 2010, the cost and fair value of the term loans were $453.9 million and $408.7 million, respectively. The term loans were paid down in the first quarter of 2011, with payments totaling $412.1 million, resulting in a gain of $41.8 million. This realized gain was offset by a reversal of unrealized gains of $45.2 million, which result in a net loss on term loans of $3.4 million for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statements of operations.
(2) 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 note 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 note.
(3) The subordinated notes were issued to an affiliate of the Company. Amount is reduced by approximately $2.1 million due to elimination of equity investment attributable to consolidated VIEs as of December 31, 2011 and 2010, respectively.
(4) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.
(5) The required interest coverage ratio is 100.0% through January 2012 and 120.0% thereafter.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of December 31, 2011, the notes payable are classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments 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.

As of December 31, 2011, the table below presents the maturities for the consolidated debt of the VIEs:

	2012	2013	2014	2015	2016	Thereafter	Total
Secured notes	$ —	$ —	$ —	$ —	$ —	$ 3,121,126	$ 3,121,126
Subordinated notes	—	—	—	—	—	416,275	416,275
Total Obligations as of December 31, 2011	$ —	$ —	$ —	$ —	$ —	$ 3,537,401	$ 3,537,401

Note: All of the CLOs are past their call date and therefore the collateral manager can call the CLO and liquidate (with the consent of each of the majority of the subordinated notes).

Variable Interest Entities Which 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.

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

	December 31, 2011		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 11,879,948	$ (146,374)	$ 8,753
Capital Markets	3,274,288	(1,095,266)	11,305
Real Estate	2,216,870	(1,751,280)	—
Total	$ 17,371,106(1)	$ (2,992,920)(2)	$ 20,058(3)

(1) Consists of $383,017 in cash, $16,507,142 in investments and $480,947 in receivables.
(2) Represents $2,874,394 in debt and other payables, $86,102 in securities sold, not purchased, and $32,424 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

	December 31, 2010		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 11,593,805	$ (39,625)	$ 13,415
Capital Markets	3,117,013	(824,957)	13,302
Real Estate	1,569,147	(1,263,354)	—
Total	$ 16,279,965(1)	$ (2,127,936)(2)	$ 26,717(3)

(1) Consists of $207,168 in cash, $15,672,604 in investments and $400,193 in receivables.
(2) Represents $2,011,194 in debt and other payables, $21,369 in securities sold, not purchased, and $95,373 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

At December 31, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At December 31, 2011, the aggregate amount of such investments was $131.8 million. The Company's ownership interest in AAA was 2.45% at December 31, 2011.

At December 31, 2010, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P., AutumnLeaf, L.P., Apollo ALS Holdings, L.P., and A.P. Charter Holdings, L.P. At December 31, 2010, the aggregate amount of such investments was $251.5 million. The Company's ownership interest in AAA was 2.81% at December 31, 2010.

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6. CARRIED INTEREST RECEIVABLE

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

	For the Year Ended December 31, 2011	2010
Private equity	$ 672,952	$ 1,578,135
Capital markets	195,630	288,938
Total Carried Interest Receivable	$ 868,582	$ 1,867,073

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2011 and 2010:

	Private Equity	Capital Markets	Total
Carried Interest Receivable, January 1, 2010	$ 328,246	$ 155,608	$ 483,854
Change in fair value of funds(1)	1,308,030	277,907	1,585,937
Foreign exchange gain	—	1,728	1,728
Fund cash distributions to the Company	(58,141)	(146,305)	(204,446)
Carried interest receivable, December 31, 2010	1,578,135	288,938	1,867,073
Change in fair value of funds(2)	(373,906)	69,424	(304,482)
Foreign exchange loss	—	(1,453)	(1,453)
Fund cash distributions to the Company	(531,277)	(161,279)	(692,556)
Carried Interest Receivable, December 31, 2011	$ 672,952	$ 195,630	$ 868,582

(1) The change in fair value of funds in 2010 includes the carried interest income of $13.1 million associated with recognized realized gains, which was previously reversed due to the estimated general partner obligation attributable to Fund VI.

(2) As of December 31, 2011, the Company recorded a general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million relating to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

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 based on realizations after the end of the relevant fund's fiscal year or fiscal quarter, subject to high watermark provisions. There is currently no carried interest receivable associated with the Company's real estate segment.

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7. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2011	December 31, 2010
Ownership interests in aircraft	15	$ 10,184	$ 10,029
Leasehold improvements	8-10	44,433	31,625
Furniture, fixtures and other equipment	4-10	14,455	11,296
Computer software and hardware	2-4	22,789	21,515
Other	4	506	489
Total fixed assets		92,367	74,954
Less—accumulated depreciation and amortization		(39,684)	(30,258)
Fixed Assets, net		$ 52,683	$ 44,696

In December 2010, the Company committed to a plan to sell its ownership interests in certain aircraft, which occurred in the first half of 2011. Accordingly, in 2010, the Company reclassified the assets to assets held for sale and measured the assets at the lower of cost or fair value less costs to sell. As of December 31, 2010, these assets held for sale had a fair value of $11.3 million and are included in Other Assets in the accompanying consolidated statements of financial condition. As a result of reclassifying the assets to assets held for sale, the Company recognized a loss of $2.8 million during the year ended December 31, 2010 on the assets held for sale, which is included in other income (loss), net in the accompanying consolidated statements of operations.

As part of the plan to liquidate its ownership interest in aircraft, the Company determined that the remaining interests in aircraft were higher than its current fair value. In 2010, the Company recognized an impairment loss of $3.1 million related to its remaining ownership in aircraft. This loss is included in other income (loss), net in the accompanying consolidated statements of operations.

Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was $11.1 million, $11.5 million and $11.6 million, respectively.

8. OTHER ASSETS

Other assets consist of the following:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Tax receivables	$ 10,465	$ 5,479
Prepaid expenses	5,137	7,559
Debt issuance costs	2,624	3,135
Rent deposits	1,482	990
Prepaid rent	1,134	931
Assets held for sale	—	11,331
Other	6,134	5,716
Total Other Assets	$ 26,976	$ 35,141

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9. OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2011	December 31, 2010
Deferred rent	$ 14,798	$ 10,318
Deferred payment related to acquisition (note 3)	3,858	—
Interest rate swap agreements	3,843	11,531
Unsettled trades and redemption payable	2,902	—
Deferred taxes	2,774	2,424
Other	4,875	1,422
Total Other Liabilities	$ 33,050	$ 25,695

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 the Company's variable rate debt under the AMH Credit Agreement (discussed in note 12) 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 notional amount are comprised of two components: a $333.0 million portion and a $100.0 million portion. The interest rate swap agreement related to the $333.0 million portion expired in May 2010. The interest rate swap agreement related to the $100.0 million portion expired in November 2010. The interest rate swap agreement related to the $167.0 million notional amount expires in May 2012. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2011 and 2010, the Company has recorded a liability of $3.8 million and $11.5 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.

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10. OTHER INCOME, NET

Other income, net consists of the following:

	For the Year Ended December 31,		
	2011	2010	2009
Insurance proceeds	$ —	$ 162,500	$ 37,500
Tax receivable agreement adjustment	(137)	7,614	(6,615)
Gain on acquisitions and dispositions	196,193	29,741	—
Loss on assets held for sale	—	(2,768)	—
Impairment of fixed assets	—	(3,101)	—
AMTG offering costs	(8,000)	—	—
ARI reimbursed offering costs	8,000	—	—
Foreign exchange translation	6,169	(3,025)	1,317
Other	3,295	4,071	9,208
Total Other Income, Net	$ 205,520	$ 195,032	$ 41,410

11. INCOME TAXES

The Company is treated as a partnership for tax purposes and is therefore not subject to U.S. Federal income taxes; however, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal corporate income taxes. In addition, certain subsidiaries of the Company are subject to New York City Unincorporated Business Tax ("NYC UBT") attributable to the Company's operations apportioned to New York City and certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate tax return, as well as filing standalone corporate state and local tax returns in California, New York and New York City. The Company's provision for income taxes is accounted for under the provisions of U.S. GAAP.

The Company's effective tax rate was approximately (0.92)%, 14.45% and (43.18)% for the years ended December 31, 2011, 2010 and 2009, respectively.

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

	For the Year Ended December 31, 2011	2010	2009
Current:			
Federal income tax	$ (856)	$ (8,051)	$ —
NYC UBT	(6,669)	(7,106)	(5,661)
Foreign income tax	(3,705)	(3,726)	(3,993)
State and local income tax	(274)	(1,542)	—
Subtotal	(11,504)	(20,425)	(9,654)
Deferred:			
Federal income tax	248	(64,633)	(2,666)
Foreign income tax	301	260	(1,045)
State and local income tax provision	(2,457)	(6,282)	(14,398)
NYC and UBT	1,483	(657)	(951)
Subtotal	(425)	(71,312)	(19,060)
Total Income Tax Provision	$ (11,929)	$ (91,737)	$ (28,714)

For the years ended 2011, 2010 and 2009, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $1.4 million, $4.2 million and $7.9 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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

	For the Year Ended December 31, 2011	2010
Deferred Tax Assets:		
Depreciation and amortization	$ 476,812	$ 505,485
Revenue recognition	36,732	35,403
Net operating loss carry forward	17,238	265
Equity-based compensation—RSUs and AAA RDUs	37,336	26,689
Other	8,186	3,483
Total Deferred Tax Assets	$ 576,304	$ 571,325
Deferred Tax Liabilities:		
Other	$ 2,774	$ 2,424
Total Deferred Tax Liabilities	$ 2,774	$ 2,424

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The Company had a U.S. federal taxable loss of $55.9 million at the end of 2011 of which $19.2 million will be carried back and used against prior year taxable income and $36.7 million will be carried forward and will expire in 2031. The Company has cumulative state tax losses of $60.5 million that will begin to expire in 2027. In addition, the Company has foreign tax credit carryforwards of $5.5 million that will begin to expire in 2020.

The Company has recorded a significant deferred tax asset for the future amortization of tax basis intangibles as a result of the Reorganization. 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 considered the 15-year amortization period of the tax basis intangibles 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 includes the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicates 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 will be realized and that no valuation allowance is needed at December 31, 2011.

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

	For the Year Ended December 31,		
	2011	**2010**	**2009**
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	(24.67)	(24.54)	38.15
Income passed through to Class A holders	(1.28)	(15.93)	46.04
Equity-based compensation—AOG Units	(9.12)	16.49	(146.43)
Foreign income taxes	(0.17)	0.54	(6.98)
State and local income taxes	(0.56)	2.32	(30.74)
Amortization and other accrual adjustments	(0.12)	0.44	22.18
Other	0.00	0.13	(0.40)
Effective Income Tax Rate	(0.92)%	14.45%	(43.18)%

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.

Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined no unrecognized tax benefits for uncertain tax positions were required to be

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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 tax authorities. With few exceptions, as of December 31, 2011, Apollo and its predecessor entities' U.S. federal, state, local and foreign income tax returns for the years 2008 through 2010 are open under the normal statute of limitations and therefore subject to examination. The City of New York is examining certain other subsidiary tax returns for the years 2006 and 2007.

12. DEBT

Debt consists of the following:

	December 31, 2011		December 31, 2010	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH Credit Agreement	$ 728,273	5.39%(1)	$ 728,273	3.78%(1)
CIT secured loan agreement	10,243	3.39%	23,252	3.50%
Total Debt	$ 738,516	5.35%	$ 751,525	3.77%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement—On April 20, 2007, Apollo Management Holdings, L.P. ("AMH"), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, 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 from the closing date of the AMH Credit Agreement and $167 million of the debt for five years from the closing date of the AMH Credit Agreement. The interest rate swap agreements related to the $433 million notional amount were comprised of two components: a $333 million portion and a $100 million portion. The interest rate swap agreement related to the $333 million portion expired in May 2010. The interest rate swap agreement related to the $100 million portion expired in November 2010. The interest rate swap agreement related to the $167 million notional amount expires in May 2012. The remaining amount of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for loans with extended maturity, as discussed below, and 1.00% for loans without the extended maturity as of December 31, 2011 and 4.25% for loans with extended maturity and 1.50% for loans without the extended maturity as of December 31, 2010). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loans from

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April 20, 2014 to January 3, 2017 and modified certain other terms of the credit facility. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of term loans by December 31, 2014 and at least $100.0 million aggregate principal amount of term loans (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH loans (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2011 was 4.23% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2011 was 1.48%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $752.2 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2011 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of December 31, 2011 and 2010, the AMH Credit Agreement was guaranteed by, and 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 forth in the AMH Credit Agreement. As of December 31, 2011, 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 and its consolidated subsidiaries were $56.6 million, $46.2 million, $50.1 million, $131.9 million and $(1,014.3) million, respectively. As of December 31, 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 $123.1 million, $24.0 million, $39.0 million, $136.0 million and $(1,126.6) million, respectively.

In accordance with the AMH Credit Agreement as of December 31, 2011, 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 respective subsidiaries were 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.

If AMH's debt to EBITDA ratio (the "Leverage Ratio") as of the end of any fiscal year exceeds the level set forth in the next sentence (the "Excess Sweep Leverage Ratio"), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage 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 is: for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

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In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

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 as necessary to reduce its Leverage 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 (the following specified levels for the specified years, the "Sweep Leverage Ratio") (i) for 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

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. As of December 31, 2011, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

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 $9.4 million due at the end of the terms in April 2013. At December 31, 2011, the interest rate was 3.45%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreement for $11.3 million with $11.1 million of the proceeds going to CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of December 31, 2011, the carrying value of the remaining CIT secured loan is $10.2 million.

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

As of December 31, 2011, the table below presents the contractual maturities for the AMH Credit Agreement and CIT secured loan agreement:

	2012	2013	2014	2015	2016	Thereafter	Total
AMH Credit Agreement	$ —	$ —	$ 55,000	$ 50,000	$ —	$ 623,273	$ 728,273
CIT secured loan agreement	698	9,545	—	—	—	—	10,243
Total Obligations as of December 31, 2011	$ 698	$ 9,545	$ 55,000	$ 50,000	$ —	$ 623,273	$ 738,516

13. NET (LOSS) INCOME 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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

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The remaining earnings are allocated to common Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

The table below presents basic and diluted net loss (income) per Class A share using the two-class method for the years ended December 31, 2011, 2010 and 2009:

	Basic and Diluted		
	For the Year Ended December 31,		
	2011	2010	2009
Numerator:			
Net (loss) income attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	$ (155,176)
Distributions declared on Class A shares	(97,758)[1]	(20,453)[2]	(4,866)[3]
Distributions on participating securities	(17,381)	(3,662)	(299)
Earnings allocable to participating securities	—[4]	(10,357)	—[4]
Net (Loss) Income Attributable to Class A Shareholders	$ (583,965)	$ 60,145	$ (160,341)
Denominator:			
Weighted average number of Class A shares outstanding	116,364,110	96,964,769	95,815,500
Net (loss) income per Class A share: Basic and Diluted[5]			
Distributable Earnings	$ 0.84	$ 0.21	$ 0.05
Undistributed (loss) income	(5.02)	0.62	(1.67)
Net (Loss) Income per Class A Share	$ (4.18)	$ 0.83	$ (1.62)

(1) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on Class A shares on May 12, 2011, a $0.24 distribution on Class A shares on August 9, 2011, and a $0.20 distribution on Class A shares on November 3, 2011. As a result, there is an increase in net loss attributable to Class A shareholders presented during the year ended December 31, 2011.

(2) The Company declared a $0.07 distribution on Class A shares on May 27, 2010, August 2, 2010 and November 1, 2010. As a result, there is an increase in net loss attributable to Class A shareholders presented during the year ended December 31, 2010.

(3) The Company declared a $0.05 distribution on Class A shares in January 2009. As a result, there is an increase in net loss attributable to Class A shareholders presented for the year ended December 31, 2009.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(5) For the year ended December 31, 2010, unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. The resulting diluted earnings per share amount was not significantly different from basic earnings per share and therefore, was presented as the same amount. The AOG Units and the share options were determined to be anti-dilutive for the years ended December 31, 2011, 2010 and 2009.

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 Company's

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2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees during 2010 and 2011 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as "Plan Grants." For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees in 2010 and 2011 (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 distribution is declared. As of December 31, 2011, approximately 20.2 million vested RSUs and 5.6 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 earnings per share computations using the two-class method. The holder of an RSU 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 RSU 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 fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is 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 distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share currently has a super voting power of 240,000,000 votes.

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The table below presents transactions in Class A shares during the years ended December 31, 2011, 2010, and 2009 and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of AGM Class A Shares Transaction	Number of Shares Issued (Repurchased/ Cancelled) in AGM Class A Shares Transaction (in thousands)	AGM ownership% in AOG before AGM Class A Shares Transaction	AGM ownership% in AOG after AGM Class A Shares Transaction	Holdings ownership% in AOG before AGM Class A Shares Transaction	Holdings ownership% in AOG after AGM Class A Shares Transaction
February 11, 2009	Repurchase	(1,700)	28.9%	28.5%	71.1%	71.5%
March 12, 2010	Issuance	721	28.5%	28.6%	71.5%	71.4%
July 9, 2010	Issuance	1,540	28.6%	29.0%	71.4%	71.0%
July 23, 2010	Issuance	31	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 16, 2010	Net Settlement	(7)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 30, 2010	Issuance	11	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 8, 2011	Issuance	2	N/A(1)	N/A(1)	N/A(1)	N/A(1)
March 15, 2011	Issuance	1,548	29.0%	29.3%	71.0%	70.7%
April 4, 2011	Issuance	21,500	29.3%	33.5%	70.7%	66.5%
April 7, 2011	Issuance	750	33.5%	33.7%	66.5%	66.3%
July 11, 2011	Issuance	77	N/A(1)	N/A(1)	N/A(1)	N/A(1)
August 15, 2011	Issuance	1,191	33.7%	33.9%	66.3%	66.1%
October 10, 2011	Issuance	52	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 10, 2011	Issuance	1,011	33.9%	34.1%	66.1%	65.9%
November 22, 2011	Net Settlement	(130)	N/A(1)	N/A(1)	N/A(1)	N/A(1)

(1) Transaction did not have a material impact on ownership.

14. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the years ended December 2011, 2010 and 2009, $1,032.8 million, $1,032.9 million and $1,033.3 million of compensation expense was recognized, 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 December 31, 2011, there was $507.2 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next 18 months.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2011, 2010 and 2009:

	Apollo Operating Group Units		Weighted Average Grant Date Fair Value
Balance at January 1, 2009	154,739,756	$	23.41
Granted	—		—
Forfeited	—		—
Vested	(43,907,662)		23.53
Balance at December 31, 2009	110,832,094		23.35
Granted	1,404,650		11.96
Forfeited	(1,404,650)		20.00
Vested	(44,089,188)		23.43
Balance at December 31, 2010	66,742,906	$	23.13
Granted	—		—
Forfeited	—		—
Vested at December 31, 2011	(44,149,696)		23.39
Balance at December 31, 2011	22,593,210	$	22.64

Units Expected to Vest—As of December 31, 2011, approximately 22,400,000 AOG Units are expected to vest over the next 12 months.

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. All grants after March 29, 2011 consider the public share price of the Company. The fair value of grants was approximately $116.6 million, $120.2 million and $10.0 million in 2011, 2010 and 2009, respectively. For Plan Grants the fair value is based on grant date fair value, and are discounted 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 is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). The actual forfeiture rate was 2.3%, 7.9% and 6.6% for the years ended December 31, 2011, 2010 and 2009, respectively. For the years ended December 31, 2011, 2010 and 2009, $108.2 million $78.9 million and $60.7 million of compensation expense was recognized, respectively.

Delivery of Class A Shares

In 2011 and 2010, the Company delivered Class A Shares for vested RSUs. The Company allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment was $19.6 million and $2.9 million in 2011 and 2010, respectively, and is disclosed in the consolidated statement of changes in shareholders' equity.

The delivery of RSUs does not cause a transfer of amounts in the Consolidated Statement of Changes in Shareholders' Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the

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income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the year ended December 31, 2011, the Company delivered 4.5 million Class A shares in settlement of vested RSUs, which caused the Company's ownership interest in the Apollo Operating Group to increase to 34.1% from 29.0%.

The following table summarizes RSU activity for the years ended December 31, 2011, 2010 and 2009:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2009	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
Granted	12,861,969	9.34	—	12,861,969
Forfeited	(2,578,992)	10.07	—	(2,578,992)
Delivered	—	6.74	(3,227,155)	(3,227,155)
Vested	(6,778,057)	10.40	6,778,057	—
Balance at December 31, 2010	23,442,916	10.25	15,642,921	39,085,837
Granted	8,068,735	14.45	—	8,068,735
Forfeited	(737,372)	12.59	—	(737,372)
Delivered	—	10.12	(5,696,419)	(5,696,419)
Vested	(10,293,506)	11.13	10,293,506	—
Balance at December 31, 2011	20,480,773	$ 11.38	20,240,008	40,720,781(1)

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

Units Expected to Vest—As of December 31, 2011, approximately 19,300,000 RSUs are expected to vest during the next six years.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011 and 25,000 options were granted on April 9, 2011. The options granted on January 22, 2011 vested and became exercisable with respect to half of the option shares on December 31, 2011 and the other half were due to become exercisable on December 31, 2012. The options granted on April 9, 2011 vested and became exercisable with respect to half of the options shares on December 31, 2011 and the other half vests in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012. For the years ended December 31, 2011 and 2010, $6.9 million and $0.3 million of compensation expense were recognized as a result of option grants, respectively.

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Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2011 and 2010:

Assumptions:	2011[(2)]	2010
Risk-free interest rate	2.79%	2.34%
Weighted average expected dividend yield	2.25%	2.79%
Expected volatility factor[(1)]	40.22%	40.00%
Expected life in years	5.72	6.79
Fair value of options per share	$ 8.44	$ 5.62

(1) The Company determined its expected volatility based on comparable companies using daily stock prices.
(2) Represents weighted average of 2011 grants.

The following table summarizes the share option activity for the year ended December 31, 2011 and 2010:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2010	—	$ —	$ —	—
Granted	5,000,000	8.00	28,100	9.92
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2010	5,000,000	8.00	$ 28,100	9.92
Granted	580,556	9.39	4,896	9.09
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2011	5,580,556	8.14	$ 32,996	8.93
Exercisable at December 31, 2011	1,123,611	$ 8.36	$ 7,131	8.96

Units Expected to Vest—As of December 31, 2011, approximately 4,200,000 options are expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2011 was $25.8 million and is expected to be recognized over a weighted average period of 4.5 years.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depositary units ("RDUs") following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The 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 AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value considers the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities

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law restrictions. During the years ended December 31, 2011, 2010 and 2009, the actual forfeiture rate was 0%, 1.5% and 11.0%, respectively. For the years ended December 31, 2011, 2010 and 2009, $0.5 million, $5.5 million and $5.8 million of compensation expense was recognized, respectively.

During the years ended December 31, 2011, 2010 and 2009, the Company delivered 389,785, 596,375 and 435,954 RDUs, respectively, to individuals who had vested in these units. The deliveries in 2011, 2010 and 2009 resulted in a reduction of the accrued compensation liability of $3.8 million, $7.6 million and $6.6 million, respectively, and the recognition of a net decrease of additional paid in capital in 2011 of $2.7 million and a net increase in 2010 and 2009 of $0.6 million and $2.8 million, respectively. These amounts are presented in the consolidated statement of changes in shareholders' equity. There was $0.5 million and $4.1 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2011 and 2010, respectively. The following table summarizes RDU activity for the years ended December 31, 2011, 2010 and 2009:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2009	678,649	$ 14.57	446,177	1,124,826
Granted	2,667	1.07	—	2,667
Forfeited	(74,870)	14.23	—	(74,870)
Delivered	—	15.51	(435,954)	(435,954)
Vested	(385,225)	15.65	385,225	—
Balance at December 31, 2009	221,221	12.95	395,448	616,669
Granted	547,974	7.34	—	547,974
Forfeited	(11,816)	13.00	—	(11,816)
Delivered	—	12.73	(596,375)	(596,375)
Vested	(590,712)	9.36	590,712	—
Balance at December 31, 2010	166,667	7.20	389,785	556,452
Granted	90,688	10.30	—	90,688
Forfeited	—	—	—	—
Delivered	—	10.54	(389,785)	(389,785)
Vested	(60,702)	8.69	60,702	—
Balance at December 31, 2011	196,653	$ 8.17	60,702	257,355

Units Expected to Vest—As of December 31, 2011, approximately 185,000 RDUs are expected to vest over the next four years.

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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, 2009	2,302,913
Purchases	43,412
Granted	(2,667)
Forfeited	74,870
Balance at December 31, 2009	2,418,528
Purchases	96,661
Granted	(547,974)
Forfeited	11,816
Balance at December 31, 2010	1,979,031
Purchases	59,494
Granted	(90,688)
Forfeited	—
Balance at December 31, 2011	1,947,837

Restricted Stock and Restricted Stock Unit Awards—Apollo Commercial Real Estate Finance, Inc. ("ARI")

On September 29, 2009, 97,500 and 145,000 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 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 generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units ("ARI RSUs"), respectively, were granted to certain of the Company's employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company's employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI RSUs, respectively, were granted to certain of the Company's employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. On December 28, 2011, the Company issued 45,587 ARI RSUs to certain of the Company's employees. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for certain restrictions. 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 consolidated statements of operations. For the years ended December 31, 2011, 2010 and 2009, $2.9 million, $1.5 million and $0.4 million of management fees and $1.3 million, $0.8 million and $0.2 million of compensation expense were recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 7%, 2% and 0% for the years ended December 31, 2011, 2010 and 2009, respectively.

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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 years ended December 31, 2011, 2010 and 2009:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of RSUs Outstanding
Balance at January 1, 2009	—	—	$ —	—	—
Granted to employees of the Company	145,000	—	18.46	—	—
Granted to the Company	97,500	—	18.48	—	—
Vested awards for employees of the Company	—	—	—	—	—
Balance at December 31, 2009	242,500	—	18.47	—	—
Granted to employees of the Company	—	123,959	16.97	—	123,959
Forfeited by employees of the Company	(118,959)	(5,000)	18.41	—	(5,000)
Vested awards for employees of the Company	(26,039)	(22,709)	17.77	22,709	—
Vested awards for the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2010	65,002	96,250	17.57	22,709	118,959
Granted to employees of the Company	—	203,337	14.34	—	203,337
Granted to the Company	—	156,000	14.85	—	156,000
Forfeited by employees of the Company	—	(30,000)	14.85	—	(30,000)
Vested awards for employees of the Company	—	(50,833)	16.95	50,833	—
Vested awards of the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2011	32,502	374,754	$ 15.12	73,542	448,296

Units Expected to Vest—As of December 31, 2011, approximately 362,000 and 32,502 shares of ARI RSUs and ARI restricted stock, respectively, are expected to vest.

Restricted Stock Unit Awards—Apollo Residential Mortgage, Inc. ("AMTG")

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units ("AMTG RSUs") were granted to the Company and certain of the Company's employees, respectively. On September 26, 2011, 875 AMTG RSUs were granted to certain employees of the Company. The fair value of the Company and employee awards granted was $0.3 million and $0.2 million, respectively. These awards generally vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for certain restrictions. For the year ended December 31, 2011, $0.1 million

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of management fees and $0.0 million of compensation expense were recognized in the consolidated statements of operations. The actual forfeiture rate for AMTG RSUs was 0% for the year ended December 31, 2011.

The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the year ended December 31, 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	—	$ —	—	—
Granted to employees of the Company	12,125	16.57	—	12,125
Granted to the Company	18,750	18.20	—	18,750
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(1,008)	16.57	1,008	—
Vested awards of the Company	(1,562)	18.20	1,562	—
Balance at December 31, 2011	28,305	$ 17.56	2,570	30,875

Units Expected to Vest—As of December 31, 2011, approximately 28,000 AMTG RSUs are expected to vest.

Equity-Based Compensation Allocation

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders' Equity attributable to Apollo Global Management, LLC 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 attributable to Apollo Global Management, LLC in the Company's consolidated financial statements.

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2011:

	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	$ 1,032,762	65.9%	$ 696,361	$ 336,401
RSUs and Share Options	115,142	—	—	115,142
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,320	65.9	870	450
AAA RDUs	529	65.9	349	180
Total Equity-Based Compensation	$ 1,149,753		$ 697,580	$ 452,173
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,219)	(630)
Capital Increase Related to Equity-Based Compensation			$ 696,361	$ 451,543

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 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	$ 1,032,909	71.0%	$ 735,698	$ 297,211
RSUs and Share Options	79,169	—	—	79,169
ARI Restricted Stock Awards and ARI RSUs	801	71.0	569	232
AAA RDUs	5,533	71.0	3,930	1,603
Total Equity-Based Compensation	$ 1,118,412		740,197	378,215
Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs			(4,499)	(1,835)
Capital Increase Related to Equity-Based Compensation			$ 735,698	$ 376,380

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

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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 Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest 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
ARI Restricted Stock Awards	217	71.5	155	62
AAA RDUs	5,799	71.5	4,146	1,653
Total Equity-Based Compensation	$ 1,100,106		742,732	357,374
Less AAA RDUs and ARI 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 considering Class A share repurchase during the period.

15. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

The Company typically facilitates the initial payment of 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.

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

	As of December 31, 2011	As of December 31, 2010
Due from Affiliates:		
Due from private equity funds	$ 28,465	$ 52,128
Due from portfolio companies	61,867	42,933
Management and advisory fees receivable from capital markets funds	23,545	19,095
Due from capital markets funds	15,822	13,612
Due from Contributing Partners, employees and former employees	30,353	8,496
Due from real estate funds	13,453	5,887
Other	3,235	2,212
Total Due from Affiliates	$ 176,740	$ 144,363
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 451,743	$ 491,402
Due to private equity funds	86,500	20,890
Due to capital markets funds	18,817	—
Due to real estate funds	1,200	1,200
Dividends payable to employees	12,532	2,832
Other[(1)]	7,972	1,321
Total Due to Affiliates	$ 578,764	$ 517,645

(1) Includes a $4.7 million contingent consideration liability due to former owners of Gulf Stream as discussed in note 3 to the consolidated financial statements.

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 ("TRA") 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. If the Company does not make the required annual payment on a timely basis as outlined in the TRA, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 years.

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In April 2011 and 2010, Apollo made cash payments of $39.8 million and $15.0 million, respectively, in connection with the TRA to the Managing Partners and Contributing Partners resulting from realized tax benefits for the 2010 and 2009 tax years. Included in the 2011 payment was $29.0 thousand and $3.0 thousand of interest paid to the Managing Partners and Contributing Partners, respectively. 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% or $12.1 million of the required payments pursuant to the tax receivable agreement that is attributable to the 2010 fiscal year for a period of four years until April 5, 2014. In addition, Apollo adjusted the remaining liability by $(0.1) million and $7.6 million and recorded a corresponding gain (loss) in other income (loss), net in the consolidated statement of operations during the years ended December 31, 2011 and 2010, respectively, due to changes in projected income estimates and fluctuations in the tax rates.

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 allowed for a maximum allocation of income from Holdings of $22.1 million in 2009 and $117.5 million in 2010. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation beyond such date. The Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

Due from Contributing Partners, Employees and Former Employees

The Company has accrued $22.1 million in receivables at December 31, 2011 from the Contributing Partners and certain employees and former employees of Fund VI for the potential return of carried interest income that would be due if the private equity fund were liquidated at the balance sheet date. In addition, there was a $6.5 million receivable at December 31, 2011 and 2010 from the Contributing Partners and certain employees associated with a credit agreement with Fund VI as described below in 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 and related compensation expense amounted to $23.5 million, $24.8 million and $19.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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Distributions

The table below presents the determination, declaration, and payment of the amount of quarterly distributions which were made at the sole discretion of the Company (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
January 8, 2009	$ 0.05	January 15, 2009	$ 4.9	$ 12.0	$ 16.9	$ 0.3
May 27, 2010	0.07	June 15, 2010	6.7	16.8	23.5	1.0
August 2, 2010	0.07	August 25, 2010	6.9	16.8	23.7	1.4
November 1, 2010	0.07	November 23, 2010	6.9	16.8	23.7	1.3
January 4, 2011	0.17	January 14, 2011	16.6	40.8	57.4	3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8	79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6	87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0	72.8	4.3

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.

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 December 31, 2011, the Company recorded an indemnification liability of $0.8 million.

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 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. At December 31, 2010, the total outstanding loan aggregated $20.5 million, including accrued interest of $1.6 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. In March 2011, a right of offset for the indemnified portion of the loan

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obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the consolidated statement of financial condition. During the year ended December 31, 2011, there was $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. As of December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

In addition, assuming Fund VI is liquidated on the balance sheet date, the Company has also accrued a liability to Fund VI of $75.3 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $22.1 million is receivable from Contributing Partners, employees and former employees.

Due to Capital Markets Funds

Similar to the private equity funds, certain capital markets funds allocate carried interest income to the Company. Assuming SOMA liquidated on the balance sheet date, the Company has accrued a liability to SOMA of $18.1 million, in connection with the potential general partner obligation for carried interest income that was previously distributed from SOMA.

Due from Real Estate Funds

In connection with the acquisition of CPI during November 2010, Apollo is contingently obligated to Citigroup Inc. based on a specified percentage of future earnings from the date of acquisition through December 31, 2012. The estimated fair value of the contingent liability was $1.2 million as of December 31, 2011 and 2010, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%.

Regulated Entities

During 2011, the Company formed Apollo Global Securities, LLC ("AGS"), which is a registered broker dealer with the United States Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, or "FINRA", subject to the minimum net capital requirements of the SEC. AGS has continuously operated in excess of these requirements. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services. The Company also has one entity based in London which is subject to the capital requirements of the U.K. Financial Services Authority. This entity has continuously operated in excess of these regulatory capital requirements.

Due to Strategic Investor/Strategic Relationship Agreement

On April 20, 2010, the Company announced that it entered into a strategic relationship agreement with the California Public Employees' Retirement System ("CalPERS"). The 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 a five-year period 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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Underwriting Fee Paid for ARI

During 2009, the Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI's initial public offering on September 29, 2009, ARI's core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate. During the second quarter of 2011, the core earnings had exceeded the hurdle rate and the Company recorded $8.0 million of other income in the consolidated statement of operations.

Interests in Consolidated Entities

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net loss (income) attributable to Non-Controlling Interests consists of the following:

	For the Year Ended December 31,		
	2011	2010	2009
		(in thousands)	
AAA[1]	$ 123,400	$ (356,251)	$ (452,408)
Consolidated VIEs[2]	(216,193)	(48,206)	—
Interests in management companies[3]	(12,146)	(16,258)	(7,818)
Net income attributable to Non-Controlling Interests in consolidated entities	(104,939)	(420,715)	(460,226)
Net loss (income) attributable to Non-Controlling Interests in Apollo Operating Group	940,312	(27,892)	400,440
Net loss (income) attributable to Non-Controlling Interests	$ 835,373	$ (448,607)	$ (59,786)

(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, which was approximately 98% during the year ended December 31, 2011 and approximately 97% during the years ended December 31, 2010 and 2009, respectively.

(2) Reflects the Non-Controlling Interests in the net loss (income) of the consolidated VIEs and includes $202.2 million and $11.4 million of gains recorded within appropriated partners' capital related to consolidated VIEs during the years ended December 31, 2011 and 2010, respectively.

(3) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies.

16. 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 December 31, 2011, the maximum exposure relating to these financial guarantees approximated $4.0 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 financial statements.

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As the general partner of Apollo/Artus Investor 2007-I, L.P. ("Artus"), the Company may be obligated for certain 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, 2011, the Company has no current obligations to Artus.

Investment Commitments—As a limited partner, general partner and manager of the Apollo private equity funds, capital markets and real estate funds, Apollo has unfunded capital commitments as of December 31, 2011 and 2010 of $137.9 million and $140.6 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

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—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.

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 Apollo'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. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo Global Management, LLC, as a defendant. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint that adds ten additional transactions and expands the scope of the class seeking relief. On September 7, 2011, the Court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. The Court set April 17, 2012, as the deadline for completing all fact discovery. Currently, Apollo 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, ruling that Apollo was released from the only transaction in which it allegedly was involved. While plaintiffs have survived Apollo's motion to dismiss the fourth amended complaint,

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the Court stated in denying the motion that it will consider the statute of limitations (one of the bases for Apollo's motion to dismiss) at the summary judgment stage. Based on the applicable statute of limitations, among other reasons, Apollo believes that plaintiffs' claims lack factual and legal merit. For these reasons, no estimate of possible loss, if any, can be made at this time.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (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 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. Finally, on December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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 effect on our financial statements. Legal actions material to us 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 December 31, 2011, the approximate aggregate minimum future payments required for operating leases were as follows:

	2012	2013	2014	2015	2016	Thereafter	Total
Aggregate minimum future payments	$ 31,175	$ 30,657	$ 30,242	$ 28,921	$ 28,871	$ 92,426	$ 242,292

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Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $38.3 million, $28.8 million and $35.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Other Long-term Obligations—These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2011, fixed and determinable payments due in connection with these obligations are as follows:

	2012	2013	2014	2015	2016	Thereafter	Total
Other long-term obligations	$ 10,221	$ 630	$ —	$ —	$ —	$ —	$ 10,851

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 December 31, 2011 and that would be reversed approximates $1.3 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2011
Private Equity Funds:	
Fund VII	$ 651,491
Fund V	246,656
Fund IV	57,104
AAA	22,090
Total Private Equity Funds	$ 977,341
Capital Markets Funds:	
Distressed and Event-Driven Hedge Funds (Value Funds, SOMA, AAOF)	12,625
Mezzanine Funds (AIE II)	20,459
Non-Performing Loan Fund (EPF)	51,463
Senior Credit Funds (COF I/COF II, Gulf Stream)	233,139
Total Capital Market Funds	$ 317,686
Total	$ 1,295,027

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 general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15, the Company has recorded a general

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partner obligation to return previously distributed carried interest income of fees of $75.3 million and $18.1 million relating to Fund VI and SOMA as of December 31, 2011, respectively.

Certain private equity and capital markets funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company's subsidiaries, Apollo Global Securities, LLC ("AGS"), provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2011, there were no underwriting commitments outstanding related to such offerings.

In connection with the Gulf Stream acquisition, as discussed in note 3, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue.

In connection with the CPI acquisition, as discussed in note 3, the consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2011.

17. 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 December 31, 2011, there were more than approximately 1,000 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 total 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 December 31, 2011 and 2010, $738.5 million and $751.5 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively. However, as of December 31, 2011 and 2010, $167.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 9.

18. 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***—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***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors 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 exclude 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 December 31, 2011, 2010 and 2009 and for the years ended December 31, 2011, 2010 and 2009, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the "management" business section 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, investment income, profit sharing expense and incentive fee based compensation.

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. Management also believes the

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components of ENI such 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 expense, such as determining annual discretionary bonuses and stock-based compensation awards 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 income 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 RSUs granted in connection with the 2007 private placement and amortization of AOG Units, income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements.

During the fourth quarter 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, capital markets and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation expense for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the years ended December 31, 2011, 2010 and 2009:

	Impact of Modification on ENI			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2011	$ (22,756)	$ (32,711)	$ (9,723)	$ (65,190)
For the year ended December 31, 2010	(6,525)	(23,449)	(3,975)	(33,949)
For the year ended December 31, 2009	7,226	(8,009)	(1,652)	(2,435)

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 66,913	$ 14,699	$ 698	$ 82,310
Management fees from affiliates	263,212	186,700	40,279	490,191
Carried interest (loss) income from affiliates	(449,208)	51,801	—	(397,407)
Total Revenues	(119,083)	253,200	40,977	175,094
Expenses	155,994	250,020	77,179	483,193
Other Income (Loss)	15,041	(5,716)	10,420	19,745
Non-Controlling Interests	—	(12,146)	—	(12,146)
Economic Net Loss	$ (260,036)	$ (14,682)	$ (25,782)	$ (300,500)
Total Assets	$ 1,764,166	$ 1,123,654	$ 61,970	$ 2,949,790

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 175,094	$ (3,462)(1)	$ 171,632
Expenses	483,193	1,099,257(2)	1,582,450
Other income	19,745	98,803(3)	118,548
Non-Controlling Interests	(12,146)	847,519	835,373
Economic Net Loss	$ (300,500)(4)	N/A	N/A
Total Assets	$ 2,949,790	$ 5,026,083(5)	$ 7,975,873

(1) Represents advisory and management fees earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.

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APOLLO GLOBAL MANAGEMENT, LLC
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(3) Results from the following:

	For the Year Ended December 31, 2011
Net losses from investment activities	$ (123,946)
Net gains from investment activities of consolidated variable interest entities	24,201
Gain from equity method investments	3,094
Gain on acquisition	195,454
Total Consolidation Adjustments	$ 98,803

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2011
Economic Net Loss	$ (300,500)
Income tax provision	(11,929)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	940,312
Non-cash charges related to equity-based compensation(6)	(1,081,581)
Amortization of intangible assets	(15,128)
Net Loss Attributable to Apollo Global Management, LLC	$ (468,826)

(5) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
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The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2011:

	For the Year Ended December 31, 2011					
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 66,913	$ —	$ 66,913	$ 14,699	$ —	$ 14,699
Management fees from affiliates	263,212	—	263,212	186,700	—	186,700
Carried interest (loss) income from affiliates:						
Unrealized losses[1]	—	(1,019,748)	(1,019,748)	—	(66,852)	(66,852)
Realized gains	—	570,540	570,540	44,540	74,113	118,653
Total Revenues	330,125	(449,208)	(119,083)	245,939	7,261	253,200
Compensation and benefits[2]	156,923	(100,267)	56,656	116,181	38,844	155,025
Other expenses[2]	99,338	—	99,338	94,995	—	94,995
Total Expenses	256,261	(100,267)	155,994	211,176	38,844	250,020
Other Income (Loss)	7,081	7,960	15,041	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	—	—	—	(12,146)	—	(12,146)
Economic Net Income (Loss)	$ 80,945	$ (340,981)	$ (260,036)	$ 20,639	$ (35,321)	$ (14,682)

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income or fees of $75.3 million and $18.1 million with respect to Fund VI and SOMA, respectively, for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2011		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698
Management fees from affiliates	40,279	—	40,279
Carried interest income from affiliates	—	—	—
Total Revenues	40,977	—	40,977
Compensation and benefits[(1)]	46,163	1,353	47,516
Other expenses[(1)]	29,663	—	29,663
Total Expenses	75,826	1,353	77,179
Other Income	9,694	726	10,420
Economic Net Loss	$ (25,155)	$ (627)	$ (25,782)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	As of and for the Year Ended December 31, 2010			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 60,444	$ 19,338	$ —	$ 79,782
Management fees from affiliates	259,395	160,318	11,383	431,096
Carried interest loss from affiliates	1,321,113	277,907	—	1,599,020
Total Revenues	1,640,952	457,563	11,383	2,109,898
Expenses	767,600	240,341	46,034	1,053,975
Other Income	212,845	41,606	23,231	277,682
Non-Controlling Interests	—	(16,258)	—	(16,258)
Economic Net Income (Loss)	$ 1,086,197	$ 242,570	$ (11,420)	$ 1,317,347
Total Assets	$ 2,271,564	$ 1,152,389	$ 46,415	$ 3,470,368

APOLLO GLOBAL MANAGEMENT, LLC
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The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2010:

	For the Year Ended December 31, 2010		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 2,109,898	$ —	$ 2,109,898
Expenses	1,053,975	1,103,411[(1)]	2,157,386
Other income	277,682	404,767[(2)]	682,449
Non-Controlling Interests	(16,258)	(432,349)	(448,607)
Economic Net Income	$ 1,317,347[(3)]	N/A	N/A
Total Assets	$ 3,470,368	$ 3,082,004[(4)]	$ 6,552,372

(1) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.
(2) Results from the following:

	For the Year Ended December 31, 2010
Net gains from investment activities	$ 367,871
Net gains from investment activities of consolidated variable interest entities	48,206
Loss from equity method investments	(11,107)
Interest income	20
Other loss	(223)
Total Consolidation Adjustments	$ 404,767

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2010
Economic Net Income	$ 1,317,347
Income tax provision	(91,737)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)
Non-cash charges related to equity-based compensation[(4)]	(1,087,943)
Net loss of Metals Trading Fund	(2,380)
Amortization of intangible assets	(12,778)
Net Income Attributable to Apollo Global Management, LLC	$ 94,617

APOLLO GLOBAL MANAGEMENT, LLC
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(4) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2010:

	For the Year Ended December 31, 2010					
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 60,444	$ —	$ 60,444	$ 19,338	$ —	$ 19,338
Management fees from affiliates	259,395	—	259,395	160,318	—	160,318
Carried interest income from affiliates:						
Unrealized gains	—	1,251,526	1,251,526	—	103,918	103,918
Realized gains	—	69,587	69,587	47,385	126,604	173,989
Total Revenues	319,839	1,321,113	1,640,952	227,041	230,522	457,563
Compensation and benefits(1)	150,181	519,669	669,850	103,763	55,698	159,461
Other expenses(1)	97,750	—	97,750	80,880	—	80,880
Total Expenses	247,931	519,669	767,600	184,643	55,698	240,341
Other Income	162,213	50,632	212,845	10,928	30,678	41,606
Non-Controlling Interests	—	—	—	(16,258)	—	(16,258)
Economic Net Income	$ 234,121	$ 852,076	$ 1,086,197	$ 37,068	$ 205,502	$ 242,570

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2010		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ —	$ —	$ —
Management fees from affiliates	11,383	—	11,383
Carried interest income from affiliates	—	—	—
Total Revenues	11,383	—	11,383
Compensation and benefits(1)	26,096	—	26,096
Other expenses(1)	19,938	—	19,938
Total Expenses	46,034	—	46,034
Other Income (Loss)	23,622	(391)	23,231
Economic Net Loss	$ (11,029)	$ (391)	$ (11,420)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	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 loss from affiliates	310,871	193,525	—	504,396
Total Revenues	619,991	345,536	1,201	966,728
Expenses	354,101	218,425	26,192	598,718
Other Income	113,924	104,171	300	218,395
Non-Controlling Interests	—	(7,818)	—	(7,818)
Economic Net Income (Loss)	$ 379,814	$ 223,464	$ (24,691)	$ 578,587
Assets	$ 1,062,043	$ 981,390	$ 13,852	$ 2,057,285

APOLLO GLOBAL MANAGEMENT, LLC
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The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2009:

	For the Year Ended December 31, 2009		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 966,728	$ —	$ 966,728
Expenses	598,718	1,107,787(1)	1,706,505
Other income	218,395	454,706(2)	673,101
Non-Controlling Interests	(7,818)	(51,968)	(59,786)
Economic Net Income	$ 578,587(3)	N/A	N/A

(1) Represents the addition of expenses of AAA and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.

(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

(3) The reconciliation of Economic Net Income to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2009
Economic Net Loss	$ 578,587
Income tax benefit	(28,714)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	400,440
Non-cash charges related to equity-based compensation(4)	(1,092,812)
Amortization of intangible assets	(12,677)
Net Loss Attributable to Apollo Global Management, LLC	$ (155,176)

(4) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

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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			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 (loss) income from affiliates:						
Unrealized gains	—	262,890	262,890	—	120,126	120,126
Realized gains	—	47,981	47,981	50,404	22,995	73,399
Total Revenues	309,120	310,871	619,991	202,415	143,121	345,536
Compensation and benefits(1)	130,472	124,048	254,520	91,607	43,500	135,107
Other expenses(1)	99,581	—	99,581	83,318	—	83,318
Total Expenses	230,053	124,048	354,101	174,925	43,500	218,425
Other Income	58,701	55,223	113,924	19,309	84,862	104,171
Non-Controlling Interests	—	—	—	(7,818)	—	(7,818)
Economic Net Income	$ 137,768	$ 242,046	$ 379,814	$ 38,981	$ 184,483	$ 223,464

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	For the Year Ended December 31, 2009		
	Real Estate		
	Management	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(1)	12,571	—	12,571
Other expenses(1)	13,621	—	13,621
Total Expenses	26,192	—	26,192
Other Income (Loss)	1,043	(743)	300
Economic Net Loss	$ (23,948)	$ (743)	$ (24,691)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding

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RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

19. SUBSEQUENT EVENTS

On January 18, 2012, the Company issued 0.3 million Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On February 10, 2012, the Company declared a cash distribution of $0.46 per Class A share, which will be paid on February 29, 2012 to holders of record on February 23, 2012.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Revenues	$ 696,342	$ 308,876	$ (1,479,580)	$ 645,994
Expenses	641,581	480,006	(158,100)	618,963
Other Income (Loss)	205,164	70,035	(442,310)	285,659
Income (Loss) Before Provision for Taxes	$ 259,925	$ (101,095)	$ (1,763,790)	$ 312,690
Net Income (Loss)	$ 251,105	$ (104,645)	$ (1,743,943)	$ 293,284
Income (Loss) attributable to Apollo Global Management, LLC.	$ 38,156	$ (50,989)	$ (466,926)	$ 10,933
Net Income (Loss) per Class A Share—Basic	0.33	(0.46)	(3.86)	0.05
Net Income (Loss) per Class A Share—Diluted	0.33	(0.46)	(3.86)	0.05

	Three Months Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Revenues	$ 223,594	$ 79,280	$ 458,651	$ 1,348,373
Expenses	428,490	362,110	506,003	860,783
Other Income (Loss)	135,772	(6,585)	210,540	342,722
Income (Loss) Before Provision for Taxes	$ (69,124)	$ (289,415)	$ 163,188	$ 830,312
Net (Loss) Income	$ (73,179)	$ (302,142)	$ 132,332	$ 786,213
(Loss) Income Apollo Global Management, LLC.	$ (60,682)	$ (75,124)	$ 24,140	$ 206,283
Net (Loss) Income per Class A Share—Basic	(0.63)	(0.79)	0.23	1.78
Net (Loss) Income per Class A Share—Diluted	(0.63)	(0.79)	0.23	1.77

Audited Consolidated Financial Statements of AGM for the Years Ended December 31 of each of 2008, 2009 and 2010

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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, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010. 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 financial statements present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
February 18, 2011

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2010 AND 2009
(dollars in thousands, except share data)

	December 31, 2010	December 31, 2009
Assets:		
Cash and cash equivalents	$ 382,269	$ 366,226
Restricted cash	6,563	6,818
Investments	1,920,553	1,554,155
Assets of consolidated variable interest entities		
Cash and cash equivalents	87,556	—
Investments, at fair value	1,342,611	—
Other assets	36,754	—
Carried interest receivable	1,867,073	483,854
Due from affiliates	144,363	133,678
Fixed assets, net	44,696	67,794
Deferred tax assets	571,325	644,395
Other assets	35,141	11,329
Goodwill	48,894	47,897
Intangible assets, net	64,574	69,051
Total Assets	**$ 6,552,372**	**$ 3,385,197**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 31,706	$ 35,944
Accrued compensation and benefits	54,057	30,388
Deferred revenue	251,475	321,424
Due to affiliates	517,645	548,593
Profit sharing payable	678,125	174,536
Debt	751,525	933,834
Liabilities of consolidated variable interest entities		
Debt, at fair value	1,127,180	—
Other liabilities	33,545	—
Other liabilities	25,695	41,368
Total Liabilities	**3,470,953**	**2,086,087**
Commitments and Contingencies (see note 16)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity (deficit):		
Class A shares, no par value, unlimited shares authorized, 97,921,232 shares and 95,624,541 shares issued and outstanding at December 31, 2010 and 2009, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2010 and 2009	—	—
Additional paid in capital	2,078,890	1,729,593
Accumulated deficit	(1,937,818)	(2,029,541)
Appropriated partners' capital	11,359	—
Accumulated other comprehensive loss	(1,529)	(4,088)
Total Apollo Global Management, LLC shareholders' equity (deficit)	150,902	(304,036)
Non-Controlling Interests in consolidated entities	1,888,224	1,283,262
Non-Controlling Interests in Apollo Operating Group	1,042,293	319,884
Total Shareholders' Equity	**3,081,419**	**1,299,110**
Total Liabilities and Shareholders' Equity	**$ 6,552,372**	**$ 3,385,197**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)

	2010	2009	2008
Revenues:			
Advisory and transaction fees from affiliates	$ 79,782	$ 56,075	$ 145,181
Management fees from affiliates	431,096	406,257	384,247
Carried interest income (loss) from affiliates	1,599,020	504,396	(796,133)
Total Revenues	**2,109,898**	**966,728**	**(266,705)**
Expenses:			
Compensation and benefits:			
Equity-based compensation	1,118,412	1,100,106	1,125,184
Salary, bonus and benefits	249,571	227,356	201,098
Profit sharing expense	555,225	161,935	(482,682)
Incentive fee compensation	20,142	5,613	—
Total Compensation and Benefits	1,943,350	1,495,010	843,600
Interest expense	35,436	50,252	62,622
Professional fees	61,919	33,889	76,450
Litigation settlement	—	—	200,000
General, administrative and other	65,107	61,066	71,789
Placement fees	4,258	12,364	51,379
Occupancy	23,067	29,625	20,830
Depreciation and amortization	24,249	24,299	22,099
Total Expenses	**2,157,386**	**1,706,505**	**1,348,769**
Other Income (Loss):			
Net gains (losses) from investment activities	367,871	510,935	(1,269,100)
Net gains from investment activities of consolidated variable interest entities	48,206	—	—
Gains from repurchase of debt	—	36,193	—
Income (loss) from equity method investments	69,812	83,113	(57,353)
Interest income	1,528	1,450	19,368
Other income (loss), net	195,032	41,410	(4,609)
Total Other Income (Loss)	**682,449**	**673,101**	**(1,311,694)**
Income (loss) before income tax (provision) benefit	634,961	(66,676)	(2,927,168)
Income tax (provision) benefit	(91,737)	(28,714)	36,995
Net Income (Loss)	**543,224**	**(95,390)**	**(2,890,173)**
Net (income) loss attributable to Non-Controlling Interests	(448,607)	(59,786)	1,977,915
Net Income (Loss) Attributable to Apollo Global Management, LLC	**$ 94,617**	**$ (155,176)**	**$ (912,258)**
Dividends Declared per Class A Share	$ 0.21	$ 0.05	$ 0.56
Net Income (Loss) Per Class A Share:			
Net Income (Loss) Available to Class A Shareholders	$ 94,617	$ (155,176)	$ (912,258)
Net Income (Loss) Per Class A Share—Basic and Diluted	$ 0.83	$ (1.62)	$ (9.37)
Weighted Average Number of Class A Shares—Basic and Diluted	96,964,769	95,815,500	97,324,541

See accompanying notes to consolidated financial statements.

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See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)

	2010	2009	2008
Net Income (Loss)	**$ 543,224**	**$ (95,390)**	**$ (2,890,173)**
Other Comprehensive Income (Loss), net of tax:			
Net unrealized gain (loss) on interest rate swaps (net of taxes of $1,499, $1,992 and $4,751 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for all three years ended December 31, 2010, respectively)	11,435	14,591	(14,500)
Net income on available-for-sale securities (from equity method investment)	343	—	—
Total Other Comprehensive Income (Loss), net of tax	11,778	14,591	(14,500)
Comprehensive Income (Loss)	**555,002**	**(80,799)**	**(2,904,673)**
Comprehensive Income (Loss) attributable to Non-Controlling Interests	(446,467)	(71,629)	1,991,612
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	**$ 108,535**	**$ (152,428)**	**$ (913,061)**

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' Equity (Deficit)	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
Balance at January 1, 2008	**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
Net loss	—	—	—	(912,258)	—	—	(912,258)	(1,176,116)	(801,799)	(2,890,173)
Net 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)
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)
Net (loss) income	—	—	—	(155,176)	—	—	(155,176)	460,226	(400,440)	(95,390)
Net 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
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**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)
(continued)

	Apollo Global Management, LLC Shareholders									
	Class A Shares	**Class B Shares**	**Additional Paid In Capital**	**Accumulated Deficit**	**Appropriated Partners' Capital**	**Accumulated Other Comprehensive (Loss) Income**	**Total Apollo Global Management, LLC Total Shareholders' Equity (Deficit)**	**Non-Controlling Interests in Consolidated Entities**	**Non-Controlling Interests in Apollo Operating Group**	**Total Shareholders' Equity**
Balance at January 2010	**95,624,541**	**1**	**$1,729,593**	**$ (2,029,541)**	**$ —**	**$ (4,088)**	**$ (304,036)**	**$ 1,283,262**	**$ 319,884**	**$ 1,299,110**
Transition adjustment relating to consolidation of variable interest entity	—	—	—	—	—	—	—	411,885	—	411,885
Capital increase related to equity-based compensation	—	—	376,380	—	—	—	376,380	—	735,698	1,112,078
Reclassification of equity based compensation	—	—	(3,505)	—	—	—	(3,505)	—	—	(3,505)
Repurchase of Class A shares	(7,135)	—	(43)	—	—	—	(43)	—	—	(43)
Purchase of AAA shares	—	—	—	—	—	—	—	(48,768)	—	(48,768)
Capital contributions	—	—	—	—	—	—	—	187	—	187
Cash distributions	—	—	—	—	—	—	—	(160,316)	—	(160,316)
Dividends	—	—	(24,115)	—	—	—	(24,115)	(6,602)	(50,400)	(81,117)
Distributions related to deliveries of Class A shares for RSUs	2,303,826	—	—	(2,876)	—	—	(2,876)	—	—	(2,876)
Non-cash distributions	—	—	—	(18)	—	—	(18)	(590)	—	(608)
Deconsolidation of fund	—	—	—	—	—	—	—	(7,204)	—	(7,204)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(7,014)	—	—	—	(7,014)	7,014	—	—
Satisfaction of liability related to AAA RDUs	—	—	7,594	—	—	—	7,594	—	—	7,594
Net income	—	—	—	94,617	11,359	—	105,976	409,356	27,892	543,224
Net income on available-for-sale securities (from equity method investment)	—	—	—	—	—	343	343	—	—	343
Net unrealized gain on interest rate swaps (net of taxes of $1,499 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,216	2,216	—	9,219	11,435
Balance at December 31, 2010	**97,921,232**	**1**	**$2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)

	2010	2009	2008
Cash Flows from Operating Activities:			
Net income (loss)	$ 543,224	$ (95,390)	$ (2,890,173)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Equity based compensation	1,118,412	1,100,106	1,125,184
Depreciation	11,472	11,622	8,180
Amortization of intangible assets	12,777	12,677	13,919
Amortization of debt issuance costs	44	28	20
(Income) loss from equity method investments	(69,812)	(83,113)	57,353
Waived management fees	(24,826)	(19,738)	(35,692)
Non-cash compensation expense related to waived management fees	24,826	19,738	35,352
Deferred taxes, net	71,241	19,059	(44,047)
Gain on business acquisitions and dispositions	(29,741)	—	—
Impairment of fixed assets	3,101	—	—
(Gain) loss related to general partner commitment	—	(38,444)	38,444
Loss on assets held for sale	2,768	—	—
Loss on disposal of fixed assets	831	847	1,697
Gain from repurchase of debt	—	(36,193)	—
Other	—	(584)	(12)
Changes in assets and liabilities:			
Carried interest receivable	(1,383,219)	(406,769)	1,239,040
Due from affiliates	(11,066)	11,681	(80,076)
Other assets	(7,880)	28,928	(6,177)
Accounts payable and accrued expenses	(5,052)	(8,189)	6,567
Accrued compensation and benefits	24,931	(4,027)	(34,488)
Deferred revenue	(69,949)	(45,279)	211,001
Due to affiliates	(33,529)	(4,284)	(207,949)
Profit sharing payable	503,589	144,460	(566,800)
Other liabilities	(7,573)	7,267	3,323
Apollo Funds related:			
Net realized gains from investment activities	(4,931)	—	—
Net unrealized (gains) losses from investment activities	(416,584)	(471,907)	1,230,656
Net realized gains on debt	(21,231)	—	—
Net unrealized losses on debt	55,040	—	—
Dividends from investment activities	58,368	—	—
Cash transferred in from Metals Trading Fund	38,033	—	—
Change in cash held at consolidated variable interest entities	(87,556)	—	—
Purchases of investments	(1,240,842)	(40,000)	(3,098)
Proceeds from sale of investments and liquidating dividends	627,278	5,497	50,847
Change in other assets	(8,086)	—	—
Change in other liabilities	107,891	—	—
Net Cash (Used in) Provided by Operating Activities	**(218,051)**	**107,993**	**153,071**
Cash Flows from Investing Activities:			
Purchases of fixed assets	(5,601)	(15,849)	(57,302)
Proceeds from disposals of fixed assets	—	—	4,189
Cash received from business acquisition and disposition	21,624	—	—
Cash paid for acquisition	(1,354)	—	—
Cash contributions to equity method investments	(63,459)	(42,522)	(165,011)
Cash distributions from equity method investments	38,868	42,475	34,148
Change in restricted cash	255	(974)	(2,482)
Net Cash Used In Investing Activities	**(9,667)**	**(16,870)**	**(186,458)**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)
(continued)

	2010	2009	2008
Cash Flows from Financing Activities:			
Principal repayments on debt and repurchase of debt	$ (182,309)	$ (55,783)	$ (58,611)
Repurchase of Class A Shares	(43)	(3,485)	—
Distributions related to deliveries of Class A shares for RSUs	(2,876)	—	—
Distributions to Non-Controlling Interests in consolidated entities	(13,628)	(12,387)	(15,247)
Contributions from Non-Controlling Interests in consolidated entities	187	207	73
Dividends paid	(21,284)	(4,866)	(54,928)
Dividends paid to Non-Controlling Interests in Apollo Operating Group	(50,400)	(12,000)	(134,400)
Distributions to Non-Controlling Interests in Apollo Operating Group	—	(17,950)	(14,400)
Debt issuance costs	(3,085)	—	(141)
Proceeds from credit agreement	—	—	26,855
Public offering costs	—	—	(2,500)
Contributions from Non-Controlling Interests in Apollo Operating Group	—	—	343
Distributions to Managing Partners	—	—	(17,849)
Contributions from Managing Partners	—	—	20
Purchase of interests from Contributing Partners	—	—	(7,590)
Purchase of RDUs from Non-Controlling Interests in consolidated entities	—	—	(23,007)
Apollo Fund Related:			
Issuance of debt	1,050,377	—	—
Principal repayment on term loans	(331,120)	—	—
Purchase of AAA shares	(48,768)	—	—
Distributions to Non-Controlling Interests in consolidated entities	(146,688)	—	(46,917)
Dividends paid to Non-Controlling Interests in consolidated entities	(6,602)	—	—
Net Cash Provided by (Used in) Financing Activities	**243,761**	**(106,264)**	**(348,299)**
Net Increase (Decrease) in Cash and Cash Equivalents	**16,043**	**(15,141)**	**(381,686)**
Cash and Cash Equivalents, Beginning of Period	**366,226**	**381,367**	**763,053**
Cash and Cash Equivalents, End of Period	**$ 382,269**	**$ 366,226**	**$ 381,367**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 38,317	$ 51,850	$ 63,443
Interest paid by consolidated variable interest entities	12,522	—	—
Income taxes paid	13,468	6,652	14,837
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contribution to equity method investments	—	1,802	—
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	(814)	3,649	(4,649)

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(dollars in thousands, except share data)
(continued)

	2010	2009	2008
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ (18)	$ (4,572)	$ —
Declared and unpaid dividends	(2,831)	—	—
Non-cash distributions to Non-Controlling Interests in consolidated entities	(590)	(4,273)	(941)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	735,698	738,431	736,387
Non-cash contributions from Non-Controlling Interests in consolidated entities	—	4,301	468
Unrealized gain (loss) on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	9,219	11,843	(13,697)
Satisfaction of liability related to AAA RDUs	(7,594)	(6,618)	—
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	7,014	3,799	—
Net transfer of AAA ownership interest from AGM	(7,014)	(3,799)	—
Unrealized gain (loss) on interest rate swaps	3,715	4,741	(5,555)
Unrealized gain on available for sale securities (from equity method investment)	343	—	—
Capital increases related to equity-based compensation	376,380	355,659	373,903
Non-cash contributions	—	105	—
Deferred tax asset related to interest rate swaps	(1,499)	(1,993)	4,752
Reclassification of equity-based compensation	(3,505)	—	—
Non-cash distributions of RDUs to Managing Partners	—	—	(12,697)
Reclass of fixed assets to assets held for sale	11,331	—	—
Other non-cash distributions to Managing Partners	—	—	(1,448)
Non-cash purchase of interest from Contributing Partners	—	—	(252)
Dilution impact of distributions	—	—	21,312
Contribution of undistributed earnings of contributed businesses	—	—	11,647
Net Assets Transferred from Metals Trading Fund:			
Cash	38,033	—	—
Other Assets	443	—	—
Net Assets Transferred from Consolidated Variable Interest Entities:			
Investments	1,102,114	—	—
Other assets	28,789	—	—
Debt	(706,027)	—	—
Other liabilities	(12,991)	—	—
Net Assets of Deconsolidated Variable Interest Entities:			
Investments	419,198	—	—
Other assets	5,180	—	—
Debt	(329,836)	—	—
Other liabilities	(87,338)	—	—

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(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, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. 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 consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("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, and include the accounts of Apollo entities and variable interest entities ("VIEs"). 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 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").

Prior to the Reorganization of the Company on July 13, 2007, the consolidated financial statements included the entities engaged in the above businesses and their related funds under the common ownership of Leon Black, Joshua Harris, and Marc Rowan (the "Managing Partners" or "Control Group").

As of December 31, 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 purposes (collectively, the "Intermediate Holding Companies"), 29.0% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group as general partners.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share data)
(continued)

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") that represent 71.0% of the economic interests in the Apollo Operating Group as of December 31, 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 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.

The Company has historically consolidated Apollo Commodities Trading Fund, L.P. In April 2010, the Company became the sole investor in the master and feeder fund structure of Apollo Metals Trading Fund, L.P. (the "Metals Trading Fund") and Apollo Commodities Trading Fund, L.P., respectively, and began to consolidate the Metals Trading Fund. The fund was liquidated prior to December 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (e.g. AP Alternative Assets, L.P. ("AAA")). Apollo also consolidates entities that are 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules as discussed in "Recent Accounting Pronouncements," the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share data)
(continued)

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 whether Apollo is 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.

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 VIE's 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 the 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 consolidated financial statements.

Following adoption of the amended consolidation guidance on January 1, 2010, the Company consolidated four VIEs. The first VIE, formed prior to 2010, was consolidated as of the date of transition to the amended guidance resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to Appropriated Partners' Capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE subsequent to adoption of the amended guidance are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Two VIEs were formed during 2010 to issue collateralized notes in the legal form of debt backed by financial assets resulting in consolidation of each of these entities at fair value. Changes in the fair value of the assets and liabilities of these two VIEs and the related interest and other income are presented within Appropriated Partners' Capital in the consolidated statement of financial condition as these VIEs are funded solely with debt and within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations. Such amounts are recorded within Appropriated Partners' Capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

The fourth VIE was formed during the fourth quarter of 2010, and the Company determined at the time of formation that it was the primary beneficiary of such VIE. The VIE was funded solely with equity and held by an unconsolidated fund and qualified as an asset-backed financing entity. Based on a restructuring of the VIE, which occurred later in the fourth quarter of 2010, the Company no longer possessed the power to direct the activities of such VIE resulting in deconsolidation of the VIE. As a result of the deconsolidation, the assets and liabilities are not reflected on the Company's consolidated statement of financial condition as of December 31, 2010, but the

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entity's profits and losses for the period it was consolidated are reflected within net gains from investing activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the Company's consolidated statement of operations for the year ended December 31, 2010.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statement of financial condition as of December 31, 2010.

Refer to additional disclosures regarding VIEs in note 5. Intercompany transactions and balances, if any, have been eliminated in the consolidation.

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 is recognized as part of other income (loss) in the consolidated 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 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 consolidated financial statements. The Non-Controlling Interest relating to Apollo Global Management, LLC primarily includes the approximately 71% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximate 97% ownership interest held by limited partners in AAA. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

The authoritative guidance for Non-Controlling Interest in consolidated financial statements requires reporting entities to present Non-Controlling 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 Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition, (2) net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company's consolidated statements of operations, (3) the primary components of Non-Controlling Interest are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests 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—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 in interest-bearing accounts with major financial institutions exceed insured limits.

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

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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.

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 certain 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 15. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds is subject to a reduction based on 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 statements of operations.

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.

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 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 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 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.

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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 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 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 statements of operations.

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 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 the 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 organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational 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 Other Income—Apollo recognizes security transactions on the trade date. 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.

Due from/to Affiliates—Apollo considers its existing partners, employees, certain 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, 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 of the consolidated funds and investments of the consolidated VIEs and the unrealized gains and losses resulting from changes in the fair value are reflected as net gains from investment activities and net gains from investment activities of the consolidated variable interest entities, respectively, in the 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes 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 partnership 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. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 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

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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.

Real Estate Investments

For ARI and the AGRE CMBS Account, we seek market pricing data from brokers, collateral agents or market makers, when available, and corroborate quotes received by attempting to obtain quotes from independent pricing services. We value all other assets of the fund at fair value in accordance with U.S. GAAP. For our opportunistic real estate funds (in the case of CPI), valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the value of investments by certain of our real estate funds may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

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.

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Except for the Company's debt obligation related to the AMH Credit Agreement (as defined in note 12), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $728.3 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 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 5 for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

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 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 (loss) 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 statements of operations.

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

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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.

Loan impairment—For loans classified as held-for-investment, the Company evaluates the loans for possible impairment on a quarterly basis. Impairment occurs when it is deemed probable that the company will not be able to collect all amounts due according to the contractual terms of the loan. Impairment is then measured based on the present value of expected future cash flows discounted at the loan's effective rate or the fair value of the collateral, if the loan is collateral dependent. Upon measurement of impairment, the Company records an allowance to reduce the carrying value of the loan with a corresponding charge to net income. Significant judgments are required in determining impairment, including making assumptions regarding the value of the loan, the value of the underlying collateral and other provisions such as guarantees. At December 31, 2010, the Company's impairment analysis was done on a specific identification basis and no allowance for loan loss was recorded.

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 income or loss of such funds as income (loss) from equity method investments in the 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.

Pending Deal Costs—Pending deal costs consist of certain costs incurred (e.g. research costs) related to private equity and capital markets 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 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 acquisitions and dispositions described in notes 1 and 3 are accounted for using the purchase method of accounting.

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.

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 statements of financial condition.

Foreign Currency—The Company may, from time to time, hold foreign currency denominated assets and liabilities. 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 statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within Other Income (Loss), Net in the consolidated statements of operations.

Compensation and Benefits—Compensation and benefits includes salaries, bonuses, severance and employee benefits. Individuals who owned direct equity interests and participated in the governing process are considered 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 certain 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 satisfying 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, 2010, 2009 and 2008, respectively.

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The components of compensation and benefits have been expanded in 2009 and 2008 to conform with the 2010 presentation.

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.

Comprehensive (Loss) Income —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 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 previously. 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—The Apollo Operating Group and its subsidiaries continue to generally 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 are 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. Federal, state and local corporate 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 has a greater than 50 percent likelihood 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 recognized. The Company's tax positions are reviewed and evaluated 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

Net Income (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. Under the two-class method, during periods of net income, the net income is first reduced for dividends declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for dividends declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

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Under the two-class method, the numerator for basic earnings per share is determined by allocating the undistributed earnings among common and participating securities to the extent each security shares in such earnings. The numerator for diluted earnings per share is determined by adding dividends declared to the allocated undistributed earnings for the respective common and participating securities. Each total is then divided by the applicable number of shares to arrive at diluted earnings per share.

Use of Estimates—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the 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 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 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, 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 has resulted in the consolidation of certain VIEs managed by the Company. Additional disclosures related to Apollo's involvement with VIEs are presented in note 5.

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, settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(continued)

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 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 consolidated financial statements.

In April 2010, the FASB issued guidance on the accounting for stock awards to employees of a foreign operation or employees whose pay is denominated in a currency other than the one in which the equity security trades. The guidance clarifies that share-based payment awards with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trade shall not be considered to contain a condition that is not a market, performance or service condition. Such an award shall not be classified as a liability if it otherwise qualifies for equity classification. The guidance is effective for fiscal years and interim periods ending after December 15, 2010. The Company makes share-based payment awards to employees in foreign operations. The guidance is not expected to have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued an update which includes amendments to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. For public entities, the amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued an update which includes amendments to specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, non-recurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance does not currently have an impact on the Company's consolidated financial statements. The Company will continue to evaluate the future impact that this guidance may have on the Company's consolidated financial statements as it relates to any future business combinations.

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3. ACQUISITIONS AND BUSINESS COMBINATIONS

Acquisition of Non-Controlling Interests

Pursuant to the Reorganization 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.

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 statements of financial condition as of December 31, 2010 and 2009.

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

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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 weighted average useful life of the finite-life intangibles is approximately 10 years.

	Useful Life in Years	December 31, 2010	December 31, 2009
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, at fair value		100,300	100,300
Less: Accumulated amortization of intangibles		(43,593)	(31,249)
Net identifiable intangible assets, at fair value		$ 56,707	$ 69,051

Business Combinations

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.

On November 12, 2010, Apollo completed the acquisition of substantially all of the assets of Citi Property Investors ("CPI"), the real estate investment management group of Citigroup Inc. CPI had AUM of approximately $3.6 billion as of December 31, 2010. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings from the date of acquisition through December 31, 2012. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2010, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. In accordance with U.S. GAAP, the acquisition was accounted for as a business combination and the Company recorded a $24.1 million gain on acquisition which is included in Other Income (Loss), Net in the accompanying consolidated statements of operations.

The finite-life intangible assets relate to management contracts associated with the CPI funds. The fair value of the management contracts was estimated to be $8.3 million, which was determined using a discounted cash flow model from the date of acquisition through the estimated life of five years at a discount rate of 7%. The Company also received $15.5 million of cash and recorded a receivable valued at $1.5 million as of December 31, 2010.

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The Company utilized a discounted cash flow model to perform an analysis and an evaluation of the net assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed:

Tangible Assets:		
Cash	$	15,468
Receivables, at fair value		1,500
Intangible Assets:		
Management Contracts		8,300
Total Assets		25,268
Less: Contingent consideration, at fair value		(1,200)
Gain on Acquisition	$	24,068

The estimated useful life of the management contracts is 2.5 years. The Company is amortizing the management contracts over their estimated useful life using the straight-line method.

	Useful Life in Years		December 31, 2010
Management contracts	2.5	$	8,300
Less: Accumulated amortization of intangibles			(433)
Net identified intangible assets, at fair value		$	7,867

Intangible Assets

Amortization expense related to the intangible assets subject to amortization, including the intangible assets in the current period of acquisition and the intangible assets as part of the acquisitions of Non-Controlling Interests, was $12.8 million, $12.7 million and $13.9 million for the years ended December 31, 2010, 2009, and 2008, respectively. Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2011	2012	2013	2014	2015	There-After	Total
Amortization of intangible assets	$ 14,836	$ 13,487	$ 7,831	$ 3,677	$ 3,677	$ 21,066	$ 64,574

Other Acquisition

On December 3, 2010, Apollo entered into a subscription agreement under which HFA Holdings Limited ("HFA") will issue $75 million of mandatory convertible notes (the "MCNs") to Apollo and a co-investor. Additionally, Apollo will distribute the investment products and services of Lighthouse Investment Partners, LLC ("Lighthouse"), HFA's US-based subsidiary. Lighthouse is a fund of hedge funds and managed account investment advisor for institutional and private investors. The transaction is subject to a number of conditions, including HFA shareholder approval and receipt of governmental and regulatory approvals, and is expected to close in the first half of 2011.

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4. INVESTMENTS

The following table represents Apollo's investments:

	December 31, 2010	December 31, 2009
Investments, at fair value	$ 1,637,091	$ 1,364,973
Other investments	283,462	189,182
Total Investments	$ 1,920,553	$ 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 the consolidated VIEs as discussed further in note 5. As of December 31, 2010 and 2009, the net assets of the consolidated funds and VIEs were $1,951.6 million and $1,364.6 million, respectively. The following investments are presented as a percentage of net assets of the consolidated funds and VIEs:

Investments, at Fair Value – Affiliates	2010 Fair Value Private Equity	2010 Fair Value Capital Markets	2010 Cost	2010 % of Net Assets of Consolidated Funds and VIEs	2009 Fair Value Private Equity	2009 Fair Value Capital Markets	2009 Cost	2009 % of Net Assets of Consolidated Funds
Investments, at fair value:								
AAA	$ 1,637,091	$ —	$ 1,695,992	83.9%	$ 1,324,939	$ —	$ 1,753,985	97.1%
Commodities Trading Fund	—(1)	—(1)	—(1)	— %	—	40,034	40,000	2.9%
Total Investments	$ 1,637,091	$ —	$ 1,695,992		$ 1,324,939	$ 40,034	$ 1,793,985	

(1) Refer to note 1 for a discussion regarding consolidation of the Metals Trading Fund.

Securities

At December 31, 2010 and 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 and VIEs as of the aforementioned dates:

	December 31, 2010 Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds and VIEs
Apollo Life Re Ltd.	Equity	$ 201,098	$ 249,900	12.8%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	113,772	160,262	8.2
Momentive Performance Materials Holdings Inc.	Equity	76,007	137,992	7.1
Rexnord Corporation	Equity	37,461	133,700	6.9
Leverage Source, L.P.	Equity	140,743	115,677	5.9
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	102,530	110,029	5.6
Caesars Entertainment Corporation	Equity	176,729	99,000	5.1

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	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
Caesars Entertainment Corporation	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 Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.) ("Caesars"), as shown in the tables above, AAA Investments has an ownership interest in LeverageSource, L.P., which owns Caesars' debt. AAA Investments' combined share of these debt and equity investments is greater than 5% of the net asset of the consolidated funds and VIEs and is valued at $102.8 million and $129.4 million at December 31, 2010 and 2009, respectively. In addition to AAA Investments' private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, AAA Investments has an ownership interest in the debt of Momentive. AAA Investments' combined share of these debt and equity investments is greater than 5% of the net assets of consolidated funds and VIEs and is valued at $138.8 million at December 31, 2010. Furthermore, AAA Investments 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 CEVA Logistics' debt and equity investments was greater than 5% of the net assets of consolidated funds and was valued at $124.6 million and $97.8 million as of December 31, 2010 and 2009, respectively.

Apollo Strategic Value Offshore Fund, Ltd. (the "Apollo Strategic Value Fund") 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 the Apollo Strategic Value Fund, the remainder of AAA Investments' investment in the Apollo Strategic Value Fund, was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares are generally allocated a pro rata portion of each of Apollo Strategic Value 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 by the Apollo Strategic Value Fund.

Apollo Asia Opportunity Offshore 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 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 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 Asia Opportunity Fund. At December 31, 2010, the liquidating shares of Asia Opportunity Fund had a fair value of $45.0 million.

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Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities on the consolidated statements of operations includes net realized gains (losses) from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value of the affiliated funds' investments and realization of previously unrealized gains (losses). The following table presents Apollo's net gains (losses) from investment activities for the years ended December 31, 2010, 2009 and 2008:

	Year Ended December 31, 2010		
	Private Equity	Capital Markets	Total
Realized losses on sales of investments	$ —	$ (2,240)	$ (2,240)
Change in net unrealized gains (losses) due to changes in fair value	370,145	(34)	370,111
Net Gains (Losses) from Investment Activities	$ 370,145	$ (2,274)	$ 367,871

	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 change in fair value	$ (1,230,656)	$ (38,444)	$ (1,269,100)
Net losses from investment activities	$ (1,230,656)	$ (38,444)	$ (1,269,100)

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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), net in the consolidated statements of operations.

Income (loss) from equity method investments for the years ended December 31, 2010, 2009 and 2008 consisted of the following:

	For the Years Ended December 31, 2010	2009	2008
Investments:			
Private Equity Funds:			
AAA Investments	$ 215	$ 261	$ (683)
Apollo Investment Fund IV, L.P. ("Fund IV")	24	17	(68)
Apollo Investment Fund V, L.P. ("Fund V")	39	44	(293)
Apollo Investment Fund VI, L.P. ("Fund VI")	599	1,335	(187)
Apollo Investment Fund VII, L.P. ("Fund VII")	37,499	31,527	(14,806)
Capital Markets Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	1,106	1,961	(1,343)
Apollo Value Investment Fund, L.P. ("VIF")	29	57	(32)
Apollo Strategic Value Fund, L.P. ("SVF")	21	57	(31)
Apollo Credit Liquidity Fund, L.P. ("ACLF")	3,431	13,768	(11,028)
Apollo/Artus Investors 2007-I, L.P. ("Artus")	4,895	2,249	(6,560)
Apollo Credit Opportunity Fund I, L.P. ("COF I")	12,618	16,473	(7,096)
Apollo Credit Opportunity Fund II, L.P. ("COF II")	3,610	8,294	(5,130)
Apollo European Principal Finance Fund, L.P. ("EPF")	2,568	330	(1,973)
Apollo Investment Europe II, L.P. ("AIE II")	1,496	2,937	(1,525)
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	903	258	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc.	(390)[1]	(743)	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A")	(951)	(3,770)	(5,560)
VC Holdings, L.P. Series C ("Vantium C")	1,370	8,072	(1,038)
VC Holdings, L.P. Series D ("Vantium D")	730	(14)	—
Total Income (Loss) from Equity Method Investments	$ 69,812	$ 83,113	$ (57,353)

(1) Amounts are as of September 30, 2010.

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

	Equity Held as of December 31, 2010	% of Ownership	2009	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 929	0.056%	$ 746	0.056%
Fund IV	48	0.005	30	0.006
Fund V	231	0.013	308	0.012
Fund VI	5,860	0.051	4,948	0.055
Fund VII	122,384	1.345	61,245	1.389
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	5,863	0.537	4,773	0.513
Apollo Value Investment Fund, L.P.	152	0.085	124	0.065
Apollo Strategic Value Fund, L.P.	144	0.055	123	0.058
Apollo Credit Liquidity Fund, L.P.	18,736	2.450	19,618	2.440
Apollo/Artus Investors 2007-I, L.P.	7,143	6.156	2,249	6.160
Apollo Credit Opportunity Fund I, L.P.	41,793	1.949	26,402	2.007
Apollo Credit Opportunity Fund II, L.P	27,415	1.441	20,223	1.455
Apollo European Principal Finance Fund, L.P.	15,352	1.363	7,116	1.360
Apollo Investment Europe II, L.P.	8,154	2.045	6,069	1.971
Apollo Palmetto Strategic Partnership, L.P.	6,403	1.186	2,918	1.186
Real Estate:				
Apollo Commercial Real Estate Finance, Inc.	9,440[(1)]	3.198[(1)]	10,260	5.180
Other Equity Method Investments:				
Vantium A	2,219	12.240	3,170	14.158
Vantium C	10,135	2.166	18,529	6.291
Vantium D	1,061	6.345	331	6.345
Total Other Investments	$ 283,462		$ 189,182	

(1) Amounts are as of September 30, 2010.

The Company's equity method investments include its investments in private equity funds, capital markets funds and real estate funds, which are not consolidated but in which Apollo exerts significant influence. As of December 31, 2010 and 2009, no single equity method investment held by Apollo exceeded 20% of its total consolidated assets or net income.

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

	Private Equity[(2)]		Capital Markets		Real Estate	
	As of December 31,		As of December 31,		As of December 31,	
Balance Sheet Information	2010	2009	2010	2009	2010[(1)]	2009
Investments	$ 24,779,759	$ 17,884,552	$ 9,024,982	$ 5,257,180	$ 550,564	$ 203,614
Assets	26,133,909	18,818,089	9,910,587	6,390,731	785,497	335,137
Liabilities	594,954	718,264	1,414,244	426,723	483,393	139,842
Equity	25,538,955	18,099,825	8,496,343	5,964,008	302,104	195,295

(Real Estate amounts are as of September 30, 2010.
1
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(Amounts include Vantium A, C and D.
2
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Balance Sheet Information	Aggregate Totals as of December 31, 2010(1)	2009
Investments	$ 34,355,305	$ 23,345,346
Assets	36,829,993	25,543,957
Liabilities	2,492,591	1,284,829
Equity	34,337,402	24,259,128

(1) Real Estate amounts are as of September 30, 2010.

Income Statement Information	Private Equity(2) For the Years Ended December 31, 2010	2009	2008	Capital Markets For the Years Ended December 31, 2010	2009	2008	Real Estate For the Year Ended December 31, 2010(1)	2009
Revenues/Investment Income	$ 610,899	$ 734,480	$ 180,132	$ 304,332	$ 427,030	$ 106,870	$ 14,468	$ 660
Expenses	286,719	233,257	494,425	145,138	114,991	90,332	6,377	2,834
Net Investment Income (Loss)	324,180	501,223	(314,293)	159,194	312,039	16,538	8,091	(2,174)
Net Realized and Unrealized Gain (Loss)	5,918,694	6,824,737	(9,347,089)	1,531,056	2,452,273	(1,661,465)	(1,058)	—
Net Income (Loss)	$ 6,242,874	$ 7,325,960	$ (9,661,382)	$ 1,690,250	$ 2,764,312	$ (1,644,927)	$ 7,033	$ (2,174)

(1) Real Estate amounts are as of September 30, 2010.
(2) Amounts include Vantium A, C and D.

Income Statement Information	Aggregate Totals For the Years Ended December 31, 2010(1)	2009	2008
Revenues/Investment Income	$ 929,699	$ 1,162,170	$ 287,002
Expenses	438,234	351,082	584,757
Net Investment Income (Loss)	491,465	811,088	(297,755)
Net Realized and Unrealized Gain (Loss)	7,448,692	9,277,010	(11,008,554)
Net Income (Loss)	$ 7,940,157	$ 10,088,098	$ (11,306,309)

(1) Real Estate amounts are as of September 30, 2010.

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Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2010 and 2009:

	Level I		Level II		Level III		Totals	
	December 31,		December 31,		December 31,		December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets, at fair value:								
Investment in AAA Investments, L.P.	$ —	$ —	$ —	$ —	$ 1,637,091	$ 1,324,939	$ 1,637,091	$ 1,324,939
Investments in Apollo Metals Trading Fund, L.P.	—	—	—	—	—(1)	40,034	—	40,034
Total	$ —	$ —	$ —	$ —	$ 1,637,091	$ 1,364,973	$ 1,637,091	$ 1,364,973

(1) Refer to note 1 for a discussion regarding consolidation of the Metals Trading Fund.

	Level I		Level II		Level III		Totals	
	December 31,		December 31,		December 31,		December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ 11,531	$ 26,639	$ —	$ —	$ 11,531	$ 26,639
Total	$ —	$ —	$ 11,531	$ 26,639	$ —	$ —	$ 11,531	$ 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 Year Ended December 31,	
	2010	2009
Balance, Beginning of Period	$ 1,324,939	$ 854,442
Purchases	375	4,121
Distributions	(58,368)	(5,497)
Change in unrealized gains, net	370,145	471,873
Balance, End of Period	$ 1,637,091	$ 1,324,939

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

	For the Year Ended December 31,	
	2010	2009
Balance, Beginning of Period	$ 40,034	$ —
Purchases	—	40,000
Distributions	(37,760)(1)	—
Change in realized losses	(2,240)	—
Change in unrealized (losses) gains	(34)	34
Balance, End of Period	$ —	$ 40,034

(1) Refer to note 1 for a discussion regarding consolidation of the Metals Trading Fund.

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The change in unrealized gains (losses) and realized losses have been recorded within the caption "Net gains (losses) from investment activities" in the 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			
	December 31,			
	2010		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	$ 782,775	42.6%	$ 527,105	33.2%
Broker quotes	504,917	27.5	440,344	27.8
Discounted cash flow models	490,024	26.6	480,100	30.2
Option models	—	—	14,000	0.9
Listed quotes	24,232	1.3	40,447	2.6
Other net assets (liabilities)(1)	37,351	2.0	83,514	5.3
Total Investments	1,839,299	100.0%	1,585,510	100.0%
Other net assets (liabilities)(2)	(202,208)		(260,571)	
Total Net Assets	$1,637,091		$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, liabilities and general partner interests 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 December 31, 2010 and 2009 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

5. 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

In accordance with the methodology described in note 2, Apollo consolidated four VIEs under the amended consolidation guidance during 2010.

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One of the consolidated VIEs was formed to purchase loans and bonds in a leveraged structure for the benefit of its limited partners, which included certain Apollo funds that contributed equity to the consolidated VIE. Through its role as general partner of this VIE, it was determined that Apollo had the characteristics of the power to direct the activities that most significantly impact the VIE's economic performance. Additionally, the Apollo funds have involvement with the VIE that have the characteristics of the right to receive benefits from the VIE that could potentially be significant to the VIE. As a group, the Company and its related parties have the characteristics of a controlling financial interest. Apollo determined that it is the party within the related party group that is most closely associated with the VIE and therefore should consolidate it.

Two of the consolidated VIEs were formed for the sole purpose of issuing collateralized notes to investors, which included one Apollo fund. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

A fourth VIE was formed during the fourth quarter of 2010 which qualified as an asset-backed financing entity and the Company determined that it was the primary beneficiary. Based on a restructuring of this VIE which occurred later in the fourth quarter of 2010, the Company no longer possessed the power to direct the activities of such VIE resulting in deconsolidation of such VIE. As a result of its deconsolidation, the assets and liabilities will not be reflected on the Company's consolidated statement of financial condition as of December 31, 2010, but the entity's profit and loss activity for the period it was consolidated is reflected within net gains from investing activities of consolidated variable interest entities in the Company's consolidated statement of operations for the period ended December 31, 2010.

Apollo holds no equity interest in any of the four consolidated VIEs described above. 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 assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include 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.

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Fair Value Measurements

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

	Level I		Level II		Level III		Totals	
	December 31,		December 31,		December 31,		December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Investments, at fair value	$ —	$ —	$ 1,172,242	$ —	$ 170,369	$ —	$ 1,342,611	$ —

	Level I		Level II		Level III		Totals	
	December 31,		December 31,		December 31,		December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Liabilities, at fair value	$ —	$ —	$—	$ —	$ 1,127,180	$ —	$ 1,127,180	$ —

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. All Level II and III investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are recorded as of the quarterly period in which the transfer occurred. During the year, there were no transfers in and out of Level I.

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 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.

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

	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ —
Transition adjustment relating to consolidation of VIE on January 1, 2010	1,102,114
Purchases	840,926
Sale of investments	(125,638)
Net realized gains	131
Net unrealized gains	29,981
Deconsolidation of VIE	(20,751)
Transfers in/out of Level III	(1,656,394)
Balance, End of Period	$ 170,369

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The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ —
Transition adjustment relating to consolidation of VIE on January 1, 2010	706,027
Borrowings	1,050,377
Repayments	(331,120)
Net realized gains from debt	(21,231)
Net unrealized losses from debt	55,040
Deconsolidation of VIE	(329,836)
Elimination of debt attributable to consolidated VIEs	(2,077)
Balance, End of Period	$ 1,127,180

Net Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net gains from investment activities of the consolidated VIEs for the year ended December 31, 2010:

	For the Year Ended December 31, 2010
Net unrealized gains from investment activities	$ 46,406
Net realized gains from investment activities	7,239
Net gains from investment activities	53,645
Net unrealized losses from debt	(55,040)
Net realized gains from debt	21,231
Net losses from debt	(33,809)
Interest and other income	62,696
Other expenses	(34,326)
Net Gains from Investment Activities of Consolidated VIEs	$ 48,206

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Investments of Consolidated VIEs

The following table presents a condensed summary of the consolidated VIEs investments that are included in the consolidated statements of financial condition as of December 31, 2010:

	Fair Value as of December 31, 2010	% of Net Assets of Consolidated Funds and VIEs
Corporate Loans:		
North America		
Communications		
Intelsat Jackson term loan due February 1, 2014	$ 105,659	5.4%
Other	221,383	11.3
Total Communications	327,042	16.7
Chemicals	13,950	0.7
Consumer & Retail	114,931	5.9
Distribution & Transportation	7,794	0.4
Energy	25,026	1.3
Financial and Business Services	85,713	4.4
Healthcare	144,343	7.4
Manufacturing & Industrial	200,290	10.3
Media, Cable & Leisure	93,798	4.8
Metals & Mining	14,025	0.7
Packaging & Materials	21,066	1.1
Technology	34,862	1.8
Other	9,539	0.5
Total Corporate Loans – North America (amortized cost $1,075,287)	1,092,379	56.0
Europe		
Healthcare		
Alliance Boots senior facility B1 due July 5, 2015	143,105	7.3
Consumer & Retail	75,007	3.8
Media, Cable and Leisure	10,787	0.6
Chemicals	9,909	0.5
Manufacturing & Industrial	7,696	0.4
Total Corporate Loans – Europe (amortized cost $284,760)	246,504	12.6
Total Corporate Loans (amortized cost $1,360,047)	1,338,883	68.6
Corporate Bonds:		
North America		
Communications	1,564	0.1
Distribution & Transportation	4,160	0.2
Energy	3,640	0.2
Media, Cable & Leisure	3,550	0.2
Total Corporate Bonds – North America (amortized cost $12,406)	12,914	0.7
Europe		
Media, Cable & Leisure	1,599	0.1
Total Corporate Bonds – Europe (amortized cost $1,519)	1,599	0.1
Total Corporate Bonds (amortized cost $13,925)	14,513	0.8
Elimination of equity investments attributable to consolidated VIE	(10,785)	(0.6)
Total Investments of Consolidated VIEs (amortized cost $1,373,972)	$ 1,342,611	68.8%

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Senior Secured Notes, Subordinated Note, Term Loans—Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the consolidated VIEs debt as of December 31, 2010:

Description	Outstanding Principal Balance	Fair Value	Maturity Date	Interest Rate	Weighted Average Interest Rate
Loans:(1)(2) (7)					
Term A Loan	$ 146,502	$ 142,601	October 29, 2012	BBA 3 mo. LIBOR (USD) plus 0.5%	0.91%
Term B Loan	145,390(3)	111,655	June 13, 2013	BBA 3 mo. LIBOR (GBP) plus 0.5%	0.91%
Term C Loan	161,984	154,394	October 29, 2013	BBA 3 mo. LIBOR (USD) plus 0.5%	0.91%
	453,876	408,650			
Notes:(4)(5)					
Senior secured notes –A1	215,400	215,400	May 20, 2020	BBA 3 mo LIBOR (USD) plus 1.7%	2.02%
Senior secured notes –A1	11,100	10,767	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.25%	2.48%
Senior secured notes –B	24,700	22,971	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.30%	2.52%
Subordinated note(6)	70,946	70,376	May 20, 2020	N/A	N/A
	322,146	319,514			
Notes:(4)(8)					
Senior secured notes –A1	262,000	261,371	November 20, 2020	BBA 3 mo LIBOR (USD) plus 1.7%	2.22%
Senior secured notes –A1	20,500	19,959	November 20, 2020	BBA 3 mo LIBOR (USD) plus 2.5%	3.05%
Senior secured notes –B	25,750	24,426	November 20, 2020	BBA 3 mo LIBOR (USD) plus 3.0%	3.58%
Senior secured notes –C	14,000	12,604	November 20, 2020	BBA 3 mo LIBOR (USD) plus 4.0%	4.62%
Senior secured notes –D	10,000	9,398	November 20, 2020	BBA 3 mo LIBOR (USD) plus 6.0%	6.71%
Subordinated note(6)	71,258	71,258	November 20, 2020	N/A	N/A
	403,508	399,016			
Total notes and loans	$ 1,179,530	$ 1,127,180			

(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 term 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 receivable 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 term 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 term 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. Amortized cost at December 31, 2010 was £73,997 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 note 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 note.

(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" 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

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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 notes were issued to an affiliate of the Company. Amount is reduced by approximately $2.1 million due to elimination of equity investment attributable to consolidated VIEs.

(7) During the third quarter of 2010, the VIE entered into an agreement with the bank that provided the loan, whereby proceeds from the sales of a predetermined list of assets, after deducting for interest and expenses, are split 70% to repay the term loans and 30% to the VIE. The 70% of proceeds allocated to the bank of the VIE are used to repay the term loans at less than par, either 96% or 96.5% of par, depending on the individual asset. This agreement expired on December 31, 2010. During January 2011, the VIE renegotiated the agreement and subsequently liquidated substantially all of its assets.

(8) During the fourth quarter of 2010, the Company consolidated another VIE that had been issued secured notes and a subordinated note. 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" 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, Class B Notes, Class C Notes and Class D Notes is 110.0%, 105.0%, 102.0% and 101.0%, respectively. The applicable Overcollateralization Ratio for Class A Notes, Class B Notes, Class C Notes and Class D Notes is 135.59%, 124.76%, 120.13% and 117.39%, respectively.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of December 31, 2010, the term loans and notes payable are classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments 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.

As of December 31, 2010, the table below presents the maturities for the consolidated debt of the VIEs:

	2011	2012	2013	2014	2015	Thereafter	Total
Term loans	$ 453,876[1]	$ —	$ —	$ —	$ —	$ —	$ 453,876
Senior secured notes	—	—	—	—	—	583,450	583,450
Subordinated notes	—	—	—	—	—	142,204	142,204
	$ 453,876	$ —	$ —	$ —	$ —	$ 725,654	$ 1,179,530

(1) The VIE liquidated its investment portfolio in early 2011 and paid down its term loans in their entirety. See note 19.

Variable Interest Entities which 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.

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

	December 31, 2010		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 11,593,805	$ (39,625)	$ 13,415
Capital Markets	3,117,013	(824,957)	13,302
Real Estate	1,569,147	(1,263,354)	—
Total	$ 16,279,965(1)	$ (2,127,936)(2)	$ 26,717(3)

(1) Consists of $207,168 in cash, $15,672,604 in investments and $400,193 in receivables.

(2) Represents $2,011,194 in debt and other payables $21,369 in securities sold, not purchased and $95,373 in capital withdrawals payable.

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

6. CARRIED INTEREST RECEIVABLE

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

	For the Year Ended December 31,	
	2010	2009
Private equity	$ 1,578,135	$ 328,246
Capital markets	288,938	155,608
Total Carried Interest Receivable	$ 1,867,073	$ 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 in certain cases based on realizations or after the end of the relevant fund's fiscal year or fiscal quarter, subject to high watermark provisions. There is currently 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 for the years ended December 31, 2010 and 2009:

	Private Equity	Capital Markets	Total
Carried Interest Receivable, January 1, 2009	$ 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, December 31, 2009	328,246	155,608	483,854
Change in fair value of funds(1)	1,308,030	277,907	1,585,937
Foreign exchange gain	—	1,728	1,728
Fund cash distributions	(58,141)	(146,305)	(204,446)
Carried Interest Receivable, December 31, 2010	$ 1,578,135	$ 288,938	$ 1,867,073

(1) The change in fair value of funds in 2010 includes the carried interest income of $13.1 million associated with recognized realized gains, which was previously reversed due to the estimated general partner obligation attributable to Fund VI.

7. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2010	December 31, 2009
Ownership interests in aircraft	15	$ 10,029	$ 30,249
Leasehold improvements	10–16	31,625	29,098
Furniture, fixtures and other equipment	4–10	11,296	11,378
Computer software and hardware	2–4	21,515	21,598
Other	4	489	501
Total fixed assets		74,954	92,824
Less—Accumulated depreciation and amortization		(30,258)	(25,030)
Fixed Assets, net		$ 44,696	$ 67,794

In December 2010, the Company committed to a plan to sell its ownership interests in certain aircraft, which is expected to occur in the first half of 2011. In accordance with U.S. GAAP, the Company reclassified the assets to assets held for sale and measured the assets at the lower of cost or fair value less costs to sell. As of December 31, 2010, these assets held for sale had a fair value of $11.3 million and are included in Other Assets in the accompanying consolidated statements of financial condition. As a result of reclassifying the assets to assets held for sale, the Company recognized a loss of $2.8 million during the year ended December 31, 2010 on the assets held for sale, which is included in Other Income (Loss), Net in the accompanying consolidated statements of operations.

As part of the plan to liquidate its ownership interest in aircraft, the Company determined that the remaining interests in aircraft were higher than its current fair value. In 2010, the Company recognized an impairment loss of $3.1 million related to its remaining ownership interest in aircraft. This loss is included in other income (loss), net in the accompanying consolidated statements of operations.

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Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was $11.5 million, $11.6 million and $8.2 million, respectively.

8. OTHER ASSETS

Other assets consist of the following:

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Assets held for sale	$ 11,331	$ —
Prepaid expenses	7,559	3,922
Tax receivables	5,479	3,471
Debt issuance costs	3,135	93
Rent deposits	990	620
Prepaid rent	931	1,601
Other	5,716	1,622
Total Other Assets	$ 35,141	$ 11,329

9. OTHER LIABILITIES

Other liabilities consist of the following:

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Interest rate swap agreements	$ 11,531	$ 26,639
Deferred rent	10,318	9,582
Deferred taxes	2,424	2,754
Other	1,422	2,393
Total Other Liabilities	$ 25,695	$ 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 the Company's variable rate debt under the AMH Credit Agreement (discussed in note 12) 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 notional amount are comprised of two components: a $333.0 million portion and a $100.0 million portion. The interest rate swap agreement related to the $333.0 million portion expired in May 2010. The interest rate swap agreement related to the $100.0 million portion expired in November 2010. The interest rate swap agreement related to the $167.0 million notional amount expires in May 2012. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2010 and 2009, the Company has recorded a liability of $11.5 million and $26.6 million, respectively, to recognize the fair value of these derivatives.

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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.

10. OTHER INCOME (LOSS), NET

Other income (loss), net consists of the following:

	For the Year Ended December 31,		
	2010	2009	2008
Insurance proceeds	$ 162,500	$ 37,500	$ —
Tax receivable agreement adjustment	7,614	(6,615)	—
Gain on acquisitions and dispositions	29,741	—	—
Loss on assets held for sale	(2,768)	—	(1,697)
Impairment of fixed assets	(3,101)	—	—
Other	1,046	10,525	(2,912)
Total Other Income (Loss), Net	$ 195,032	$ 41,410	$ (4,609)

11. INCOME TAXES

The Company is treated as a partnership for tax purposes and is therefore not subject to U.S. Federal income taxes; however, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal corporate income taxes. In addition, certain subsidiaries of the Company are subject to New York City Unincorporated Business Tax ("NYC UBT") attributable to the Company's operations apportioned to New York City and certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate tax return, as well as filing standalone corporate state and local tax returns in California, New York and New York City. The Company's provision for income taxes is accounted for under the provisions of U.S. GAAP.

The Company's effective tax rate was approximately 14.45%, (43.18)% and 1.26% for the years ended December 31, 2010, 2009 and 2008, respectively.

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

	Year Ended December 31, 2010	2009	2008
Current:			
Federal income tax	$ (8,051)	$ —	$ —
NYC UBT	(7,106)	(5,661)	(4,366)
Foreign income tax	(3,726)	(3,993)	(2,688)
State and local income tax	(1,542)	—	—
Subtotal	(20,425)	(9,654)	(7,054)
Deferred:			
Federal income tax	(64,633)	(2,666)	19,779
Foreign income tax	260	(1,045)	—
State and local income tax (net of federal benefit (provision))	(6,282)	(14,398)	14,328
NYC UBT	(657)	(951)	9,942
Subtotal	(71,312)	(19,060)	44,049
Total Income Tax (Provision) Benefit	$ (91,737)	$ (28,714)	$ 36,995

For 2010, 2009 and 2008, the amount of federal income tax benefit (provision) netted in the deferred state and local income tax amounts was $4.2 million, $7.9 million and $(7.6) 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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

	December 31, 2010	2009	2008
Deferred Tax Assets:			
Depreciation and amortization	$ 505,485	$ 540,907	$ 576,304
Revenue recognition	35,403	46,015	40,994
Net operating loss carry forward	265	32,010	21,143
Unrealized gains	980	2,243	10,689
Equity-based compensation	26,689	19,952	8,553
Other	2,503	3,268	11,340
Total Deferred Tax Assets	$ 571,325	$ 644,395	$ 669,023
Deferred Tax Liabilities:			
Other	$ 2,424	$ 2,754	$ 6,330
Total Deferred Tax Liabilities	$ 2,424	$ 2,754	$ 6,330

The Company has recorded a significant deferred tax asset for the future amortization of tax basis intangibles as a result of the reorganization. The amortization period for these tax basis intangibles is 15 years and accordingly, the related deferred tax assets will reverse over the same period.

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The Company considered the 15-year amortization period of the tax basis intangibles 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 will be realized and that no valuation allowance is needed at December 31, 2010.

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

	Year Ended December 31,		
	2010	2009	2008
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	(24.54)	38.15	(27.51)
Income passed through to Class A holders	(15.93)	46.04	(3.88)
Equity-based compensation	16.49	(146.43)	(2.84)
Foreign income taxes	0.54	(6.98)	(0.09)
State and local income taxes	2.32	(30.74)	0.46
Amortization and other accrual adjustments	0.44	22.18	—
Other	0.13	(0.40)	0.12
Effective Income Tax Rate	14.45%	(43.18)%	1.26%

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.

Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined no unrecognized tax benefits for uncertain tax positions were required to be 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 tax authorities. As of December 31, 2010, Apollo and its predecessor entities' U.S. federal, state, local and foreign income tax returns for the years 2007 through 2009 are open under the normal statute of limitations and therefore subject to examination.

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12. DEBT

Debt consists of the following:

	For the Years Ended December 31,			
	2010		2009	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH credit agreement	$ 728,273	3.78%(1)	$ 909,091	5.15%(1)
CIT secured loan agreement	23,252	3.50	24,743	3.64
Total Debt	$ 751,525	3.77%	$ 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 from the closing date of the AMH Credit Agreement and $167 million of the debt for five years from the closing date of the AMH Credit Agreement. The interest rate swap agreements related to the $433 million notional amount were comprised of two components: a $333 million portion and a $100 million portion. The interest rate swap agreement related to the $333 million portion expired in May 2010. The interest rate swap agreement related to the $100 million portion expired in November 2010. The interest rate swap agreement related to the $167 million notional amount expires in May 2012. The remaining amount of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (4.25% for loans with extended maturity, as discussed below, and 1.50% for loans without the extended maturity as of December 31, 2010 and 1.50% as of December 31, 2009). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of 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 consolidated statements of operations.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loans from April 20, 2014 to January 3, 2017 and modified certain other terms of the credit facility. Pursuant to this amendment, AMH was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, the Company is required to repurchase at least $50.0 million aggregate principal amount of term loans by December 31, 2014 and at least $100.0 million aggregate principal amount of term loans (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the

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AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH loans (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased) of the loan at December 31, 2010 was 4.54% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2010 was 1.79%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $728.3 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2010 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of December 31, 2010 and 2009, the AMH Credit Agreement is guaranteed by, and 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., AMH, AAA Holdings, L.P., Apollo Management, L.P., Apollo Capital Management, L.P. and Apollo International Management, L.P., 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 forth in the AMH Credit Agreement. As of December 31, 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 and its consolidated subsidiaries were $123.1 million, $24.0 million, $39.0 million, $136.0 million and $(1,126.6) 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., AAA Holdings, 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., AAA Holdings, L.P. and AMH and their respective 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.

If AMH's debt to EBITDA ratio (the "Leverage Ratio") as of the end of any fiscal year exceeds the level set forth in the next sentence (the "Excess Sweep Leverage Ratio"), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage 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 will be: for 2010, 4.00 to 1.00; for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

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 Leverage Ratio on

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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 (the following specified levels for the specified years, the "Sweep Leverage Ratio") (i) for 2010, 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

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. As of December 31, 2010, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

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 2013. At December 31, 2010, the interest rate was 3.45%.

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

As of December 31, 2010, the table below presents the contractual maturities for the AMH Credit Agreement and CIT secured loan agreement:

	2011	2012	2013	2014	2015	Thereafter	Total
AMH Credit Agreement	$ —	$ —	$ —	$ 55,000	$ 50,000	$ 623,273	$ 728,273
CIT secured loan agreement(1)	1,377	1,377	20,498	—	—	—	23,252
Total Obligations as of December 31, 2010	$ 1,377	$ 1,377	$ 20,498	$ 55,000	$ 50,000	$ 623,273	$ 751,525

(1) During December 2010, the Company committed to a plan to sell its interest in certain assets related to the CIT secured loan agreement. Upon the sale, the Company will satisfy the loan associated with the related asset which the Company approximates to be $12.2 million.

13. NET INCOME (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. Under the two-class method, during periods of net income, the net income is first reduced for dividends declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for dividends declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

Under the two class method, the numerator for basic earnings per share is determined by allocating the undistributed earnings among common and participating securities to the extent each security shares in such earnings. The numerator for diluted earnings per share is determined by adding dividends declared to the allocated undistributed earnings for the respective common and participating securities. Each total is then divided by the applicable number of shares to arrive at diluted earnings per share.

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The table below presents basic and diluted net loss per Class A share using the two-class method for the years ended December 31, 2010, 2009 and 2008:

	Basic and Diluted For the Year Ended December 31,		
	2010	2009	2008
Numerator:			
Net income (loss) attributable to Apollo Global Management, LLC	$ 94,617	$ (155,176)	$ (912,258)
Dividends declared on Class A shares	(20,453)(1)	(4,866)(2)	(54,502)(3)
Dividends on participating securities	(3,662)	(299)	(415)
Earnings allocable to participating securities	(10,357)	—(4)	—(4)
Net Income (Loss) Attributable to Class A Shareholders	$ 60,145	$ (160,341)	$ (967,175)
Denominator:			
Weighted average number of Class A shares outstanding	96,964,769	95,815,500	97,324,541
Net income (loss) per Class A share: Basic and Diluted:(5)			
Distributable Earnings	$ 0.21	$ 0.05	$ 0.56
Undistributed income (loss)	0.62	(1.67)	(9.93)
Net Income (Loss) per Class A Share	$ 0.83	$ (1.62)	$ (9.37)

(1) The Company declared a $0.07 dividend on Class A shares in each of May, August and November 2010. As a result, there is a reduction in net income attributable to Class A shareholders presented during the year ended December 31, 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 for the year ended December 31, 2009.

(3) The Company declared a $0.33 and $0.23 dividend on Class A shares in April and July 2008, respectively. As a result, there is an increase in net loss attributable to Class A shareholders presented for the year ended December 31, 2008.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(5) Basic and diluted net income per share for the year ended December 31, 2010 and basic and diluted net loss per share for the years ended December 31, 2009 and 2008 are identical as Class A share equivalents using the if converted method with respect to vested and unvested AOG Units and restricted share units, and the treasury method with respect to vested and unvested share options, were, in each case, determined to be anti-dilutive. For the years ended December 31, 2010, 2009 and 2008, a total of 240,000,000 AOG Units and 35,108,637, 31,711,573 and 27,063,816, respectively, of vested and unvested restricted share units, and for the year ended December 31, 2010, 5,000,000 share options were determined to be anti-dilutive and therefore were excluded from the diluted earnings per share calculation.

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 any time a dividend is declared. The Company refers to these RSU grants as "Plan Grants." For certain Plan Grants 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 December 31, 2010, approximately 15.6 million vested RSUs and 3.5 million unvested RSUs were eligible for participation in distribution equivalents.

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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 earnings per share computations using the "two-class" method. The holder of a RSU 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 RSU 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 diluted 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 diluted earnings per Class A share.

Apollo has one Class B share outstanding, which is 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 currently 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%.

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 in the Apollo Operating Group decreased from 71.5% to 71.4%.

On July 9, 2010 and July 23, 2010, the Company issued a total of 1.6 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 29.0% from 28.6%. As Holdings did not participate in this Class A share issuance, its ownership interest in the Apollo Operating Group decreased from 71.4% to 71.0%.

On September 16, 2010, the Company repurchased 7,135 Class A shares from an employee who left the firm. This repurchase did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On September 30, 2010, the Company issued 11,405 Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

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14. 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 $1,032.9 million, $1,033.3 million and $1,034.9 million of compensation expense in the Company's consolidated statements of operations for the years ended December 31, 2010, 2009 and 2008, 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 December 31, 2010, there was $1.5 billion of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next three years.

	Apollo Operating Group Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2008	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
Granted	1,404,650	11.96
Forfeited	(1,404,650)	20.00
Vested	(44,089,188)	23.43
Balance at December 31, 2010	66,742,906	$ 23.13

Units Expected to Vest—As of December 31, 2010, approximately 66,400,000 AOG Units are expected to vest over the next three 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 $120.2 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 generally can be up to 24 quarters or annual vesting over three years. The actual forfeiture rate was 7.9%, 6.6% and 2.9% for the years ended December 31, 2010, 2009 and 2008, respectively. For the years ended December 31, 2010, 2009 and 2008, $78.9 million, $60.7 million and $75.4 million of compensation expense was recognized, respectively. During the year ended December 31, 2010, the Company delivered 2.3 million Class A shares (net of vested shares forfeited in lieu of withholding taxes) in settlement of vested RSUs, which caused the Company's

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ownership interest in the Apollo Operating Group to increase to 29.0% from 28.5%. Certain RSU shares that were delivered during 2010 were reclassified from equity awards to liability awards, based on a one-time option offered to certain employees to receive cash in lieu of such RSU shares, in the amount of $3.5 million.

Delivery of Class A Shares

In 2010, the Company delivered Class A Shares for vested RSUs. The Company allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment was $2.9 million in 2010 and is disclosed in the Consolidated Statement of Changes in Shareholders' Equity.

The delivery of RSUs does not cause a transfer of amounts in the Consolidated Statement of Changes in Shareholders' Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. Upon conversion of the AOG units, there will be a transfer of amounts from Non-Controlling Interests to the Company's equity.

The following table summarizes RSU activity for the years ended December 31, 2010, 2009 and 2008:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Issued and Outstanding
Balance at January 1, 2008	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
Granted	12,861,969	9.34	—	12,861,969
Forfeited	(2,578,992)	10.07	—	(2,578,992)
Delivered	—	6.74	(3,227,155)	(3,227,155)
Vested	(6,778,057)	10.40	6,778,057	—
Balance at December 31, 2010	23,442,916	$ 10.25	15,642,921[(1)]	39,085,837

(1) Amount excludes RSUs which have vested and have been delivered.

Units Expected to Vest— As of December 31, 2010, approximately 22,000,000 RSUs are expected to vest.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options shall vest and become exercisable with respect to 4/24 of the option shares on

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December 31, 2011 and the remainder in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. For the year ending December 31, 2010, $0.3 million of compensation expense was recognized as a result of this grant.

Apollo measures fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2010.

Assumptions:	2010
Risk-free interest rate	2.34%
Weighted average expected dividend yield	2.79%
Expected volatility factor	40.00%
Expected life in years	6.79
Fair Value of options per share	$ 5.62

The Company determined its expected volatility based on comparable companies using daily stock prices.

The following table summarizes the share option activity for the year ended December 31, 2010:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2010	—	$ —	$ —	—
Granted	5,000,000	8.00	28,100,000	9.92
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2010	5,000,000	$ 8.00	$ 28,100,000	9.92

Units Expected to Vest— As of December 31, 2010, 5,000,000 options are expected to vest.

The expected term of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2010 was $27.8 million and is expected to be recognized over a period of 6.0 years. None of the share options were exercisable at December 31, 2010.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depository units ("RDUs") following vesting are granted periodically to employees of Apollo. 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 AAA 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 AAA RDUs). Vested AAA RDUs can be converted into ordinary common units of AAA. During the years ended December 31, 2010, 2009 and 2008, the actual forfeiture rate was 1.5%, 11.0% and 3.9%, respectively. For the years ended December 31, 2010, 2009 and 2008, $5.5 million, $5.8 million and $14.9 million of compensation expense was recognized, respectively.

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During the years ended December 31, 2010, 2009 and 2008, the Company delivered 596,375, 435,954 and 1,775,819 RDUs, respectively, to individuals who had vested in these units. The delivery in 2010 resulted in a reduction of the accrued compensation liability of $7.6 million and the recognition of net additional paid in capital of $0.6 million. These amounts are presented in the consolidated statement of changes in shareholders' equity. There was $4.1 million and $6.2 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2010 and 2009, respectively. The following table summarizes RDU activity for the years ended December 31, 2010, 2009 and 2008:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Issued and Outstanding
Balance January 1, 2008	407,001	$ 19.60	181,694	588,695
Granted	2,422,496	13.00	—	2,422,496
Forfeited	(110,546)	14.40	—	(110,546)
Delivered	—	13.73	(1,775,819)	(1,775,819)
Vested	(2,040,302)	13.63	2,040,302	—
Balance December 31, 2008	678,649	14.57	446,177	1,124,826
Granted	2,667	1.07	—	2,667
Forfeited	(74,870)	14.23	—	(74,870)
Delivered	—	15.51	(435,954)	(435,954)
Vested	(385,225)	15.65	385,225	—
Balance December 31, 2009	221,221	12.95	395,448	616,669
Granted	547,974	7.34	—	547,974
Forfeited	(11,816)	13.00	—	(11,816)
Delivered	—	12.73	(596,375)	(596,375)
Vested	(590,712)	9.36	590,712	—
Balance, December 31, 2010	166,667	$ 7.20	389,785[(1)]	556,452

(1) Amount excludes RDUs which have vested and have been delivered. Certain amounts in 2009 and 2008 have been reclassified to conform with the 2010 presentation.

Units Expected to Vest—As of December 31, 2010, approximately 147,000 RDUs are expected to vest over the next three years.

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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
Purchases	96,661
Granted	(547,974)
Forfeited	11,816
Balance, December 31, 2010	1,979,031

Restricted Stock and Restricted Stock Unit 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 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 generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units ("ARI RSUs"), respectively, were granted to certain of the Company's employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company's employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 consolidated statements of operations. For the years ended December 31, 2010 and 2009, $1.5 million and $0.4 million of management fees and $0.8 million and $0.2 million of compensation expense were recognized in the consolidated statements of operations, respectively. The forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 2% and 0% as of December 31, 2010 and 2009, as the forfeiture noted above was an exchange of securities and did not impact the overall expense recognized by the Company.

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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 years ended December 31, 2010 and 2009:

	ARI RSUs Unvested	ARI Restricted Stock Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of Restricted Stock Awards and RSUs Issued
Balance at January 1, 2009	—	—	$ —	—	—
Granted to employees of the Company	—	145,000	18.46	—	145,000
Granted to the Company	—	97,500	18.48	—	97,500
Vested awards for employees of the Company	—	—	—	—	—
Balance at December 31, 2009	—	242,500	$ 18.47	—	242,500
Granted to employees of the Company	123,959	—	16.97	—	123,959
Forfeited by employees of the Company	(5,000)	(118,959)	18.41	—	(123,959)
Vested awards for employees of the Company	(22,709)	(26,039)	17.77	48,748	—
Vested awards for the Company	—	(32,500)	18.48	32,500	—
Balance at December 31, 2010	96,250	65,002	$ 17.57	81,248	242,500

Units Expected to Vest—As of December 31, 2010, approximately 90,500 and 65,000 shares of ARI RSUs and ARI restricted stock, respectively, 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 financial statements.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 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	$ 1,032,909	71.0%	$ 735,698	$ 297,211
RSUs and Share Options	79,169	—	—	79,169
ARI Restricted Stock Awards and ARI RSUs	801	71.0%	569	232
AAA RDUs	5,533	71.0%	3,930	1,603
Total Equity-Based Compensation	$ 1,118,412		740,197	378,215
Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs			(4,499)	(1,835)
Capital Increase Related to Equity-Based Compensation			$ 735,698	$ 376,380

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

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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 Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest 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
ARI Restricted Stock Awards	217	71.5%	155	62
AAA RDUs	5,799	71.5%	4,146	1,653
Total Equity-Based Compensation	$ 1,100,106		742,732	357,374
Less AAA RDUs and ARI 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 on 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 Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest 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
AAA RDUs	14,894	71.1%	10,597	4,297
Total Equity-Based Compensation	$ 1,125,184		746,984	378,200
Less AAA RDUs			(10,597)	(4,297)
Capital Increase Related to Equity-Based Compensation			$ 736,387	$ 373,903

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15. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

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:

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Due from Affiliates:		
Due from private equity funds	$ 52,128	$ 17,120
Due from portfolio companies	42,933	62,379
Management and advisory fees receivable from capital markets funds	19,095	25,904
Due from capital markets funds	13,612	12,574
Due from Contributing Partners, employees and former employees	8,496	12,134
Due from real estate funds	5,887	—
Other	2,212	3,567
Total Due from Affiliates	$ 144,363	$ 133,678
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 491,402	$ 514,044
Due to private equity funds	20,890	32,046
Due to real estate funds	1,200	—
Due to Managing Partners	189	764
Due to capital market funds	—	314
Other	3,964	1,425
Total Due to Affiliates	$ 517,645	$ 548,593

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.

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In September 2009, Apollo made a $9.1 million payment against the tax receivable agreement from proceeds distributed by the Apollo Operating Group. In December 2009, Apollo 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. 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. In December 2010, Apollo decreased the liability by $7.6 million and recorded the gain in Other Income (Loss), net in the consolidated statement of operations due to a change in projected income estimates and fluctuations in state tax rates.

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 eliminates any income allocation to Holdings in 2010. The Company allocated $117.5 million and $22.1 million of AMH income to APO Corp. for the years ended December 31, 2010 and 2009, respectively.

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 and related compensation expense amounted to $24.8 million, $19.7 million and $35.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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 November 1, 2010, the Company declared a cash dividend of $0.07 per Class A share, which was paid on November 23, 2010 to Class A shareholders of record on November 12, 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. Additionally, the Company also accrued $1.3 million for distribution equivalents on certain RSUs.

On August 2, 2010, the Company declared a cash dividend of $0.07 per Class A share, which was paid on August 25, 2010. Of the $23.7 million aggregate distribution from the Apollo Operating Group, $6.9 million was

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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. Additionally, the Company also accrued $1.4 million for distribution equivalents on certain RSUs.

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. Additionally, the Company also accrued $1.0 million for distribution equivalents on certain RSUs.

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 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. Additionally, the Company also accrued $0.3 million for distribution equivalents on certain 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,

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$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 2010, 2009 and 2008 are returns of amounts paid in by our Class A shareholders. All cash dividends paid to our Class A shareholders in 2010, 2009 and 2008 have been charged against additional paid in capital.

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.

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. At December 31, 2009, the Company had a recorded liability of $23.2 million related to this obligation. During 2010, the amount reversed due to the performance of the funds' investments. As of December 31, 2010, the Company has not recorded an obligation for any previously made distributions.

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 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 December 31, 2010, the total outstanding loan aggregated $20.5 million, including accrued interest of $1.6 million which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

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 statements of operations for the year ended December 31, 2008. The remaining portion of the settlement was paid to Huntsman by Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.) ("Hexion"), a portfolio company that is outside of the Company's consolidated structure and therefore not included in the Company's financial statements. Hexion 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 $162.5 million and $37.5 million in 2010 and 2009, respectively, from certain of its professional liability insurance carriers in respect of the litigation settlement. The $162.5 million and $37.5 million are included in Other Income (Loss), net within the Company's consolidated statements of operations for the years ended December 31, 2010 and 2009, respectively. There are no pending actions involving the Company or any of its subsidiaries in connection with the Hexion/Huntsman transaction.

Due to Strategic Investor/Strategic Relationship Agreement

On April 20, 2010, the Company announced that it has entered into a new strategic relationship agreement with CalPERS ("Strategic Investor"). 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 a five-year period 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.

Underwriting Fee Paid for ARI

The Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI'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. During the last four quarters ending September 30, 2010, the core earnings had reached a 3.5% hurdle rate.

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Interests in Consolidated Entities

These amounts relate to equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net (income) loss attributable to Non-Controlling Interests consists of the following:

	For the Year Ended December 31,		
	2010	2009	2008
AAA(1)	$ (356,251)	$ (452,408)	$ 1,191,034
Consolidated variable interest entities(2)	(48,206)	—	—
Former employees(3)	(16,258)	(7,818)	(15,251)
Other	—	—	333
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(420,715)	(460,226)	1,176,116
Net (income) loss attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)	400,440	801,799
Net (income) loss attributable to Non-Controlling Interests	$ (448,607)	$ (59,786)	$ 1,977,915

(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 years ended December 31, 2010 and 2009.

(2) Reflects the Non-Controlling Interests in the net income of the consolidated VIEs and includes $11.4 million of gains recorded within appropriated partners' capital related to a consolidated VIE during the year ended December 31, 2010.

(3) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies.

16. 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 December 31, 2010, the maximum exposure relating to these financial guarantees approximated $5.1 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 financial statements.

As the general partner of Apollo/Artus Investor 2007-I, L.P. ("Artus"), the Company may be obligated for certain 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, 2010, the Company has no current obligations to Artus.

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 December 31, 2010 and 2009 of $140.6 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.

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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.

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. 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 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 Linens investors as defendants. On November 30, 2010, the Court granted the plaintiff's and the defendants' joint request for a stay of the litigation pending an out-of-court mediation. The Court further ordered the parties to submit a joint stipulation setting forth a proposed schedule for the defendants' response to plaintiff's second amended complaint if the parties' out-of-court mediation fails to resolve the litigation by February 15, 2011. On February 14, 2011, the parties jointly reported to the Court that meaningful settlement discussions are continuing, and requested the court to extend the stay of proceedings from February 15, 2011 to March 15, 2011. Currently, the Company does not believe that a loss from liability in this case is either probable or reasonably estimable. At this time, it cannot be predicted whether the mediation will lead to a mutual resolution of the litigation or what the terms of a mutual resolution would be, to the extent a settlement is reached. If a settlement is not reached, the defendants anticipate moving to dismiss the second amended complaint, 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

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fourth amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo Global Management, LLC, as a defendant. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo's answer to the fourth amended complaint is now due March 21, 2011. 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, ruling that Apollo was released from the only transaction in which it allegedly was involved. While plaintiffs have survived Apollo's motion to dismiss the fourth amended complaint, the Court stated in denying the motion that it will consider the statute of limitations (one of the bases for Apollo's motion to dismiss) at the summary judgment stage. Based on the applicable statute of limitations, among other reasons, Apollo believes that plaintiffs' claims lack factual and legal merit. In addition, discovery is in its early stages. 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 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 December 31, 2010, the approximate aggregate minimum future payments required for operating leases were as follows:

	2011	2012	2013	2014	2015	Thereafter	Total
Aggregate minimum future payments[1]	$ 36,002	$ 23,646	$ 22,878	$ 22,528	$ 14,100	$ 40,155	$ 159,309

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(1) In 2011, the Company entered into a new lease agreement for additional office space that expires on April 30, 2020, which would require approximate aggregate minimum future payments totaling $47.6 million. In 2011, the Company also entered into a sub-lease agreement for certain of its office space that expires on April 30, 2015 in which the Company will receive sub-lease rental income totaling $4.1 million.

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $28.8 million, $35.1 million and $31.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Apollo has purchase commitments for a premise lease build-out in the amount of $12.3 million. These amounts are expected to be paid in 2011.

Other Long-term Obligations—These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2010, fixed and determinable payments due in connection with these obligations are as follows:

	2011	2012	2013	2014	2015	Thereafter	Total
Other long-term obligations	$ 17,067	$ 7,242	$ 4,766	$ 3,548	$ 3,548	$ 3,548	$ 39,719

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 December 31, 2010 and that would be reversed approximates $2.5 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2010
Fund VI	$ 661,400
Fund VII	628,800
Fund IV	523,800
Fund V	307,813
COF I	149,039
COF II	76,799
SOMA	34,363
AIE II	26,168
ACLF	24,964
AAA	12,587
SVF	6,755
VIF	5,710
Total	$ 2,458,198

Note: EPF has not incurred or paid carried interest income as of December 31, 2010.

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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 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 may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

17. 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 December 31, 2010, there were more than 1,000 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 total 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 December 31, 2010 and 2009, $751.5 million and $933.8 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest, respectively. However, as of December 31, 2010 and 2009, $167.0 million and $600.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 9.

18. 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;

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- ***Capital markets***—primarily invests in non-control debt and non-control equity investments, including distressed debt instruments; and
- ***Real estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. 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 exclude 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 December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the "management" business section 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, investment income and profit sharing expense.

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 management believes 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, management seeks to align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest income 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.

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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 and VIEs that are included in the consolidated financial statements. Certain amounts in 2009 and 2008 have been reclassified to conform with the 2010 presentation, as specified in the footnotes to the tables impacted.

The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2010:

	As of and for the Year Ended December 31, 2010			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 60,444	$ 19,338	$ —	$ 79,782
Management fees from affiliates	259,395	160,318	11,383	431,096
Carried interest income from affiliates	1,321,113	277,907	—	1,599,020
Total Revenues	1,640,952	457,563	11,383	2,109,898
Expenses	761,075	233,150	42,059	1,036,284
Other Income	212,845	41,606	23,231	277,682
Economic Net Income (Loss)	$ 1,092,722	$ 266,019	$ (7,445)	$ 1,351,296
Total Assets	$ 2,271,564	$ 1,152,389	$ 46,415	$ 3,470,368

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC's consolidated financial statements as of and for the year ended December 31, 2010:

	As of and for the Year Ended December 31, 2010		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 2,109,898	$ —	$ 2,109,898
Expenses	1,036,284	1,121,102(1)	2,157,386
Other income	277,682	404,767(2)	682,449
Economic Net Income	$ 1,351,296(3)	N/A	N/A
Total Assets	$ 3,470,368	$ 3,082,004(4)	$ 6,552,372

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

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(2) Results from the following:

	For the Year Ended December 31, 2010
Net gains from investment activities	$ 367,871
Net gains from investment activities of consolidated variable interest entities	48,206
Loss from equity method investments	(11,107)
Interest income	20
Other loss	(223)
Total Consolidation Adjustments	$ 404,767

(3) The reconciliation of Economic Net Income to Net Income attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2010
Economic Net Income	$ 1,351,296
Income tax provision	(91,737)
Net income attributable to Non-Controlling Interests in consolidated entities*	(16,258)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)
Non-cash charges related to equity-based compensation	(1,118,412)
Net loss of Metals Trading Fund	(2,380)
Net Income Attributable to Apollo Global Management, LLC	$ 94,617

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

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

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2010:

	For the Year Ended December 31, 2010					
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 60,444	$ —	$ 60,444	$ 19,338	$ —	$ 19,338
Management fees from affiliates	259,395	—	259,395	160,318	—	160,318
Carried interest income from affiliates:						
Unrealized gains	—	1,251,526	1,251,526	—	103,918	103,918
Realized gains	—	69,587	69,587	47,385	126,604	173,989
Total Revenues	319,839	1,321,113	1,640,952	227,041	230,522	457,563
Compensation and benefits	133,999	519,669	653,668	93,884	55,698	149,582
Other expenses	107,407	—	107,407	83,568	—	83,568
Total Expenses	241,406	519,669	761,075	177,452	55,698	233,150
Other Income	162,213	50,632	212,845	10,928	30,678	41,606
Economic Net Income	$ 240,646	$ 852,076	$ 1,092,722	$ 60,517	$ 205,502	$ 266,019

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	For the Year Ended December 31, 2010		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ —	$ —	$ —
Management fees from affiliates	11,383	—	11,383
Carried interest income from affiliates	—	—	—
Total Revenues	11,383	—	11,383
Compensation and benefits	21,688	—	21,688
Other expenses	20,371	—	20,371
Total Expenses	42,059	—	42,059
Other Income (Loss)	23,622	(391)	23,231
Economic Net Loss	$ (7,054)	$ (391)	$ (7,445)

	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 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
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.

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(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

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the consolidated 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			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
Realized gains[(1)]	—	47,981	47,981	50,404	22,995	73,399
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

(1) Includes interest income from AIC.

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	For the Year Ended December 31, 2009		
	Real Estate		
	Management	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) Income	$ (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)

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC's consolidated financial statements as of and for the year ended December 31, 2008:

	For the Year Ended December 31, 2008		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
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

(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 Attributable to Apollo Global Management, LLC reported in the consolidated 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.

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					
	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)
Realized gains	—	361,481	361,481	49,829	3,857	53,686
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 2010 and 2009 presentation.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share data)
(continued)

	For the Year Ended December 31, 2008		
	Real Estate		
	Management	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)

19. SUBSEQUENT EVENTS

On January 4, 2011, the Company declared a cash dividend of $0.17 per Class A share, which was paid on January 14, 2011. Of the $57.4 million aggregate distribution from the Apollo Operating Group, $16.6 million was received by the Company, and the remaining $40.8 million was paid to the Company's Non-Controlling Interest holders in the Apollo Operating Group. Additionally, the Company also accrued $3.3 million for distribution equivalents on certain RSUs.

Under the Company's 2007 Omnibus Equity Incentive Plan, 555,556 share options were granted on January 21, 2011. The share options vest and become exercisable with respect to 50% of the share options on the later of December 31, 2011 or a public offering date (as defined in the applicable share option agreement), with the remaining share options becoming fully vested and exercisable on December 31, 2012. The share options will terminate on December 31, 2012 if a public offering date has not occurred on or before such date. Additionally, on February 15, 2011, the Company granted 1,226,500 RSUs, which are subject to vesting in accordance with the relevant award agreements.

AGRE U.S. Real Estate Fund, L.P., a newly formed closed-end private investment fund that intends to make real estate-related investments principally located in the United States, held an initial closing in January 2011 on $307.85 million of limited partner commitments (inclusive of $200 million in commitments to co-invest transactions at the option of the applicable limited partner).

As of February 11, 2011, a consolidated VIE liquidated its investment portfolio. As of December 31, 2010, the Company consolidated total assets of $712.1 million, notes of $408.6 million and Non-Controlling Interests of $303.5 million with respect to this VIE. The assets and liabilities of the VIE will no longer be consolidated by the Company and any resulting gain or loss will be recognized in net gains from investment activities of consolidated VIEs and Non-Controlling Interests in 2011.

On February 15, 2011, Apollo held its first close for a new fund, Financial Credit Investment I, L.P., which will opportunistically invest in longevity based assets. The first close had approximately $240 million of capital committed.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share data)
(continued)

We recently formed Apollo Credit Management, LLC, a registered investment advisor, which serves as advisor to the Apollo Senior Floating Rate Fund Inc., a newly organized, non-diversified, closed-end management investment company. The investment objective of the fund is to seek current income and preservation of capital primarily through investments in senior, secured loans made to companies whose debt is rated below investment grade and investments with similar economic characteristics. The fund has filed an N-2 registration statement with the Securities and Exchange Commission, which has not yet been declared effective, and it intends to apply to list its common shares on the New York Stock Exchange.

Exhibit 12(b)(2)

Unaudited Financial Statements of the Individual Applicants

Submitted confidentially under separate cover.

Exhibit 12(c)

AGM Form 10-K Annual Reports

Please see attached.

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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO__________

Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC
(Exact name of Registrant as specified in its charter)

Delaware	**20-8880053**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9 West 57th Street, 43rd Floor
New York, New York 10019
(Address of principal executive offices) (Zip Code)

(212) 515-3200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A shares representing limited liability company interests	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2012, the aggregate market value of 43,086,687 Class A shares held by non-affiliates was approximately $741 million.

As of March 1, 2013, there were 132,139,856 Class A shares and 1 Class B share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward-Looking Statements

This report may contain forward looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, discussions related to Apollo's expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this report, the words "believe," "anticipate," "estimate," "expect," "intend" and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, credit or real estate funds, market conditions generally, our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in this report; as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this report, references to "Apollo," "we," "us," "our" and the "Company" refer collectively to Apollo Global Management, LLC, a Delaware limited liability company, and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries.

"AMH" refers to Apollo Management Holdings, L.P., a Delaware limited partnership owned by APO Corp. and Holdings;

"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";

"Assets Under Management," or "AUM," refers to the investments 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 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 credit funds, other than certain collateralized loan obligations ("CLOs") (such as Apollo Artus Investors 2007-I, L.P.), which we measure by using the mark-to-market value of the aggregate principal amount of the underlying CLO and collateralized debt obligation ("CDO") credit funds that have a fee generating basis other than mark-to-market asset, plus used or available leverage and/or capital commitments;

(iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company 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 portfolio company assets that we manage; and

(v) the fair value of any other investments 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.

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 use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

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 par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, generally are based on the total value of certain structured portfolio company investments, which normally includes 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:

(i) fair value above invested capital for those funds that earn management fees based on invested capital;

(ii) net asset values related to general partner and co-investment ownership;

(iii) unused credit facilities;

(iv) available commitments on those funds that generate management fees on invested capital;

(v) structured portfolio company investments that do not generate monitoring fees; and

(vi) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value.

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;

"carried interest," "carried interest income," and "incentive income" refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees which are based on the performance of such fund or its underlying investments;

"co-founded" means the individual joined Apollo in 1990, the year in which the Company commenced business operations;

"Contributing Partners" refer to those of our partners (and their related parties) who indirectly own (through Holdings) Apollo Operating Group units;

"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;

"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 investments assuming disposition on December 31, 2012 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 Contributing Partners hold their Apollo Operating Group units;

"IRS" refers to the Internal Revenue Service;

"Managing Partners" refer 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;

"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 and 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 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;

"net return" 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;

"our manager" means AGM Management, LLC, a Delaware limited liability company that is controlled by our Managing Partners;

"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, such as AP Alternative Assets, L.P., Apollo Investment Corporation, Apollo Commercial

Real Estate Finance, Inc., Apollo Residential Mortgage, Inc. and Apollo Senior Floating Rate Fund 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; and

"Strategic Investors" refers to the California Public Employees' Retirement System, or "CalPERS," and an affiliate of the Abu Dhabi Investment Authority, or "ADIA."

PART I.

ITEM 1. BUSINESS

Overview

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit and real estate, with significant distressed investment 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, endowment and sovereign wealth funds, as well as other institutional and individual investors. As of December 31, 2012, we had total AUM of $113 billion, including approximately $38 billion in private equity, $64 billion in credit and $9 billion in real estate. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through December 31, 2012.

Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 22 years and lead a team of 634 employees, including 253 investment professionals, as of December 31, 2012. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Hong Kong, and Mumbai. We operate our private equity, credit and real estate businesses in a highly integrated manner, which we believe distinguishes us from other alternative investment managers. Our investment professionals frequently collaborate across disciplines. We believe that this collaboration, including market insight, management, banking and consultant contacts, and investment opportunities, enables the funds we manage 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 for our funds throughout a range of 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 experience, and emphasizing downside protection and the preservation of capital. Our core industry sectors cover chemicals, commodities, consumer and retail, distribution and transportation, financial and business services, manufacturing and industrial, media and cable and leisure, packaging and materials and the satellite and wireless industries. 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 to identify what we believe are attractive investment opportunities, deploy capital across the balance sheet of industry leading, or "franchise," businesses and create value throughout economic cycles.

We rely on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy significant amounts of new capital within challenging economic environments. As in prior market downturns and periods of significant volatility, in the recent environment our funds have purchased distressed securities and continue to opportunistically build positions in high quality companies with stressed balance sheets in industries where we have deep expertise. Our approach towards investing in distressed situations often requires our funds to purchase particular debt securities as prices are declining, since this allows us both to reduce our funds' average cost and accumulate sizable positions which may enhance our ability to influence any restructuring plans and maximize the value of our funds' 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 seek to enhance value in the investment portfolios of the funds we manage. We have relied on our transaction, restructuring and credit experience to work proactively with our private equity funds' portfolio company management teams to identify and execute strategic acquisitions, joint ventures, and other transactions, 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.

We had total AUM of $113.4 billion as of December 31, 2012, consisting of $37.8 billion in our private equity business, $64.4 billion in our credit business and $8.8 billion in our real estate business. We have grown our total AUM at a 39% compound annual growth rate from December 31, 2004 to December 31, 2012. In addition, we benefit from mandates with long-term capital commitments in our private equity, credit and real estate 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 December 31, 2012, approximately 93% of our AUM was in funds with a contractual life at inception of seven years or more, and 10% of our AUM was in permanent capital vehicles with unlimited duration.

We expect our growth in AUM to continue over time by seeking to create value in our funds' existing private equity, credit and real estate investments, continuing to deploy our funds' available capital in what we believe are attractive investment opportunities, and raising new funds and investment vehicles as market opportunities present themselves. See "Item 1A. 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 on fee arrangements of our future funds."

Our financial results are highly variable, since carried interest (which generally constitutes a large portion of the income that we receive 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 is generally consistent with the investment horizons of the funds we manage and is driven by the investment returns of our funds.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act are made available free of charge on or through our website at www.agm.com as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the SEC.

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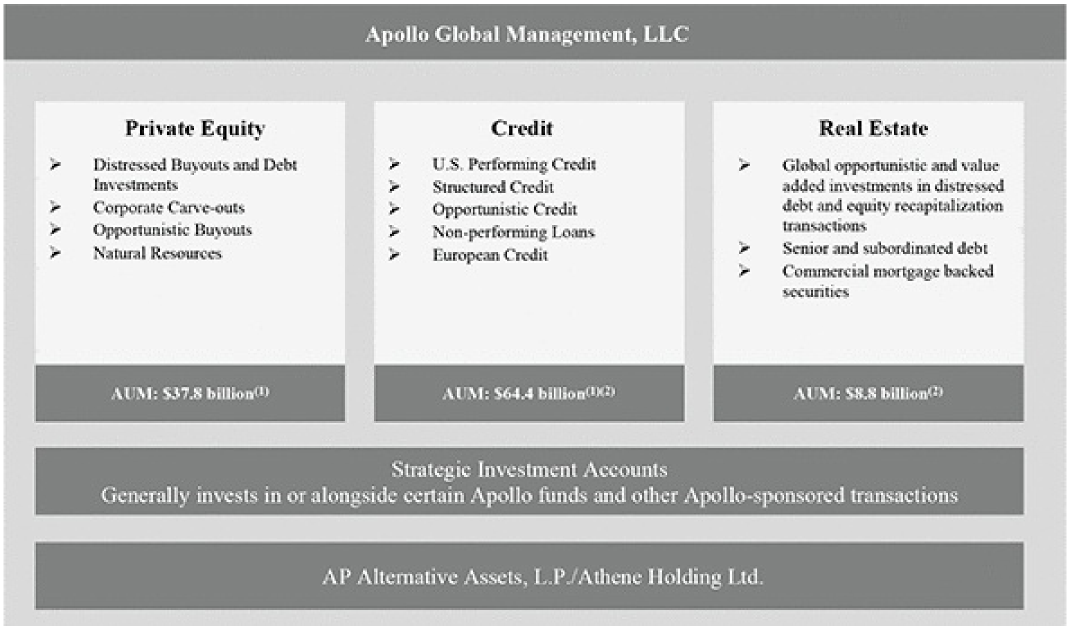
Our Businesses

We have three business segments: private equity, credit and real estate. As part of our private equity segment, we also manage AP Alternative Assets, L.P. ("AAA"), a publicly listed permanent capital vehicle. The sole investment held by AAA is its interest in AAA Investments, L.P. ("AAA Investments"), which currently has substantially all of its capital invested through various subsidiaries in Athene Holding Ltd., a Bermuda holding company that was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector.

In addition to AAA, we manage several strategic investment accounts ("SIAs") established to facilitate investments by third-party investors directly in Apollo-sponsored funds and other transactions. We have also raised a dedicated natural resources fund, which we include within our private equity segment that targets global private equity opportunities in energy, metals and mining and select other natural resources sub-sectors. The diagram below summarizes our current businesses:



(1) All data is as of December 31, 2012, except for certain publicly traded vehicles managed by Apollo for which data is presented as of September 30, 2012.
(2) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.32 as of December 31, 2012.

Private Equity

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, which we refer to herein also as buyout equity, 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 adapt quickly to changing market environments and capitalize on market dislocations through our traditional, distressed and corporate 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 and corporate 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.

We seek to focus on investment opportunities where competition is limited or non-existent. We believe we are often sought out early in the investment process because of our industry expertise, willingness to pursue investments in complicated situations and ability to provide value-added advice to portfolio companies regarding operational improvements, acquisitions and strategic direction. We generally prefer sole sponsored transactions and since inception approximately 80% of the investments made by our private equity funds have been proprietary in nature. We believe that by emphasizing our proprietary sources of deal flow, our private equity funds will be able to acquire businesses at more compelling valuations which will ultimately create a more attractive risk/reward proposition.

Distressed Buyouts and Debt Investments

During periods of market dislocation and volatility, we rely on our credit and capital markets expertise to build positions in distressed debt. We target assets with high-quality operating businesses but low-quality balance sheets, consistent with our traditional buyout strategies. The distressed securities our funds purchase include bank debt, public high-yield debt and privately held instruments, often with significant downside protection in the form of a senior position in the capital structure, and in certain situations our funds also provide debtor-in-possession financing to companies in bankruptcy. Our investment professionals generate these distressed buyout and debt investment opportunities based on their many years of experience in the debt markets, and as such they are generally proprietary in nature.

We believe distressed buyouts and debt investments represent a highly attractive risk/reward profile. Our funds' investments in debt securities have generally resulted in two outcomes. The first and preferred potential outcome, which we refer to as a distressed for control investment, is when our funds are successful in taking control of a company through its investment in the distressed debt. By working proactively through the restructuring process, we are often able to equitize the debt position of our funds to create a well-financed buyout which would then typically be held for a three-to-five year period, similar to other traditional leveraged buyout transactions. The second potential outcome, which we refer to as a non-control distressed investment is when our funds do not gain control of the company. This typically occurs as a result of an increase in the price of the debt investments to levels which are higher than what we consider to be an attractive acquisition valuation. In these instances, we may forgo seeking control, and instead our funds may seek to sell the debt investments over time, typically generating a higher short-term IRR with a lower multiple of invested capital than in the case of a typical distressed for control transaction. We believe that we are a market leader in distressed investing and that this is one of the key areas that differentiates us from our peers.

During the depths of the most recent financial crisis, we believe we were one of the most active market participants, with our funds acquiring over $39 billion of face value of debt investments from inception through December 31, 2012 in an array of distressed strategies whereby our funds purchased levered senior loans, effectuated distressed for control investments and bought back debt of the funds' portfolio companies at significant discounts to par.

Corporate Carve-outs

Corporate partner buyouts or carve-out situations offer another way to capitalize on investment opportunities during environments in which purchase prices for control of companies are at high multiples of earnings, making them less attractive for traditional buyout investors. Corporate partner buyouts focus on companies in need of a financial partner in order to consummate acquisitions, expand product lines, buy back stock or pay down debt. In these investments, our funds do not seek control but instead make significant investments that typically allow our funds to demand control rights similar to those that would be required in a traditional buyout, such as control over the direction of the business and ultimate exit.

Although corporate partner buyouts historically have not represented a large portion of our overall investment activity, we do engage in them selectively when we believe circumstances make them an attractive strategy.

Corporate partner buyouts typically have lower purchase multiples and a significant amount of downside protection, when compared with traditional buyouts. Downside protection can come in the form of seniority in the capital structure, a guaranteed minimum return from a creditworthy partner, or extensive governance provisions. We have often been able to use our position as a preferred security holder in several buyouts to weather difficult times in a portfolio company's lifecycle and to create significant value in investments that otherwise would have been impaired.

Opportunistic Buyouts

We have extensive experience completing leveraged buyouts across various market cycles. We take an opportunistic and disciplined approach to these transactions, generally avoiding highly competitive situations in favor of proprietary transactions where there may be opportunities to purchase a company at a discount to prevailing market averages. Oftentimes, we will focus on complex situations such as out-of-favor industries or "broken" (or discontinued) sales processes where the inherent value may be less obvious to potential acquirers. To further alter the risk/reward profile in our funds' favor, we often focus on certain types of buyouts such as physical asset acquisitions and investments in non-correlated assets where underlying values tend to change in a manner that is independent of broader market movements.

In the case of physical asset acquisitions, our private equity funds seek to acquire physical assets at discounts to where those assets trade in the financial markets, and to lock in that value arbitrage through comprehensive hedging and structural enhancements.

We believe buyouts of non-correlated assets or businesses also represent attractive investments since they are generally less correlated to the broader economy and provide an element of diversification to our overall portfolio of private equity investments.

In the case of more conventional buyouts, we seek investment opportunities where we believe our focus on complexity and sector expertise will provide us with a significant competitive advantage, whereby we can leverage our knowledge and experience from the nine core industries in which our investment professionals have historically invested private equity capital. We believe such knowledge and experience can result in our ability to find attractive opportunities for our funds to acquire portfolio company investments at lower purchase price multiples.

Other Investments

In addition to our opportunistic, distressed and corporate partner buyout activities, we also maintain the flexibility to deploy capital of our private equity funds in other types of investments such as the creation of new companies, which allows us to leverage our deep industry and distressed expertise and collaborate with experienced management teams to seek to capitalize on market opportunities that we have identified, particularly in asset-intensive industries that are in distress. In these types of situations, we have the ability to establish new entities that can acquire distressed assets at what we believe are attractive valuations without the burden of managing an existing portfolio of legacy assets. Similar to our corporate partner buyout activities, other investments, such as the creation of new companies, historically have not represented a large portion of our overall investment activities, although we do make these types of investments selectively.

Natural Resources

In 2011, Apollo established Apollo Natural Resources Partners, L.P. (together with its parallel funds and alternative investment vehicles, "ANRP"), and has assembled a team of dedicated investment professionals to capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. ANRP completed its fundraising period during the fourth quarter of 2012, and had over $1.3 billion of committed capital as of December 31, 2012.

AP Alternative Assets, L.P.

AAA is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited ("AAA Guernsey" or "Managing General Partner"), which holds 100% of the general partner interests in AAA, and (ii) the holders of common units representing limited partner interests in AAA. The common units are non-voting and are listed on NYSE Euronext in Amsterdam under the symbol "AAA". AAA Guernsey is a Guernsey limited company and is owned 55% by an individual who is not an affiliate of Apollo and 45% by Apollo Principal Holdings III, L.P., an indirect subsidiary of Apollo. AAA Guernsey is responsible for managing the business and affairs of AAA. AAA generally makes all of these investments through AAA Investments, of which AAA is the sole limited partner.

AAA issued approximately $1.9 billion of equity capital in its initial public offering ("IPO") in June 2006. AAA was originally designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allowed us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our credit funds and certain other opportunistic investments that we sponsor and manage.

On October 31, 2012, AAA and AAA Investments consummated a transaction whereby a wholly-owned subsidiary of AAA Investments contributed substantially all of its investments to Athene Holding Ltd. (together with its subsidiaries, "Athene") in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction") payable at the option of AAA Investments in cash or common shares of Athene Holding Ltd. After the AAA Transaction, Athene was AAA's only material investment and as of December 31, 2012, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an approximate 77% ownership stake (without giving effect to restricted common shares issued under Athene's management equity plan). Subsequent to December 31, 2012, Athene called additional capital from other investors, and as a result AAA's ownership of Athene Holding Ltd. was reduced to approximately 72% (without giving effect to restricted common shares issued under Athene's management equity plan). Additional information related to AAA can be found on its website at www.apolloalternativeassets.com. The information contained in AAA's website is not part of this report.

In connection with the consummation of the AAA Transaction, on October 31, 2012, AAA and Apollo Alternative Assets, L.P. ("Apollo Alternative Assets"), a subsidiary of Apollo, entered into an amendment to the services agreement pursuant to which Apollo Alternative Assets manages AAA's assets in exchange for a quarterly management fee. Pursuant to the amendment, the parties agreed that there will be no management fees payable by AAA with respect to the shares of Athene Holding Ltd. that were newly acquired by AAA in the AAA Transaction (the "Excluded Athene Shares"). Likewise, affiliates of Apollo Alternative Assets will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. AAA will continue to pay Apollo Alternative Assets the same management fee on AAA's investment in Athene (other than the Excluded Athene Shares), except that Apollo Alternative Assets agreed that AAA's obligation to pay the existing management fee shall terminate on December 31, 2014. The amendment provides for Apollo Alternative Assets to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd (or if AAA accomplishes a similar transaction using an alternative structure): up to a cap of $30.0 million if the realization event commences in 2013, $25.0 million if the realization event commences in 2014, $20.0 million if the realization event commences in 2015 and zero if the realization event commences in 2016 or thereafter. Apollo Alternative Assets has further agreed that AAA has the option to settle all such management fees payable either in cash or shares of Athene Holding Ltd. valued at the then fair market value (or an equivalent derivative). Carried interest payable to an affiliate of Apollo Alternative Assets will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind or paid in cash if AAA sells the shares of Athene Holding Ltd.

Building Value in Portfolio Companies

We are a "hands-on" investor organized around nine core industries where we believe we have significant knowledge and expertise, and we remain actively engaged with the management teams of the portfolio companies of our private equity funds. We have established relationships with operating executives that assist in the diligence review of new opportunities and provide strategic and operational oversight for portfolio investments. We actively work with the management of each of the portfolio companies of the funds we manage to maximize the underlying value of the business. To achieve this, we take a holistic approach to value-creation, concentrating on both the asset side and liability side of the balance sheet of a company. On the asset side of the balance sheet, Apollo works with management of the portfolio companies to enhance the operations of such companies. Our investment professionals assist portfolio companies in rationalizing non-core and underperforming assets, generating cost and working capital savings, and maximizing liquidity. On the liability side of the balance sheet, Apollo relies on its deep credit structuring experience and works with management of the portfolio companies to help optimize the capital structure of such companies through proactive restructuring of the balance sheet to address near-term debt maturities. We also seek to capture discounts on publicly traded debt securities through exchange offers and potential debt buybacks. In addition, we have established a group purchasing program to help portfolio companies to leverage the combined corporate spending among Apollo and portfolio companies of the funds it manages in order to seek to reduce costs, optimize payment terms and improve service levels for all program participants.

Exiting Investments

The value of the investments that have been made by our funds are typically realized through either an IPO of common stock on a nationally recognized exchange or through the private sale of the companies in which our funds have invested. We believe the advantage of having long-lived funds and investment discretion is that we are able to time our funds' exit to maximize value.

Portfolio Company Holdings

The following table presents the current list of portfolio companies of our private equity funds as of December 31, 2012.

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region	Sole Financial Sponsor at Time of Initial Investment
EP Energy LLC	2012	Fund VII & ANRP	Corporate Carve-outs	Oil & Gas	North America	No
Great Wolf Resorts	2012	Fund VII	Opportunistic Buyouts	Media, Entertainment & Cable	North America	Yes
Pinnacle - Jimmy Sanders	2012	Fund VII & ANRP	Opportunistic Buyouts	Agriculture	North America	Yes
Talos	2012	Fund VII & ANRP	Opportunistic Buyouts	Oil & Gas	North America	No
Taminco	2012	Fund VII	Opportunistic Buyouts	Chemicals	Western Europe	No
Ascometal	2011	Fund VII & ANRP	Corporate Carve-outs	Materials	Western Europe	Yes
Brit Insurance	2011	Fund VII	Opportunistic Buyouts	Insurance	Western Europe	No
CORE Media Group (formerly CKx)	2011	Fund VII	Opportunistic Buyouts	Media, Entertainment & Cable	North America	Yes
Sprouts Farmers Markets	2011	Fund VI	Corporate Carve-outs	Food Retail	North America	Yes
Welspun	2011	Fund VII & ANRP	Opportunistic Buyouts	Materials	India	No
Aleris International	2010	Fund VII & VI	Distressed Buyouts	Building Products	Global	No
Athlon	2010	Fund VII	Opportunistic Buyouts	Oil & Gas	North America	Yes
CKE Restaurants Inc.	2010	Fund VII	Opportunistic Buyouts	Food Retail	North America	Yes
Constellium (formerly Alcan)	2010	Fund VII	Corporate Carve-outs	Materials	Western Europe	No
EVERTEC	2010	Fund VII	Corporate Carve-outs	Financial Services	Puerto Rico	No
Gala Coral Group	2010	Fund VII & VI	Distressed Buyouts	Gaming & Leisure	Western Europe	No
LyondellBasell	2010	Fund VII & VI	Distressed Buyouts	Chemicals	Global	No
Monier	2010	Fund VII	Distressed Buyouts	Building Products	Western Europe	No
Veritable Maritime	2010	Fund VII	Opportunistic Buyouts	Shipping	North America	Yes
Charter Communications	2009	Fund VII & VI	Distressed Buyouts	Media, Entertainment & Cable	North America	No
Dish TV	2009	Fund VII	Opportunistic Buyouts	Media, Entertainment & Cable	India	No
Caesars Entertainment	2008	Fund VI	Opportunistic Buyouts	Gaming & Leisure	North America	No
Norwegian Cruise Line	2008	Fund VI	Opportunistic Buyouts	Cruise	North America	Yes
Claire's	2007	Fund VI	Opportunistic Buyouts	Specialty Retail	Global	Yes
Countrywide	2007	Fund VI	Opportunistic Buyouts	Real Estate Services	Western Europe	Yes
Jacuzzi Brands				Building		

	2007	Fund VI	Opportunistic Buyouts	Products	Global	Yes
Noranda Aluminum	2007	Fund VI	Corporate Carve-outs	Materials	North America	Yes
Prestige Cruise Holdings	2007	Fund VII & VI	Opportunistic Buyouts	Cruise	North America	Yes
Realogy	2007	Fund VI	Opportunistic Buyouts	Real Estate Services	North America	Yes
Vantium	2007	Fund VII	Other Investments	Business Services	North America	Yes
Berry Plastics(1)	2006	Fund VI & V	Corporate Carve-outs	Packaging & Materials	North America	Yes
CEVA Logistics(2)	2006	Fund VI	Corporate Carve-outs	Logistics	Western Europe	Yes
Rexnord(3)	2006	Fund VI	Opportunistic Buyouts	Diversified Industrial	North America	Yes
SourceHOV(4)	2006	Fund V	Opportunistic Buyouts	Financial Services	North America	Yes
Verso Paper	2006	Fund VI	Corporate Carve-outs	Paper Products	North America	Yes
Affinion Group	2005	Fund V	Corporate Carve-outs	Financial Services	North America	Yes
Metals USA	2005	Fund V	Opportunistic Buyouts	Distribution & Transportation	North America	Yes
PLASE Capital	2003	Fund V	Opportunistic Buyouts	Financial Services	North America	Yes
Momentive Performance Materials	2000/2004/2006	Fund IV, V & VI	Corporate Carve-outs	Chemicals	North America	Yes
Quality Distribution	1998	Fund III	Opportunistic Buyouts	Distribution & Transportation	North America	Yes
Debt Investment Vehicles - Fund VII	Various	Fund VII	Debt Investments	Various	Various	Various
Debt Investment Vehicles - Fund VI	Various	Fund VI	Debt Investments	Various	Various	Various
Debt Investment Vehicles - Fund V	Various	Fund V	Debt Investments	Various	Various	Various

(1) Prior to merger with Covalence Specialty Material Holdings Corp.

(2) Includes add-on investment in EGL, Inc.

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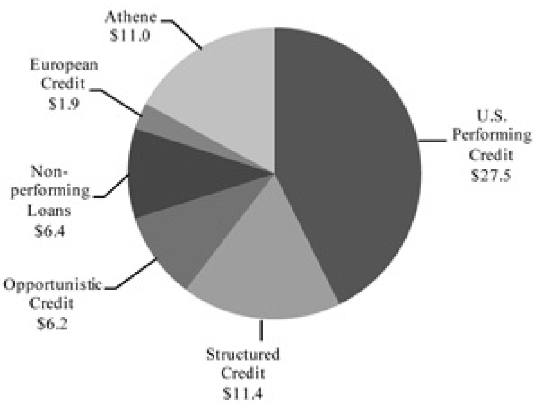
(3) Includes add-on investment in Zurn Industries Inc.
(4) Subsequent to merger with SOURCECORP.

Credit

Since Apollo's founding in 1990, we believe our expertise in credit has served as an integral component of our company's growth and success. Our credit-oriented approach to investing commenced in 1990 with the management of a $3.5 billion high-yield bond and leveraged loan portfolio. Since that time, our credit activities have grown significantly, through both organic growth and strategic acquisitions. As of December 31, 2012, Apollo's credit segment had total AUM and fee-generating AUM of $64.4 billion and $49.5 billion, respectively, across a diverse range of credit-oriented investments that utilize the same disciplined, value-oriented investment philosophy that we employ with respect to our private equity funds.

Apollo's broad credit platform, which we believe is adaptable to evolving market conditions and different risk tolerances, has been organized by the following six functional groups:

Credit AUM
(in billions)



U.S. Performing Credit

The U.S. performing credit group provides investment management services to funds, including SIAs, that primarily focus on income-oriented, senior loan and bond investment strategies. The U.S. performing credit group also includes CLOs that we raise and manage internally. As of December 31, 2012, our U.S. performing credit group had total AUM and fee-generating AUM of $27.5 billion and $20.6 billion, respectively.

Structured Credit

The structured credit group provides investment management services to funds, including SIAs, that primarily focus on structured credit investment strategies that target multiple tranches of structured securities with favorable and protective lending terms, predictable payment schedules, strong financials, and low historical levels of default by underlying borrowers, among other characteristics. These strategies include investments in externally managed CLOs, residential mortgage-backed securities, asset-backed securities and other structured instruments, including insurance-linked securities and longevity-based products. The structured credit group also serves as substitute investment manager for a number of asset-backed CDOs and other structured vehicles. As of December 31, 2012, our structured credit group had total AUM and fee-generating AUM of $11.4 billion and $7.6 billion, respectively.

Opportunistic Credit

The opportunistic credit group provides investment management services to funds, including SIAs, that primarily focus on credit investment strategies that are often less liquid in nature and that utilize a similar value-oriented investment philosophy as our private equity business. The opportunistic credit funds and SIAs invest in a broad array of primary and secondary opportunities encompassing performing, stressed and distressed public and private securities primarily within corporate credit, including senior loans, high yield, mezzanine, debtor in possession financings, rescue or bridge financings, and other debt investments. Additionally, certain opportunistic credit funds will selectively invest in aircraft, energy and structured credit investment opportunities. In certain cases, leverage can be employed in connection with these strategies by having fund subsidiaries or special-purpose vehicles incur debt or by entering into credit facilities or other debt transactions to finance the acquisition of various credit investments. As of December 31, 2012, our opportunistic credit group had total AUM and fee-generating AUM of $6.2 billion and $4.7 billion, respectively.

Non-performing Loans

The non-performing loan group provides investment management services to funds, including SIAs, that primarily invest in European commercial and residential real estate performing and non-performing loans (“NPLs”) and unsecured consumer loans. The non-performing loan group also controls captive pan-European loan servicing and property management platforms within certain of the NPL investment vehicles that we manage. These loan servicing and property management platforms currently operate in six European countries and directly service approximately 56,000 loans secured by approximately 19,000 commercial and residential properties. The post-investment loan servicing and real estate asset management requirements, combined with the illiquid nature of NPLs, limit participation by traditional long only investors, hedge funds, and private equity funds, resulting in what we believe to be a unique opportunity for our credit business. As of December 31, 2012, our non-performing loans group had total AUM and fee-generating AUM of $6.4 billion and $4.5 billion, respectively.

European Credit

The European credit group provides investment management services to funds, including SIAs, that focus on investment strategies in a variety of credit opportunities in Europe across a company’s capital structure. The European credit group invests in senior secured loans and notes, mezzanine loans, subordinated notes, distressed and stressed credit and other idiosyncratic credit investments of companies established or operating in Europe, with a focus on Western Europe. As of December 31, 2012, our European credit group had total AUM and fee-generating AUM of $1.9 billion and $1.3 billion, respectively.

Athene

During 2009, Athene Holding Ltd. was founded to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding Ltd. is the direct or indirect parent of the following principal operating subsidiaries: Athene Life Re Ltd., a Bermuda-based reinsurance company formed in 2009 that is focused on the fixed annuity reinsurance sector; Athene Annuity & Life Assurance Company (formerly known as Liberty Life Insurance Company), a Delaware-domiciled (formerly South Carolina domiciled) stock life insurance company acquired by Athene Holding Ltd. in 2011 that is focused on retail sales and reinsurance in the retirement services market; Athene Life Insurance Company, a Delaware-domiciled (formerly Indiana domiciled) stock life insurance company formed in 2010 that is focused on the institutional funding agreement backed note and funding agreement markets; and Presidential Life Corporation, a Delaware corporation headquartered in Nyack, New York, which markets and sells a variety of fixed annuity products principally in New York through its wholly owned subsidiary, Presidential Life Insurance Company, a New York-domiciled stock life insurance company.

On December 28, 2012, Athene Annuity & Life Assurance Company completed the acquisition of Presidential Life Corporation.

On December 21, 2012, Athene Holding Ltd. entered into an agreement with Aviva plc to acquire Aviva USA Corporation, an Iowa corporation, which markets and sells a variety of fixed annuity and life insurance products in the U.S. through its wholly owned subsidiaries Aviva Life and Annuity Company, an Iowa-domiciled stock life insurance company, and Aviva Life & Annuity Company of New York, a New York-domiciled stock life insurance company. The acquisition is subject to customary closing conditions, including the approval of the acquisition of control of Aviva Life and Annuity Company by the Iowa Insurance Division and the approval of the acquisition of control of Aviva Life & Annuity Company of New York by the New York State Department of Financial Services.

Apollo also formed Athene Asset Management LLC (“Athene Asset Management”) during 2009, an investment manager that receives fees for asset management services provided to Athene and other insurance clients, including asset allocation and portfolio management strategies. As of December 31, 2012, Athene Asset Management had $15.8 billion of total AUM, of which approximately $5 billion was either sub-advised by Apollo or invested in Apollo funds and investment vehicles.

Real Estate

We have assembled a dedicated global investment management team to pursue real estate investment opportunities which we believe benefits from Apollo’s long-standing history of investing in both credit and real estate-related sectors such as hotels and lodging, leisure, and logistics.

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 December 31, 2012, our real estate business had total and fee-generating AUM of approximately $8.8 billion and $4.5 billion, respectively.

Citi Property Investors (“CPI”) Business

On November 12, 2010, Apollo completed the acquisition of the CPI business, which was the real estate investment management business of Citigroup Inc. The CPI business had total AUM of approximately $2.9 billion as of December 31, 2012. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals.

Apollo Commercial Real Estate Finance, Inc.

In September 2009, we launched Apollo Commercial Real Estate Finance, Inc. (“ARI”), a publicly traded real estate investment trust managed by Apollo that acquires, originates, invests in and manages performing commercial first mortgage loans, commercial mortgage backed securities (“CMBS”), mezzanine investments and other commercial real estate-related investments in the United States. The company trades on the New York Stock Exchange (the “NYSE”) under the symbol “ARI.” As of September 30, 2012, ARI had total and fee-generating AUM of approximately $0.8 billion and $0.4 billion, respectively.

CMBS Funds

Since December 2009, we have launched four real estate accounts formed to invest principally in CMBS. We collectively refer to these four accounts (AGRE CMBS Fund, L.P., 2011 A4 Fund, L.P., 2012 CMBS-I Fund, L.P., and the 2012 CMBS-II Fund, L.P.) as the “CMBS Funds”. As of December 31, 2012, the CMBS Funds had total and fee-generating AUM of approximately $2.4 billion and $0.3 billion, respectively.

AGRE U.S. Real Estate Fund, L.P.

Apollo Global Real Estate Management, L.P. ("AGRE"), an indirect subsidiary of Apollo, is the sponsor of the AGRE U.S. Real Estate Fund, L.P. ("AGRE U.S. Real Estate Fund"), which pursues investment opportunities to recapitalize, restructure and acquire real estate assets, portfolios and companies primarily in the United States. As of December 31, 2012, the AGRE U.S. Real Estate Fund had $785.2 million of committed capital, including committed capital from co-investors.

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 December 31, 2012, approximately $2.4 billion of our total AUM was managed through one of our SIAs.

Fundraising and Investor Relations

We believe our performance track record across our funds has resulted in strong relationships with our fund investors. Our fund investors include many of the world's most prominent pension and sovereign wealth funds, university endowments and financial institutions, as well as individuals. We maintain an internal team dedicated to investor relations across our private equity, credit and real estate businesses.

In our private equity business, fundraising activities for new funds begin once the investor capital commitments for the current fund are largely invested or committed to be invested. The investor base of our private equity funds includes both investors from prior funds and new investors. In many instances, investors in our private equity funds have increased their commitments to subsequent funds as our private equity funds have increased in size. During our Fund VI fundraising effort, investors representing over 88% of Fund V's capital committed to the new fund. During our Fund VII fundraising effort, investors representing over 84% of Fund VI's capital committed to Fund VII. The single largest unaffiliated investor represents 6% of Fund VI's commitments and 7% of Fund VII's commitments. In addition, many of our investment professionals commit their own capital to each private equity fund.

During the management of a private equity fund, we maintain an active dialogue with our limited partner investors. We host quarterly webcasts that are led by members of our senior management team and we provide quarterly reports to the limited partner investors detailing recent performance by investment. We also organize an annual meeting for our private equity investors that consists of detailed presentations by the senior management teams of many of our current investments. From time to time, we also hold meetings for the advisory board members of our private equity funds.

In our credit business, we have raised private capital from prominent institutional investors and have also raised capital from public market investors, as in the case of Apollo Investment Corporation ("AINV"), Apollo Senior Floating Rate Fund Inc. ("AFT") and Apollo Residential Mortgage Inc. ("AMTG"). AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT and AMTG are listed on the NYSE and comply with the reporting requirements of that exchange.

In our real estate business, we have raised capital from prominent institutional investors and we have also raised capital from public market investors, as in the case of ARI. ARI is listed on the NYSE and complies with the reporting requirements of that exchange.

Investment Process

We maintain a rigorous investment process and a comprehensive due diligence approach across all of our funds. We have developed policies and procedures, the adequacy of which are reviewed annually, that govern the investment practices of our funds. Moreover, each fund is subject to certain investment criteria set forth in its governing documents that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one company and the geographic regions in which the fund will invest. Our investment professionals are familiar with our investment policies and procedures and the investment criteria applicable to the funds that they manage. Our investment professionals interact frequently across our businesses on a formal and informal basis.

We have in place certain procedures to allocate investment opportunities among our funds. These procedures are meant to ensure that each fund is treated fairly and that transactions are allocated in a way that is equitable, fair and in the best interests of each fund, subject to the terms of the governing agreements of such funds.

Private Equity Investment Process

Our private equity investment professionals are responsible for selecting, evaluating, structuring, diligence, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies. These investment professionals perform significant research into each prospective investment, including a review of the company's financial statements, comparisons with other public and private companies and relevant industry data. The due diligence effort will also typically include:

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

After an initial selection, evaluation and diligence process, the relevant team of investment professionals will prepare a detailed analysis of the investment opportunity for our private equity investment committee. Our private equity investment committee generally meets weekly to review the investment activity and performance of our private equity funds.

After discussing the proposed transaction with the deal team, the investment committee will decide whether to give its preliminary approval to the deal team to continue the selection, evaluation, diligence and negotiation process. The investment committee will typically conduct several lengthy meetings to consider a particular investment before finally approving that investment and its terms. Both at such meetings and in other discussions with the deal team, our Managing Partners and partners will provide guidance to the deal team on strategy, process and other pertinent considerations. Every private equity investment requires the approval of our Managing Partners.

Our private equity investment professionals are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. Disposition decisions made on behalf of our private equity funds are subject to careful review and approval by the private equity investment committee, including our Managing Partners.

Credit and Real Estate Investment Process

Our credit and real estate investment professionals are responsible for selecting, evaluating, structuring, diligence, negotiating, executing, monitoring and exiting investments for our credit funds and real estate funds, respectively. The investment professionals perform significant research into and due diligence of each prospective investment, and prepare analyses of recommended investments for the investment committee of the relevant fund.

Investment decisions are scrutinized by the investment committees where applicable, who review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. Close attention is given to how well a proposed investment is aligned with the distinct investment objectives of the fund in question, which in many cases have specific geographic or other focuses. The investment committee of each of our credit funds and real estate funds generally is provided with a summary of the investment activity and performance of the relevant funds on at least a monthly basis.

Overview of Fund Operations

Investors in our private equity funds and our real estate equity funds make commitments to provide capital at the outset of a fund and deliver capital when called by us as investment opportunities become available. We determine the amount of initial capital commitments for any given private equity fund by taking into account current market opportunities and conditions, as well as investor expectations. The general partner's capital commitment is determined through negotiation with the fund's investor base. The commitments are generally available for six years during what we call the investment period. We have typically invested the capital committed to our funds over a three to four year period. Generally, as each investment is realized, our private equity funds first return the capital and expenses related to that investment and any previously realized investments to fund investors and then distribute any profits. These profits are typically shared 80% to the investors in our private equity funds and 20% to us so long as the investors receive at least an 8% compounded annual return on their investment, which we refer to as a "preferred return" or "hurdle." Our private equity funds typically terminate ten years after the final closing, subject to the potential for two one-year extensions. Dissolution of those funds can be accelerated upon a majority vote of investors not affiliated with us and, in any case, all of our funds also may be terminated upon the occurrence of certain other events. Ownership interests in our private equity funds and certain of our credit and real estate funds are not, however, subject to redemption prior to termination of the funds.

The processes by which our credit and real estate funds receive and invest capital vary by type of fund. AINV, AMTG, AFT and ARI, for instance, raise capital by selling shares in the public markets and these vehicles can also issue debt. Many of our opportunistic credit funds sell shares or limited partner interests, subscriptions which are payable in full upon a fund's acceptance of an investor's subscription, via private placements. Other funds have drawdown structures, such as Apollo European Principal Finance Fund, L.P. ("EPF I"), Apollo European Principal Finance Fund II, L.P. ("EPF II"), Apollo Investment Europe II, L.P. ("AIE II"), Apollo Credit Opportunity Fund I, L.P ("COF I"), and Apollo Credit Opportunity Fund II, L.P. ("COF II"), where investors made a commitment to provide capital at the formation of such funds and deliver capital when called by us as investment opportunities become available. As with our private equity funds, the amount of initial capital commitments for our credit funds is determined by taking into account current market opportunities and conditions, as well as investor expectations. The general partner commitments for our credit funds that are structured as limited partnerships are determined through negotiation with the funds' investor base. The fees and incentive income we earn for management of our credit funds and the performance of these funds and the terms of such funds governing withdrawal of capital and fund termination vary across our credit funds and are described in detail below.

We conduct the management of our private equity, credit and real estate funds primarily through a partnership structure, in which limited partnerships organized by us accept commitments and/or funds for investment from investors. Funds are generally organized as limited partnerships with respect to private equity funds and other U.S. domiciled vehicles and limited partnership and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. Typically, each fund has an investment advisor registered under the Investment Advisers Act of 1940, as amended (the "Investment Advisers

Act"). Responsibility for the day-to-day operations of the funds is typically delegated to the funds' respective investment advisors pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment advisor to the applicable funds, certain rights of termination in respect of our investment advisory agreements and, generally, with respect to our credit funds (as these matters are covered in the limited partnership agreements of the private equity funds), the calculation of management fees to be borne by investors in such funds, as well as the calculation of the manner and extent to which other fees received by the investment advisor from fund portfolio companies serve to offset or reduce the management fees payable by investors in our funds. The funds themselves generally do not register as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the Investment Company Act excepts from its registration requirements funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are "qualified purchasers" or "knowledgeable employees" for purposes of the Investment Company Act. Section 3(c)(1) of the Investment Company Act exempts from its registration requirements privately placed funds whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the Investment Company Act exempts from registration any non-U.S. fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In addition to having an investment advisor, each fund that is a limited partnership, or "partnership" fund, also has a general partner that makes all policy and investment decisions relating to the conduct of the fund's business. The general partner is responsible for all decisions concerning the making, monitoring and disposing of investments, but such responsibilities are typically delegated to the fund's investment advisor pursuant to an investment advisory (or similar) agreement. The limited partners of the funds take no part in the conduct or control of the business of the funds, have no right or authority to act for or bind the funds and have no influence over the voting or disposition of the securities or other assets held by the funds. These decisions are made by the fund's general partner in its sole discretion, subject to the investment limitations set forth in the agreements governing each fund. The limited partners often have the right to remove the general partner or investment advisor for cause or cause an early dissolution by a simple majority vote. In connection with the private offering transactions that occurred in 2007 pursuant to which we sold shares of Apollo Global Management, LLC to certain initial purchasers and accredited investors in transactions exempt from the registration requirements of the Securities Act ("Private Offering Transactions") and the reorganization of the Company's predecessor business (the "2007 Reorganization"), we deconsolidated certain of our private equity and credit funds that have historically been consolidated in our financial statements and amended the governing agreements of those funds to provide that a simple majority of a fund's investors have the right to accelerate the dissolution date of the fund.

In addition, the governing agreements of our private equity funds and certain of our credit and real estate funds enable the limited partners holding a specified percentage of the interests entitled to vote not to elect to continue the limited partners' capital commitments for new portfolio investments in the event certain of our Managing Partners do not devote the requisite time to managing the fund or in connection with certain triggering events (as defined in the applicable governing agreements). In addition to having a significant, immeasurable 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. Further, the loss of one or more of our Managing Partners may result in the acceleration of our debt. 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.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies and general partners are committed to contribute to our funds and affiliates. As a limited partner, general partner and manager of the Apollo funds, Apollo had unfunded capital commitments of $258.3 million and $137.9 million at December 31, 2012 and 2011, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

As the general partner of Apollo/Artus Investor 2007-I, L.P. (“Artus”), Apollo may be obligated for certain 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, 2012, Apollo had no current obligations to Artus.

On December 21, 2012, Apollo agreed to provide up to $100 million of capital support to Athene to the extent such support is necessary in connection with Athene’s pending acquisition of Aviva plc’s annuity and life insurance operations in the United States.

Managing Partners and Other Professionals Investments

To further align our interests with those of investors in our funds, our Managing Partners and other professionals have invested their own capital in our funds. Our Managing Partners and other professionals will either re-invest their carried interest to fund these investments or use cash on hand or funds borrowed from third parties. We generally have not historically charged management fees or carried interest on capital invested by our Managing Partners and other professionals directly in our private equity and credit funds.

Co-Investments

Investors in many of our funds, as well as other investors, may have the opportunity to make co-investments with the funds. Co-investments are investments in portfolio companies or other assets generally on the same terms and conditions as those to which the applicable fund is subject.

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisors of our funds are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, managing conflicts of interest and general anti-fraud prohibitions.

Each of AFT and Apollo Tactical Income Fund Inc. (“AIF”) is a registered investment company under the Investment Company Act. AINV is a registered investment company that has elected to be treated as a business development company under the Investment Company Act. Each of AFT and AINV has elected, and AIF intends to elect, for U.S. Federal tax purposes to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). As such, each of AFT, AIF and AINV is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, in order to avoid excise tax, it needs to distribute at least 98% of its income (such income to include both ordinary income and net capital gains), which would take into account short-term and long-term capital gains and losses. Each of AFT, AIF and AINV, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay an excise tax on this income. In addition, as a business development company, AINV must not acquire any assets other than “qualifying assets” specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of AINV’s total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” In late 2006, the SEC adopted rules under the Investment Company Act to expand the definition of “eligible portfolio company” to include all private companies and companies whose securities are not listed on a national securities exchange. The rules also permit AINV to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition.

ARI elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code commencing with its taxable year ended December 31, 2009. AMTG also elected to be taxed as a REIT under the Internal Revenue Code, commencing with its fiscal year ending December 31, 2011. To maintain their qualification as REITs, ARI and AMTG must distribute at least 90% of their taxable income to their shareholders and meet, on a continuing basis, certain other complex requirements under the Internal Revenue Code.

During 2011, we formed Apollo Global Securities, LLC (“AGS”), which is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, Inc. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services.

Broker-dealers are subject to regulations that cover all aspects of the securities business. In particular, as a registered broker-dealer and member of a self regulatory organization, we are subject to the SEC’s uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer’s assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC’s uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

In December 2012, the Delaware Department of Insurance approved our application to acquire control (as the ultimate parent of the general partner or manager of certain shareholders of Athene) of the U.S. insurance company subsidiaries of Athene Holding Ltd. in connection with the restructuring of Athene and the New York State Department of Financial Services approved our application to acquire control (as the ultimate parent of the general partner or manager of certain shareholders of Athene) of Presidential Life Insurance Company. As a result, we became subject to insurance holding company system laws and regulations in Delaware and New York, which are the states in which the current insurance company subsidiaries of Athene Holding Ltd. are domiciled. In addition, following the completion of Athene’s acquisition of Aviva USA Corporation, we will become subject to insurance holding company system laws and regulations in Iowa. These regulations generally require each of such insurance company subsidiaries to register with the insurance department in its state of domicile and to furnish financial and other information about the operations of companies within its holding company system. These regulations also impose restrictions and limitations on the ability of such insurance company subsidiaries to pay dividends and make other distributions to their parent companies. In addition, transactions between an insurance company and other companies within its holding company system, including sales, loans, reinsurance agreements, management agreements and service agreements, must be on terms that are fair and reasonable and, if material or of a specified category, require prior notice and approval or non-disapproval by the applicable domiciliary insurance department.

The insurance laws of Delaware prohibit any person from acquiring control of an insurance company or its parent company unless that person has filed a notification with specified information with the Delaware Commissioner of Insurance (the “Commissioner”) and has obtained the Commissioner’s prior approval. The insurance laws of New York prohibit any person from acquiring control of an insurance company or its parent company unless that person has filed a notification with specified information with the New York Superintendent of Financial Services (the “Superintendent”) and has obtained the Superintendent’s prior approval. Under both Delaware and New York statutes, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Apollo without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

In addition, many U.S. state insurance laws require prior notification to state insurance departments of an acquisition of control of a non-domiciliary insurance company doing business in that state if the acquisition would result in specified levels of market concentration. While these pre-notification statutes do not authorize the state insurance departments to disapprove the acquisition of control, they authorize regulatory action in the affected state, including requiring the insurance company to cease and desist from doing certain types of business in the affected state or denying a license to do business in the affected state, if particular conditions exist, such as substantially lessening competition in any line of business in such state. Any transactions that would constitute an acquisition of control of Apollo may require prior notification in those states that have adopted pre-acquisition notification laws. These laws may discourage potential acquisition proposals and may delay, deter or prevent an acquisition of control of Apollo (in particular through an unsolicited transaction), even if Apollo might consider such transaction to be desirable for its shareholders.

Currently, there are proposals to increase the scope of regulation of insurance holding companies in both the United States and internationally. In the United States, the National Association of Insurance Commissioners has promulgated a model law for consideration by the various states that would provide for more extensive informational reporting by parents and affiliates of insurance companies. Internationally, the International Association of Insurance Supervisors is in the process of adopting a framework for the "group wide" supervision of internationally active insurance groups. Changes to existing laws or regulations must be adopted by individual states or foreign jurisdictions before they will become effective. We cannot predict with any degree of certainty the additional capital requirements, compliance costs or other burdens these requirements may impose on us and our subsidiaries.

In addition, state insurance departments also have broad administrative powers over the insurance business of our insurance company affiliates, including insurance company licensing and examination, agent licensing, establishment of reserve requirements and solvency standards, premium rate regulation, admissibility of assets, policy form approval, unfair trade and claims practices and other matters.

Apollo Management International LLP is authorized and regulated by the U.K. Financial Services Authority. As of April 11, 2013, the Financial Services Authority will be replaced by the Financial Conduct Authority.

AAA is regulated under the Authorized Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC") with effect from December 15, 2008 under The Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended (the "New Rules"). AAA is deemed to be an authorized closed-ended investment scheme under the New Rules.

Apollo Advisors (Mauritius) Ltd ("Apollo Mauritius"), one of our subsidiaries, and AION Capital Management Limited ("AION Manager"), one of our joint venture investments, are licensed providers of investment management services in the Republic of Mauritius and are subject to applicable Mauritian securities laws and the oversight of the Financial Services Commission (Mauritius) (the "FSC"). Each of Apollo Mauritius and AION Manager is subject to limited regulatory requirements under the Mauritian Securities Act 2005, Mauritian Financial Services Act 2007 and relevant ancillary regulations, including, ongoing reporting and record keeping requirements, anti-money laundering obligations, obligations to ensure that it and its directors, key officers and representatives are fit and proper and requirements to maintain positive shareholders' equity. The FSC is responsible for administering these requirements and ensuring the compliance of Apollo Mauritius and AION Manager with them. If Apollo Mauritius or AION Manager contravenes any such requirements, such entities and/or their officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions.

AGM India Advisors Private Limited is regulated by the Company Law Board (also known as the Ministry of Company Affairs) through the Companies Act of 1956 in India. Additionally since there are foreign investments in the company, AGM India Advisors Private Limited is also subject to the rules and regulations applicable under the Foreign Exchange Management Act of 1999 which falls within the purview of Reserve Bank of India.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of investment management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. Federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities.

However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Legal Officer serves as the Chief Compliance Officer and supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

We generally operate without information barriers between our businesses. In an effort to manage possible risks resulting from our decision not to implement these barriers, our compliance personnel maintain a list of issuers for which we have access to material, non-public information and for whose securities our funds and investment professionals are not permitted to trade. 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.

Competition

The investment management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and niche basis.

We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. We compete for outside investors based on a variety of factors, including:

- investment performance;
- 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.

Depending on the investment, we expect to face competition in acquisitions primarily from other private equity, credit and real estate funds, specialized funds, hedge fund sponsors, other financial institutions, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Many of these competitors have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these 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. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Businesses—The investment management business is intensely competitive, which could materially adversely impact us."

ITEM 1A. RISK FACTORS

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 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 may 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 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. Subject to the terms of their employment, non-competition and non-solicitation agreements, 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 may 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 our Managing Partners have 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 "Item 11. Executive Compensation—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Employment, Non-Competition and Non-Solicitation Agreement with Chairman and Chief Executive Officer" for a more detailed description of the terms of the agreement for one of our Managing Partners.

Changes in the debt financing markets may negatively impact the ability of our funds and their portfolio companies to obtain attractive financing for their investments and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

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. Global financial markets have experienced considerable volatility in the valuations of equity and debt securities, a contraction in the availability of credit and an increase in the cost of financing. Volatility in the financial markets can materially hinder the initiation of new, large-sized transactions for our private equity segment and, together with volatility in valuations of equity and debt securities, may adversely impact our operating results. If market conditions deteriorate, our business could be affected in different ways. In addition, these events and general economic trends are likely to impact the performance of portfolio companies in many industries, particularly industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our funds and our performance may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. 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 financial downturn that began in 2007 adversely affected our operating results in a number of ways, and if the economy were to re-enter a period of recession, it may cause our revenue and results of operations to decline by causing:

- our AUM to decrease, lowering management fees from our funds;
- 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 fund investments, 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 opportunistic and European credit funds and our U.S. performing credit 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.

A decline in the pace of investment in our 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 funds make investments. Many factors could cause 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. Any decline in the pace at which our funds make investments would reduce our transaction and advisory fees and could make it more difficult for us to raise capital.

If one or more of our Managing Partners or other investment professionals leave our company, the commitment periods of certain of our funds may be terminated, and we may be in default under our credit agreement.

The governing agreements of certain of our 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 our business, 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 I and II have 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 April 20, 2007 credit agreement that AMH, one of the entities in the Apollo Operating Group, entered into (the “AMH Credit Agreement”), under which AMH borrowed a $1.0 billion variable-rate term loan (of which approximately $728.3 million was outstanding as of December 31, 2012) 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 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 on fee arrangements of our future funds.

Our funds may not be successful in consummating their current 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.

Over the last few years, 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 downturn 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. In September 2009, the Institutional Limited Partners Association, or "ILPA," published a set of Private Equity Principles, or the "Principles," which were revised in January 2011. The Principles were developed in order to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced "alignment of interests" between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and carried interest structures. We provided ILPA our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so.

The failure of our funds to raise capital in sufficient amounts and on satisfactory terms could result in a decrease in AUM and management fee and transaction fee revenue or us being unable to achieve an increase in AUM and management fee and transaction fee revenue, and could have a material adverse effect on our financial condition 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 certain of our credit and real estate 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 report the returns relating to the historical performance of our private equity, credit and real estate 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, our reputation and our ability to raise new funds. 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 may have been significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we may experience in the future;
- our funds' returns have benefited from investment opportunities and general market conditions that 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 the availability of distressed debt opportunities, 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 report derive largely from the performance of our current private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed, which may have little or no realized investment track record;
- Fund VI and Fund VII are several times larger than our previous private equity funds, and this additional capital may not be deployed 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 credit funds 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 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 report, including risks of the industries and businesses in which a particular fund invests. See “Item 7. 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 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 “Item 7. 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 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. 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.

Exemptions from Certain Laws. We regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Futures Trading Commission, the Commodity Exchange Act of 1936, as amended, and the Employment Retirement Income Security Act of 1974, as amended, 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 "Item 1. 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. 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.

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 advisors. Investment advisors 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 advisor under the Investment Advisers Act. In the United Kingdom, we are subject to regulation by the U.K. Financial Services Authority, which will be replaced by the Financial Conduct Authority as of April 11, 2013. 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 could result in investigations, sanctions and reputational damage.

In June 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.

In November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the "AIFM," which is required to be implemented in the national laws of the European

Union ("EU") member states by July 22, 2013. The AIFM imposes 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 conditions on their operations, including, restrictions on marketing interests in relevant funds to EU and European Economic Area investors; 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. Additional requirements and restrictions apply where such funds invest in an EU portfolio company, including restrictions that may impose limits on certain investment and realization strategies, such as dividend recapitalizations and reorganizations. Such rules could potentially impose significant additional costs on the operation of our business in the EU and could limit our operating flexibility within the relevant jurisdictions.

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 2012) will be limited on the basis of earnings before interest and taxes and/or asset tax values.

According to the German interest barrier rule, the tax deduction available to a company in respect of a net interest expense (interest expense less interest income) is limited to 30% of its tax earnings before interest, taxes, depreciation and amortization ("EBITDA"). Interest expense that does not exceed the threshold of €3m can be deducted without any limitations for income tax purposes. Interest expense in excess of the interest deduction limitation may be carried forward indefinitely (subject to change in ownership restrictions) and used in future periods against all profits and gains. In respect of a tax group, interest paid by the German tax group entities to non-tax group parties (e.g. interest on bank debt, capex facility and working capital facility debt) will be restricted to 30% of the tax group's tax EBITDA. However, the interest barrier rule may not apply where German company's gearing under International Financial Reporting Standards ("IFRS") accounting principles is at maximum of 2% higher than the overall group's leverage ratio at the level of the very top level entity which would be subject to IFRS consolidation (the "escape clause test"). This test is failed where any worldwide company of the entire group pays more than 10% of its net interest expense on debt to substantial (i.e. greater than 25%) shareholders, related parties of such shareholders (that are not members of the group) or secured third parties (although security granted by group members should not be harmful). If the group does not apply IFRS accounting principles, EU member countries' generally accepted accounting principles or generally accepted accounting principles in the United States of America ("U.S. GAAP") may also be accepted for the purpose of the escape clause test. It should be noted that for trade tax purposes, there is principally a 25% add back on all deductible interest paid or accrued by any German entity after the consideration of a tax exempt amount kEUR 100 which is applied to the sum of all add back amounts. For trade tax purposes interest payments within a German tax group will not be considered. 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. See "—Risks Related to Our Organization and Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of the Class A Shares could be adversely affected." 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.

Insurance Regulation. State insurance departments have broad administrative powers over the insurance business of our insurance company affiliates, including insurance company licensing and examination, agent licensing, establishment of reserve requirements and solvency standards, premium rate regulation, admissibility of assets, policy form approval, unfair trade and claims practices and other matters. State regulators regularly review and update these and other requirements. The National Association of Insurance Commissioners ("NAIC") continues to move forward with its implementation of principles-based reserving for life insurers, which may change the methodology used by our insurance company affiliates to calculate their reserves.

Currently, there are proposals to increase the scope of regulation of insurance holding companies in both the United States and internationally. In the United States, the NAIC has promulgated a model law for consideration by the various states that would provide for more extensive informational reporting by parents and affiliates of insurance companies. Internationally, the International Association of Insurance Supervisors is in the process of adopting a framework for the "group wide" supervision of internationally active insurance groups. Changes to existing laws or regulations must be adopted by individual states or foreign jurisdictions before they will become effective. We cannot predict with any degree of certainty the additional capital requirements, compliance costs or other burdens these requirements may impose on us and our insurance company affiliates.

The Dodd-Frank Act created the Federal Insurance Office (the "FIO") within the Department of Treasury headed by a Director appointed by the Treasury Secretary. The FIO is designed principally to exercise a monitoring and information gathering role, rather than a regulatory role. In that capacity, the FIO has been charged with providing reports to the U.S. Congress on (i) modernization of U.S. insurance regulation and (ii) the U.S. and global reinsurance market. Neither report has been issued to date. Such reports could lead to changes in the regulation of insurers and reinsurers in the U.S.

Additionally, certain state regulations impose restrictions and limitations on the ability of our insurance company affiliates to pay dividends and make other distributions to their parent companies. To the extent we depend on dividends from our insurance company affiliates, these regulations could have an adverse impact on our financial condition and results of operations.

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 and certain of our credit and real estate funds, which constitutes 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 credit and real estate 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 funds is uncertain and will contribute to the volatility of our results. Carried interest depends on our 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. Generally, with respect to our private equity funds, 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 a number of our credit funds, our incentive income is generally 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. Certain of our credit 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.

The investment management business is intensely competitive. We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. 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. Due to the global economic downturn and generally poor returns in alternative asset investment businesses during the crisis, 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 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, credit and real estate 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 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.

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 investment 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." 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.

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 board approval.

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 IPO 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 certain of our 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 of our 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 may increase as a result of 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 credit funds. 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 materially affected the ability and willingness of banks to underwrite new high-yield debt securities until relatively recently.

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
- 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 credit 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, AINV is permitted to issue senior securities in amounts such that its asset coverage ratio equals at least 200% after each issuance of senior securities. AINV'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 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 generally accepted accounting principles in the United States of America, or "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.

We face operational risk from errors made in the execution, confirmation or settlement of transactions and our dependence on our headquarters in New York City and third-party providers may have an adverse impact on our ability to continue to operate our businesses without interruption which could result in losses to us 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 capital markets oriented credit 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 rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

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 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 fund’s 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, AFT and AIF, registered investment companies under the Investment Company Act, and AINV, a registered investment company that has elected to be treated as a business development company under the Investment Company Act, are subject to these provisions of the Investment Company Act.

In addition, after undergoing the 2007 Reorganization, we no longer consolidate in our financial statements certain of the funds that have historically been consolidated in our financial statements. In connection with such deconsolidation, 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, 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. 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 loans outstanding under the AMH Credit Agreement and the CIT loan agreements described in note 12 to our consolidated financial statements. 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 above 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, if any, 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 Agreement are scheduled to mature either on April 20, 2014 or January 3, 2017 and borrowings under the CIT loan agreements are scheduled to mature in April 2013. As these borrowings and other indebtedness mature (or are otherwise repaid prior to their scheduled maturities), we may 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 Agreement are floating-rate obligations based on either the London Interbank Offered Rate (“LIBOR”) or the Alternate Base Rate (“ABR”). 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.

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. See “Item 3. Legal Proceedings.”

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 report 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 some of our 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 addition, in the future, our 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. 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 all or 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 credit funds may redeem their investments in our credit 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, after undergoing the 2007 Reorganization, subsequent to which we deconsolidated certain funds that have historically been consolidated in our financial statements, 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 credit 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 advisors of our funds were to experience a change of control. We cannot be certain that consents required to assign our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end 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.

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we manage. Although the U.S. economy has improved, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governmental agencies in the U.S. and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as the packaging, manufacturing, chemical and refining industries, as well as travel and real estate industries. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. For example, the performance of certain of our portfolio companies in the packaging, manufacturing, chemical and refining industries is subject to the cyclical and volatile nature of the supply-demand balance in these industries. These industries historically have experienced alternating periods of capacity shortages leading to tight supply conditions, causing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins. In addition to changes in the supply and demand for products, the volatility these industries experience occurs as a result of changes in energy prices, costs of raw materials and changes in various other economic conditions around the world. The performance of our investments in the commodities markets is also subject to a high degree of business and market risk, as it is substantially dependent upon prevailing prices of oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments in the commodities markets to deploy hedging strategies to protect against pricing fluctuations (but that may or may not protect our investments). Similarly, the performance of cruise ship operations is also susceptible to adverse changes in the economic climate, such as higher fuel prices, as increases in the cost of fuel globally would increase the cost of cruise ship operations. Economic and political conditions in certain parts of the world make it difficult to predict the price of fuel in the future. In addition, cruise ship operators could experience increases in other operating costs, such as crew, insurance and security costs, due to market forces and economic or political instability beyond their control.

In respect of real estate, even though the U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on the companies' performance, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

In addition, our funds' investments in commercial mortgage loans and other commercial real-estate related loans are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with mortgage loans made on the security of residential properties. If the net operating income of the commercial property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by various factors, such as success of tenant businesses, property management decisions, competition from comparable types of properties and declines in regional or local real estate values and rental or occupancy rates.

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 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 AINV'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, AINV 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, AINV 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. AINV's stockholders have, in the past, approved a plan so that during the subsequent 12-month period, AINV 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. AINV may ask its stockholders for additional approvals from year to year. There is no assurance such approvals will be obtained.

Our credit funds are subject to numerous additional risks.

Our credit 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.
- 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 Our Class A Shares

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.

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 distributions, 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;

- 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 of our Class A shares 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.

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 report.

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. As of December 31, 2012, we had 130,053,993 Class A shares outstanding. The Class A shares reserved under our equity incentive plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and Apollo Operating Group units ("AOG Units") exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. Taking into account grants of restricted share units ("RSUs") and options made through December 31, 2012, 39,558,144 Class A shares remained available for future grant under our equity incentive plan. In addition, Holdings may at any time exchange its AOG 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, owned an aggregate of 64.9% of the AOG Units as of December 31, 2012. Subject to certain procedures and restrictions (including any transfer restrictions and lock-up agreements applicable to our Managing Partners and Contributing Partners), each Managing Partner and Contributing Partner has the right, upon 60 days' notice prior to a designated quarterly date, to exchange the AOG Units for Class A shares. These Class A shares are eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations.

Our Managing Partners and Contributing Partners (through Holdings) have the ability to cause us to register the Class A shares they acquire upon exchange of their AOG Units. Such rights will be exercisable beginning two years after the initial public offering of our Class A shares. See "Item 13. Certain Relationships and Related Party Transactions—Managing Partner Shareholders Agreement—Registration Rights."

The Strategic Investors have the ability to cause us to register any of their non-voting Class A shares beginning two years after the initial public offering of our Class A shares, and, generally, may only transfer their non-voting Class A shares prior to such time to its controlled affiliates. See "Item 13. Certain Relationships and Related Party Transactions—Lenders Rights Agreement."

We have on 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, such shares will be freely tradable.

We cannot assure you that our intended quarterly distributions 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 distributions, 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 distributions 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 Holdings GP, Ltd. ("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 represented 77.4% of the total combined voting power of our shares entitled to vote as of December 31, 2012. 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 (as described in "Item 10—Directors, Executive Officers and Corporate Governance—Our Manager") 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 our Company. 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 our Company, 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.

Risks Related to Our Organization and Structure

Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected.

The U.S. Congress, the IRS and the U.S. Treasury Department have recently examined 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 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. In May 2010, the U.S. House of Representatives passed legislation (the "May 2010 House Bill") that would have, in general, treated income and gains, including gain on sale, attributable to an interest in an investment services partnership interest ("ISPI") as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI would have been 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 United States Senate considered, but did not pass, similar legislation. On February 14, 2012, Representative Levin introduced similar legislation (the "2012 Levin Bill") that would tax carried interest at ordinary income rates (which would be higher than the proposed blended rate in the May 2010 House Bill). It is unclear when or whether the U.S. Congress will pass such legislation or what provisions would be included in any legislation, if enacted.

Both the May 2010 House Bill and the 2012 Levin Bill provide 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 would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation were to be 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.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, now treated as capital gains, including gain on disposition of interests attributable to an ISPI, at rates higher than the capital gains rate applicable to such income under current law, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of carried interest. Furthermore, in the proposed American Jobs Act, the Obama administration proposed that current law regarding the treatment of carried interest be changed for taxable years ending after December 31, 2012 to subject such income to ordinary income tax. In its published revenue proposal for 2013, the Obama administration proposed that the current law regarding treatment of carried interest be changed to subject such income to ordinary income tax. The Obama administration's published revenue proposals for 2010, 2011 and 2012 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our Class A shares as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation would be enacted.

On February 22, 2012, the Obama administration announced its framework of key elements to change the U.S. Federal income tax rules for businesses. Few specifics were included, and it is unclear what any actual legislation could provide, when it would be proposed, or its prospects for enactment. Several parts of the framework, if enacted, could adversely affect us. First, the framework could reduce the deductibility of interest for corporations in some manner not specified. A reduction in interest deductions could increase our tax rate and thereby reduce cash available for distribution to investors or for other uses by us. Such a reduction could also limit our ability to finance new transactions and increase the effective cost of financing by companies in which we invest, which could reduce the value of our carried interest in respect of such companies. The framework also suggests that some entities currently treated as partnerships for tax purposes could be subject to an entity-level income tax similar to the corporate income tax. If such a proposal caused us to be subject to additional entity-level taxes, it could reduce cash available for distribution to investors or for other uses by us. The framework reiterates the President's support for treatment of carried interest as ordinary income, as provided in the President's revenue proposal for 2013 described above. However, whether the President's framework will actually be enacted by the government is unknown, and the ultimate consequences of tax reform legislation, if any, are also presently not known.

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 and controlled 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 had 77.4% of the voting power of Apollo Global Management, LLC as of December 31, 2012. Therefore, they 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 controlled 77.4% of the combined voting power of our shares entitled to vote as of December 31, 2012. 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 64.9% of Apollo Operating Group's economic returns through the AOG Units owned by Holdings as of December 31, 2012. 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. For a description of the tax receivable agreement, see "Item 13. Certain Relationships and Related Party Transactions—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 qualify for, and rely on, exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We qualify for exceptions from certain corporate governance and other requirements under the rules of the NYSE. Pursuant to these exceptions, we may 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 are not required to hold annual meetings of our shareholders. Although we currently have a board of directors comprised of a majority of independent directors, we plan to continue to avail ourselves of these exceptions. Accordingly, you will not have the same protections afforded to equity holders 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 AOG Units through entities that are not subject to corporate income taxation and Apollo Global Management, LLC holds the AOG 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.
- 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 “Item 13. Certain Relationships and Related Party Transactions” 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.

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 report. 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 distributions may be limited by our holding company structure. We are dependent on distributions from the Apollo Operating Group to pay distributions, taxes and other expenses.

As a holding company, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. We intend to distribute quarterly distributions 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 distributions 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 distributions 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 Agreement, 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 Agreement, 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 are 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.

Subject to certain restrictions, each Managing Partner and Contributing Partner has the right to exchange the AOG 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., a wholly owned subsidiary of Apollo Global Management, LLC ("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. In April 2012, April 2011 and April 2010, the Apollo Operating Group made a distribution of $5.8 million, $39.8 million and $15.0 million, respectively, to APO Corp., and APO Corp. made payment to satisfy the liability under the tax receivable agreement to the Managing Partners and Contributing Partners from a realized tax benefit for the 2011, 2010 and 2009 tax year. In April 2009, APO Corp. made payment of $9.1 million pursuant to the tax receivable agreement. Prior to 2010, the distribution percentage was governed by a special allocation as discussed in note 15 to our consolidated financial statements. 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 AOG 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 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 "Item 13. 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 Taxation

You will be subject to U.S. Federal income tax on your share of our taxable income, regardless of whether you receive any cash distributions 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.

Current law may change, causing us to be treated as a corporation for U.S. Federal or state income tax purposes or otherwise subjecting us to entity level taxation. See "—Risks Related to Our Organization and Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected." 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 distributions to you would be reduced.

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. Changes to the U.S. Federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. Federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our Class A shares. For example, as discussed above under "—Risks Related to Our Organization and Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected," the U.S. Congress has considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. Federal income tax purposes.

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 Class A shares 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.

Our interests in certain of our businesses are held through entities that are 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, we hold our interests in certain of our businesses through entities that are 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.

Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under the U.S. Foreign Account Tax Compliance Act, or FATCA, all entities in a broadly defined class of foreign entities including foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or, beginning in 2014, be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2017, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or, beginning in 2014, be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2017, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). The reporting obligations imposed under FATCA require FFIs to comply with agreements with the IRS to obtain and disclose information about certain investors to the IRS. Accordingly, the administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors.

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.

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 have therefore adopted 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 have adopted 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.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. Federal income tax purposes. We will be considered to have been terminated for U.S. Federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all holders of Class A shares and could result in a deferral of depreciation deductions allowable in computing our taxable income.

Non-U.S. persons face unique U.S. tax issues from owning Class A shares that may result in adverse tax consequences to them.

In light of our investment activities, we may be, or may become, engaged in a U.S. trade or business for U.S. Federal income tax purposes, in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders of our Class A shares, or "ECI." Moreover, dividends paid by an investment that we make in a real estate investment trust, or "REIT," that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. holders of our Class A shares. In addition, certain income of non-U.S. holders from U.S. sources not connected to any U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, each non-U.S. holder generally would be subject to withholding tax on its allocable share of such income, would be required to file a U.S. Federal income tax return for such year reporting its allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. Federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders may be reduced by withholding taxes imposed at the highest effective applicable tax rate.

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 Apollo Operating 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 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.

Class A shareholders may be subject to state and local taxes and return filing requirements as a result of investing in our Class A shares.

In addition to U.S. Federal income taxes, our Class A shareholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our Class A shareholders do not reside in any of those jurisdictions. Our Class A shareholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, Class A shareholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Class A shareholder to file all U.S. Federal, state and local tax returns that may be required of such Class A shareholder.

We may not be able to furnish to each Class A shareholder specific tax information within 90 days after the close of each calendar year, which means that holders of Class A shares who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that Class A shareholders may be required to file amended income tax returns.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each Class A shareholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, Class A shareholders who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that a Class A shareholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a Class A shareholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each Class A shareholder.

You may be subject to an additional U.S. Federal income tax on net investment income allocated to you by us and on gain on the sale of the Class A shares.

As of 2013, individuals, estates and trusts are subject to an additional 3.8% tax on “net investment income” (or undistributed “net investment income,” in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person’s adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in us will be included in a holder of the Class A share’s “net investment income” subject to this additional tax.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York 10019. We also lease the space for our offices in Purchase, NY, California, Houston, London, Singapore, Frankfurt, Mumbai, Hong Kong and Luxembourg. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

ITEM 3. LEGAL PROCEEDINGS

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.

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 Apollo's motion. The court also dismissed two other defendants, Permira and Merrill Lynch. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding an additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the court granted plaintiffs' motion to file that amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo as a defendant. Apollo joined in the other defendants' October 21, 2010 motion to dismiss the third claim for relief and all claims by the PanAmSat Damages Sub-class in the fourth amended complaint, which motion was granted on January 13, 2011. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint, adding ten additional transactions and expanding the scope of the class seeking relief. On September 7, 2011, the court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. By court order, the parties concluded discovery on May 21, 2012. The plaintiffs then filed a fifth amended complaint on June 14, 2012. One week later, the defendants filed a motion to dismiss portions of the Fifth Amended Complaint. On July 18, 2012, the court granted the defendants' motion in part and denied it in part. On July 21, 2012, all defendants filed motions for summary judgment. While those motions were pending, the New York Times moved to intervene and unseal the fifth amended complaint. After a court order, the defendants submitted a version of the complaint containing only four redactions. The court publicly filed this version of the fifth amended complaint on the case docket on October 10, 2012. On December 18 and 19, 2012, the court heard oral argument on the defendants' motions for summary judgment. Those motions remain pending. Apollo does not believe that a loss from liability in this case is either probable or reasonably estimable. Apollo believes the plaintiffs' claims lack factual and legal merit and intends to defend itself vigorously. For these reasons, no estimate of possible loss, if any, can be made at this time.

In March 2012, plaintiffs filed two putative class actions, captioned Kelm v. Chase Bank (No. 12-cv-332) and Miller v. 1-800-Flowers.com, Inc. (No. 12-cv-396), in the District of Connecticut on behalf of a class of consumers alleging online fraud. The defendants included, among others, Trilegiant Corporation, Inc. ("Trilegiant"), its parent company, Affinion Group, LLC ("Affinion"), and Apollo Global Management, LLC, which is affiliated with funds that are the beneficial owners of 69% of Affinion's common stock. In both cases, plaintiffs allege that Trilegiant, aided by its business partners, who include e-merchants and credit card companies, developed a set of business practices intended to create consumer confusion and ultimately defraud consumers into unknowingly paying fees to clubs for unwanted services. Plaintiffs allege that Apollo is a proper defendant because of its indirect stock ownership and ability to appoint the majority of Affinion's board. The complaints assert claims under the Racketeer Influenced Corrupt Organizations Act; the Electronic Communications Privacy Act; the Connecticut Unfair Trade Practices Act; and the California Business and Professional Code, and seek, among other things, restitution or disgorgement, injunctive relief, compensatory, treble and punitive damages, and attorneys' fees. The allegations in Kelm and Miller are substantially similar to those in Schnabel v. Trilegiant Corp. (No. 3:10-cv-957), a putative class action filed in the District of Connecticut in 2010 that names only Trilegiant and Affinion as defendants. The court has consolidated the Kelm, Miller, and Schnabel cases under the caption In re: Trilegiant Corporation, Inc. and ordered that they proceed on the same schedule. On June 18, 2012, the court appointed lead plaintiffs' counsel, and on September 7, 2012, plaintiffs filed their consolidated amended complaint ("CAC"), which alleges the same causes of action against Apollo as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, and plaintiffs filed opposition papers on February 7, 2013. Defendants' replies are due on March 11, 2013. On December 5, 2012, plaintiffs filed another putative class action, captioned Frank v. Trilegiant Corp. (No. 12-cv-1721), in the District of Connecticut, naming the same defendants and containing allegations substantially similar to those in the CAC. On January 23, 2013, plaintiffs moved to transfer and consolidate Frank into In re: Trilegiant, and on February 15, 2013, the Frank Court extended all defendants' deadlines to respond to the Frank complaint until the earlier of (i) April 1, 2013 or (ii) a ruling on the motion to transfer and consolidate. Apollo believes that plaintiffs' claims against it in these cases are without merit. For this reason, and because the claims against Apollo are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

On July 9, 2012, Apollo was served with a subpoena by the New York Attorney General's Office regarding Apollo's fee waiver program. The subpoena is part of what we understand to be an industry-wide investigation by the New York Attorney General into the tax implications of the fee waiver program implemented by numerous private equity and hedge funds. Under the fee waiver program, individual fund managers for Apollo-managed funds may elect to prospectively waive their management fees. Program participants receive an interest in the future profits, if any, earned on the invested amounts that represent waived fees. They receive such profits from time to time in the ordinary course when distributions are made generally, as provided for in the applicable fund governing documents and waiver agreements. Four Apollo funds have implemented the program. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former Chief Executive Officer of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds managed by 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. On December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services, and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. On April 23, 2012, the SEC filed a lawsuit alleging securities fraud on the part of Arvco, as well as Messrs. Buenrostro and Villalobos, in connection with their activities concerning certain CalPERS investments in funds managed by Apollo. This lawsuit also does not allege wrongdoing on the part of Apollo, and in fact alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. Apollo believes that it has handled its use of placement agents in an appropriate manner. Apollo denies the merit of all such claims and will vigorously contest them, if they are brought.

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 consolidated financial statements. Legal actions material to us could, however, arise in the future.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

Iran Related Activities

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "ITRA") added a new subsection (r) to Section 13 of the Exchange Act, requiring a public reporting issuer to disclose in its annual or quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities or transactions relating to Iran, including activities not prohibited by U.S. law and conducted outside the U.S. by non-U.S. affiliates in compliance with local law. On February 12, 2013, certain investment funds affiliated with Apollo beneficially owned approximately 19.6% of the ordinary shares of LyondellBasell Industries N.V. ("LyondellBasell") and have certain director nomination rights. LyondellBasell may be deemed to be under common control with Apollo, but this statement is not meant to be an admission that common control exists. As a result, it appears that we are required to provide disclosures as set forth below pursuant to Section 219 of the ITRA and Section 13(r) of the Exchange Act. The Annual Report on Form 10-K for the year ended December 31, 2012 filed by LyondellBasell with the SEC on February 12, 2013 contained the disclosure set forth below (with all references contained therein to "the Company" being references to LyondellBasell and its consolidated subsidiaries).

The disclosure below does not relate to any activities conducted by the Company and does not involve the Company or the Company's management. The disclosure relates solely to activities conducted by LyondellBasell and its consolidated subsidiaries.

"Disclosure pursuant to Section 219 of the Iran Threat Reduction & Syria Human Rights Act

- Certain non-U.S. subsidiaries of our predecessor, LyondellBasell AF, licensed processes to construct and operate manufacturing plants in Iran that produce polyolefin plastic material, which is used in the packaging of household and consumer goods. The subsidiaries also provided engineering support and supplied catalyst products to be used in these manufacturing operations. In 2009, the Company made the decision to suspend the pursuit of any new business dealings in Iran.
- As previously disclosed by the Company, in 2010, our management made the further decision to terminate all business by the Company and its direct and indirect subsidiaries with the government, entities and individuals in Iran. The termination was made in accordance with all applicable laws and with the knowledge of U.S. Government authorities. As part of the termination, we entered into negotiations with Iranian counterparties in order to exit our contractual obligations. As described below, two transactions occurred under settlement agreements in early 2012, although the agreements to cease our activities with these counterparties were entered into in 2011. In January 2012, one of our non-U.S. subsidiaries received a final payment of approximately €3.5 million for a shipment of catalyst from an entity that is 50% owned by the National Petrochemical Company of Iran.
- Our shipment of the catalyst was in February 2012 as part of the agreement related to our termination and cessation of all business under agreements with the counterparty. In 2012, the gross revenue from this limited activity was approximately, €4.2 million and profit attributable to it was approximately, €2.4 million.
- In January and February of 2012, one of the Company's non-U.S. subsidiaries provided certain engineering documents relating to a polyolefin plastic process to a licensee comprising three Iranian companies, one of which is 20% owned by the National Oil Company of Iran. The provision of documents was the Company's final act with respect to the termination and cessation of all business under agreements with the counterparties. No gross revenue or profit was attributable to this activity in 2012. The transactions disclosed in this report do not constitute violations of applicable anti-money laundering laws or sanctions laws administered by the U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), and are not the subject of any enforcement actions under the Iran sanction laws.
- We have not conducted, and do not intend to conduct, any further business activities in Iran or with Iranian counterparties."

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A shares are traded on the NYSE under the symbol "APO." Our Class A shares began trading on the NYSE on March 30, 2011.

The number of holders of record of our Class A shares as of February 26, 2013 was 4. This does not include the number of shareholders that hold shares in "street name" through banks or broker-dealers. As of February 26, 2013, there is 1 holder of our Class B shares.

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The following table sets forth the high and low intra-day sales prices per unit of our Class A shares, for the periods indicated, as reported by the NYSE:

2012	Sales Price High	Sales Price Low
First Quarter	$ 15.48	$ 12.50
Second Quarter	14.70	10.42
Third Quarter	15.06	12.00
Fourth Quarter	17.85	13.83

2011	Sales Price High	Sales Price Low
First Quarter	$ 19.00	$ 17.91
Second Quarter	18.91	15.27
Third Quarter	17.94	9.83
Fourth Quarter	14.21	8.85

Cash Distribution Policy

With respect to fiscal year 2012, we have paid four cash distributions of $0.46, $0.25, $0.24 and $0.40 per Class A share on February 29, May 30, August 31 and November 30, 2012 (aggregating $1.35 per Class A share) to record holders of Class A shares and we have declared an additional cash distribution of $1.05 per Class A shares to shareholders in respect of the fourth quarter of 2012 which was paid on February 28, 2013 to holders of record of Class A shares at the close of business on February 20, 2013. These distributions represented 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 business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

With respect to fiscal year 2011, we have paid four cash distributions of $0.17, $0.22, $0.24 and $0.20 per Class A share on January 14, June 1, August 29 and December 2, 2011 (aggregating $0.83 per Class A share) to record holders of Class A shares and we have declared an additional cash distribution of $0.46 per Class A shares to shareholders in respect of the fourth quarter of 2011 payable on February 29, 2012 to holders of record of Class A shares at the close of business on February 23, 2012. These distributions represented 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 business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

Our current 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. 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, our fourth quarter distribution 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 distribution will be at the sole discretion of our manager, which may change our cash distribution policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly distribution, 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 distributions 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 distribution, 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 distribution we have declared; and
- ***Third***, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

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 our Class A shares. See note 15 to our consolidated financial statements.

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. There can be no assurance that we will pay cash distributions 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 Agreement, 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 distributions, 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 distributions or make other cash distributions to equity holders.

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 cash distribution policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay distributions according to our cash distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions.

As of December 31, 2012, approximately 26.9 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, to be paid in the form of cash compensation.

Securities Authorized for Issuance Under Equity Compensation Plans

See table under “Securities Authorized for Issuance Under Equity Compensation Plans” set forth in “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Class A Shares Repurchases in the Fourth Quarter of 2012

No purchases of our Class A shares were made by us or on our behalf in the fourth quarter of the year ended December 31, 2012.

Unregistered Sale of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included in “Item 8. Financial Statements and Supplementary Data.”

The selected historical consolidated statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2012, 2011 and 2010 and the selected historical consolidated statements of financial condition data as of December 31, 2012 and 2011 have been derived from our consolidated financial statements which are included in “Item 8. Financial Statements and Supplementary Data.”

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We derived the selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2009 and 2008 and the selected consolidated and combined statements of financial condition data as of December 31, 2010, 2009 and 2008 from our audited consolidated and combined financial statements which are not included in this document.

	Year Ended December 31, 2012	2011	2010	2009	2008
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates	$ 149,544	$ 81,953	$ 79,782	$ 56,075	$ 145,181
Management fees from affiliates	580,603	487,559	431,096	406,257	384,247
Carried interest income (loss) from affiliates	2,129,818	(397,880)	1,599,020	504,396	(796,133)
Total Revenues	2,859,965	171,632	2,109,898	966,728	(266,705)
Expenses:					
Compensation and benefits:					
Equity-based compensation	598,654	1,149,753	1,118,412	1,100,106	1,125,184
Salary, bonus and benefits	274,574	251,095	249,571	227,356	201,098
Profit sharing expense	871,394	(63,453)	555,225	161,935	(482,682)
Incentive fee compensation	739	3,383	20,142	5,613	—
Total Compensation and Benefits	1,745,361	1,340,778	1,943,350	1,495,010	843,600
Interest expense	37,116	40,850	35,436	50,252	62,622
Professional fees	64,682	59,277	61,919	33,889	76,450
Litigation settlement(1)	—	—	—	—	200,000
General, administrative and other	87,961	75,558	65,107	61,066	71,789
Placement fees	22,271	3,911	4,258	12,364	51,379
Occupancy	37,218	35,816	23,067	29,625	20,830
Depreciation and amortization	53,236	26,260	24,249	24,299	22,099
Total Expenses	2,047,845	1,582,450	2,157,386	1,706,505	1,348,769
Other Income (Loss):					
Net income (loss) from investment activities	288,244	(129,827)	367,871	510,935	(1,269,100)
Net (losses) gains from investment activities of consolidated variable interest entities	(71,704)	24,201	48,206	—	—
Income (loss) from equity method investments	110,173	13,923	69,812	83,113	(57,353)
Interest income	9,693	4,731	1,528	1,450	19,368
Gain from repurchase of debt(2)	—	—	—	36,193	—
Other income (loss), net	1,964,679	205,520	195,032	41,410	(4,609)
Total Other Income (Loss)	2,301,085	118,548	682,449	673,101	(1,311,694)
Income (Loss) Before Income Tax (Provision) Benefit	3,113,205	(1,292,270)	634,961	(66,676)	(2,927,168)
Income tax (provision) benefit	(65,410)	(11,929)	(91,737)	(28,714)	36,995
Net Income (Loss)	3,047,795	(1,304,199)	543,224	(95,390)	(2,890,173)
Net (income) loss attributable to Non-Controlling Interests (3)(4)	(2,736,838)	835,373	(448,607)	(59,786)	1,977,915
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617	$ (155,176)	$ (912,258)
Distributions Declared per Class A share	$ 1.35	$ 0.83	$ 0.21	$ 0.05	$ 0.56
Net Income (Loss) Per Class A Share—Basic and Diluted	$ 2.06	$ (4.18)	$ 0.83	$ (1.62)	$ (9.37)

	As of December 31,				
	2012	2011	2010	2009	2008
			(in thousands)		
Statement of Financial Condition Data					
Total assets	$20,636,858	$7,975,873	$6,552,372	$3,385,197	$2,474,532
Debt (excluding obligations of consolidated variable interest entities)	737,818	738,516	751,525	933,834	1,026,005
Debt obligations of consolidated variable interest entities	11,834,955	3,189,837	1,127,180	—	—
Total shareholders' equity	5,703,383	2,648,321	3,081,419	1,299,110	325,785
Total Non-Controlling Interests	3,036,565	1,921,920	2,930,517	1,603,146	822,843

(1) 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 proceeds of $162.5 million and $37.5 million are included in other income during the years ended December 31, 2010 and 2009, respectively.

(2) 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 (loss) income in the consolidated and combined statements of operations for the year ended December 31, 2009.

(3) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain individuals who receive an allocation of income from certain of our credit management companies.

(4) Reflects the Non-Controlling Interests in the net (loss) income of the Apollo Operating Group relating to the units held by our Managing Partners and Contributing Partners after the 2007 Reorganization which is calculated by applying the ownership percentage of Holding in the Apollo Operating Group.

The ownership interest was impacted by a share repurchase in February 2009, the Company's IPO in April 2011, and issuances of Class A shares in settlement of vested RSUs in 2010, 2011 and 2012. Refer to "Item 8. Financial Statements and Supplementary Data" for details of the ownership percentage.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Apollo Global Management, LLC's consolidated financial statements and the related notes as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010. 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 of this report entitled "Item 1A. Risk Factors." The highlights listed below have had significant effects on many items within our consolidated 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 investment manager. We are contrarian, value-oriented investors in private equity, credit 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, endowment and sovereign wealth funds as well as other institutional and individual investors.

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:

(i) ***Private equity***—primarily invests in control equity and related debt instruments, convertible securities and distressed debt instruments;

(ii) ***Credit***—primarily invests in non-control corporate and structured debt instruments; and

(iii) ***Real estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

During the third quarter of 2012, the Company changed the name of its capital markets business to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organization structure, as well as the manner in which resource deployment and compensation decisions are made.

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 exclude 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 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.

In addition, the growth in our fee-generating AUM during the last year has primarily been in our credit segment. The average management fee rate for these new credit products is at market rates for such

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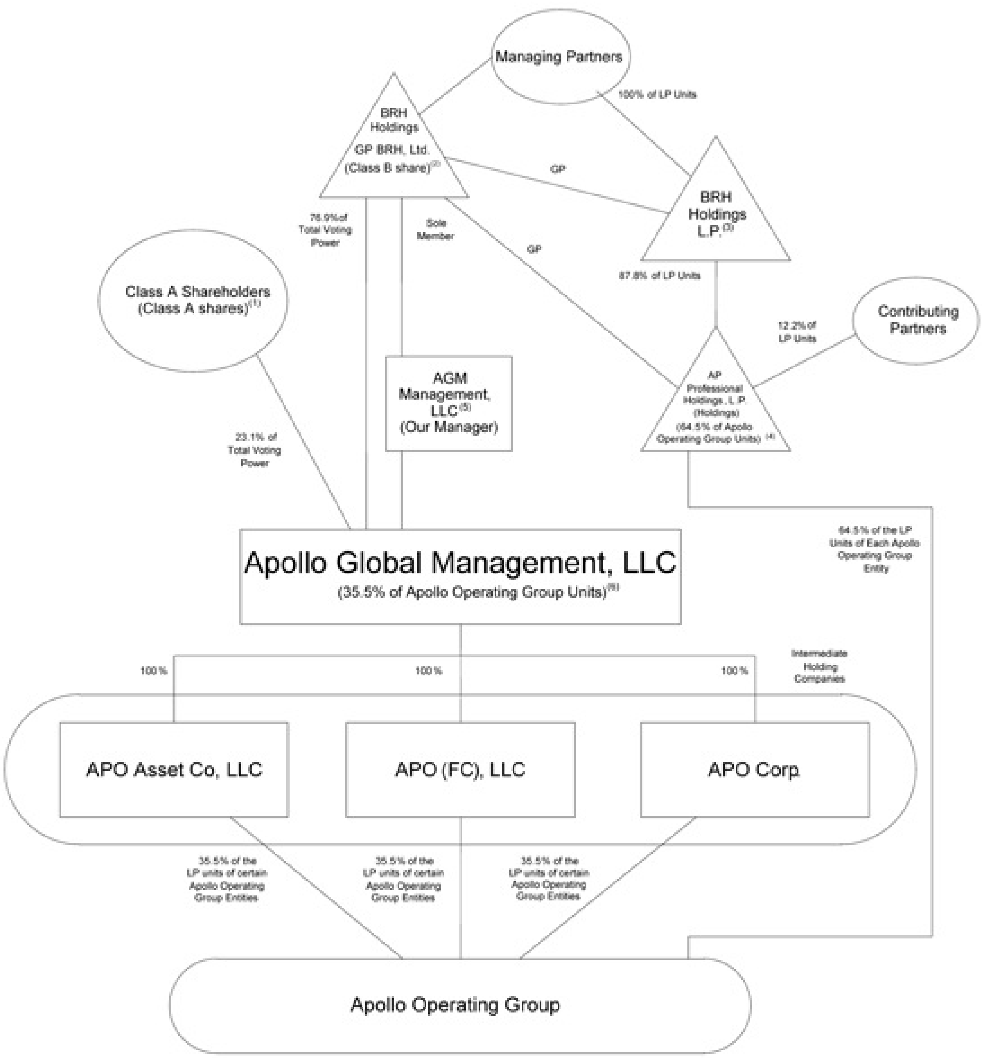
products and in certain cases is below our historical rates. Also, due to the complexity of these new product offerings, the Company has incurred and will continue to incur additional costs associated with managing these products. To date, these additional costs have been offset by realized economies of scale and ongoing cost management.

As of December 31, 2012, we had total AUM of $113.4 billion across all of our businesses. Our latest private equity buyout fund, Fund VII, completed its closing in December 2008, raising a total of $14.7 billion, and as of December 31, 2012 Fund VII had $4.7 billion of uncalled commitments, or "dry powder", remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through December 31, 2012. For further detail related to fund performance metrics across all of our businesses, see "—The Historical Investment Performance of Our Funds."

As of December 31, 2012, approximately 93% of our total AUM was in funds with a contractual life at inception of seven years or more, and 10% of our total AUM was in permanent capital vehicles with unlimited duration.

Holding Company Structure

The diagram below depicts our current organizational structure:



Note: The organizational structure chart above depicts a simplified version of the Apollo structure. It does not include all legal entities in the structure. Ownership percentages are as of the date of the filing of this Annual Report on Form 10-K.

(1) The Strategic Investors hold 45.4% of the Class A shares outstanding. The Class A shares held by investors other than the Strategic Investors represent 23.1% of the total voting power of our shares entitled to vote and 19.4% of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights. However, 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 investments made by the Strategic Investors.

(2) Our Managing Partners own BRH, which in turns holds our only outstanding Class B share. The Class B share represents 76.9% 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 beneficial ownership, through Holdings, of 57% of the limited partner interests in the Apollo Operating Group.

(3) Through BRH Holdings, L.P., our Managing Partners indirectly beneficially own through estate planning vehicles limited partner interests in Holdings.

(4) Holdings owns 64.5% of the limited partner interests in each Apollo Operating Group entity. The AOG Units held by Holdings are exchangeable for Class A shares. Our Managing Partners, through their interests in BRH and Holdings, beneficially own 57% of the AOG Units. Our Contributing Partners, through their ownership interests in Holdings, beneficially own 7.9% of the AOG Units.

(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.

(6) Represents 35.5% 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.

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions.

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.
- 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.

Business Environment

During the fourth quarter of 2012, global equity and credit markets continued to improve, assisted in part by low interest rate policies and other governmental actions. Against this backdrop, Apollo continued to generate realizations for fund investors, playing to the strengths of its flexible business model. Apollo returned $4.9 billion of capital and realized gains to the limited partners of the funds it manages during the fourth quarter of 2012. Apollo's fundraising activities also continued at a strong pace, as evidenced by the $1.6 billion of new capital that was raised during the fourth quarter as institutional investors continued to turn to alternative investment managers for more attractive risk-adjusted returns in a low rate environment.

Regardless of the market or economic environment at any given time, Apollo relies on its contrarian, value-oriented approach to consistently invest capital on behalf of its investors by focusing on opportunities that management believes are often overlooked by other investors. Apollo's expertise in credit and its focus on nine core industry sectors combined with more than 20 years of investment experience have allowed Apollo to respond quickly to changing environments. Apollo's core industry sectors cover chemicals, commodities, consumer and retail, distribution and transportation, financial and business services, manufacturing and industrial, media and cable and leisure, packaging and materials and the satellite and wireless industries. Apollo believes that these attributes have contributed to the success of its private equity funds investing in buyouts and credit opportunities during both expansionary and recessionary economic periods.

From the beginning of the third quarter of 2007 through December 31, 2012, we have deployed approximately $35.0 billion of gross invested capital across our private equity and certain credit 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 fourth quarter of 2007 through December 31, 2012, the funds managed by Apollo have acquired approximately $17.7 billion in face value of distressed debt at discounts to par value and purchased approximately $47.3 billion in face value of leveraged senior loans at discounts to par value from financial institutions. Since we purchased many of these leveraged loan portfolios from highly motivated sellers, we were able to secure, in certain cases, attractive long-term, low cost financing.

Since the financial crisis in 2008, we have relied on our deep industry, credit and financial structuring experience, coupled with our strengths as a value-oriented, distressed investor, to deploy significant amounts of new capital within challenging economic environments. In addition, we actively work with the management of each of the portfolio companies of the funds we manage to maximize the underlying value of the business, including helping the companies to generate cost and working capital savings. We also rely on our deep credit structuring experience and work with management of the portfolio companies to help optimize the capital structure of such companies through proactive restructuring of the balance sheet to address near-term debt maturities or capturing discounts on publicly traded debt securities through exchange offers and potential debt buybacks. For example, as of December 31, 2012, Fund VI and its underlying portfolio companies purchased or retired approximately $19.8 billion in face value of debt and captured approximately $9.7 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Caesars Entertainment, Realogy and Momentive Performance Materials. Additionally, the portfolio companies of Fund VI have implemented approximately $3.8 billion of cost savings programs on an aggregate basis from the date Fund VI invested in them through December 31, 2012, which we believe will positively impact their operating profitability.

In certain situations, 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.

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 and post recessionary periods (second half of 2007 through the year end of 2012), our private equity funds have invested $27.4 billion, of which $16.2 billion was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts to par value. Our average entry multiple for Fund VII, VI and V was 6.2x, 7.7x and 6.6x, respectively as of December 31, 2012. The average entry multiple for a private equity fund is the average of the total enterprise value over an applicable EBITDA which we believe captures the true economics for our purchases of portfolio companies.

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,” “invested capital” or “stockholders’ equity,” each as defined in 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 certain credit funds as well as advisory services provided to certain credit funds; and
- Carried interest with respect to our funds.

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 are 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 funds' portfolio companies. The impact of such events on our private equity and credit funds resulted in volatility in our revenue. If the market were to experience similar periods of volatility, we and the funds we manage may experience 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 can 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 "Item 1A. 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 treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. See "Item 1A. Risk Factors—Risks Related to Our Organization and Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected" and "Item 1A. Risk Factors—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."

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 of our segments.

Economic Net Income (Loss)

ENI is a measure of profitability and 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 RSUs granted in connection with the 2007 private placement and amortization of AOG Units, income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and variable interest entities ("VIEs") that are included in the consolidated financial statements. Adjustments relating to income tax expense, intangible asset amortization and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of the non-cash charges related to the 2007 Reorganization for equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

During the fourth quarter of 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, credit and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the year ended December 31, 2010.

	Impact of Modification on ENI			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2010	$(6,525)	$(23,449)	$(3,975)	$(33,949)

During the third quarter of 2012, the Company changed the name of its capital markets business to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organizational structure as well as the manner in which resource deployment and compensation decisions are made.

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 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, credit and real estate segments. Management also believes the components of ENI such 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 indicate a need for additional capital to be deployed into the respective segment.
- Decisions related to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. To achieve that objective, a certain amount of compensation is based on the Company's performance and growth for the year.

ENI does not take into account certain items included when calculating net income under U.S. GAAP and as such, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results. The following items, which are significant to our business, are excluded when calculating ENI:

(i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, although these costs are expected to be recurring components of our costs we may be able to incur lower cash compensation costs with the granting of equity-based compensation;

(ii) income tax, which represents a necessary and recurring element of our operating costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense;

(iii) amortization of intangible assets associated with the 2007 Reorganization and acquisitions, which is a recurring item until all intangibles have been fully amortized; and

(iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company.

We believe that ENI is helpful for 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 "—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 determined in accordance with U.S. GAAP:

- Inclusion of the impact of RSUs granted in connection with the 2007 private placement and non-cash equity-based compensation expense comprising amortization of AOG Units. 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 RSUs granted in connection with the 2007 private placement and amortization of AOG Units because these non-cash charges are 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 ("NYC UBT") and foreign taxes when applicable.
- Inclusion of amortization of intangible assets associated with the 2007 Reorganization and subsequent acquisitions as these non-cash charges are not viewed as part of our core operations.
- 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 consolidated funds, which remain consolidated in our consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds. One exception is the non-controlling interest related to certain individuals who receive an allocation of income from certain of our credit management companies which is deducted from ENI to better reflect the performance attributable to shareholders.

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. A reconciliation of ENI to our U.S. GAAP net income (loss) attributable to Apollo Global Management, LLC can be found in the notes to our consolidated financial statements.

Operating Metrics

We monitor certain operating metrics that are common to the alternative investment 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 investments 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 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 NAV of our credit funds, other than certain CLOs (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) or certain CLO and CDO credit funds that have a fee generating basis other than mark-to-market asset values, plus used or available leverage and/or capital commitments;

(iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company 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 investments 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.

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 investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

We use AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs.

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 par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, generally are based on the total value of certain structured portfolio company investments, which normally includes 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, (e) structured portfolio company investments that do not generate monitoring fees and (f) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value.

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 December 31, 2012, 2011 and 2010. Changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

	As of December 31,		
	2012	2011	2010
	(in millions)		
Total Assets Under Management	$113,379(1)	$ 75,222	$67,551
Fee-generating	81,934	58,121	47,037
Non-fee generating	31,445(1)	17,101	20,514
Private Equity	37,832	35,384	38,799
Fee-generating	27,932	28,031	27,874
Non-fee generating	9,900	7,353	10,925
Credit(2)	64,406	31,867	22,283
Fee-generating	49,518	26,553	16,484
Non-fee generating	14,888	5,314	5,799
Real Estate(2)	8,800	7,971	6,469
Fee-generating	4,484	3,537	2,679
Non-fee generating	4,316	4,434	3,790

(1) Includes $2.3 billion of commitments that have yet to be deployed to an Apollo fund within our three segments.

(2) Includes fee-generating and non-fee generating AUM as of September 30, 2012 for certain publicly traded vehicles managed by Apollo.

During the year ended December 31, 2012, our total fee-generating AUM increased primarily due to acquisitions in our credit segment, as well as increases in subscriptions across our three segments. The fee-generating AUM of our credit funds increased primarily due to the acquisition in 2012 of Stone Tower Capital LLC and its related management companies ("Stone Tower") as well as increased subscriptions, capital raised and leverage. The fee-generating AUM of our real estate segment increased due to net segment transfers from other segments and subscriptions, partially offset by distributions. The fee-generating AUM of our private equity funds decreased due to distributions, partially offset by subscriptions.

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 once realized and invested capital after also considering certain expenses and preferred return amounts, as specified in the 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 credit and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to realized carried interest on the realized gains on the disposition of such funds' investments. 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 and AMTG, we receive management fees on stockholders equity as defined in the applicable management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees on value in excess of fund commitments. As of December 31, 2012, our total fee-generating AUM is comprised of approximately 92% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

The Company's entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM by segment as of December 31, 2012, 2011 and 2010 are presented below:

	As of December 31, 2012			
	Private Equity	Credit	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$15,854	$ 5,156	$ 194	$21,204
Fee-generating AUM based on invested capital	7,613	3,124	1,866	12,603
Fee-generating AUM based on gross/adjusted assets	855	31,599(3)	2,134(3)	34,588
Fee-generating AUM based on leverage (1)	3,610	3,101	—	6,711
Fee-generating AUM based on NAV	—	6,538	290	6,828
Total Fee-Generating AUM	$27,932(2)	$49,518	$ 4,484	$81,934

(1) Monitoring fees are normally based on the total value of certain structured portfolio company 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, 2012 is 61 months.
(3) The fee-generating AUM for certain of our publicly traded vehicles is based on an adjusted equity amount as specified by the respective management agreements.

	As of December 31, 2011			
	Private Equity	Credit	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$14,848	$ 2,747	$ 279	$ 17,874
Fee-generating AUM based on invested capital	8,635	2,909	1,820	13,364
Fee-generating AUM based on gross/adjusted assets	948	15,862	1,213(3)	18,023
Fee-generating AUM based on leverage (1)	3,600	3,213	—	6,813
Fee-generating AUM based on NAV	—	1,822	225	2,047
Total Fee-Generating AUM	$28,031(2)	$26,553	$3,537	$58,121

(1) Monitoring fees are normally based on the total value of certain structured portfolio company 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, 2011 is 65 months.
(3) The fee-generating AUM for certain of our publicly traded vehicles is based on an adjusted equity amount as specified by the respective management agreements.

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	As of December 31, 2010			
	Private Equity	Credit	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$14,289	$ 1,689	$ 154	$ 16,132
Fee-generating AUM based on invested capital	8,742	3,093	1,750	13,585
Fee-generating AUM based on gross/adjusted assets	1,177	5,556	—	6,733
Fee-generating AUM based on leverage [(1)]	3,666	3,577	—	7,243
Fee-generating AUM based on NAV	—	2,569	775	3,344
Total Fee-Generating AUM	$ 27,874[(2)]	$16,484	$2,679	$ 47,037

(1) Monitoring fees are normally based on the total value of certain structured portfolio company 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, 2010 is 76 months.

AUM as of December 31, 2012, 2011 and 2010 was as follows:

	Total Assets Under Management As of December 31,		
	2012	2011	2010
	(in millions)		
AUM:			
Private equity	$ 37,832	$ 35,384	$ 38,799
Credit	64,406	31,867	22,283
Real estate	8,800	7,971	6,469
Total	$113,379[(1)]	$75,222	$67,551

(1) Includes $2.3 billion of commitments that have yet to be deployed to an Apollo fund within our three segments.

The following table presents total Assets Under Management and fee generating Assets Under Management amounts for our private equity segment by strategy:

	Total AUM As of December 31,			Fee Generating AUM As of December 31,		
	2012	2011	2010	2012	2011	2010
	(in millions)					
Traditional Private Equity Funds	$35,617	$ 34,232	$ 37,341	$25,706	$26,984	$26,592
ANRP	1,284	—	—	1,295	—	—
AAA[(1)]	931	1,152	1,458	931	1,047	1,282
Total	$ 37,832	$35,384	$38,799	$ 27,932	$ 28,031	$ 27,874

(1) Includes co-investments contributed to Athene by AAA, through its investment in AAA Investments, as part of the AAA Transaction.

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The following table presents total Assets Under Management and fee generating Assets Under Management amounts for our credit segment by strategy:

	Total AUM			Fee Generating AUM		
	As of December 31,			As of December 31,		
	2012	2011(1)	2010(1)	2012	2011(1)	2010(1)
	(in millions)					
U.S. Performing Credit	$27,509	$14,719	$11,159	$20,567	$ 11,377	$ 7,379
Structured Credit	11,436	2,442	246	7,589	1,789	246
Athene(2)	10,970	5,974	1,473	10,845	5,974	1,221
NPL	6,404	1,935	1,908	4,527	1,636	1,689
Opportunistic Credit	6,177	5,310	6,691	4,722	4,603	5,362
European Credit	1,910	1,434	755	1,268	1,122	544
Other	—	53	51	—	52	43
Total	$ 64,406	$31,867	$ 22,283	$49,518	$26,553	$16,484

(1) Reclassified to conform to current presentation.

(2) Excludes AUM that is either sub-advised by Apollo or invested in Apollo funds and investment vehicles across its private equity, credit and real estate funds.

The following table presents total Assets Under Management and fee generating Assets Under Management amounts for our real estate segment by strategy:

	Total AUM			Fee Generating AUM		
	As of December 31,			As of December 31,		
	2012	2011	2010	2012	2011	2010
	(in millions)					
Fixed Income	$4,826	$ 4,042	$ 2,827	$ 2,332	$ 1,411	$ 549
Equity	3,974	3,929	3,642	2,152	2,126	2,130
Total	$ 8,800	$7,971	$6,469	$ 4,484	$ 3,537	$2,679

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The following tables summarize changes in total AUM and total AUM for each of our segments for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31, 2012	2011	2010[1]
	(in millions)		
Change in Total AUM:			
Beginning of Period	$ 75,222	$67,551	$ 53,609
Income (Loss)	12,038	(1,477)	8,623
Subscriptions/capital raised	9,688	3,797	617
Other inflows/acquisitions	23,629	9,355	3,713
Distributions	(10,858)	(5,153)	(2,518)
Redemptions	(1,221)	(532)	(338)
Leverage	4,881	1,681	3,845
End of Period	$113,379[2]	$ 75,222	$67,551
Change in Private Equity Total AUM:			
Beginning of Period	$ 35,384	$ 38,799	$ 34,002
Income (Loss)	8,108	(1,612)	6,387
Subscriptions/capital raised	662	417	—
Distributions	(6,537)	(3,464)	(1,568)
Net segment transfers	317	167	(68)
Leverage	(102)	1,077	46
End of Period	$ 37,832	$ 35,384	$ 38,799
Change in Credit Total AUM:			
Beginning of Period	$ 31,867	$ 22,283	$ 19,112
Income (Loss)	3,274	(110)	2,207
Subscriptions/capital raised	5,504	3,094	512
Other inflows/acquisitions	23,629	9,355	—
Distributions	(3,197)	(1,237)	(698)
Redemptions	(948)	(532)	(338)
Net segment transfers	(1,023)	(1,353)	(291)
Leverage	5,300	367	1,779
End of Period	$ 64,406	$ 31,867	$ 22,283
Change in Real Estate Total AUM:			
Beginning of Period	$ 7,971	$ 6,469	$ 495
Income	656	245	29
Subscriptions/capital raised	475	286	105
Other inflows/acquisitions	—	—	3,713
Distributions	(1,124)	(452)	(252)
Redemptions[3]	(273)[3]	—	—
Net segment transfers	1,412	1,186	359
Leverage	(317)	237	2,020
End of Period	$ 8,800	$ 7,971	$ 6,469

(1) Reclassified to conform to current period's presentation.
(2) Includes $2.3 billion of commitments that have yet to be deployed to an Apollo fund within our three segments at the end of 2012.
(3) Includes $273 million of released unfunded commitments primarily related to two legacy real estate funds that were past their investment periods.

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The following tables summarize changes in total fee-generating AUM and fee-generating AUM for each of our segments for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Change in Total Fee-Generating AUM:			
Beginning of Period	$ 58,121	$ 47,037	$ 43,224
Income (Loss)	1,390	(393)	1,244
Subscriptions/capital raised	5,873	2,547	1,234
Other inflows/acquisitions	21,277	9,355	2,130
Distributions	(3,728)	(734)	(1,327)
Redemptions	(909)	(481)	(291)
Net movements between Fee Generating/Non Fee Generating	(564)	761	(197)
Leverage	474	29	1,020
End of Period	$ 81,934	$ 58,121	$ 47,037
Change in Private Equity Fee-Generating AUM:			
Beginning of Period	$ 28,031	$ 27,874	$ 28,092
Income (Loss)	285	(112)	391
Subscriptions/capital raised	644	410	—
Distributions	(1,256)	(272)	(432)
Net segment transfers	50	(88)	(59)
Net movements between Fee Generating/Non Fee Generating	515	285	(218)
Leverage	(337)	(66)	100
End of Period	$ 27,932	$ 28,031	$ 27,874
Change in Credit Fee-Generating AUM:			
Beginning of Period	$ 26,553	$ 16,484	$ 14,854
Income	988	301	842
Subscriptions/capital raised	4,953	1,795	1,234
Other inflows/acquisitions	21,277	9,355	—
Distributions	(2,029)	(283)	(696)
Redemptions	(909)	(481)	(291)
Net segment transfers	(1,096)	(638)	(300)
Net movements between Fee Generating/Non Fee Generating	(1,030)	356	21
Leverage	811	(336)	820
End of Period	$ 49,518	$ 26,553	$ 16,484
Change in Real Estate Fee-Generating AUM:			
Beginning of Period	$ 3,537	$ 2,679	$ 278
Income (Loss)	117	(582)	11
Subscriptions/capital raised	276	342	—
Other inflows/acquisitions	—	—	2,130
Distributions	(443)	(179)	(199)
Net segment transfers	1,045	726	359
Net movements between Fee Generating/Non Fee Generating	(48)	120	—
Leverage	—	431	100
End of Period	$ 4,484	$ 3,537	$ 2,679

Private Equity

During the year ended December 31, 2012, the total AUM in our private equity segment increased by $2.4 billion, or 6.9%. This increase was primarily a result of income of $8.1 billion attributable to improved unrealized gains in our private equity funds, including $4.5 billion from Fund VII and $3.1 billion from Fund VI. In addition, contributing to this increase was an additional $0.7 billion in subscriptions from AION Capital Partners Limited ("AION") and ANRP. Offsetting this increase was $6.5 billion in distributions, including $3.7 billion from Fund VII and $2.1 billion from Fund VI.

During the year ended December 31, 2011, the total AUM in our private equity segment decreased by $3.4 billion, or 8.8%. This decrease was primarily a result of distributions of $3.5 billion, including $1.5 billion from Fund VII and $0.9 billion from Fund IV and $0.8 billion from Fund VI. In addition, $1.6 billion of unrealized losses were incurred that were primarily attributable to Fund VI. Offsetting these decreases was a $1.1 billion increase in leverage, primarily from Fund VII and capital raised of $0.4 billion, primarily in ANRP.

During the year ended December 31, 2010, the total AUM in our private equity segment increased by $4.8 billion, or 14.1%. This increase was primarily impacted by improved investment valuations of $6.4 billion. This increase was partially offset by $1.6 billion of distributions primarily from Fund V.

Credit

During the year ended December 31, 2012, total AUM in our credit segment increased by $32.5 billion, or 102.1%. This increase was primarily attributable to $18.5 billion in acquisitions related to Stone Tower, $5.1 billion in other inflows related to Athene and $5.3 billion in increased leverage, including $3.4 billion from AMTG. The increase was also a result of $5.5 billion of additional subscriptions, including $3.0 billion by Apollo European Principal Finance Fund II, L.P. ("EPF II"), $0.6 billion by Apollo Centre Street Partnership, L.P. ("ACSP") and $0.4 billion by AMTG. This increase was partially offset by $3.2 billion of distributions, including $1.5 billion collectively from COF I and COF II and $0.3 billion from Apollo European Principal Finance Fund I, L.P. ("EPF I").

During the year ended December 31, 2011, total AUM in our credit segment increased by $9.6 billion, or 43.0%. This increase was primarily attributable to inflows of $9.4 billion related to $6.4 billion from Athene and $3.0 billion from the acquisition of Gulf Stream Asset Management, LLC ("Gulf Stream"). Also contributing to this increase was $3.1 billion of capital raised driven by $0.8 billion in Apollo Palmetto Strategic Partnership, L.P. ("Palmetto"), $0.4 billion in Financial Credit Investment I, L.P. ("FCI"), $0.3 billion in AFT, $0.5 billion in Apollo European Strategic Investments, L.P. ("AESI") and $0.2 billion in EPF II. Partially offsetting these increases were distributions of $1.2 billion and redemptions of $0.5 billion, as well as $1.4 billion in net transfers between segments.

During the year ended December 31, 2010, total AUM in our credit segment increased by $3.2 billion, or 16.6%. This increase was attributable to $2.2 billion in improved valuations, primarily in Athene of $0.4 billion and COF I and COF II of $0.7 billion and $0.2 billion, respectively, $1.8 billion of increased leverage primarily in COF II and Athene of $1.1 billion and $0.5 billion, respectively, and $0.5 billion of additional subscriptions. These increases were partially offset by $0.7 billion of distributions and $0.3 billion in redemptions.

Real Estate

During the year ended December 31, 2012, total AUM in our real estate segment increased by $0.8 billion, or 10.4%. This increase was primarily a result of $1.4 billion in net transfers from other segments and additional subscriptions of $0.5 billion, including $0.2 billion from a real estate investment. In addition, also contributing to this increase was income of $0.7 billion attributable to improved unrealized gains in our real estate funds, including $0.4 billion from the CPI funds. Partially offsetting this increase was $1.1 billion in distributions, including $0.8 billion from the CPI funds.

During the year ended December 31, 2011, total AUM in our real estate segment increased by $1.5 billion, or 23.2%. This increase was primarily attributable to $1.2 billion from other net segments. Also impacting this change was an increase in leverage of $0.2 billion, primarily from AGRE CMBS Fund, L.P. and 2011 A-4 Fund, L.P. In addition, there was $0.2 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by $0.5 billion of distributions.

During the year ended December 31, 2010, total AUM in our real estate segment increased by approximately $6.0 billion. The overall AUM increase in our real estate segment was primarily driven by the acquisition of CPI during the fourth quarter of 2010, which had approximately $3.6 billion of AUM at December 31, 2010. Additionally, $2.0 billion of incremental leverage was added during the year ended December 31, 2010 to our real estate segment, which was primarily attributable to the AGRE CMBS Accounts and ARI.

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 as of the reporting date. 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 Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Private equity dollars invested	$3,191	$3,350	$3,863

The following table summarizes the uncalled private equity commitments as of December 31, 2012, 2011 and 2010:

	As of December 31,		
	2012	2011	2010
		(in millions)	
Uncalled private equity commitments	$7,464	$8,204	$10,345

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.

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 few years and may experience in the 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 the availability of distressed debt opportunities, 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 are derived 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 realized investment track record;
- Fund VI and Fund VII are several times larger than our previous private equity funds, and this additional capital may not be deployed 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 credit 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; consequently, we do not provide return information for any funds which have not been actively investing capital for at least 24 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 a 12% gross IRR and a 9% net IRR since its inception through December 31, 2012, while Fund V has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2012. 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, including risks of the industries and businesses in which a particular fund invests. See "Item 1A. 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 of certain of our private equity funds portfolios. All amounts are as of December 31, 2012, unless otherwise noted:

	Vintage Year	Committed Capital	Total Invested Capital	Committed Capital Less Unfunded Capital Commitments(1)	Realized	Unrealized(2)	Total Value	As of December 31, 2012 Gross IRR	As of December 31, 2012 Net IRR	As of December 31, 2011 Gross IRR	As of December 31, 2011 Net IRR	As of December 31, 2010 Gross IRR	As of December 31, 2010 Net IRR
				($ in millions)									
AION(3)	2012	$ 274	$ —	$ —	$ —	$ —	$ —	NM(3)	NM(3)	N/A	N/A	N/A	N/A
ANRP(3)	2012	1,323	265	305	11	239	250	NM(3)	NM(3)	NM(3)	NM(3)	N/A	N/A
Fund VII	2008	14,676	13,585	9,998	10,757	12,367	23,124	35%	26%	31%	22%	46%	32%
Fund VI	2006	10,136	11,813	9,065	6,657	10,343	17,000	11	9	6	5	13	10
Fund V	2001	3,742	5,192	3,742	11,618	1,198	12,816	61	44	61	44	62	45
Fund IV	1998	3,600	3,481	3,600	6,767	54	6,821	12	9	12	9	11	9
Fund III	1995	1,500	1,499	1,500	2,654	28	2,682	18	11	18	12	18	12
Fund I, II & MIA(4)	1990/92	2,220	3,773	2,220	7,924	—	7,924	47	37	47	37	47	37
Totals		$ 37,471	$ 39,608	$ 30,430	$ 46,388	$ 24,229	$ 70,617	39%(5)	25%(5)	39%(5)	25%(5)	39%(5)	26%(5)

	Vintage Year	Net Asset Value as of December 31, 2012	Net Return For the Year Ended December 31, 2012	Net Return For the Year Ended December 31, 2011	Net Return For the Year Ended December 31, 2010
AAA(6)	2006	$ 1,662.9	20%	(8)%	28%

(1) "Committed Capital Less Unfunded Capital Commitments" represent capital commitments from limited partners to invest in a particular fund less capital that is available for investment or reinvestment subject to the provisions of the applicable limited partnership agreements.

(2) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.

(3) AION and ANRP commenced investing capital less than 24 months prior to the period indicated. Given the limited investment period and overall longer investment period for private equity funds, the return information was deemed not meaningful.

(4) 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. The general partners and managers of Funds I, II and MIA, as well as the general partner of Fund III were excluded assets in connection with the 2007 Reorganization of Apollo Global Management, LLC. As a result, Apollo Global Management, LLC did not receive the economics associated with these entities. The investment performance of these funds is presented to illustrate fund performance associated with our Managing Partners and other investment professionals.

(5) Total IRR is calculated based on total cash flows for all funds presented.

(6) AAA completed its IPO in June 2006 and is the sole limited partner in AAA Investments. AAA was originally designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allowed us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our credit funds and certain other opportunistic investments that we sponsor and manage. On October 31, 2012, AAA and AAA Investments consummated a transaction whereby a wholly-owned subsidiary of AAA Investments contributed substantially all of its investments to Athene in connection with the AAA Transaction. After the AAA Transaction, Athene was AAA's only material investment and as of December 31, 2012, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an approximate 77% ownership stake (without giving effect to restricted common shares issued under Athene's management equity plan). Subsequent to December 31, 2012, Athene called additional capital from other investors, and as a result AAA's ownership of Athene Holding Ltd. was reduced to approximately 72% (without giving effect to restricted common shares issued under Athene's management equity plan). Additional information related to AAA can be found on its website at www.apolloalternativeassets.com. The information contained in AAA's website is not part of this report.

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The following table summarizes the investment record for distressed investments made in our private equity fund portfolios excluding ANRP and AION, since the Company's inception. All amounts are as of December 31, 2012:

	Total Invested Capital	Total Value	Gross IRR[1]
	(in millions)		
Distressed for Control	$ 5,568	$15,508	29%
Non-Control Distressed	5,961	8,399	71
Total	11,529	23,907	49
Buyout Equity, Portfolio Company Debt and Other Credit[2]	27,814	46,460	21
Total	$ 39,343	$ 70,367	39%

(1) IRR information is presented gross and does not give effect to management fees, incentive compensation, certain other expenses and taxes.
(2) Other Credit means investments in debt securities of issuers other than portfolio companies that are not considered to be distressed.

The following tables provide additional detail on the composition of our Fund VII, Fund VI and Fund V private equity portfolios based on investment strategy. All amounts are as of December 31, 2012.

Fund VII

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 8,558	$15,539
Other Credit & Classic Distressed[1]	5,027	7,585
Total	$ 13,585	$ 23,124

Fund VI

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 9,667	$13,543
Other Credit & Classic Distressed[1]	2,146	3,457
Total	$11,813	$ 17,000

Fund V

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity	$ 4,412	$11,856
Classic Distressed[1]	780	960
Total	$5,192	$ 12,816

(1) Classic Distressed means investments in debt securities of issuers other than portfolio companies that are considered to be distressed.

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Credit

The following table summarizes the investment record for certain funds and SIAs with a defined maturity date and internal rate of return since inception, which is computed for the purposes of this table based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. Apollo also manages CLOs within our credit segment with total AUM of approximately $10.6 billion as of December 31, 2012, which fund performance information is not included in the following credit investment tables. All amounts are as of December 31, 2012, unless otherwise noted:

								As of December 31, 2012		As of December 31, 2011		As of December 31, 2010	
	Strategy	Vintage Year	Committed Capital	Total Invested Capital	Realized	Unrealized(1)	Total Value	Gross IRR	Net IRR	Gross IRR	Net IRR	Gross IRR	Net IRR
					(in millions)								
ACRF II(2)	Structured Credit	2012	$ 85.2	$ 85.2	$ 2.4	$ 87.6	$ 90.0	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
EPF II(3)(5)	Non-Performing Loans	2012	3,615.2	175.9	19.7	173.0	192.7	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
FCI(3)	Structured Credit	2012	558.8	347.3	15.0	401.2	416.2	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
AESI(3)(5)	European Credit	2011	469.0	371.4	184.1	269.4	453.5	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
AEC(3)	European Credit	2011	292.5	197.1	103.5	125.5	229.0	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
AIE II(5)	European Credit	2008	272.4	860.1	994.2	280.3	1,274.5	19.4%	15.6%	18.2%	14.2%	27.5%	21.8%
COF I	U.S. Performing Credit	2008	1,484.9	1,611.3	1,980.4	2,048.6	4,029.0	30.7	27.6	25.0	22.4	32.5	29.0
COF II	U.S. Performing Credit	2008	1,583.0	2,176.4	1,703.7	1,320.2	3,023.9	14.3	11.7	10.3	8.5	17.4	14.9
EPF I(5)	Non-Performing Loans	2007	1,708.5	1,837.6	1,465.3	1,046.4	2,511.7	18.6	11.6	16.6	8.8	14.8	7.9
ACLF	U.S. Performing Credit	2007	984.0	1,448.5	2,081.2	258.1	2,339.3	13.0	11.2	10.1	9.2	12.1	11.2
Artus	U.S. Performing Credit	2007	106.6	190.1	225.9	—	225.9	7.0	6.8	3.6	3.4	3.0	2.8
Totals			$11,160.1	$ 9,300.9	$8,775.4	$ 6,010.3	$14,785.7						

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.
(2) As part of the Stone Tower acquisition, Apollo acquired the manager of Apollo Structured Credit Recovery Master Fund II, Ltd. ("ACRF II"). Apollo became the manager of this fund upon completing the acquisition on April 2, 2012.
(3) EPF II, AESI and Apollo European Credit Master Fund, L.P. ("AEC") were launched during 2011 and have not established their vintage year. FCI had its final capital raise in 2012, establishing its vintage year.
(4) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.
(5) Certain funds are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.32 as of December 31, 2012.

The following table summarizes the investment record for certain funds and SIAs with no maturity date. All amounts are as of December 31, 2012, unless otherwise noted:

	Strategy	Vintage Year	Net Asset Value as of December 31, 2012	Net Return: Since Inception to December 31, 2012	Net Return: For the Year Ended December 31, 2012	Net Return: For the Year Ended December 31, 2011	Net Return: For the Year Ended December 31, 2010
			(in millions)				
ACSP(1)(2)	Opportunistic Credit	2012	$ 216.4	NM(1)	NM(1)	NM(1)	NM(1)
ACSF(3)	Opportunistic Credit	2011	164.5	NM(1)	NM(1)	NM(1)	NM(1)
AFT(1)(4)	U.S. Performing Credit	2011	290.8	NM(1)	NM(1)	NM(1)	NM(1)
AMTG(1)(5)(6)	Structured Credit	2011	691.4	NM(1)	NM(1)	NM(1)	NM(1)
STCS(3)	Opportunistic Credit	2010	105.3	NM(3)	NM(3)	NM(3)	NM(3)
SOMA(7)	Opportunistic Credit	2007	758.2	44.9%	15.1%	(10.5)%	16.9%
ACF (3)	U.S. Performing Credit	2005	1,790.1	NM(3)	NM(3)	NM(3)	NM(3)
AINV(8)	Opportunistic Credit	2004	1,652.1	47.1	9.9	(5.1)	4.8
Value Funds(9)	Opportunistic Credit	2003/2006	713.2	66.2	10.8	(9.6)	12.2
Totals			$ 6,382.0				

(1) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(2) ACSP is a strategic investment account with $615.0 million of committed capital.

(3) As part of the Stone Tower acquisition, Apollo acquired the manager of Apollo Credit Strategies Master Fund Ltd. ("ACSF"), Stone Tower Credit Solutions Master Fund Ltd. ("STCS"), and Apollo Credit Master Fund Ltd ("ACF"). As of December 31, 2012, the net returns from inception for ACF and STCS were (6.9)% and 28.8%, respectively. These returns were primarily achieved during a period in which Apollo did not make the initial investment decisions. Apollo became the manager of these funds upon completing the acquisition on April 2, 2012.

(4) AFT completed its IPO during the first quarter of 2011. Refer to www.agmfunds.com for the most recent financial information on AFT. The information contained in AFT's website is not part of this report.

(5) Refer to www.apolloresidentialmortgage.com for the most recent financial information on AMTG. The information contained in AMTG's website is not part of this report.

(6) All amounts are as of September 30, 2012.

(7) NAV and returns are for the primary mandate, which follows similar strategies as the Value Funds and excludes Apollo Special Opportunities Managed Account, L.P.'s ("SOMA") investments in other Apollo funds.

(8) Net return for AINV represents NAV return including reinvested dividends. Refer to www.apolloic.com for the most recent public financial information on AINV. The information contained in AINV's website is not part of this report.

(9) Value Funds consist of Apollo Strategic Value Master Fund, L.P., together with its feeder funds and Apollo Value Investment Master Fund, L.P., together with its feeder funds.

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Real Estate

The following table summarizes the investment record for certain funds and SIAs with a defined maturity date and internal rate of return since inception, which for the purposes of this table is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. All amounts are as of December 31, 2012, unless otherwise noted:

								As of December 31, 2012		As of December 31, 2011		As of December 31, 2010	
	Vintage Year	Committed Capital	Current Net Asset Value	Total Invested Capital	Realized	Unrealized(1)	Total Value	Gross IRR	Net IRR	Gross IRR	Net IRR	Gross IRR	Net IRR
				(in millions)									
AGRE U.S. Real Estate Fund(3)	2012	$ 785.2	$ 180.3	$ 202.7	$ —	$ 202.1	$ 202.1	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)
AGRE Debt Fund I, LP	2011	155.5	155.8	155.0	18.5	155.0	173.5	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)
2011 A4 Fund, L.P.	2011	234.7	254.9	930.8	—	974.6	974.6	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)	NM(2)
AGRE CMBS Fund, L.P.	2009	418.8	158.9	1,572.9	—	632.3	632.3	14.1%	11.8%	NM(2)	NM(2)	NM(2)	NM(2)
CPI Capital Partners North America(4)	2006	600.0	110.3	452.6	250.2	99.3	349.5	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
CPI Capital Partners Asia Pacific(4)	2006	1,291.6	479.8	1,126.7	1,082.9	463.5	1,546.4	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
CPI Capital Partners Europe(4)(5)	2006	1,533.0	557.4	994.8	151.8	543.4	695.2	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
CPI Other	Various	2,998.3	1,047.5	N/A(6)	N/A(6)	N/A(6)	N/A(6)	NM(6)	NM(6)	NM(6)	NM(6)	NM(6)	NM(6)
Totals		$ 8,017.1	$2,944.9	$ 5,435.5	$ 1,503.4	$ 3,070.2	$4,573.6						

(1) Figures include estimated fair value of unrealized investments.
(2) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.
(3) AGRE U.S. Real Estate Fund, a closed-end private investment fund that intends to make real estate-related investments principally located in the United States, held closings in January 2011, June 2011 and April 2012 for a total of $263.2 million in base capital commitments and $450 million in additional capital commitments. Additionally, there was $72.0 million of co-invest commitments raised for an investment in the first quarter of 2012, which is included in the figures in the table above.
(4) As part of the CPI acquisition, Apollo acquired general partner interests in fully invested funds. The net IRRs from the inception of the respective fund to December 31, 2012 were (9.6)%, 6.9% and (11.1)% for the CPI Capital Partners North America, Asia Pacific and Europe funds, respectively. These net IRRs were primarily achieved during a period in which Apollo did not make the initial investment decisions and Apollo only became the general partner or manager of these funds upon completing the acquisition on November 12, 2010.
(5) CPI Capital Partners Europe is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.32 as of December 31, 2012.
(6) CPI Other consists of funds or individual investments of which we are not the general partner or manager and only receive fees pursuant to either a sub-advisory agreement or an investment management and administrative agreement. CPI Other fund performance is a result of invested capital prior to Apollo's management of these funds. Return and certain other performance data is therefore not considered meaningful as we perform primarily an administrative role.

The following table summarizes the investment record for Apollo Commercial Real Estate Finance, Inc. ("ARI"):

	Vintage Year	Raised Capital	Gross Assets	Current Net Asset Value
			(in millions)	
ARI(1)	2009	$ 440.4	$ 684.2	$ 427.4

(1) Refer to www.apolloreit.com for the most recent financial information on ARI. Results are presented as of September 30, 2012.

Athene and SIAs

As of December 31, 2012, Athene Asset Management had $15.8 billion of total AUM, of which approximately $5 billion was either sub-advised by Apollo or invested in Apollo funds and investment vehicles.

In addition to certain funds and SIAs included in the investment record tables and capital deployed from certain SIAs across our private equity, credit and real estate funds, we also managed approximately an additional $7.5 billion of total AUM in SIAs as of December 31, 2012. The above investment record tables exclude certain funds and SIAs with an aggregate

AUM of approximately $4 billion as of December 31, 2012, which were excluded because management deemed them to be immaterial.

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.

The following table provides a summary of the cost and fair value of our funds' investments listed by segment:

	As of December 31, 2012(1)	As of December 31, 2011	As of December 31, 2010
		(in millions)	
Private Equity:			
Cost	$ 16,927	$ 15,956	$ 14,322
Fair Value	25,867	20,700	22,485
Credit:			
Cost	15,097(2)	10,917	10,226
Fair Value	16,287(2)	11,696	11,476
Real Estate:			
Cost	3,848(2)	4,791	4,028(3)
Fair Value	3,680(2)	4,344	3,368(3)

(1) Cost and fair value amounts are presented for investments of the funds that are listed in the investment record tables.

(2) AMTG and ARI cost and fair value amounts are as of September 30, 2012.

(3) All amounts are as of September 30, 2010 and include CPI funds with investment cost of $1.8 billion and fair value of $1.1 billion. Additionally, ARI amounts include loans at amortized cost.

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 credit investments, we are entitled to receive fees for 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 certain credit funds. In addition, monitoring fees are generated on certain structured portfolio company investments. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and 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 statements of operations.

The Management Fee Offsets are calculated for each fund as follows:

- 65%-80% for private equity funds gross advisory, transaction and other special fees;

- 65%-80% for certain credit funds gross advisory, transaction and other special fees; and
- 100% for certain other credit 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 statements of operations.

Additionally, in the normal course of business, the management companies incur certain costs related to private equity funds (and certain credit funds) transactions that are not consummated, or “broken deal costs.” In accordance with the related fund agreements, in the event the deal is broken, all of the costs are generally reimbursed by the funds and considered in the calculation of the Management Fee Offset (except for Fund VII and certain of our credit funds which initially bear all broken deal costs and these costs are factored into the Management Fee Offsets). These offsets are included in Advisory and Transaction Fees from Affiliates in the Company’s consolidated 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.

Management Fees from Affiliates. The significant growth of the assets we manage has had a positive effect on our revenues. Management fees are typically calculated based upon any of “net asset value,” “gross assets,” “adjusted par asset value,” “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.

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’ assets at the reporting date, and distribution of the net proceeds in accordance with the funds’ allocation provisions.

At December 31, 2012, approximately 74% of the fair value of our fund investments was determined using market-based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 26% was determined primarily by comparable company and industry multiples or discounted cash flow models. For our private equity, credit and real estate segments, the percentage determined using market-based valuation methods as of December 31, 2012 was 64%, 89% and 47%, respectively. See “Item 1A. Risk Factors—Risks Related to Our Businesses—Our private equity funds’ performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest” for discussion regarding certain industry-specific risks that could affect the fair value of our private equity funds’ portfolio company investments.

Carried interest income fee rates can be as much as 20% for our private equity funds. In our 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 expenses) in excess of an 8% hurdle rate. Additionally, certain of our credit funds have various carried interest rates and hurdle rates. Certain credit funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain credit and certain real estate funds, 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 distributed exceeds the amount due to the general partner based on a fund’s cumulative investment returns. The accrual for potential repayment of previously received carried interest income 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. This actual general partner obligation, however, would not become payable or realized until the end of a fund's life.

The table below presents an analysis of our (i) carried interest receivable as of December 31, 2012 and 2011 and (ii) realized and unrealized carried interest (loss) income for our combined segments for the years ended December 31, 2012, 2011 and 2010:

	As of December 31, 2012	As of December 31, 2011	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
	Carried Interest Receivable	Carried Interest Receivable	Unrealized Carried Interest Income (Loss)	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest (Loss) Income	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest Income	Realized Carried Interest Income	Total Carried Interest Income
	(in millions)										
Private Equity Funds:											
Fund VII	$ 904.3	$ 508.0	$ 435.5	$ 472.1	$ 907.6	$ (135.9)	$ 260.2	$ 124.3	$ 427.1	$ 38.7	$ 465.8
Fund VI	270.3	—	345.6	294.0	639.6	(723.6)(1)	80.7	(642.9)	647.6(2)	13.1	660.7
Fund V	134.3	125.0	9.3	33.4	42.7	(51.6)	24.9	(26.7)	29.4	17.8	47.2
Fund IV	10.9	17.9	(7.0)	2.9	(4.1)	(118.1)	204.7	86.6	136.0(2)	—	136.0
Other (AAA, Stanhope)	93.6	22.1	71.5	10.2	81.7	9.5	—	9.5	11.4	—	11.4
Total Private Equity Funds	$ 1,413.4	$ 673.0	$ 854.9	$ 812.6	$1,667.5	$(1,019.7)	$570.5	$(449.2)	$1,251.5	$ 69.6	$1,321.1
Credit Funds(3):											
U.S. Performing Credit	$ 273.9	$ 114.5	$ 206.3	$ 154.3	$ 360.6	$ (79.6)	$ 62.0	$ (17.6)	$ 85.8	$ 56.7	$ 142.5
Opportunistic Credit	36.7	21.6	7.7(1)	41.5	49.2	(21.8)(1)	43.4	21.6	6.4	104.6	111.0
Structured Credit	23.0	—	18.5	13.4	31.9	—	—	—	—	—	—
European Credit	18.4	8.0	18.0	8.5	26.5	(18.7)	13.2	(5.5)	11.7	12.7	24.4
Non-Performing Loans	102.1	51.5	50.6	—	50.6	53.2	—	53.2	—	—	—
Total Credit Funds	$ 454.1	$ 195.6	$ 301.1	$ 217.7	$ 518.8	$ (66.9)	$118.6	$ 51.7	$ 103.9	$174.0	$ 277.9
Real Estate Funds:											
CPI Other	$ 10.8	$ —	$ 10.4	$ 4.7	$ 15.1	$ —	$ —	$ —	$ —	$ —	$ —
Total Real Estate Funds	$ 10.8	$ —	$ 10.4	$ 4.7	$ 15.1	$ —	$ —	$ —	$ —	$ —	$ —
Total	$ 1,878.3(4)	$ 868.6(4)	$1,166.4	$1,035.0	$2,201.4	$(1,086.6)	$689.1	$(397.5)	$1,355.4	$243.6	$1,599.0

(1) See the following table summarizing the fair value gains on investments and income needed to reverse the general partner obligation to return previously distributed carried interest income as of December 31, 2012. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million for Fund VI and SOMA, respectively.

(2) $602.6 million and $136.0 million for Fund VI and IV, respectively, related to the catch-up formula whereby the Company earns a disproportionate return (typically 80%) for a portion of the return until the Company's carried interest equates to its 20% incentive fee rate.

(3) Reclassified to conform to current presentation.

(4) There was a corresponding profit sharing payable of $857.7 million and $352.9 million as of December 31, 2012 and 2011, respectively, that results in a net carried interest receivable amount of $1,020.6 million and $515.7 million as of December 31, 2012 and 2011, respectively. Included within profit sharing payable are contingent consideration obligations of $141.0 million as of December 31, 2012.

The general partners of the private equity and real estate funds and funds in the credit strategies listed in the table above were accruing carried interest income as of December 31, 2012. As of December 31, 2012, Fund VII, Fund VI, Fund V and Fund IV were each above their hurdle rate of 8% and generating carried interest income. The investment manager of AINV accrues carried interest in the management company business as it is earned. Additionally, certain of our credit funds, including ACSP, AEC, AIE II, COF I, COF II, FCI, Apollo Credit Liquidity Advisors, L.P. ("ACLF"), AESI, EPF I, and ACRF II were each above their hurdle rates or preferred return of 7.0%, 6.0%, 7.5%, 8.0%, 7.5%, 7.0%, 10.0%, 8.0%, 8.0%, and 8.0%, respectively, and generating carried interest income.

The general partners of certain of our credit 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. Certain of our credit funds have investors with various high water marks and are subject to market conditions and investment performance. As of December 31, 2012, approximately 38% of the limited partners' capital in the Value Funds was generating carried interest income.

Carried interest income from our private equity funds and certain credit and real estate 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 fund in the table below and are included in due to affiliates on the consolidated statements of financial condition. As of December 31, 2012, there were no such general partner obligations related to our private equity funds or our real estate funds. Carried interest receivables are reported on a separate line item within the consolidated statements of financial condition.

The following table summarizes our carried interest income since inception through December 31, 2012:

Carried Interest Income Since Inception

	Undistributed by Fund and Recognized	Distributed by Fund and Recognized(1)	Total Undistributed and Distributed by Fund and Recognized(2)	General Partner Obligation as of December 31, 2012(2)	Maximum Carried Interest Income Subject to Potential Reversal(3)
			(in millions)		
Private Equity Funds:					
Fund VII	$ 904.3	$ 796.2	$ 1,700.5	$ —	$ 1,441.0
Fund VI	270.3	418.6	688.9	—	567.1
Fund V	134.3	1,311.0	1,445.3	—	213.7
Fund IV	10.9	595.4	606.3	—	19.7
Other (AAA, Stanhope)	93.6	16.4	110.0	—	93.6
Total Private Equity Funds	1,413.4	3,137.6	4,551.0	—	2,335.1
Credit Funds(4):					
U.S. Performing Credit	401.7	275.7	677.4	—	656.5
Opportunistic Credit(5)	27.6	150.3	177.9	19.6	27.2
Structured Credit	21.2	33.3	54.5	—	30.9
European Credit	18.4	29.0	47.4	—	47.2
Non-Performing Loans	102.1	—	102.1	—	102.1
Total Credit Funds	571.0	488.3	1,059.3	19.6	863.9
Real Estate Funds:					
CPI Other	10.8	4.3	15.1	—	10.4
Total Real Estate Funds	10.8	4.3	15.1	—	10.4
Total	$1,995.2	$ 3,630.2	$ 5,625.4	$ 19.6	$ 3,209.4

(1) Amounts in "Distributed by Fund and Recognized" for the CPI, Gulf Stream and Stone Tower funds and SIAs are presented for activity subsequent to the respective acquisition dates as described in note 3 to our consolidated financial statements.

(2) Amounts were computed based on the fair value of fund investments on December 31, 2012. 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 or has been reduced by the general partner obligation to return previously distributed carried interest income or fees at December 31, 2012. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of the fund's investments based on contractual termination of the fund.

(3) Represents the amount of carried interest income that would be reversed if remaining fund investments became worthless on December 31, 2012. 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, except for Fund IV which is gross of taxes.

(4) Reclassified to conform to current presentation.

(5) Amounts exclude (i) AINV, as carried interest income from this fund is not subject to contingent repayment by the general partner, and (ii) Apollo Investment Europe I, L.P. as this fund is winding down.

The following table summarizes the fair value gains on investments and the income to reverse the general partner obligation to return previously distributed carried interest income based on the current fair value of the underlying funds' investments as of December 31, 2012:

Fund	General Partner Obligation(1)	Net Asset Value as of December 31, 2012	Fair Value Gain on Investments and Income to Reverse General Partner Obligation(2)
		(in millions)	
SOMA	$ 19.3	$ 915.5	$ 20.4
Asia Private Credit ("APC")	0.3	28.6	3.4
	$ 19.6	$ 944.1	$ 23.8

(1) Based upon a hypothetical liquidation as of December 31, 2012, Apollo has recorded a general partner obligation to return previously distributed carried interest income, which represents amounts due to this fund. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of the fund's investments based on contractual termination of the fund.

(2) The fair value gain on investments and income to reverse the general partner obligation is based on the life-to-date activity of the entire fund and assumes a hypothetical liquidation of the fund as of December 31, 2012.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, incentive fee compensation and profit sharing expense associated with the carried interest income earned from private equity, credit and real estate funds and 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 incentive 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 2007 Reorganization have been accounted for as partnership distributions rather than compensation and benefits expense. Refer to note 1 of the consolidated financial statements for further discussion of the 2007 Reorganization. Subsequent to the 2007 Reorganization, our Managing Partners are considered employees of Apollo. As such, payments for services made to these individuals, including the expense associated with the AOG Units described below, have been recorded as compensation expense. The AOG Units were granted to the Managing Partners and Contributing Partners at the time of the 2007 Reorganization, as discussed in note 1 to our consolidated financial statements.

In addition, certain professionals and selected other individuals have a profit sharing interest in the carried interest income earned in relation to our private equity, certain credit and real estate 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 generally based upon a fixed percentage of private equity, credit, and real estate 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 generally before preferred returns are 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, which generally occurs at the end of the fund's term. However, indemnification clauses 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 15 to our consolidated financial statements 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. Additionally, our Managing Partners can receive other forms of compensation. In connection with the 2007 Reorganization, the Managing Partners and Contributing Partners received AOG 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 restricted depository units ("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 are fully-vested for Managing Partners and Contributing Partners on the grant date. In addition, ARI RSUs, ARI restricted stock and AMTG RSUs have been granted to the Company and certain employees in the real estate and credit segments and generally vest over three years. In addition, the Company granted share options to certain employees that generally vest and become exercisable in quarterly installments or annual installments depending on the contract terms over the next two to six years.

Refer to note 14 to our consolidated financial statements for further discussion of AOG Units and other equity-based compensation.

Other Expenses. The balance of our 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 Agreement which has a variable interest amount based on LIBOR and ABR interest rates as discussed in note 12 to our consolidated 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 are amortized based on the future cash flows over the expected useful lives of the assets. Other general operating expenses normally include costs related to travel, information technology and administration.

Other Income (Loss)

Net Gains (Losses) from Investment Activities. The performance of the consolidated Apollo funds has impacted our net gains (losses) from investment activities. Net gains (losses) from investment activities include 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 unrealized investments and reversal of unrealized gains (losses) due to dispositions of investments during the reporting period. 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 financial statements.

Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities. Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Interest Income. The Company recognizes security transactions on the trade date. 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.

Other Income (Loss), Net. Other income, net includes gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries and other miscellaneous income and expenses.

Income Taxes. The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to NYC UBT and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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 Interest in the consolidated financial statements. The Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 64.9%, 65.9% and 71.0% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings as of December 31, 2012, 2011 and 2010, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 97%, 98% and 97% ownership interest held by limited partners in AAA for the years ended December 31, 2012, 2011 and 2010, respectively. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

The authoritative guidance for Non-Controlling Interests in the consolidated financial statements requires reporting entities to present Non-Controlling Interest as equity and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. According to the guidance, (1) Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition, (2) net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company's consolidated statements of operations, (3) the primary components of Non-Controlling Interest are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests 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.

On January 1, 2010, the Company adopted amended consolidation guidance issued by the Financial Accounting Standards Board ("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 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 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 the American Institute of Certified Public Accountants ("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, 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 discussed, the incremental impact of adopting the amended consolidation guidance has resulted in the consolidation of certain VIEs managed by the Company. Additional disclosures related to Apollo's involvement with VIEs are presented in note 5 to our consolidated financial statements.

Results of Operations

Below is a discussion of our consolidated results of operations for the years ended December 31, 2012, 2011 and 2010, respectively. For additional analysis of the factors that affected our results at the segment level, refer to "—Segment Analysis" below:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Amount Change	Percentage Change	Year Ended December 31, 2011	Year Ended December 31, 2010	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Revenues:								
Advisory and transaction fees from affiliates	$ 149,544	$ 81,953	$ 67,591	82.5%	$ 81,953	$ 79,782	$ 2,171	2.7%
Management fees from affiliates	580,603	487,559	93,044	19.1	487,559	431,096	56,463	13.1
Carried interest income (loss) from affiliates	2,129,818	(397,880)	2,527,698	NM	(397,880)	1,599,020	(1,996,900)	NM
Total Revenues	2,859,965	171,632	2,688,333	NM	171,632	2,109,898	(1,938,266)	(91.9)
Expenses:								
Compensation and benefits:								
Equity-based compensation	598,654	1,149,753	(551,099)	(47.9)	1,149,753	1,118,412	31,341	2.8
Salary, bonus and benefits	274,574	251,095	23,479	9.4	251,095	249,571	1,524	0.6
Profit sharing expense	871,394	(63,453)	934,847	NM	(63,453)	555,225	(618,678)	NM
Incentive fee compensation	739	3,383	(2,644)	(78.2)	3,383	20,142	(16,759)	(83.2)
Total Compensation and Benefits	1,745,361	1,340,778	404,583	30.2	1,340,778	1,943,350	(602,572)	(31.0)
Interest expense	37,116	40,850	(3,734)	(9.1)	40,850	35,436	5,414	15.3
Professional fees	64,682	59,277	5,405	9.1	59,277	61,919	(2,642)	(4.3)
General, administrative and other	87,961	75,558	12,403	16.4	75,558	65,107	10,451	16.1
Placement fees	22,271	3,911	18,360	469.4	3,911	4,258	(347)	(8.1)
Occupancy	37,218	35,816	1,402	3.9	35,816	23,067	12,749	55.3
Depreciation and amortization	53,236	26,260	26,976	102.7	26,260	24,249	2,011	8.3
Total Expenses	2,047,845	1,582,450	465,395	29.4	1,582,450	2,157,386	(574,936)	(26.6)
Other Income:								
Net gains (losses) from investment activities	288,244	(129,827)	418,071	NM	(129,827)	367,871	(497,698)	NM
Net (losses) gains from investment activities of consolidated variable interest entities	(71,704)	24,201	(95,905)	NM	24,201	48,206	(24,005)	(49.8)
Income from equity method investments	110,173	13,923	96,250	NM	13,923	69,812	(55,889)	(80.1)
Interest income	9,693	4,731	4,962	104.9	4,731	1,528	3,203	209.6
Other income, net	1,964,679	205,520	1,759,159	NM	205,520	195,032	10,488	5.4
Total Other Income	2,301,085	118,548	2,182,537	NM	118,548	682,449	(563,901)	(82.6)
Income (loss) before income tax benefit (provision)	3,113,205	(1,292,270)	4,405,475	NM	(1,292,270)	634,961	(1,927,231)	NM
Income tax provision	(65,410)	(11,929)	(53,481)	(448.3)	(11,929)	(91,737)	79,808	(87.0)
Net Income (Loss)	3,047,795	(1,304,199)	4,351,994	NM	(1,304,199)	543,224	(1,847,423)	NM
Net income (loss) attributable to Non-Controlling Interests	(2,736,838)	835,373	(3,572,211)	NM	835,373	(448,607)	1,283,980	NM
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 779,783	NM	$ (468,826)	$ 94,617	$ (563,443)	NM

"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.

Revenues

Our revenues and other income include fixed components that result from measures of capital and asset valuations and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $67.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This increase was primarily attributable to an increase in advisory and transaction fees in the private equity segment of $71.6 million during the period. During the year ended December 31, 2012, gross and net advisory fees, including directors' fees, were $152.1 million and $66.3 million, respectively, and gross and net transaction fees were $176.7 million and $88.5 million, respectively. During the year ended December 31, 2011, gross and net advisory fees, including directors' fees, were $143.1 million and $56.1 million, respectively, and gross and net transaction fees were $62.9 million and $30.7 million, respectively. The net transaction and advisory fees were further offset by $5.3 million and $4.8 million in broken deal costs during the years ended December 31, 2012 and 2011, respectively, primarily relating to Fund VII. Advisory and transaction 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 $93.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in management fees earned by our credit, private equity and real estate segments of $113.0 million, $13.8 million and $6.0 million, respectively, as a result of corresponding increases in the net assets managed and fee-generating invested capital with respect to these segments during the period. The remaining change was attributable to an increase of $39.8 million of fees earned from VIEs eliminated in consolidation in our credit segment during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Carried interest income from affiliates increased by $2,527.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased carried interest income driven by increases in the fair value of portfolio investments held by certain funds, primarily Fund VI, Fund VII, COF I, ACLF, CLOs, Fund V, COF II, AAA and Apollo Credit Fund, which had increased carried interest income of $1,282.5 million, $783.3 million, $134.9 million, $77.4 million, $72.2 million, $69.4 million, $69.1 million, $47.6 million and $25.7 million, respectively, during the year ended December 31, 2012 as compared to the same period in 2011. The remaining change was attributable to an overall increase in the fair value of portfolio investments of the remainder of funds, which generated increased carried interest income of $36.8 million during the period. Included in the above for the year ended December 31, 2012 was a reversal of $75.3 million of the general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously recognized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Part of the increase in carried interest income from affiliates was attributable to an increase in carried interest income of $71.2 million earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation during year ended December 31, 2012 as compared to the same period in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $2.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This increase was primarily attributable to an increase of advisory fees in the private equity segment during the period of $6.5 million, partially offset by a decline in transaction fees in the credit segment of $4.6 million. During the year ended December 31, 2011, gross and net advisory fees, including directors' fees, were $143.1 million and $56.1 million, respectively, and gross and net transaction fees were $62.9 million and $30.7 million, respectively. During the year ended December 31, 2010, gross and net advisory fees, including directors' fees, were $120.7 million and $43.4 million, respectively, and gross and net transaction fees were $102.0 million and $38.2 million, respectively. The net transaction and advisory fees were further offset by $4.8 million and $1.8 million in broken deal costs during the years ended December 31, 2011 and 2010, respectively, primarily relating to Fund VII. Advisory and transaction 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 $56.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in management fees earned by our real estate, credit and private equity segments by $28.9 million, $26.4 million and $3.8 million, respectively, as a result of corresponding increases in the net assets managed and fee-generating invested capital with respect to these segments during the period. The remaining change was attributable to $2.6 million of fees earned from VIEs eliminated in consolidation during the year ended December 31, 2011.

Carried interest (loss) income from affiliates changed by $(1,996.9) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. Carried interest income from affiliates is driven by investment gains and losses of unconsolidated funds. During the year ended December 31, 2011, there was $(1,087.0) million and $689.1 million of unrealized carried interest loss and realized carried interest income, respectively, which resulted in total carried interest loss from affiliates of $(397.9) million. During the year ended December 31, 2010, there was $1,355.4 million and $243.6 million of unrealized and realized carried interest income, respectively, which resulted in total carried interest income from affiliates of $1,599.0 million. The $2,442.4 million decrease in unrealized carried interest income was driven by significant declines in the fair value of portfolio investments held by certain of our private equity and credit funds, which resulted in reversals of previously recognized carried interest income, primarily by Fund VI, Fund VII, Fund IV, Fund V, COF II, COF I, ACLF, AIE II and SOMA, which had decreased carried interest income of $1,371.2 million, $563.0 million, $254.1 million, $81.0 million, $59.5 million, $57.9 million, $49.9 million, $30.4 million and $27.8 million, respectively. Included in the above for the year ended December 31, 2011 was a reversal of previously recognized carried interest income due to general partner obligations to return carried interest income that was previously distributed on Fund VI and SOMA of $75.3 million and $18.1 million, respectively. The $445.5 million increase in realized carried interest income was attributable to increased dispositions along with higher interest and dividend income distributions from portfolio investments held by certain of our private equity and credit funds, primarily by Fund VII, Fund IV and Fund VI of $221.5 million, $204.7 million and $67.6 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Expenses

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits increased by $404.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in profit sharing expense of $934.8 million driven by an increase in unrealized and realized carried interest income earned from our private equity and credit funds during the period. This increase was partially offset by a decrease in equity-based compensation of $551.1 million, specifically the amortization of AOG Units decreased by $551.8 million due to the expiration of the vesting period for certain Managing Partners, along with an increase in equity-based compensation relating to RSUs and share options of $0.1 million due to additional grants during the year ended December 31, 2012. Included in profit sharing expense is $25.8 million related to change in fair value of our contingent consideration obligations. Included in profit sharing expense is $62.1 million and $35.2 million of expense related to the Incentive Pool (as defined below) for the years ended December 31, 2012 and 2011, respectively.

The Company currently intends to, over time, seek to more directly tie compensation of its professionals to realized performance of the Company's business, which will likely result in greater variability in compensation. As previously disclosed, in June 2011, the Company adopted a performance based incentive arrangement (the "Incentive Pool") whereby certain partners and employees earned discretionary compensation based on carried interest realizations earned by the Company during the year, which amounts are reflected as profit sharing expense in the Company's consolidated financial statements. The Company adopted the Incentive Pool to attract and retain, and provide incentive to, partners and employees of the Company and to more closely align the overall compensation of partners and employees with the overall realized performance of the Company. Allocations to the Incentive Pool and to its participants contain both a fixed and a discretionary component and may vary year-to-year depending on the overall realized performance of the Company and the contributions and performance of each participant. There is no assurance that the Company will continue to compensate individuals through performance-based incentive arrangements in the future and there may be periods when the executive committee of the Company's manager determines that allocations of realized carried interest income are not sufficient to compensate individuals, which may result in an increase in salary, bonus and benefits expense.

Interest expense decreased by $3.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased interest expense of

$4.9 million mainly due to a lower margin rate on the AMH Credit Agreement during the year ended December 31, 2012 as compared to the same period in 2011.

Professional fees increased by $5.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was attributable to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2012, as compared to the same period during 2011.

General, administrative and other expenses increased by $12.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new funds and continued expansion of our global investment platform during the year ended December 31, 2012 as compared to the same period during 2011.

Placement fees increased by $18.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. 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 increased fundraising efforts during the period in connection with our credit funds, primarily EPF II, which incurred $12.9 million of placement fees during the year ended December 31, 2012.

Occupancy expense increased by $1.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to additional expenses incurred from additional office space leased as a result of the increase in our headcount to support the expansion of our global investment platform during the year ended December 31, 2012 as compared to the same period during 2011.

Depreciation and amortization expense increased by $27.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased amortization expense due to amortization of intangible assets acquired subsequent to December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits decreased by $602.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a reduction of profit sharing expense of $618.7 million driven by the change in carried interest income earned from certain of our private equity and credit funds due to the significant decline in the fair value of the underlying investments in these funds during the period. In addition, incentive fee compensation decreased by $16.8 million as a result of the unfavorable performance of certain of our credit funds during the period. Management business compensation and benefits expense increased by $39.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily the result of increased headcount, partially offset by a decrease related to the performance based incentive arrangement discussed below.

Interest expense increased by $5.4 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to higher interest expense incurred during 2011 on the AMH Credit Agreement due to the margin rate increase once the maturity date was extended in December 2010.

Professional fees decreased by $2.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was attributable to lower external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2011, as compared to the same period during 2010.

General, administrative and other expenses increased by $10.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new funds and continued expansion of our global investment platform during the year ended December 31, 2011 as compared to the same period during 2010.

Occupancy expense increased by $12.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to additional expense incurred from the extension of existing leases along with additional office space leased as a result of the increase in our headcount to support the expansion of our global investment platform during the year ended December 31, 2011 as compared to the same period during 2010.

Other Income (Loss)

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net (losses) gains from investment activities increased by $418.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was attributable to a $412.1 million increase in net unrealized gains related to changes in the fair value of AAA Investments' portfolio during the period. In addition, there was a $4.7 million increase in unrealized gain related to the change in the fair value of the investment in HFA Holdings Limited ("HFA") and a $1.2 million increase in net unrealized and realized gains related to changes in the fair value of portfolio investments of Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund") during the year ended December 31, 2012.

Net losses from investment activities of consolidated VIEs increased by $95.9 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This was primarily attributable to a change in net realized and unrealized losses of $519.6 million relating to the debt held by the consolidated VIEs, along with higher expenses which resulted in an increased loss of $329.4 million during the period, primarily due to the acquisition of Stone Tower in April 2012. These changes were partially offset by higher net unrealized and realized gains relating to the increase in the fair value of investments held by the consolidated VIEs of $246.5 million and higher interest income of $506.6 million during the year ended December 31, 2012 as compared to the same period during 2011.

Income from equity method investments increased by $96.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily driven by changes in the fair values of certain Apollo funds in which Apollo has a direct interest. Fund VII, COF I, COF II and ACLF had the most significant impact and together generated $89.5 million of income from equity method investments during the year ended December 31, 2012 as compared to $11.5 million of income from equity method investments during the year ended December 31, 2011 resulting in a net increase of income from equity method investments totaling $77.6 million. Refer to note 4 to our consolidated financial statements for a complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2012 and 2011.

Other income, net increased by $1,759.2 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in gains on acquisitions of $1,755.7 million driven by the $1,951.1 million bargain purchase gain recorded on the Stone Tower acquisition during April 2012, partially offset by the bargain purchase gain on the Gulf Stream acquisition of $195.5 million during October 2011. Refer to note 3 to our consolidated financial statements for further discussion of the Stone Tower and Gulf Stream acquisitions. The remaining change was primarily attributable to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2012 as compared to the same period in 2011. Refer to note 10 of our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2012 and 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net gains from investment activities decreased by $497.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a

$494.1 million decrease in net unrealized gains related to changes in the fair value of AAA Investments' portfolio investments during the period. In addition, there was a $5.9 million unrealized loss related to the change in the fair value of the investment in HFA during the year ended December 31, 2011, partially offset by $2.3 million of net unrealized and realized gains related to changes in the fair value of Metals Trading Fund, L.P. ("Metal's Trading Fund") portfolio investments during the year ended December 31, 2010.

Net gains from investment activities of consolidated VIEs decreased by $24.0 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a decrease in net realized and unrealized gains (losses) relating to the decrease in the fair value of investments held by the consolidated VIEs of $54.1 million, along with higher expenses of $37.9 million during the period primarily due to the acquisition of Gulf Stream in October 2011. These decreases were partially offset by higher net unrealized and realized gains relating to the debt held by the consolidated VIEs of $55.7 million and higher interest income of $12.3 million during the year ended December 31, 2011 as compared to the same period during 2010.

Income from equity method investments decreased by $55.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily driven by changes in the fair values of certain Apollo funds in which the Company has a direct interest. Fund VII, COF I, Artus, COF II and ACLF had the most significant impact and together generated $11.9 million of income from equity method investments during the year ended December 31, 2011 as compared to $62.1 million of income from equity method investments during the year ended December 31, 2010 resulting in a net decrease of income from equity method investments totaling $50.2 million. Refer to note 4 to our consolidated financial statements for a complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2011 and 2010.

Other income, net increased by $10.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in gains on acquisitions of $166.5 million driven by the $195.5 million bargain purchase gain recorded on the Gulf Stream acquisition during October 2011, partially offset by the bargain purchase gain on the CPI acquisition of $24.1 million during November 2010. This was offset by $162.5 million of insurance reimbursement received during the year ended December 31, 2010 relating to a $200.0 million litigation settlement incurred during 2008, along with $7.8 million of other income attributable to the change in the estimated tax receivable agreement liability. During the year ended December 31, 2011, approximately $8.0 million of offering costs were reimbursed that were incurred during 2009 related to the launch of ARI, offset by approximately $8.0 million of offering costs incurred during the third quarter of 2011 related to the launch of AMTG. The remaining change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period in 2010. Refer to note 10 of our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2011 and 2010.

Income Tax Provision

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The income tax provision increased by $53.5 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. As discussed in note 11 to our consolidated financial statements, the Company's income tax provision primarily relates to the earnings generated by APO Corp., which is subject to U.S. Federal, state and local taxes. APO Corp. had income before taxes of $130.8 million and $1.7 million for the years ended December 31, 2012 and 2011, respectively, after adjusting for permanent tax differences. The $129.1 million change in income before taxes resulted in increased federal, state and local taxes of $51.3 million during the period utilizing a marginal corporate tax rate, and an increase in the NYC UBT and the taxes on foreign subsidiaries of $2.2 million.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The income tax provision decreased by $79.8 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. As discussed in note 11 to our consolidated financial statements, the Company's income tax provision primarily relates to the earnings generated by APO Corp. APO Corp. had income before taxes of $1.7 million and $211.0 million for the years ended December 31, 2011 and 2010, respectively, after adjusting for permanent tax differences. The $209.3 million change in income before taxes resulted in decreased federal, state and local taxes of $77.2 million utilizing a marginal corporate tax rate. The remaining decrease in the income tax provision of $2.6 million in 2011 as compared to 2010 was primarily affected by decreases in the NYC UBT, as well as taxes on foreign subsidiaries.

Non-Controlling Interests

Net (income) loss attributable to Non-Controlling Interests consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
	(in thousands)		
AAA[1]	$ (278,454)	$ 123,400	$(356,251)
Interest in management companies and a co-investment vehicle [2]	(7,307)	(12,146)	(16,258)
Other consolidated entities	50,956	(13,958)	(36,847)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(234,805)	97,296	(409,356)
Net (income) attributable to Appropriated Partners' Capital [3]	(1,816,676)	(202,235)	(11,359)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(685,357)	940,312	(27,892)
Net (income) loss attributable to Non-Controlling Interests	$ (2,736,838)	$ 835,373	$ (448,607)
Net income attributable to Appropriated Partners' Capital [4]	1,816,676	202,235	11,359
Other Comprehensive Income attributable to Non-Controlling Interests	(2,010)	(5,106)	(9,219)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$ (992,172)	$1,032,502	$ (446,467)

(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, which was approximately 97% during the year ended December 31, 2012, approximately 98% during the year ended December 31, 2011 and approximately 97% during the year ended 2010, respectively.

(2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies.

(3) Reflects net income of the consolidated CLOs classified as VIEs. Includes the bargain purchase gain from the Stone Tower acquisition of $1,951.1 million for the year ended December 31, 2012 and the bargain purchase gain from the Gulf Stream acquisition of $0.8 million and $195.4 million for the years ended December 31, 2012 and 2011, respectively.

(4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive (income) loss attributable to non-controlling interest on the statement of comprehensive income (loss).

Initial Public Offering—On April 4, 2011, the Company completed the IPO of its Class A shares, representing limited liability company interests of the Company. Apollo Global Management, LLC received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and Apollo Global Management, LLC's ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in Additional Paid in Capital.

Net income (loss) attributable to Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
Net income (loss)	$ 3,047,795	$(1,304,199)	$ 543,224
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(2,051,481)	(104,939)	(420,715)
Net income (loss) after Non-Controlling Interests in consolidated entities	996,314	(1,409,138)	122,509
Adjustments:			
Income tax provision[1]	65,410	11,929	91,737
NYC UBT and foreign tax provision[2]	(10,889)	(8,647)	(11,255)
Capital increase related to equity-based compensation	—	(22,797)	—
Net loss in non-Apollo Operating Group entities	948	1,345	4,197
Total adjustments	55,469	(18,170)	84,679
Net income (loss) after adjustments	1,051,783	(1,427,308)	207,188
Approximate ownership percentage of Apollo Operating Group	64.9%	65.9%	71.0%
Net income (loss) attributable to Apollo Operating Group before other adjustments[3]	685,357	(940,312)	145,379
AMH special allocation[4]	—	—	(117,487)
Net income (loss) attributable to Non-Controlling Interests in Apollo Operating Group	$ 685,357	$ (940,312)	$ 27,892

(1) Reflects all taxes recorded in our consolidated statements of operations. Of this amount, U.S. Federal, state, and local corporate income taxes attributable to APO Corp. are 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 weighted average ownership percentage range of approximately 65.2%, 67.4% and 71.0% during the years ended December 31, 2012, 2011 and 2010, respectively, 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 15 to our consolidated financial statements. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation. However, the Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

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, credit 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, equity-based compensation expense comprised of AOG Units, income taxes, amortization of intangibles associated with the 2007

Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals.

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. The management business includes management fee revenues, advisory and transaction revenues, carried interest income from one of our opportunistic credit funds and expenses, each of which we believe are more stable in nature. The financial performance of our incentive business is partially dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements. The incentive business includes carried interest income, income from equity method investments and profit sharing expense that are associated with our general partner interests in the Apollo funds, which is 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

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the years ended December 31, 2012, 2011 and 2010, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interest with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Private Equity:									
Revenues:									
Advisory and transaction fees from affiliates	$ 138,531	$ —	$ 138,531	$ 66,913	$ —	$ 66,913	$ 60,444	$ —	$ 60,444
Management fees from affiliates	277,048	—	277,048	263,212	—	263,212	259,395	—	259,395
Carried interest income (loss) from affiliates:									
Unrealized gain (loss)(1)	—	854,919	854,919	—	(1,019,748)	(1,019,748)	—	1,251,526	1,251,526
Realized gains	—	812,616	812,616	—	570,540	570,540	—	69,587	69,587
Total Revenues	415,579	1,667,535	2,083,114	330,125	(449,208)	(119,083)	319,839	1,321,113	1,640,952
Expenses:									
Compensation and Benefits:									
Equity compensation	31,213	—	31,213	31,778	—	31,778	16,182	—	16,182
Salary, bonus and benefits	128,465	—	128,465	125,145	—	125,145	133,999	—	133,999
Profit sharing expense	—	702,477	702,477	—	(100,267)	(100,267)	—	519,669	519,669
Total compensation and benefits	159,678	702,477	862,155	156,923	(100,267)	56,656	150,181	519,669	669,850
Other expenses	83,311	—	83,311	99,338	—	99,338	97,750	—	97,750
Total Expenses	242,989	702,477	945,466	256,261	(100,267)	155,994	247,931	519,669	767,600
Other Income:									
Income from equity method investments	—	74,038	74,038	—	7,960	7,960	—	50,632	50,632
Other income, net	4,653	—	4,653	7,081	—	7,081	162,213	—	162,213
Total Other Income	4,653	74,038	78,691	7,081	7,960	15,041	162,213	50,632	212,845
Economic Net Income (Loss)	$ 177,243	$ 1,039,096	$ 1,216,339	$ 80,945	$ (340,981)	$ (260,036)	$ 234,121	$ 852,076	$ 1,086,197

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a $75.3 million reversal of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI.

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Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million for Fund VI. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2012	2011	Amount Change	Percentage Change	2011	2010	Amount Change	Percentage Change
		(in thousands)				(in thousands)		
Private Equity:								
Revenues:								
Advisory and transaction fees from affiliates	$ 138,531	$ 66,913	$ 71,618	107.0%	$ 66,913	$ 60,444	$ 6,469	10.7%
Management fees from affiliates	277,048	263,212	13,836	5.3	263,212	259,395	3,817	1.5
Carried interest income (loss) from affiliates:								
Unrealized gains (losses)(1)	854,919	(1,019,748)	1,874,667	NM	(1,019,748)	1,251,526	(2,271,274)	NM
Realized gains	812,616	570,540	242,076	42.4	570,540	69,587	500,953	NM
Total carried interest income (losses) from affiliates	1,667,535	(449,208)	2,116,743	NM	(449,208)	1,321,113	(1,770,321)	NM
Total Revenues	2,083,114	(119,083)	2,202,197	NM	(119,083)	1,640,952	(1,760,035)	NM
Expenses:								
Compensation and benefits:								
Equity-based compensation	31,213	31,778	(565)	(1.8)	31,778	16,182	15,596	96.4
Salary, bonus and benefits	128,465	125,145	3,320	2.7	125,145	133,999	(8,854)	(6.6)
Profit sharing expense	702,477	(100,267)	802,744	NM	(100,267)	519,669	(619,936)	NM
Total compensation and benefits expense	862,155	56,656	805,499	NM	56,656	669,850	(613,194)	(91.5)
Other expenses	83,311	99,338	(16,027)	(16.1)	99,338	97,750	1,588	1.6
Total Expenses	945,466	155,994	789,472	NM	155,994	767,600	(611,606)	(79.7)
Other Income:								
Income from equity method investments	74,038	7,960	66,078	NM	7,960	50,632	(42,672)	(84.3)
Other income, net	4,653	7,081	(2,428)	(34.3)	7,081	162,213	(155,132)	(95.6)
Total Other Income	78,691	15,041	63,650	423.2%	15,041	212,845	(197,804)	(92.9)%
Economic Net Income (Loss)	$ 1,216,339	$ (260,036)	$ 1,476,375	NM	$ (260,036)	$ 1,086,197	$ (1,346,233)	NM

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a $75.3 million reversal of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million for Fund VI. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

Revenues

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, including directors' fees, termination fees and reimbursed broken deal costs, increased by $71.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in transaction and advisory services rendered during the year, primarily relating to Fund VII of $46.1 million and Fund VI of $11.2 million, as well as $13.5 million relating to AGS, ANRP and AAA Investments. Gross advisory and transaction fees, including directors' fees and termination fees, were $291.2 million and $164.5 million for the years ended December 31, 2012 and 2011, respectively, an increase of $126.7 million or 77%. The transaction and termination fees earned during the year ended December 31, 2012 primarily related to seven portfolio investment transactions, specifically EP Energy, Realogy, Rexnord, Great Wolf Resorts, Taminco, Smart & Final and Athlon, which together generated $153.8 million and $78.4 million of the gross and net transaction fees, respectively, as compared to transaction and termination fees earned during the year ended December 31, 2011 primarily in connection with five portfolio investment transactions, specifically Constellium (formerly Alcan), Ascometal, Athene Life Re Ltd., Brit Insurance and CORE Media Group (formerly CKx), which together generated $35.5 million and $18.4 million of the gross and net transaction fees, respectively. The advisory fees earned during the year ended December 31, 2012 were principally generated by advisory arrangements with eight portfolio investments including Athene Life Re Ltd, Debt Investment Vehicles, EP Energy, Caesars Entertainment, Berry Plastics, Momentive Performance Materials, CEVA Logistics and Realogy, which generated gross and net fees of $87.5 million and $46.6 million, respectively. The advisory fees earned during the year ended December 31, 2011 were primarily generated by advisory and monitoring arrangements with six portfolio investments including Athene Life Re Ltd., Berry Plastics, Caesars Entertainment, CEVA Logistics, Debt Investment Vehicles and Realogy, which generated gross and net fees of $78.1 million and $34.9 million, respectively. Advisory and transaction fees, including directors' fees and termination fees, are reported net of Management Fee Offsets totaling $152.7 million and $97.6 million for the years ended December 31, 2012 and 2011, respectively, an increase of $55.1 million or 56.5%.

Management fees from affiliates increased by $13.8 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased management fees of $17.3 million earned from ANRP, which began paying fees during the third quarter of 2011 based on committed capital. This increase was partially offset by a decrease in the management fees earned from AAA Investments of $2.6 million due to lower adjusted gross assets for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Also offsetting this increase was a decrease in management fees of $0.9 million as a result of lower management fees earned from Fund V, Fund VI and other funds.

Carried interest income (loss) from affiliates increased by $2,116.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in net unrealized carried interest income of $1,874.7 million as a result of improvements in the fair values of the underlying portfolio investments held during the year, including an increase of $571.5 million from Fund VII, $60.9 million from Fund V and $62.0 million from AAA Investments and other funds. In addition, net unrealized carried interest income increased by $1,069.2 as a result of unrealized carried interest income recorded in connection with Fund VI. For the year ended December 31, 2011, Fund VI had significant unrealized carried interest losses which resulted in the recognition of a general partner obligation to return previously distributed carried interest income. For the year ended December 31, 2012, the unrealized carried interest losses were recouped and unrealized carried interest income was recognized which resulted in the reversal of the general partner obligation of $75.3 million. Also contributing to the increase in net unrealized carried interest income was a decrease to Fund IV's net unrealized carried interest loss of $111.1 million during the year ended December 31, 2012. The remaining increase in the carried interest income (loss) from affiliates relates to an increase in realized carried interest income of $242.1 million resulting from increased dispositions of portfolio investments held by Fund VII, Fund VI, Fund V and AAA Investments of $211.8 million, $213.4 million, $8.5 million and $10.2 million, respectively, offset by a decrease in Fund IV of $201.8 million.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $6.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in advisory services rendered during the period, primarily with respect to AAA Investments. Gross advisory and transaction fees, including directors' fees, were $164.5 million and $162.9 million for the year ended December 31, 2011 and 2010, respectively, an increase of $1.6 million or 1.0%. The transaction fees earned during 2011 primarily related to five portfolio investment transactions, specifically Constellium (formerly Alcan), Ascometal, Athene Life Re Ltd., Brit Insurance and CORE Media Group (formerly CKx), which together generated $35.5 million and $18.4 million of the gross and net transaction fees, respectively, as compared to transaction fees primarily earned during 2010 from four portfolio investment transactions, specifically LyondellBasell, Noranda Aluminum, CKE Restaurants Inc. and EVERTEC, which together generated $58.4 million and $20.1 million of the gross and net transaction fees. The advisory fees earned during 2011 were primarily generated by advisory and monitoring arrangements with six portfolio investments including Athene Life Re Ltd., Berry Plastics, Caesars Entertainment, CEVA Logistics, Debt Investment Vehicles and Realogy, which generated gross and net fees of $78.1 million and $34.9 million, respectively. The advisory fees earned during 2010 were primarily generated by advisory and monitoring arrangements with several portfolio investments including Caesars Entertainment, Debt Investment Vehicles and Realogy which generated gross and net fees of $55.7 million and $20.9 million, respectively. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $92.8 million and $100.6 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $7.8 million or 7.8%. The net transaction and advisory fees were further offset by $4.8 million and $1.8

million in broken deal costs during the years ended December 31, 2011 and 2010, respectively, relating to Fund VII.

Management fees from affiliates increased by $3.8 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased management fees earned from AAA Investments of $3.2 million as a result of increased adjusted gross assets managed during the period. In addition, management fees of $2.9 million were earned from ANRP which began earning fees during the third quarter of 2011 based on committed capital. These increases were partially offset by decreased management fees earned by Fund V of $1.8 million as a result of decreases in fee-generating invested capital. In addition, during the third quarter of 2010, Fund IV started its winding down and no longer earned management fees which resulted in a decrease in management fees of $0.7 million during the year ended December 31, 2011 as compared to the same period during 2010.

Carried interest (loss) income from affiliates changed by $(1,770.3) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributed to a decrease in net unrealized carried interest income of $2,271.2 million driven by significant declines in the fair values of the underlying portfolio investments held during the period which resulted in the reversal of previously recognized carried interest income, primarily by Fund VI, Fund VII, Fund IV and Fund V of $1,371.2 million, $563.0 million, $254.1 million and $81.0 million, respectively. Included in the above for the year ended December 31, 2011 was a reversal of previously recognized carried interest income due to general partner obligations to return previously distributed carried interest income on Fund VI of $75.3 million. The remaining change relates to an increase in realized carried interest income of $500.9 million resulting from increased dispositions along with higher interest and dividend income distributions from portfolio investments held by certain of our private equity funds, primarily by Fund VII, Fund IV and Fund VI and Fund V of $221.5 million, $204.7 million, $67.6 million and $7.1 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Expenses

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits expense increased by $805.5 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to a $802.7 million increase in profit sharing expense mostly driven by the increase in carried interest income earned from our private equity funds during the year and a $3.3 million increase in salary, bonus and benefits expense as a result of an increase in headcount. Included in profit sharing expense is $25.8 million related to change in fair value of our contingent consideration obligations. Included in profit sharing expense is $25.9 million and $16.2 million of expenses related to the Incentive Pool for the years ended December 31, 2012 and December 31, 2011, respectively.

Other expenses decreased by $16.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased interest expense of $6.5 million mainly due to a lower margin rate on the AMH Credit Agreement. Also contributing to this decrease were lower professional fees of $1.9 million attributable to lower external accounting, tax, audit, legal and consulting fees incurred and lower occupancy expenses of $2.8 million due to the allocation of occupancy cost based on segment size due to acquisitions in the credit segment during the year ended December 31, 2012 as compared to the same period during 2011. General, administrative and other expenses also decreased by $3.4 million mainly due to a decrease in travel and related expenses and other non-compensation related expenses.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits expense decreased by $613.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily a result of a $619.9 million decrease in profit sharing expense primarily attributable to a change in carried interest income earned by our funds during the period and an $8.9 million decrease in salary, bonus and benefits expense. The Incentive Pool also contributed to the decrease in salary, bonus and benefits expense during the period.

These decreases were partially offset by increased non-cash equity-based compensation expense of $15.6 million primarily related to additional grants of RSUs subsequent to December 31, 2010.

Other expenses increased by $1.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased occupancy expense of $4.0 million due to additional office space leased as a result of an increase in our headcount to support the expansion of our investment platform during the period, along with increased interest expense incurred of $3.7 million in connection with the margin rate increase under the AMH Credit Agreement once the maturity date was extended in December 2010. These increases were partially offset by decreased professional fees of $6.7 million due to lower external accounting, tax, audit, legal and consulting fees incurred during the period.

Other (Loss) Income

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Income from equity method investments increased by $66.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of our private equity investments held, primarily relating to Apollo's ownership interest in Fund VII and AAA, which resulted in increased income from equity method investments of $51.7 million and $11.0 million, respectively, during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Other income net, decreased by $2.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and other adjustments during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Income from equity method investments decreased by $42.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was driven by decreases in the fair values of our private equity investments held, primarily relating to Apollo's ownership interest in Fund VII and AAA units which resulted in decreased income from equity method investments of $27.3 million and $14.2 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Other income net, decreased by $155.1 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to $162.5 million of insurance reimbursement received during the year ended December 31, 2010 relating to the $200.0 million litigation settlement incurred during 2008. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period during 2010.

Credit

The following tables set forth segment statement of operations information and ENI for our credit segment for the years ended December 31, 2012, 2011 and 2010, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising of amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interest with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31, 2010		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Credit									
Revenues:									
Advisory and transaction fees from affiliates	$ 10,764	$ —	$ 10,764	$ 14,699	$ —	$ 14,699	$ 19,338	$ —	$ 19,338
Management fees from affiliates	299,667	—	299,667	186,700	—	186,700	160,318	—	160,318
Carried interest income (loss) from affiliates:									
Unrealized gains (losses)(1)	—	301,077	301,077	—	(66,852)	(66,852)	—	103,918	103,918
Realized gains	37,842	179,933	217,775	44,540	74,113	118,653	47,385	126,604	173,989
Total Revenues	348,273	481,010	829,283	245,939	7,261	253,200	227,041	230,522	457,563
Expenses:									
Compensation and Benefits:									
Equity-based compensation	26,988	—	26,988	23,283	—	23,283	9,879	—	9,879
Salary, bonus and benefits	122,813	—	122,813	92,898	—	92,898	93,884	—	93,884
Profit sharing expense	—	154,787	154,787	—	35,461	35,461	—	35,556	35,556
Incentive fee compensation	—	739	739	—	3,383	3,383	—	20,142	20,142
Total compensation and benefits	149,801	155,526	305,327	116,181	38,844	155,025	103,763	55,698	159,461
Other expenses	149,051	—	149,051	94,995	—	94,995	80,880	—	80,880
Total Expenses	298,852	155,526	454,378	211,176	38,844	250,020	184,643	55,698	240,341
Other Income (Loss):									
Net (loss) from investment activities	—	(1,142)	(1,142)	—	(5,881)	(5,881)	—	—	—
Income from equity method investments	—	46,100	46,100	—	2,143	2,143	—	30,678	30,678
Other income (loss), net	15,008	—	15,008	(1,978)	—	(1,978)	10,928	—	10,928
Total Other Income (Loss)	15,008	44,958	59,966	(1,978)	(3,738)	(5,716)	10,928	30,678	41,606
Non-Controlling Interests	(8,730)	—	(8,730)	(12,146)	—	(12,146)	(16,258)	—	(16,258)
Economic Net Income (Loss)	$ 55,699	$ 370,442	$ 426,141	$ 20,639	$ (35,321)	$ (14,682)	$ 37,068	$205,502	$ 242,570

(1) Included in unrealized carried interest income from affiliates for the year ended December 31, 2012 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA and APC of $1.2 million and $0.3 million, respectively. Included in unrealized carried interest income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA of $18.1 million. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

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	For the Year Ended December 31, 2012	2011	Amount Change	Percentage Change	For the Year Ended December 31, 2011	2010	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Credit								
Revenues:								
Advisory and transaction fees from affiliates	$ 10,764	$ 14,699	$ (3,935)	(26.8)%	$ 14,699	$ 19,338	$ (4,639)	(24.0)%
Management fees from affiliates	299,667	186,700	112,967	60.5	186,700	160,318	26,382	16.5
Carried interest income from affiliates:								
Unrealized gain (loss)(1)	301,077	(66,852)	367,929	NM	(66,852)	103,918	(170,770)	NM
Realized gains	217,775	118,653	99,122	83.5	118,653	173,989	(55,336)	(31.8)
Total carried interest income from affiliates	518,852	51,801	467,051	NM	51,801	277,907	(226,106)	(81.4)
Total Revenues	829,283	253,200	576,083	227.5	253,200	457,563	(204,363)	(44.7)
Expenses:								
Compensation and benefits								
Equity-based compensation	26,988	23,283	3,705	15.9	23,283	9,879	13,404	135.7
Salary, bonus and benefits	122,813	92,898	29,915	32.2	92,898	93,884	(986)	(1.1)
Profit sharing expense	154,787	35,461	119,326	336.5	35,461	35,556	(95)	(0.3)
Incentive fee compensation	739	3,383	(2,644)	(78.2)	3,383	20,142	(16,759)	(83.2)
Total compensation and benefits	305,327	155,025	150,302	97.0	155,025	159,461	(4,436)	(2.8)
Other expenses	149,051	94,995	54,056	56.9	94,995	80,880	14,115	17.5
Total Expenses	454,378	250,020	204,358	81.7	250,020	240,341	9,679	4.0
Other Income (Loss):								
Net (loss) from investment activities	(1,142)	(5,881)	4,739	(80.6)	(5,881)	—	(5,881)	NM
Income from equity method investments	46,100	2,143	43,957	NM	2,143	30,678	(28,535)	(93.0)
Other income (loss), net	15,008	(1,978)	16,986	NM	(1,978)	10,928	(12,906)	NM
Total Other Income (Loss)	59,966	(5,716)	65,682	NM	(5,716)	41,606	(47,322)	NM
Non-Controlling Interests	(8,730)	(12,146)	3,416	(28.1)	(12,146)	(16,258)	4,112	(25.3)
Economic Net Income (Loss)	$ 426,141	$ (14,682)	$ 440,823	NM	$ (14,682)	$ 242,570	$(257,252)	NM

(1) Included in unrealized carried interest income from affiliates for the year ended December 31, 2012 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA and APC of $1.2 million and $0.3 million, respectively. Included in unrealized carried interest income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA of $18.1 million. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

Revenues

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates decreased by $3.9 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Gross advisory and transaction fees, including directors' fees, were $37.4 million and $41.2 million for the years ended December 31, 2012 and 2011, respectively, a decrease of $3.8 million or 9.2%. The transaction fees earned during 2012 primarily related to portfolio investments of EPF I and EPF II which together generated gross and net fees of $9.1 million and $2.4 million, respectively, whereas the transaction fees earned during 2011 primarily related to two portfolio investment transactions of FCI and EPF I which together generated gross and net fees of $9.6 million and $5.7 million, respectively. The advisory fees earned during both periods were primarily generated by deal activity related to investments in LeverageSource, L.P., which resulted in gross and net advisory fees of $23.0 million and $3.4 million, respectively, during the year ended December 31, 2012 and gross and net fees of $25.9 million and $3.3 million, respectively, during the year ended December 31, 2011. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $26.6 million and $26.5 million for the years ended December 31, 2012 and 2011, respectively, an increase of $0.1 million or 0.4%.

Management fees from affiliates increased by $113.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to EPF II which began earning management fees during the second quarter of 2012 totaling $43.1 million. In addition, management fees increased due to the recent acquisitions of Gulf Stream and Stone Tower in October 2011 and April 2012, respectively, resulting in an increase in fees generated from CLOs of $29.3 million and Apollo Credit Fund of $11.6 million during the period. Also, assets managed by Athene Asset Management, LLC, AMTG and AEC, together generated increased fees of $31.5 million during the year ended December 31, 2012 as compared to the same period in 2011. These increases were partially offset by decreased management fees earned from EPF I of $13.3 million during the period due to a change in management fee basis from committed to invested capital as a result of the launch of EPF II in April 2012. In addition, management fees earned from AINV decreased by $6.4 million as a result of a decrease in gross adjusted assets managed of the Company during the period as compared to the same period in 2011. The remaining change was attributable to an overall increase in assets managed by the other credit funds which collectively contributed to an increase of $17.2 million in management fees during the year ended December 31, 2012 as compared to the same period in 2011.

Carried interest income from affiliates increased by $467.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in net unrealized carried interest income of $367.9 million driven by an increase in net asset values primarily with respect to COF I, CLOs, COF II, ACLF, AIE II, and ACF resulting in increased net unrealized carried interest income of $74.4 million, $71.8 million, $65.9 million, $65.9 million, $27.0 million, $9.0 million and $7.0 million, respectively, during the period. The remaining change in unrealized carried interest income was attributable to an increase in net asset values of the other credit funds which collectively contributed to an increase of $46.9 million. During the year ended December 31, 2012, there was a reversal of previously recognized carried interest income from SOMA and APC due to general partner obligations to return carried interest income that was previously distributed of $1.2 million and $0.3 million, respectively. In addition, realized carried interest increased by $99.1 million resulting from increased dispositions during the period, primarily by COF I, Apollo Credit Fund, and ACLF of $60.5 million, $16.7 million, $11.5 million and $9.7 million respectively. The remaining change in realized carried interest income was attributable to an overall increase in dispositions of the other credit funds which collectively contributed to an increase of $0.7 million during the period.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates decreased by $4.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. Gross advisory and transaction fees, including directors' fees, were $41.2 million and $59.8 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $18.6 million or 31.1%. The transaction fees earned during 2011 were primarily related to two portfolio investment transactions of FCI and EPF I which together generated gross and net fees of $9.6 million and $5.7 million, respectively. The transaction fees earning during 2010 were primarily related to certain portfolio investment transactions of EPF I which together generated gross and net fees of $11.0 million and $3.9 million, respectively. In addition, a termination fee was earned from KBC Life Settlements of $7.1 million during the year ended December 31, 2010. The advisory fees earned during both periods were primarily generated by deal activity related to investments in LeverageSource, L.P., which resulted in gross and net advisory fees of $25.9 million and $3.3 million, respectively, during 2011 and gross and net fees of $25.3 million and $3.4 million, respectively, during 2010. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $26.5 million and $40.5 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $14.0 million or 34.6%.

Management fees from affiliates increased by $26.4 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased asset allocation fees earned from Athene of $9.4 million during the year. These fees are partially offset by a corresponding expense categorized as sub-advisory fees and included within professional fees expense. In addition, management fees of $3.4 million were earned from AFT, $1.7 million from FCI and $1.4 million from AMTG, which all began earning management fees in 2011. Gulf Stream CLOs generated $2.5 million of fees and two new Senior Credit Funds, AESI and Palmetto Loan, generated fees of $1.2 million and $1.0 million, respectively, during the year ended December 31, 2011. Furthermore an increase in fee-generating invested capital in COF II, gross adjusted assets managed by AINV and increased value of commitments in EPF I resulted in increased management fees earned of $2.6 million, $2.0 million and $1.4 million, respectively, during the period. These increases were partially offset by decreased management fees earned by ACLF of $1.8 million as a result of a decrease in fee-generating invested capital and by AIE I of $1.4 million as a result of sales of investments and resulting decrease in net assets managed during the period.

The remaining change was attributable to overall increased assets managed by the remaining credit funds, which collectively contributed to the increase of management fees by $3.0 million during the period.

Carried interest income from affiliates changed by $(226.1) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a decrease in net unrealized carried interest income of $170.8 million driven by decreased net asset values, primarily with respect to COF II, COF I, ACLF, AIE II and SOMA which collectively resulted in decreased net unrealized carried interest income of $225.4 million, partially offset by increased unrealized carried interest income earned in 2011 by EPF I of $53.2 million due to increased valuation of investments. During the year ended December 31, 2011, there was a reversal of previously recognized carried interest income from SOMA due to general partner obligations to return carried interest income that was previously distributed of $18.1 million. The remaining change was attributable to a decrease in net realized gains of $55.3 million resulting primarily from a decrease in dividend and interest income on portfolio investments held by certain of our credit funds, primarily by SOMA, during the year ended December 31, 2011 as compared to the same period during 2010.

Expenses

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits expense increased by $150.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily a result of an increase in profit sharing expense of $119.3 million due to the favorable performance of certain of our credit funds along with the Incentive Pool, which included $28.9 million and $17.6 million of expense related to the Incentive Pool for the years ended December 31, 2012 and 2011, respectively. In addition, salary, bonus and benefits expense increased by $29.9 and equity based compensation increased by $3.7 million due to an increase in headcount during the period, including new hires related to the Stone Tower acquisition in April 2012. These increases were partially offset by decreased incentive fee compensation expense of $2.6 million due to the performance of certain of our credit funds during the period.

Other expenses increased by $54.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily a result of increased general, administrative and other expenses of $18.5 million due to higher travel, information technology, recruiting and other expenses incurred during the year ended December 31, 2012 as compared to the same period in 2011. Placement fees also increased by $19.0 million due to increased fundraising activities during the year ended December 31, 2012 as compared to the same period in 2011, primarily relating to EPF II and costs associated with the acquisition of Stone Tower for which the Company incurred fees of $12.9 million and $4.9 million, respectively.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits expense decreased by $4.4 million for the ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily a result of a $16.8 million decrease in incentive fee compensation due to unfavorable performance of certain of our capital market funds during the period and a $1.0 million decrease in salary, bonus and benefits. The Incentive Pool also contributed to the decrease in salary, bonus and benefits expense during the period. These decreases were partially offset by increased non-cash equity-based compensation expense of $13.4 million primarily related to additional grants of RSUs subsequent to December 31, 2010.

Other expenses increased by $14.1 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased professional fees of $5.3 million primarily driven by structuring fees associated with AFT totaling $3.6 million incurred during 2011. In addition, general, administrative and other expenses increased by $6.3 million due to higher travel, information technology, recruiting and other expenses incurred, along with increased occupancy expense of $3.5 million due to additional office spaced leased as a result of an increase in our headcount to support the expansion of our investment platform during the period. These increases were partially offset by decreased placement fees of $1.0 million due to decreased fundraising efforts related to one of our funds during the year ended December 31, 2011 as compared to the same period during 2010.

Other Income (Loss)

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net losses from investment activities decreased by $4.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an unrealized loss related to the change in the fair value of the investment in HFA, which resulted in a decrease in losses from investment activities of $4.7 million during the period.

Income from equity method investments increased by $44.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of investments held by certain of our credit funds, primarily COF I, COF II, and ACLF, which resulted in an increase in income from equity method investments of $17.3 million, $5.7 million and $4.5 million, respectively, during the year ended December 31, 2012 as compared to the same period during 2011.

Other income (loss), net increased by $17.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. During the year ended December 31, 2011, approximately $8.0 million of offering costs were incurred related to the launch of AMTG. The remaining change was primarily attributable to higher interest income and rental income.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net losses from investment activities were $5.9 million for the year ended December 31, 2011. This amount was related to an unrealized loss on the change in the fair value of the investment in HFA during the year ended December 31, 2011.

Income from equity method investments decreased by $28.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I, Artus, COF II, and ACLF, which resulted in a decrease in income from equity method investments of $10.2 million, $4.5 million $4.3 million and $3.7 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Other (loss) income, net decreased by $12.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. During the year ended December 31, 2011, approximately $8.0 million of offering costs were incurred related to the launch of AMTG. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period in 2010.

Real Estate

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our real estate segment for the years ended December 31, 2012, 2011 and 2010, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Real Estate:									
Revenues:									
Advisory and transaction fees from affiliates	$ 749	$ —	$ 749	$ 698	$ —	$ 698	$ —	$ —	$ —
Management fees from affiliates	46,326	—	46,326	40,279	—	40,279	11,383	—	11,383
Carried interest income from affiliates									
Unrealized gains	—	10,401	10,401	—	—	—	—	—	—
Realized gains	—	4,673	4,673	—	—	—	—	—	—
Total Revenues	47,075	15,074	62,149	40,977	—	40,977	11,383	—	11,383
Expenses:									
Compensation and Benefits:									
Equity-based compensation	10,741	—	10,741	13,111	—	13,111	4,408	—	4,408
Salary, bonus and benefits	23,296	—	23,296	33,052	—	33,052	21,688	—	21,688
Profit sharing expense	—	14,130	14,130	—	1,353	1,353	—	—	—
Total compensation and benefits	34,037	14,130	48,167	46,163	1,353	47,516	26,096	—	26,096
Other expenses	24,270	—	24,270	29,663	—	29,663	19,938	—	19,938
Total Expenses	58,307	14,130	72,437	75,826	1,353	77,179	46,034	—	46,034
Other Income (loss):									
Income (loss) from equity method investments	—	982	982	—	726	726	—	(391)	(391)
Other income, net	1,271	—	1,271	9,694	—	9,694	23,622	—	23,622
Total Other Income (Loss)	1,271	982	2,253	9,694	726	10,420	23,622	(391)	23,231
Economic Net (Loss) Income	$ (9,961)	$ 1,926	$ (8,035)	$(25,155)	$ (627)	$(25,782)	$(11,029)	$ (391)	$ (11,420)

	For the Year Ended December 31,				For the Year Ended December 31,			
	2012	2011	Amount Change	Percentage Change	2011	2010	Amount Change	Percentage Change
				(in thousands)				
Real Estate:								
Revenues:								
Advisory and transaction fees from affiliates	$ 749	$ 698	$ 51	7.3%	$ 698	$ —	$ 698	NM
Management fees from affiliates	46,326	40,279	6,047	15.0	40,279	11,383	28,896	253.9%
Carried interest income from affiliates								
Unrealized gains	10,401	—	10,401	NM	—	—	—	—
Realized gains	4,673	—	4,673	NM	—	—	—	—
Total Revenues	62,149	40,977	21,172	51.7	40,977	11,383	29,594	260.0
Expenses:								
Compensation and Benefits								
Equity-based compensation	10,741	13,111	(2,370)	(18.1)	13,111	4,408	8,703	197.4
Salary, bonus and benefits	23,296	33,052	(9,756)	(29.5)	33,052	21,688	11,364	52.4
Profit sharing expense	14,130	1,353	12,777	NM	1,353	—	1,353	NM
Total compensation and benefits	48,167	47,516	651	1.4	47,516	26,096	21,420	82.1
Other expenses	24,270	29,663	(5,393)	(18.2)	29,663	19,938	9,725	48.8
Total Expenses	72,437	77,179	(4,742)	(6.1)	77,179	46,034	31,145	67.7
Other Income (Loss):								
Income (loss) from equity method investments	982	726	256	35.3	726	(391)	1,117	NM
Other income, net	1,271	9,694	(8,423)	(86.9)	9,694	23,622	(13,928)	(59.0)
Total Other Income	2,253	10,420	(8,167)	(78.4)	10,420	23,231	(12,811)	(55.1)
Economic Net (Loss)	$ (8,035)	$(25,782)	$ 17,747	(68.8)%	$(25,782)	$ (11,420)	$ (14,362)	125.8%

Revenues

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Management fees increased by $6.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased management fees earned of $4.1 million as a result of additional capital raised for the Athene CRE Lending business, AGRE CMBS Accounts, and the launching of the 2012 CMBS funds during the year ended December 31, 2012. In addition, increased management fees were earned from AGRE U.S. Real Estate Fund of $2.5 million due to additional capital commitments raised during the year and due to an increase in invested capital during the year. Also contributing to the increase was a $0.9 million increase in management fees as a result of additional capital raised for ARI during the year and a $2.2 million increase to management fees from other funds. These increases were offset by decreased management fees earned from the CPI funds of $3.6 million as a result of the realization of underlying investments.

Carried interest income from affiliates increased by $15.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in net unrealized gains of $10.4 million, driven by an increase in the fair values of the underlying portfolio investments held during the year. The remaining change in the carried interest income from affiliates relates to an increase in realized gains of $4.7 million resulting from increased dispositions of portfolio investments during the year.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates were $0.7 million for the year ended December 31, 2011 which were earned from a new fund, AGRE Debt Fund I, L.P.

Management fees increased by $28.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase of $22.8 million of fees earned from CPI funds that were acquired during November 2010, therefore, 2011 included a full year of management fees earned in comparison to 2010. CPI Capital Partners Europe, CPI Capital Partners Asia Pacific and CPI Capital Partners North America earned increased fees of $8.1 million, $7.4 million and $7.3 million, respectively, during the year ended December 31, 2011 as compared to 2010. In addition, increased net assets managed by ARI, AGRE CMBS Accounts, AGRE U.S. Real Estate Fund and AGRE Debt Fund I, L.P. account resulted in increased management fees earned of $2.7 million, $1.8 million, $1.5 million and $0.2 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Expenses

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits increased in total by $0.7 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase was primarily attributable to an increase of $12.8 million in profit sharing expense driven by the increase carried interest income earned from our real estate funds and performance based incentive arrangement the Company adopted in June 2011 for certain Apollo partners and employees. Offsetting this increase were decreases of $9.8 million and $2.4 million in salary, bonus and benefits and equity-based compensation, respectively, due to a decrease in headcount and the Incentive Pool. Included in profit sharing expense are $7.3 million and $1.4 million related to the Incentive Pool for the years ended December 31, 2012 and December 31, 2011, respectively.

Other expenses decreased by $5.4 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased occupancy expense of $2.7 million due to headcount reductions and the allocation of occupancy cost based on segment size due to acquisitions in the credit segment. Also contributing to the decrease was decreased general, administrative and other expenses of $2.5 million mainly due to a decrease in travel and related expenses during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits increased by $21.4 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an $11.4 million increase in salary, bonus and benefits expense primarily driven by an increase in headcount as a result of the CPI funds that were acquired during November 2010 and expansion of our real estate funds during the year ended December 31, 2011 as compared to the same period during 2010. Additionally, non-cash equity-based compensation expense increased by $8.7 million primarily related to additional grants of RSUs subsequent to December 31, 2010, along with an increase in profit sharing expense of $1.4 million primarily related to the Incentive Pool arrangement.

Other expenses increased by $9.7 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased occupancy expense of $5.3 million due to additional office space leased as a result of an increase in our headcount to support the expansion of our real estate funds during the year ended December 31, 2011 as compared to the same period during 2010 and an increase in general, administrative and other expenses of $3.7 million driven by increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new real estate funds during the period. These increases were partially offset by decreased professional fees of $1.2 million due to lower external accounting, tax, audit, legal and consulting fees incurred during the period.

Other Income (Loss)

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Income from equity method investments increased by $0.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of our real estate investments held, primarily relating to Apollo’s ownership interest in ARI, which resulted in increased income from equity method investments of $0.8 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This increase was offset by decreased income from equity method investments of $0.5 million from Apollo’s ownership interest in the CPI funds, AGRE U.S. Real Estate Fund and other funds.

Other income, net decreased by $8.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to a decrease in reimbursed offering costs for the year ended December 31, 2012 as compared to the year ended December 31, 2011. During the year ended December 31, 2011, approximately $8.0 million of reimbursed offering costs was recognized as a result of a one time transaction related to the 2009 launch of ARI. The remaining change was mostly due to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Total other income decreased by $12.8 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a gain of $24.1 million that was recognized on the acquisition of CPI during November 2010, partially offset by the reimbursement during 2011 of approximately $8.0 million of offering costs incurred during 2009 related to the launch of ARI. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period during 2010.

Summary Combined Segment Results for Management Business and Incentive Business

The following tables combine our reportable segments' statements of operations information and supplemental performance measure, ENI, for our management and incentive businesses for the years ended December 31, 2012, 2011 and 2010, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

In addition to providing the financial results of our three reportable business segments, we evaluate our 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 one of our opportunistic credit funds and expenses, each of which we believe are more stable in nature.

	Year Ended December 31, 2012	2011	2010
	(in thousands)		
Management Business			
Revenues:			
Advisory and transaction fees from affiliates	$ 150,044	$ 82,310	$ 79,782
Management fees from affiliates	623,041	490,191	431,096
Carried interest income from affiliates	37,842	44,540	47,385
Total Revenues	810,927	617,041	558,263
Expenses:			
Equity-based compensation	68,942	68,172	30,469
Salary, bonus and benefits	274,574	251,095	249,571
Interest expense	37,116	40,850	35,436
Professional fees(1)	63,250	58,315	60,870
General, administrative and other(2)	86,550	73,972	63,466
Placement fees	22,271	3,911	4,258
Occupancy	37,218	35,816	23,067
Depreciation	10,227	11,132	11,471
Total Expenses	600,148	543,263	478,608
Other Income:			
Interest income(2)	8,149	4,731	1,508
Other income, net(3)	12,783	10,066	195,255
Total Other Income	20,932	14,797	196,763
Non-Controlling Interests	(8,730)	(12,146)	(16,258)
Economic Net Income	$222,981	$ 76,429	$ 260,160

(1) Excludes professional fees related to the consolidated funds.
(2) Excludes general and administrative expenses and interest income related to the consolidated funds.
(3) Includes $162.5 million of insurance proceeds related to a litigation settlement included in other income during the year ended December 31, 2010.

The financial performance of our incentive business, which is dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements, includes carried interest income, income from equity method investments, profit sharing expenses and incentive fee compensation that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

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	Year Ended December 31, 2012	2011	2010
	(in thousands)		
Incentive Business			
Revenues:			
Carried interest income (loss) from affiliates:			
Unrealized gains (losses)(1)	$1,166,397	$(1,086,600)	$ 1,355,444
Realized gains	997,222	644,653	196,191
Total Revenues	2,163,619	(441,947)	1,551,635
Expenses:			
Compensation and benefits:			
Profit sharing expense:			
Unrealized profit sharing expense(1)	426,098	(370,485)	504,537
Realized profit sharing expense	445,296	307,032	50,688
Total Profit Sharing Expense	871,394	(63,453)	555,225
Incentive fee compensation	739	3,383	20,142
Total Compensation and Benefits	872,133	(60,070)	575,367
Other Income:			
Net (loss) gains from investment activities(2)	(1,142)	(5,881)	—
Income from equity method investments	121,120	10,829	80,919
Total Other Income	119,978	4,948	80,919
Economic Net Income (Loss)	$ 1,411,464	$ (376,929)	$ 1,057,187

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million for Fund VI and SOMA, respectively. Included in unrealized profit sharing expense for the year ended December 31, 2012 was a reversal of the entire receivable from Contributing Partners and certain employees of $22.1 million due to the reversal of the general partner obligation. Included in unrealized profit sharing expense for the year ended December 31, 2011 was a reversal of previously realized profit sharing expense for the amounts receivable from Contributing Partners and certain employees due to the general partner obligation to return previously distributed carried interest income of $22.1 million for Fund VI. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Excludes investment income and net gains (losses) from investment activities related to consolidated funds and the consolidated VIEs.

Summary

Below is the summary of our total reportable segments including management and incentive businesses and a reconciliation of ENI to Net Loss attributable to Apollo Global Management, LLC reported in our consolidated statements of operations:

	Year Ended December 31, 2012	2011	2010
		(in thousands)	
Revenues	$2,974,546	$ 175,094	$2,109,898
Expenses	1,472,281	483,193	1,053,975
Other income	140,910	19,745	277,682
Non-Controlling Interests	(8,730)	(12,146)	(16,258)
Economic Net Income (Loss)	1,634,445	(300,500)	1,317,347
Non-cash charges related to equity-based compensation	(529,712)	(1,081,581)	(1,087,943)
Income tax provision	(65,410)	(11,929)	(91,737)
Net (income) loss attributable to Non-Controlling Interests in Apollo Operating Group	(685,357)	940,312	(27,892)
Net loss of Metals Trading Fund	—	—	(2,380)
Amortization of intangible assets	(43,009)	(15,128)	(12,778)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617

Liquidity and Capital Resources

Historical

Although we have managed our historical liquidity needs by looking at deconsolidated cash flows, our historical consolidated statement of cash flows reflects the cash flows of Apollo, as well as those of our consolidated Apollo funds.

The primary cash flow activities of Apollo are:

- Generating cash flow from operations;
- Making investments in Apollo funds;
- Meeting financing needs through credit agreements; and
- Distributing cash flow to equity holders and Non-Controlling Interests.

Primary cash flow activities of the consolidated Apollo funds are:

- Raising capital from their investors, which have been reflected historically as Non-Controlling Interests of the consolidated subsidiaries in our financial statements;
- Using capital to make investments;
- Generating cash flow from operations through distributions, interest and the realization of investments; and
- Distributing cash flow to investors.

While primarily met by cash flows generated through fee income and carried interest income received, working capital needs have also been met (to a limited extent) through borrowings as follows:

	December 31, 2012		December 31, 2011	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
		(in thousands)		
AMH Credit Agreement	$728,273	4.95%(1)	$ 728,273	5.39%(1)
CIT secured loan agreements	9,545	3.47	10,243	3.39
Total Debt	$737,818	4.93%	$738,516	5.35%

(1) Includes the effect of interest rate swaps.

We determine whether to make capital commitments to our funds in excess of our minimum required amounts based on a variety of factors, including estimates regarding our liquidity resources over the estimated time period during which commitments will have to be funded, estimates regarding the amounts of capital that may be appropriate for other funds that we are in the process of raising or are considering raising, and our general working capital requirements.

We have made one or more 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 the Private Offering Transactions. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to the Private Offering Transactions which closed in July 2007 or carry-generating transactions to which a definitive agreement was executed, but that did not close, prior to the Private Offering Transactions are treated as having been earned prior to the Private Offering Transactions.

Cash Flows

Significant amounts from our consolidated statements of cash flows for the years ended December 31, 2012, 2011 and 2010 are summarized and discussed within the table and corresponding commentary below:

Year Ended December 31, 2012 Compared to the Years Ended December 31, 2011 and 2010

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
Operating Activities	$265,551	$ 743,821	$(218,051)
Investing Activities	(84,791)	(129,536)	(9,667)
Financing Activities	21,960	(251,823)	243,761
Net Increase in Cash and Cash Equivalents	$ 202,720	$ 362,462	$ 16,043

Operating Activities

Net cash provided by operating activities was $265.6 million during the year ended December 31, 2012. During this period, there was $3,047.8 million in net income, to which $598.7 million of equity-based compensation, $1,951.9 million gain on business acquisitions and non-cash expenses were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2012 included $7,182.4 million in proceeds from sales of investments held by the consolidated VIEs, $497.7 million increase in net unrealized losses on debt and $361.6 million increase in profit sharing payable. These favorable cash adjustments were offset by $458.0 million in net unrealized gains from investments held by the consolidated funds and VIEs, a $103.8 million decrease in due to affiliates, $348.1 million change in cash held at consolidated VIEs and $973.6 million increase in carried interest receivable and $7,525.5 million of purchases of investments held by the consolidated VIEs.

Net cash provided by operating activities was $743.8 million during the year ended December 31, 2011. During this period, there was $1,304.2 million in net losses, to which $1,149.8 million of equity-based compensation and $196.2 million gain on business acquisitions, non-cash expenses were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2011 included $1,530.2 million in proceeds from sales of investments held by the consolidated VIEs, $113.1 million in net unrealized losses from investments held by the consolidated funds and VIEs, a $43.8 million increase in due to affiliates and $998.5 million decrease in carried interest receivable. The decrease in our carried interest receivable balance during the year ended December 31, 2011 was driven primarily by $304.5 million of carried interest losses from the change in fair value of funds for which we act as general partner, along with fund cash distributions of $692.6 million. These favorable cash adjustments were offset by $1,294.5 million of purchases of investments held by the consolidated VIEs, $325.2 million decrease in profit sharing payable and $41.8 million of realized gains on debt of the consolidated VIEs.

Net cash used in operating activities was $218.1 million during the year ended December 31, 2010. During this period, there was $543.2 million in net income, to which $87.6 million of cash held by the consolidated VIEs, $1,240.8 million in net purchases of investments primarily by the consolidated VIEs and $416.6 million of net unrealized gains from investment activities of consolidated funds and consolidated VIEs were each added to reconcile net income to net cash used in operating activities. Additional adjustments to reconcile cash used in operating activities during the year ended December 31, 2010 included a $1,383.2 million increase in our carried interest receivables. The increase in our carried interest receivable balance during the year ended December 31, 2010 was driven by a $1,585.9 million increase in the fair value of the funds for which we act as general partner, offset by fund cash distributions of $204.4 million. These adjustments were offset by $1,118.4 million of equity-based compensation, a non-cash expense, as well as $503.6 million increase in our profit sharing payable, which was also primarily driven by increases in the fair value of the funds for which we act as general partner. Additional offsets include $627.3 million of sales of investments held by the consolidated VIEs, and a $107.9 million increase in other liabilities of the consolidated VIEs, which is primarily due to the refinancing of a portfolio investment.

The operating cash flow amounts from the Apollo funds and consolidated VIEs represent the significant variances between net income (loss) and cash flow from operations and were classified as operating activities pursuant to the AICPA Audit and Accounting Guide, *Investment Companies*. The increasing capital needs reflect the growth of our business while the fund-related requirements vary based upon the specific investment activities being conducted at a point in time. These movements do not adversely affect our liquidity or earnings trends because we currently have sufficient cash reserves compared to planned expenditures.

Investing Activities

Net cash used in investing activities was $84.8 million for the year ended December 31, 2012, which was primarily comprised of $11.3 million in purchases of fixed assets, $99.2 million relating to the acquisition of Stone Tower (see note 3 to our consolidated financial statements), $126.9 million of cash contributions to equity method investments, partially offset by $152.6 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to EPF I, EPF II, ASCP, Fund VII, AINV and AGRE U.S. Real Estate Fund. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, AGRE U.S. Real Estate Fund, COF I, COF II, Artus, EPF I and EPF II.

Net cash used in investing activities was $129.5 million for the year ended December 31, 2011, which was primarily comprised of $21.3 million in purchases of fixed assets, $64.2 million of cash contributions to equity method investments, a $52.1 million investment in HFA, the $29.6 million for the acquisition of Gulf Stream and $26.0 million for the acquisition of investments in the Apollo Senior Loan Fund, partially offset by $64.8 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to EPF I, Fund VII and AGRE U.S. Real Estate Fund. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, COF I, COF II, Artus, EPF I and Vantium C.

Net cash used in investing activities was $9.7 million for the year ended December 31, 2010, which was primarily comprised of $63.5 million of cash contributions to equity method investments and $5.6 million of fixed asset purchases, offset by $21.6 million in cash received from business acquisitions and dispositions and $38.9 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to Fund VII, COF I, COF II, Palmetto and EPF I. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, COF I, COF II and Vantium C.

Financing Activities

Net cash provided by financing activities was $22.0 million for the year ended December 31, 2012, which was primarily comprised of $1,413.3 million related to issuance of debt by consolidated VIEs and $4.1 million in contributions from Non-Controlling Interests in consolidated entities. This amount was offset by $515.9 million in repayment of term loans by consolidated VIEs, $486.7 million in distributions by consolidated VIEs, $335.0 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $202.4 million in distributions and $26.0 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs, $8.8 million in distributions to Non-Controlling Interests in consolidated entities and $102.1 million in purchases of AAA Units.

Net cash used in financing activities was $251.8 million for the year ended December 31, 2011, which was primarily comprised of $415.9 million in repayment of term loans by consolidated VIEs, $308.8 million in distributions by consolidated VIEs, $199.2 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $27.3 million of distributions paid to Non-Controlling Interests in consolidated funds, $102.6 million in distributions and $17.1 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs. These cash outflows were offset by $384.0 million in proceeds from the issuance of Class A shares and $454.4 million of debt issued by consolidated VIEs.

Net cash provided by financing activities was $243.8 million for the year ended December 31, 2010, which was primarily comprised of $1,050.4 million related to the issuance of debt by consolidated VIEs. This amount was offset by $331.1 million in repayment of term loans by consolidated VIEs, $146.7 million in distributions by consolidated VIEs, $182.3 million in repayments and repurchases of debt primarily with respect to the AMH Credit Agreement and $48.8 million in purchases of AAA units. In addition, there were $13.6 million of distributions to Non-Controlling Interests in the consolidated entities and $21.3 million and $50.4 million of distributions paid to Class A shareholders and Non-Controlling Interests in the Apollo Operating Group, respectively.

Distributions

The table below presents the declaration, payment and determination of the amount of quarterly distributions which are at the sole discretion of the Company (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
May 27, 2010	$ 0.07	June 15, 2010	$ 6.7	$ 16.8	$ 23.5	$ 1.0
August 2, 2010	0.07	August 25, 2010	6.9	16.8	23.7	1.4
November 1, 2010	0.07	November 23, 2010	6.9	16.8	23.7	1.3
January 4, 2011	0.17	January 14, 2011	16.6	40.8	57.4	3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8	79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6	87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0	72.8	4.3
February 12, 2012	0.46	February 29, 2012	58.1	110.4	168.5	10.3
May 8, 2012	0.25	May 30, 2012	31.6	60.0	91.6	6.2
August 2, 2012	0.24	August 31 2012	31.2	57.6	88.8	5.3
November 9, 2012	0.40	November 30, 2012	52.0	96.0	148.0	9.4

Future Cash Flows

Our ability to execute our business strategy, particularly our ability to increase our AUM, depends on our ability to establish new funds and to raise additional investor capital within such funds. Our liquidity will depend on a number of factors, such as our ability to project our financial performance, which is highly dependent on our funds and our ability to manage our projected costs, fund performance, having access to credit facilities, being in compliance with existing credit agreements, as well as industry and market trends. Also during economic downturns the funds we manage might experience cash flow issues or liquidate entirely. In these situations we might be asked to reduce or eliminate the management fee and incentive fees we charge. As was the situation with AIE I, this could adversely impact our cash flow in the future.

For example, the investment performance of AIE I was adversely impacted due to market conditions in 2008 and early 2009, and on July 10, 2009, its shareholders subsequently approved a monetization plan. The primary objective of the monetization plan is to maximize shareholder recovery value by (i) opportunistically selling AIE I’s assets over a three-year period from July 2009 to July 2012 and (ii) reducing the overall costs of the fund. The Company waived management fees of $12.6 million for the year ended December 31, 2008 and an additional $2.0 million for the year ended December 31, 2009 to limit the adverse impact that deteriorating market conditions were having on AIE I’s performance. AIE I management fees were terminated on August 23, 2012 as the fund received a majority vote from shareholders to approve the wind down resolution to terminate the management agreement. Management elected not to seek shareholder approval for a one-year extension and currently aims to wind up the company in a quick and cost efficient manner. Management anticipates that all related corporate entities will be dissolved by the end of 2013 and a final distribution will be made to shareholders of remaining cash, if any, in the first quarter of 2013. However, there can be no assurances that this timeframe will be met.

On October 31, 2012, AAA and Apollo Alternative Assets entered into an amendment to the services agreement pursuant to which Apollo Alternative Asset manages AAA's assets in exchange for a quarterly management fee. Pursuant to the amendment, the parties agreed that there will be no management fees payable by AAA with respect to the Excluded Athene Shares. Likewise, affiliates of Apollo Alternative Assets will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. AAA will continue to pay Apollo Alternative Assets the same management fee on AAA's investment in Athene (other than the Excluded Athene Shares), except that Apollo Alternative Assets agreed that AAA's obligation to pay the existing management fee shall terminate on December 31, 2014. The amendment provides for Apollo Alternative Assets to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd (or if AAA accomplishes a similar transaction using an alternative structure): up to a cap of $30.0 million if the realization event commences in 2013, $25.0 million if the realization event commences in 2014, $20.0 million if the realization event commences in 2015 and zero if the realization event commences in 2016 or thereafter. Apollo Alternative Assets has further agreed that AAA has the option to settle all such management fees payable either in cash or shares of Athene Holding Ltd. valued at the then fair market value (or an equivalent derivative). Carried interest payable to an affiliate of Apollo Alternative Assets will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind or paid in cash if AAA sells the shares of Athene Holding Ltd.

On April 20, 2010, the Company announced that it entered into a strategic relationship agreement with the CalPERS. The strategic relationship agreement provides that Apollo will reduce fees charged to CalPERS on funds it manages, or in the future will manage, solely for CalPERS by $125 million over a five-year period 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. In March 2012, the Company received a notice of withdrawal from CalPERS, to withdraw a total of $400 million from SOMA. We currently expect the capital to be distributed over the next several years. Through December 31, 2012, the Company has reduced fees charged to CalPERS on the funds it manages by approximately $66.9 million.

An increase in the fair value of our funds' investments, by contrast, could favorably impact our liquidity through higher management fees where the management fees are calculated based on the net asset value, gross assets and adjusted assets. Additionally, higher carried interest income would generally result when investments appreciate over their cost basis which would not have an impact on the Company's cash flow.

The Company granted approximately 5.4 million and 8.1 million RSUs to its employees during the years ended December 31, 2012 and 2011, respectively. The average estimated fair value per share on the grant date was $13.68 and $14.45 with a total fair value of the grants of $73.5 million and $116.6 million at December 31, 2012 and 2011, respectively. This will impact the Company's compensation expense as these grants are amortized over their vesting term of three to six years. The Company expects to incur annual compensation expenses on all grants, net of forfeitures, of approximately $82.7 million, $38.7 million, $22.7 million, $10.5 million, $4.5 million and $2.7 million during the years ended December 31, 2013, 2014, 2015, 2016, 2017 and 2018, respectively.

Although we expect to pay distributions according to our distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions. To the extent we do not have cash on hand sufficient to pay distributions, we may have to borrow funds to pay distributions, or we may determine not to pay distributions. The declaration, payment and determination of the amount of our quarterly distributions are at the sole discretion of our manager.

Carried interest income from our funds can be distributed to us on a current basis, but is subject to repayment by the subsidiaries of the Apollo Operating Group that act as general partner of such funds 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, to the extent of their ownership interest, subject to certain limitations, the obligations 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. Pursuant to the shareholders agreement dated July 13, 2007 (the "Managing Partners Shareholders Agreement"), we agreed to 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 Fund IV, Fund V and Fund VI (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 distributed carried interest income with respect to Fund IV, Fund V and Fund VI, 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 distribution to which that general partner obligation related.

On February 8, 2013, the Company declared a cash distribution of $1.05 per Class A share, which was paid on February 28, 2013 to holders of record on February 20, 2013.

On January 9, 2013, the Company issued 150,000 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.1% to 35.2%.

On January 28, 2013, the Company issued 23,231 Class A shares in settlement of vested RSUs. The issuance had minimal impact on the Company's ownership in the Apollo Operating Group.

On February 11, 2013, the Company issued 1,912,632 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.2% to 35.5%.

Distributions to Managing Partners and Contributing Partners

The three Managing Partners who became employees of Apollo on July 13, 2007 are each entitled to a $100,000 base salary. Additionally, our Managing Partners can receive other forms of compensation. Any additional consideration will be paid to them in their proportional ownership interest in Holdings. Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to any exchanging or selling Managing Partners.

It should be noted that subsequent to the 2007 Reorganization, the Contributing Partners retained ownership interests in subsidiaries of the Apollo Operating Group. Therefore, any distributions that flow up to management or general partner entities in which the Contributing Partners retained ownership interests are shared pro rata with the Contributing Partners who have a direct interest in such entities prior to flowing up to the Apollo Operating Group. These distributions are considered compensation expense after the 2007 Reorganization.

The Contributing Partners are entitled to receive the following:

- ***Profit Sharing***—private equity carried interest income, from direct ownership of advisory entities. Any changes in fair value of the underlying fund investments would result in changes to Apollo Global Management, LLC's profit sharing payable.
- ***Net Management Fee Income***—distributable cash determined by the general partner of each management company, from direct ownership of the management company entity. The Contributing Partners will continue to receive net management fee income payments based on the interests they retained in management companies directly. Such payments are treated as compensation expense after the 2007 Reorganization as described above.
- Any additional consideration will be paid to them based on their proportional ownership interest in Holdings.
- No base compensation is paid to the Contributing Partners from the Company, but they are entitled to a monthly draw.
- Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to any exchanging or selling Contributing Partner.

Potential Future Costs

We may make grants of RSUs or other equity-based awards to employees and independent directors that we appoint in the future.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the consolidated financial statements, which have been prepared in accordance with U.S. GAAP. We also report segment information from our consolidated statements of operations and include a supplemental performance measure, ENI, for our private equity, credit and real estate segments. ENI represents segment income (loss) excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. A summary of our significant accounting policies is presented in our consolidated financial statements. The following is a summary of our accounting policies that are affected most by judgments, estimates and assumptions.

Consolidation

Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds for which the general partner is presumed to have control (e.g., AAA and Apollo Senior Loan Fund). Apollo also consolidates entities that are 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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 whether Apollo is 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 entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

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 VIE's 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 the 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 consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. The difference between the fair value of the assets and liabilities of these VIEs is presented within appropriated partners' capital in the consolidated statements of financial condition as these VIEs are funded solely with debt. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income is presented within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statement of financial condition as of December 31, 2012 and 2011.

Additional disclosures regarding VIEs are set forth in note 5 to our consolidated financial statements. Inter-company transactions and balances, if any, have been eliminated in consolidation.

Revenue Recognition

Carried Interest Income from Affiliates. We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Such carried interest income generally is earned based upon a fixed percentage of realized and unrealized gains of various funds after meeting any applicable hurdle rate or threshold minimum. Carried interest income from certain of the funds that we manage is subject to contingent repayment and is generally paid to us as particular investments made by the funds are realized. If, however, upon liquidation of a fund, the aggregate amount paid to us as carried interest exceeds the amount actually due to us based upon the aggregate performance of the fund, the excess (in certain cases net of taxes) is required to be returned by us to that fund. For a majority of our credit funds, once the annual carried interest income has been determined, there generally is no look-back to prior periods for a potential contingent repayment; however, carried interest income on certain other credit funds can be subject to contingent repayment at the end of the life of the fund. We have elected to adopt Method 2 from U.S. GAAP guidance applicable to accounting for management fees based on a formula, and under this method, we accrue carried interest income quarterly based on fair value of the underlying investments and separately assess if contingent repayment is necessary. The determination of carried interest income and contingent repayment considers both the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. Refer to note 18 to our consolidated financial statements for disclosure of the amounts of carried interest (loss) income from affiliates that was generated from realized versus unrealized losses. See "—Investments, at Fair Value" below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our private equity, credit and real estate funds.

Management Fees from Affiliates. The management fees related to our private equity funds are generally based on a fixed percentage of the committed capital or invested capital. The corresponding fee calculations that consider committed capital or invested capital are both objective in nature and therefore do not require the use of significant estimates or assumptions. Management fees related to our credit funds, by contrast, can be based on net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, or capital contributions, all as defined in the respective partnership agreements. The credit management fee calculations that consider net asset value, gross assets, adjusted cost of all unrealized portfolio investments and adjusted assets, are normally based on the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. The management fees related to our real estate funds are generally based on a specific percentage of the funds' stockholders' equity or committed or net invested capital or the capital accounts of the limited partners. See

"—Investments, at Fair Value" section below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our credit and private equity funds.

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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 where the fair value is based on unobservable inputs.

In cases where an investment or financial instrument measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

Equity Method Investments. For investments in 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 such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations and income (loss) on available-for-sale securities (from equity method investments) is recognized as part of other comprehensive income (loss), net of tax in the consolidated statements of comprehensive income (loss). The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

Private Equity Investments. The majority of the illiquid investments within our private equity funds are valued using the market approach, which provides an indication of fair value based on a comparison of the subject Company to comparable publicly traded companies and transactions in the industry.

Market Approach. The market approach is driven by current market conditions, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. Consideration may also be given to any of the following factors: (1) the subject company's historical and projected financial data; (2) valuations given to comparable companies; (3) the size and scope of the subject company's operations; (4) the subject company's individual strengths and weaknesses; (5) expectations relating to the market's receptivity to an offering of the subject company's securities; (6) applicable restrictions on transfer; (7) industry and market information; (8) general economic and market conditions; and (9) other factors deemed relevant. Market approach valuation models typically employ a multiple that is based on one or more of the factors described above. Sources for gaining additional knowledge related to comparable companies include public filings, annual reports, analyst research reports, and press releases. Once a comparable company set is determined, we review certain aspects of the subject company's performance and determine how its performance compares to the group and to certain individuals in the group. We compare certain measurements such as EBITDA margins, revenue growth over certain time periods, leverage ratios, and growth opportunities. In addition, we compare our entry multiple and its relation to the comparable set at the time of acquisition to understand its relation to the comparable set on each measurement date.

Income Approach. For investments where the market approach does not provide adequate fair value information, we rely on the income approach. The income approach is also used to value investments or validate the market approach within our private equity funds. 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 significant assumptions related to the subject company's expected results and a calculated discount rate, which is normally based on the subject company's weighted average cost of capital, or "WACC." The WACC represents the required rate of return on total capitalization, which is comprised of a required rate of return on equity, plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt that are typical in the industry. The most critical step in determining the appropriate WACC for each subject company is to select companies that are comparable in nature to the subject company. Sources for gaining additional knowledge about the comparable companies include public filings, annual reports, analyst research reports, and press releases. The general formula then used for calculating the WACC considers the after-tax rate of return on debt capital and the rate of return on common equity capital, which further considers the risk-free rate of return, market beta, market risk premium and small stock premium, if applicable. The variables used in the WACC formula are inferred from the comparable market data obtained. The Company evaluates the comparable companies selected and concludes on WACC inputs based on the most comparable company or analyzes the range of data for the investment.

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 close price on the date of determination.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our private equity investments.

Management also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis. 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.

Credit Investments. The majority of investments in Apollo's credit funds are valued based on quoted market prices and valuation models. 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 credit funds also enter into foreign currency exchange contracts, total return swap 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. Total return swap and 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 total return or credit default swap 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 observable 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 credit investments also may include the market approach and the income approach, as previously described above. The valuation approaches used consider, as applicable, market risks, credit risks, counterparty risks and foreign currency risks.

On a quarterly basis, Apollo also utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our credit investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments. For the CMBS portfolio of Apollo's funds, the estimated fair value of the AAA-rated CMBS portfolio is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs. For Apollo's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

On a quarterly basis, Apollo also utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our real estate investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

The fair values of the investments in our private equity, credit and real estate funds can be impacted by changes to the assumptions used in the underlying valuation models. For further discussion on the impact of changes to valuation assumptions refer to "Item 7A. Quantitative and Qualitative Disclosures

About Market Risk—Sensitivity". There have been no material changes to the underlying valuation models during the periods that our financial results are presented.

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, 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2012. However, the carrying value that is recorded on the consolidated statement of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the AMH Credit Agreement would be categorized as a Level III liability in the fair-value hierarchy.

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. When market quotations are not available, a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available, a model based approach is used. The valuation approach used to estimate the fair values of debt obligations for which market quotations are not available 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.

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. For the convertible notes issued by HFA, Apollo has elected to separately present interest income from other changes in the fair value of the convertible notes within the consolidated statement of operations. Refer to note 5 to our consolidated financial statements for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2012, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Compensation and Benefits

Compensation and benefits include salaries, bonuses and benefits, profit sharing expense, incentive fee compensation, and equity-based compensation.

Salaries, Bonus and Benefits. Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are accrued over the service period.

From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying 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, 2012, 2011 and 2010, respectively.

Profit Sharing Expense. Profit sharing expense is primarily a result of agreements with our Contributing Partners and employees to compensate them based on the ownership interest they have in the general partners of the Apollo funds. Therefore, movements in the fair value of the underlying investments in the funds we manage and advise affect the profit sharing expense. As of December 31, 2012, our total private equity investments were approximately $25.9 billion. The Contributing Partners and employees are allocated approximately 30% to 50% of the total carried interest income which is driven primarily by changes in fair value of the underlying fund’s investments and is treated as compensation expense. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and Contributing Partners.

Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions will be reflected in the Company’s consolidated settlement of operations as profit sharing expense.

Profit sharing expense also includes expense resulting from profits interests issued to certain employees who are entitled to a share in earnings of and any appreciation of the value in a subsidiary of the Company during the term of their employment. Profit sharing expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement, which we refer to herein as the Incentive Pool, enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation. Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our credit funds, based on performance for the year. Incentive fee compensation expense is recognized on accrual basis as the related carried interest income is earned.

Incentive fee compensation expense may be subject to reversal during the interim period where there is a decline in the related carried interest income; however it is not subject to reversal once the carried interest income crystallizes.

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 is generally 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 recognized over the relevant service period. Further, as required under U.S. GAAP, the Company estimates forfeitures using industry comparables or historical trends for equity-based awards that are not expected to vest. Apollo's equity-based compensation awards consist of, or provide rights with respect to, AOG Units, RSUs, share options, AAA RDUs, ARI restricted stock awards, ARI RSUs, and AMTG RSUs. For more information regarding Apollo's equity-based compensation awards, see note 14 to our consolidated financial statements. The Company's assumptions made to determine the fair value on grant date and the estimated forfeiture rate are embodied in the calculations of compensation expense.

Another significant part of our compensation expense is derived from amortization of the AOG Units subject to forfeiture by our Managing Partners and Contributing Partners. The estimated fair value was determined and recognized over the forfeiture period on a straight-line basis. We have estimated a 0% and 3% forfeiture rate for our Managing Partners and Contributing Partners, respectively, based on the Company's historical attrition rate for this level of staff as well as industry comparable rates. If either the Managing Partners or Contributing Partners are no longer associated with Apollo or if there is no turnover, we will revise our estimated compensation expense to the actual amount of expense based on the units vested at the balance sheet date in accordance with U.S. GAAP.

Additionally, the value of the AOG Units have been reduced to reflect the transfer restrictions imposed on units issued to the Managing Partners and Contributing Partners as well as the lack of rights to participate in future Apollo Global Management, LLC equity offerings. These awards have the following characteristics:

- Awards granted to the Managing Partners (i) are not permitted to be sold to any parties outside of the Apollo Global Management, LLC control group and transfer restrictions lapse pro rata during the forfeiture period over 60 or 72 months, and (ii) allow the Managing Partners to initiate a change in control.
- Awards granted to the Contributing Partners (i) are not permitted to be sold or transferred to any parties except to the Apollo Global Management, LLC control group and (ii) the transfer restriction period lapses over six years (which is longer than the forfeiture period which lapses ratably over 60 months).

As noted above, the AOG Units issued to the Managing Partners and Contributing Partners have different restrictions which affect the liquidity of and the discounts applied to each grant.

We utilized the Finnerty Model to calculate a discount on the AOG Units granted to the Contributing Partners. The Finnerty Model provides for a valuation discount reflecting the holding period restriction embedded in a restricted security preventing its sale over a certain period of time. Along with the Finnerty Model we applied adjustments to account for the existence of liquidity clauses specific to the AOG Units granted to the Contributing Partners and a minority interest consideration as compared to the units sold in the Strategic Investors Transaction in 2007. The combination of these adjustments yielded a fair value estimate of the AOG Units granted to the Contributing Partners.

The Finnerty Model proposes to estimate a discount for lack of marketability such as transfer restrictions by using an option pricing theory. This model has gained recognition through its ability to address the magnitude of the discount by considering the volatility of a company's stock price and the length of restriction. The concept underpinning the Finnerty Model is that restricted security cannot be sold over a certain period of time. Further simplified, a restricted share of equity in a company can be viewed as having forfeited a put on the average price of the marketable equity over the restriction period (also known as an "Asian Put Option"). If we price an Asian Put Option and compare this value to that of the assumed fully marketable underlying security, we can effectively estimate the marketability discount.

The assumptions utilized in the model were (i) length of holding period, (ii) volatility, (iii) dividend yield and (iv) risk free rate. Our assumptions were as follows:

(i) We assumed a maximum two year holding period.

(ii) We concluded based on industry peers, that our volatility annualized would be approximately 40%.

(iii) We assumed no distributions.

(iv) We assumed a 4.88% risk free rate based on U.S. Treasuries with a two year maturity.

For the Contributing Partners' grants, the Finnerty Model calculation, as detailed above, yielded a marketability discount of 25%. This marketability discount, along with adjustments to account for the existence of liquidity clauses and consideration of non-controlling interests as compared to units sold in the Strategic Investors Transaction in 2007, resulted in an overall discount for these grants of 29%.

We determined a 14% discount for the grants to the Managing Partners based on the equity value per share of $24. We determined that the value of the grants to the Managing Partners was supported by the 2007 sale of an identical security to Credit Suisse Management, LLC at $24 per share. Based on an equity value per share of $24, the implied discount for the grants to the Managing Partners was 14%. The Contributing Partners yielded a larger overall discount of 29%, as they are unable to cause a change in control of Apollo. This results in a lower fair value estimate, as their units have fewer beneficial features than those of the Managing Partners.

Income Taxes

The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to NYC UBT and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets, at fair value:								
Investment in AAA Investments	$ —	$ —	$ —	$ —	$1,666,448	$ 1,480,152	$1,666,448	$ 1,480,152
Investments held by Apollo Senior Loan Fund	—	—	27,063	23,757	590	456	27,653	24,213
Investments in HFA and Other	—	—	—	—	50,311	47,757	50,311	47,757
Total	$ —	$ —	$ 27,063	$ 23,757	$ 1,717,349	$1,528,365	$ 1,744,412	$1,552,122

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843
Total	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843

There was a transfer of investments from Level III into Level II as well as a transfer from Level II into Level III relating to investments held by the Apollo Senior Loan Fund during 2012, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. There were no transfers between Level I, II or III during the year ended December 31, 2011 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 1,480,152	$1,637,091	$ 1,324,939
Purchases	—	432	375
Distributions	(101,844)	(33,425)	(58,368)
Change in unrealized gains (losses), net	288,140	(123,946)	370,145
Balance, End of Period	$1,666,448	$ 1,480,152	$1,637,091

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The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Balance, Beginning of Period	$47,757[1]	$ —
Acquisitions related to consolidated fund	46,148	—
Purchases	5,759	57,509
Deconsolidation	(48,037)[1]	—
Director Fees	—	(1,802)
Expenses incurred	—	(2,069)
Change in unrealized losses	(1,316)	(5,881)
Balance, End of Period	$ 50,311	$ 47,757

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

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

The following table summarizes the changes in the Apollo Senior Loan Fund, which is measured at fair value and characterized as a Level III investment for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Balance, Beginning of Period	$ 456	$ —
Acquisition	—	456
Purchases of investments	496	—
Sale of investments	(1,291)	—
Realized gains	20	—
Change in unrealized gains	8	—
Transfers out of Level III	(935)	—
Transfers into Level III	1,836	—
Balance, End of Period	$ 590	$456

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 as of December 31, 2012 and 2011:

	Private Equity			
	December 31, 2012		December 31, 2011	
		% 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:				
Discounted cash flow models	$1,581,975	98.6%	$ 643,031	38.4%
Comparable company and industry multiples	—	—	749,374	44.6
Listed quotes	22,029	1.4	139,833	8.3
Broker quotes	—	—	179,621	10.7
Other net liabilities[1]	—	—	(33,330)	(2.0)
Total Investments	1,604,004	100.0%	1,678,529	100.0%
Other net assets (liabilities)[2]	62,444		(198,377)	
Total Net Assets	$ 1,666,448		$ 1,480,152	

(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 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, liabilities and general partner interests of AAA Investments. Balance at December 31, 2012 is primarily comprised of $113.3 million in notes receivable from affiliate. Balance at December 31, 2011 was primarily

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comprised of $402.5 million in long-term debt offset by cash and cash equivalents. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

Fair Value Measurements

The following table summarizes the valuation of Apollo's consolidated VIEs in fair value hierarchy levels as of December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Investments, at fair value (1)	$ 168	$ —	$11,045,902	$3,055,357	$1,643,465	$246,609	$12,689,535	$3,301,966

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value	$ —	$ —	$ —	$ —	$11,834,955	$3,189,837	$11,834,955	$3,189,837

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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 to our consolidated financial statements. All Level II investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are accounted for as of the end of the reporting period in which the transfer occurred.

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 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.

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 246,609	$ 170,369	$ —
Acquisition of VIEs	1,706,145	335,353	—
Transition adjustment relating of consolidation of VIE	—	—	1,102,114
Deconsolidation of VIE	—	—	(20,751)
Elimination of investments attributable to consolidation of VIEs	(69,437)	—	—
Purchases	1,236,232	663,438	840,926
Sale of investments	(1,561,589)	(273,719)	(125,638)
Net realized gains (losses)	21,603	980	131
Changes in net unrealized (losses) gains	(56,013)	(7,669)	29,981
Transfers out of Level III	(712,040)	(802,533)	(1,663,755)
Transfers into Level III	831,955	160,390	7,361
Balance, End of Period	$ 1,643,465	$ 246,609	$ 170,369
Changes in net unrealized gains (losses) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ 7,464	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which

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include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 3,189,837	$ 1,127,180	$ —
Acquisition of VIEs	7,317,144	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	—	706,027
Additions	1,639,271	454,356	1,050,377
Repayments	(741,834)	(415,869)	(331,120)
Net realized gains on debt	—	(41,819)	(21,231)
Changes in net unrealized losses from debt	497,704	19,880	55,040
Deconsolidation of VIE	—	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(67,167)	(48)	(2,077)
Balance, End of Period	$11,834,955	$ 3,189,837	$1,127,180
Changes in net unrealized losses (gains) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ 446,649	$ (25,347)	$ 16,916

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to Apollo and its industry is included in note 2 to our consolidated financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential contingent repayment obligations. See note 16 to our consolidated financial statements for a discussion of guarantees and contingent obligations.

Contractual Obligations, Commitments and Contingencies

As of December 31, 2012, the Company's material contractual obligations consist of lease obligations, contractual commitments as part of the ongoing operations of the funds and debt obligations. Fixed and determinable payments due in connection with these obligations are as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
				(in thousands)			
Operating lease obligations(1)	$36,109	$ 36,853	$ 36,105	$35,265	$ 32,680	$74,174	$ 251,186
Other long-term obligations(2)	7,418	700	250	—	—	—	8,368
AMH Credit Agreement(3)	29,503	84,457	77,402	25,367	623,478	—	840,207
CIT secured loan agreements	9,612	—	—	—	—	—	9,612
Total Obligations as of December 31, 2012	$82,642	$122,010	$113,757	$ 60,632	$656,158	$74,174	$1,109,373

(1) The Company has entered into sublease agreements and is expected to contractually receive approximately $14.5 million over the remaining periods of 2013 and thereafter.

(2) Includes (i) payments on management service agreements related to certain assets and (ii) payments with respect to certain consulting agreements entered into by the Company. Note that a significant portion of these costs are reimbursable by funds.

(3) $723.3 million ($995.0 million portion less amount repurchased) of the outstanding AMH loan matures in January 2017 and the remaining $5.0 million portion of the loan matures in April 2014. Amounts represent estimated interest payments until the loan matures using an estimated weighted average annual interest rate of 4.06%.

Note: Due to the fact that the timing of certain amounts to be paid cannot be determined or for other reasons discussed below, the following contractual commitments have not been presented in the table above.

(i) As noted previously, we have entered into a tax receivable agreement with our Managing Partners and Contributing Partners which requires us to pay to our Managing Partners and Contributing Partners 85% of any tax savings received by APO Corp. from our step-up in tax basis. The tax savings achieved may not ensure that we have sufficient cash available to pay this liability and we might be required to incur additional debt to satisfy this liability.

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(ii) Debt amounts related to the consolidated VIEs are not presented in the table above as the Company is not a guarantor of these non-recourse liabilities.

Commitments

Certain of our management companies and general partners are committed to contribute to the funds and affiliates. While a small percentage of these amounts are funded by us, the majority of these amounts have historically been funded by our affiliates, including certain of our employees and certain Apollo funds. The table below presents the commitment and remaining commitment amounts of Apollo and its affiliates, the percentage of total fund commitments of Apollo and its affiliates, the commitment and remaining commitment amounts of Apollo only (excluding affiliates), and the percentage of total fund commitments of Apollo only (excluding affiliates) for each private equity fund, each credit fund and each real estate fund as of December 31, 2012 as follows ($ in millions):

Fund	Apollo and Affiliates Commitments	% of Total Fund Commitments	Apollo Only (Excluding Affiliates) Commitments	Apollo Only (Excluding Affiliates) % of Total Fund Commitments	Apollo and Affiliates Remaining Commitments	Apollo Only (Excluding Affiliates) Remaining Commitments
Private Equity:						
Fund VII	$ 467.2(1)	3.18%	$ 180.0	1.23%	$ 151.4(1)	$ 60.4
Fund VI	246.2	2.43	6.1	0.06	24.3	0.6
Fund V	100.0	2.67	0.5	0.01	6.3	— (2)
Fund IV	100.0	2.78	0.2	0.01	0.5	— (2)
Fund III	100.6	6.71	—	—	15.5	—
ANRP	426.1(1)	32.21	9.9	0.74	325.8(1)	7.7
AION	127.4	46.56	27.4	10.00	127.4	27.4
Credit:						
EPF I(3)	354.4(4)	20.74	23.4	1.37	93.2(5)	7.5
EPF II(3)	415.2	11.48	77.1	2.13	366.7	69.1
SOMA(6)	—	—	—	—	—	—
COF I	451.1(7)	30.38	29.7	2.00	237.4(7)	4.2
COF II	30.5	1.93	23.4	1.48	0.8	0.6
ACLF(8)	23.9	2.43	23.9	2.43	17.3	17.3
Palmetto(9)	18.0	1.19	18.0	1.19	7.7	7.7
AIE II(3)	8.6	3.15	5.3	1.94	0.8	0.5
A-A European Senior Debt Fund, L.P.	50.0	100.00	—	—	—	—
FCI	150.7	26.96	—	—	57.0	—
Apollo/Palmetto Loan Portfolio, L.P.	300.0(1)	100.00	—	—	85.0(1)	—
Apollo/Palmetto Short-Maturity Loan Portfolio, L.P.	200.0(1)	100.00	—	—	— (1)	—
AESI(3)	4.6	0.99	4.6	0.99	2.1	2.1
AEC	7.3	2.50	3.2	1.08	4.0	1.7
Apollo Centre Street Partnership, L.P.	15.0	2.44	15.0	2.44	10.1	10.1
Apollo Asia Private Credit Fund, L.P.	157.4	91.30	0.1	0.06	128.8	0.1
Apollo SK Strategic Investments, L.P.	2.0	0.99	2.0	0.99	1.5	1.5
Stone Tower Structured Credit Recovery Master Fund II, Ltd.	1.5	1.80	—	—	—	—
Stone Tower Credit Solutions Master Fund Ltd.	1.0	0.92	—	—	0.3	—
Real Estate:						
AGRE U.S. Real Estate Fund	613.2(1)	78.09	13.2	1.68	496.6(1)	7.7
CPI Capital Partners North America	7.6	1.27	2.1	0.35	0.6	0.2
CPI Capital Partners Europe(3)	7.2	0.47	—	—	1.2	—
CPI Capital Partners Asia Pacific	6.9	0.53	0.5	0.04	0.7	—
London Prime Apartments Guernsey Holdings Limited (Guernsey)(10)	18.4	7.80	0.6	0.23	11.8	0.4
Apollo GSS Holding (Cayman), L.P.(10)	10.6	14.71	3.2	4.52	2.5	0.7
2012 CMBS I Fund, L.P	66.2	100.00	—	—	0.9	—
2012 CMBS II Fund, L.P.	66.2	100.00	—	—	8.1	—
2012 CMBS III, Fund, L.P.	68.3	100.00	—	—	12.8	—
2011 A4 Fund, L.P.	234.7	100.00	—	—	—	—
AGRE CMBS Fund, L.P.	418.8	100.00	—	—	—	—
Other:						
Apollo SPN Investments I, L.P.	30.9	1.02	30.9	1.02	30.8	30.8
Total	$ 5,307.7		$ 500.3		$ 2,229.9	$ 258.3

(1) As of December 31, 2012, Palmetto had commitments and remaining commitment amounts in Fund VII of $110.0 million and $35.0 million, respectively, ANRP of $150.0 million and $114.5 million, respectively, Apollo/Palmetto Loan Portfolio, L.P. of $300.0 million and $85.0 million, respectively, Apollo/Palmetto Short-Maturity Loan Portfolio, L.P. of $200.0 million and $0.0 million, respectively, and AGRE U.S. Real Estate Fund, L.P. of $300 million and $231.8 million, respectively.

(2) As of December 31, 2012, Apollo had an immaterial amount of remaining commitments in Fund IV and Fund V. Accordingly, presentation of such remaining commitments was not deemed meaningful for inclusion in the table above.

(3) Apollo's commitment in these funds is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.32 as of December 31, 2012.

(4) Of the total commitment amount in EPF I, AAA Investments, L.P., SOMA and Palmetto have approximately €54.5 million, €75.0 million and €106.0 million, respectively.

(5) Of the total remaining commitment amount in EPF I, AAA Investments, L.P., SOMA and Palmetto have approximately €13.9 million, €19.1 million and €27.0 million, respectively.

(6) Apollo and affiliated investors must maintain an aggregate capital balance in an amount not less than 1% of total capital account balances of the partnership. As of December 31, 2012, Apollo and affiliated investors' capital balances exceeded the 1% requirement and therefore they are not required to fund a capital commitment.
(7) As of December 31, 2012, SOMA had commitments and remaining commitment amounts in COF I of $250.0 million and $202.0 million, respectively.
(8) As of December 31, 2012, the general partner of ACLF Co-Invest, a co-investment vehicle that invests alongside ACLF, had committed an immaterial amount to ACLF Co-Invest. Accordingly, presentation of such commitment was not deemed meaningful for inclusion in the table above.
(9) As of December 31, 2012, commitments in Palmetto also included commitments related to Apollo Palmetto Athene Partnership, L.P.
(10) Apollo's commitment in these investments is denominated in pound sterling and translated into U.S. dollars at an exchange rate of £1.00 to $1.62 as of December 31, 2012.

As a limited partner, the general partner and manager of the Apollo private equity, credit and real estate funds, Apollo has unfunded capital commitments at December 31, 2012 and December 31, 2011 of $258.3 million and $137.9 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

On December 21, 2012, the Company agreed to provide up to $100 million of capital support to Athene to the extent such support is necessary in connection with Athene's pending acquisition of Aviva plc's annuity and life insurance operations in the United States.

The AMH Credit Agreement, which provides for a variable-rate term loan, will have future impacts on our cash uses. Borrowings under the AMH Credit Agreement originally accrued interest at a rate of (i) LIBOR loans (LIBOR plus 1.25%), or (ii) base rate loans (base rate plus 0.50%). The Company had hedged $167 million of the variable-rate loan with fixed rate swaps to minimize our interest rate risk as of December 31, 2011 which expired in May 2012. The loan originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loan from April 20, 2014 to January 3, 2017 and modified certain other terms of the AMH Credit Agreement. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of the term loan by December 31, 2014 and at least $100.0 million aggregate principal amount of the term loan (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of the term loan in connection with the extension of the maturity date of such loan and thus the AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2012 was 4.07% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2012 was 1.32%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2012. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2012 is the amount for which the Company expects to settle the AMH Credit 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 $9.4 million due at the end of the terms in April 2013. At December 31, 2012, the interest rate was 3.40%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreements for $11.3 million with $11.1 million of the proceeds going to CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of December 31, 2012, the carrying value of the remaining CIT secured loan was $9.5 million.

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., and who are also employees of the Company. 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. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, and therefore the loan was reduced in the amount of $10.9 million, which was offset in carried interest receivable on the consolidated statements of financial condition. During the year ended December 31, 2011, there was a $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. At December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. During the year ended December 31, 2012, there was no interest paid and $1.3 million accrued interest on the outstanding loan obligation. As of December 31, 2012, the total outstanding loan aggregated $9.3 million, including accrued interest of $1.3 million which approximated fair value, of which approximately $6.7 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

In accordance with the Managing Partners Shareholders Agreement and the above credit agreement with Fund VI, we have indemnified the Managing Partners and certain Contributing Partners (at varying percentages) for any carried interest income distributed from Fund IV, Fund V and Fund VI that is subject to contingent repayment by the general partner. As of the years ended December 31, 2012 and 2011, the Company had not recorded an obligation for any previously made distributions.

Contingent Obligations—Carried interest income in private equity and certain credit and real estate 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 December 31, 2012 and that would be reversed approximates $3.2 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2012
Private Equity Funds:	
Fund VII	$ 1,440,907
Fund VI	567,106
Fund V	213,739
Fund IV	19,739
Other (AAA, Stanhope Life, L.P. "Stanhope")	93,635
Total Private Equity Funds	$ 2,335,126
Credit Funds[(1)]:	
U.S. Performing Credit	656,518
Opportunistic Credit	27,222
Structured Credit	30,863
European Credit	47,206
NPLs	102,101
Total Credit Funds	$ 863,910
Real Estate Funds:	
CPI Other	10,406
Total Real Estate Funds	10,406
Total	$ 3,209,442

(1) Reclassified to conform to current presentation.

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 general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15 to our consolidated financial statements, the Company has recorded a general partner obligation to return previously distributed carried interest income of $19.3 million and $0.3 million relating to SOMA and APC, respectively, as of December 31, 2012. As of December 31, 2012, the general partner obligation for Fund VI was reversed and there was no liability as discussed in note 15 to our consolidated financial statements.

Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company's subsidiaries, Apollo Global Securities, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2012, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the Stone Tower acquisition, the Company agreed to pay the former owners of Stone Tower a specified percentage of any future realized carried interest income earned from certain of the Stone Tower funds, CLOs, and strategic investment accounts. This contingent consideration liability had an acquisition date fair value of approximately $117.7 million, which was determined based on the present value of estimated future carried interest payments, and is recorded in profit sharing payable in the consolidated statements of financial condition. The fair value of the contingent obligation was $126.9 million as of December 31, 2012. Refer to note 3 to our consolidated financial statements for additional details related to the Stone Tower acquisition.

In connection with the Gulf Stream acquisition, as discussed in note 3 to our consolidated financial statements, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of approximately $14.1 million as of December 31, 2012, which is recorded in profit sharing payable in the consolidated statements of financial condition. The contingent liability had a fair value of approximately $4.7 million as of December 31, 2011, which is recorded in due to affiliates in the consolidated statements of financial condition.

In connection with the CPI acquisition, the consideration transferred in the acquisition was a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability was $1.2 million as of December 31, 2012 and is recorded in due to affiliates in the consolidated statements of financial condition.

The contingent consideration obligations will be remeasured to fair value at each reporting period until the obligations are satisfied. The changes in the fair value of the contingent consideration obligations will be reflected in profit sharing expense in the consolidated statements of operations.

During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The Company has determined that the contingent consideration obligations are categorized as a Level III liability in the fair value hierarchy as the pricing inputs into the determination of fair value requires significant management judgment and estimation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as investment manager and general partner for our funds and the sensitivity to movements in the fair value of their investments and resulting impact on carried interest income and management fee revenues. Our direct investments in the funds also expose us to market risk whereby movements in the fair values of the underlying investments will increase or decrease both net gains (losses) from investment activities and income (loss) from equity method investments. For a discussion of the impact of market risk factors on our financial instruments refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Investments, at Fair Value."

The fair value of our financial assets and liabilities of our funds may fluctuate in response to changes in the value of investments, foreign exchange, commodities and interest rates. The net effect of these fair value changes impacts the gains and losses from investments in our consolidated statements of operations. However, the majority of these fair value changes are absorbed by the Non-Controlling Interests.

The Company is subject to a concentration risk related to the investors in its funds. Although there are more than approximately 1,000 limited partner investors in Apollo's active private equity, credit and real estate funds, no individual investor accounts for more than 10% of the total committed capital to Apollo's active funds.

Risks are analyzed across funds from the "bottom up" and from the "top down" with a particular focus on asymmetric risk. We gather and analyze data, monitor investments and markets in detail, and constantly strive to better quantify, qualify and circumscribe relevant risks.

Each segment runs its own investment and risk management process subject to our overall risk tolerance and philosophy:

- The investment process of our private equity funds involves a detailed analysis of potential acquisitions, and investment management teams assigned to monitor the strategic development, financing and capital deployment decisions of each portfolio investment.
- Our credit funds continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios, as well as, fund-wide risks.

Impact on Management Fees—Our management fees are based on one of the following:

- capital commitments to an Apollo fund;
- capital invested in an Apollo fund; or
- the gross, net or adjusted asset value of an Apollo fund, as defined.
- otherwise defined in the respective agreements.

Management fees could be impacted by changes in market risk factors and management could consider an investment permanently impaired as a result of (i) such market risk factors cause changes in invested capital or in market values to below cost, in the case of our private equity funds and certain credit funds, or (ii) such market risk factors causing changes in gross or net asset value, for the credit funds. The proportion of our management fees that are based on NAV is dependent on the number and types of our funds in existence and the current stage of each fund's life cycle.

Impact on Advisory and Transaction Fees—We earn transaction fees relating to the negotiation of private equity, credit and real estate transactions and may obtain reimbursement for certain out-of-pocket expenses incurred. Subsequently, on a quarterly or annual basis, ongoing advisory fees, and additional transaction fees in connection with additional purchases or follow-on transactions, may be earned. Management Fee Offsets and any broken deal costs are reflected as a reduction to advisory and transaction fees from affiliates. Advisory and transaction fees will be impacted by changes in market risk factors to the extent that they limit our opportunities to engage in private equity, credit and real estate transactions or impair our ability to consummate such transactions. The impact of changes in market risk factors on advisory and transaction fees is not readily predicted or estimated.

Impact on Carried Interest Income—We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Our carried interest income will be impacted by changes in market risk factors. However, several major factors will influence the degree of impact:

- the performance criteria for each individual fund in relation to how that fund's results of operations are impacted by changes in market risk factors;
- whether such performance criteria are annual or over the life of the fund;
- to the extent applicable, the previous performance of each fund in relation to its performance criteria; and
- whether each funds' carried interest income is subject to contingent repayment.

As a result, the impact of changes in market risk factors on carried interest income will vary widely from fund to fund. The impact is heavily dependent on the prior and future performance of each fund, and therefore is not readily predicted or estimated.

Market Risk—We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues and expenses will be adversely affected by changes in market conditions. Market risk is inherent in each of our investments and activities, including equity investments, loans, short-term borrowings, long-term debt, hedging instruments, credit default swaps, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity prices, changes in the implied volatility of interest rates and price deterioration. For example, subsequent to the second quarter of 2007, debt credit around the world began to experience significant dislocation, severely limiting the availability of new credit to facilitate new traditional buyouts, and the markets remain volatile. Volatility in debt and equity markets can impact our pace of capital deployment, the timing of receipt of transaction fee revenues, and the timing of realizations. These market conditions could have an impact on the value of investments and our rates of return. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on our results from operations and our overall financial condition. We monitor our market risk using certain strategies and methodologies which management evaluates periodically for appropriateness. We intend to continue to monitor this risk going forward and continue to monitor our exposure to all market factors.

Interest Rate Risk—Interest rate risk represents exposure we have to instruments whose values vary with the change in interest rates. These instruments include, but are not limited to, loans, borrowings and derivative instruments. We may seek to mitigate risks associated with the exposures by taking offsetting positions in derivative contracts. Hedging instruments allow us to seek to mitigate risks by reducing the effect of movements in the level of interest rates, changes in the shape of the yield curve, as well as, changes in interest rate volatility. Hedging instruments used to mitigate these risks may include related derivatives such as options, futures and swaps.

Credit Risk—Certain of our funds are subject to certain inherent risks through their investments.

Certain of our entities invest substantially all of their excess cash in open-end money market funds and money market demand accounts, which are included in cash and cash equivalents. The money market funds invest primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. We continually monitor the funds' performance in order to manage any risk associated with these investments.

Certain of our entities hold derivatives instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We seek to minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

Foreign Exchange Risk—Foreign exchange risk represents exposures we have to changes in the values of current holdings and future cash flows denominated in other currencies and investments in non-U.S. companies. The types of investments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans, foreign currency-denominated transactions, and various foreign exchange derivative instruments whose values fluctuate with changes in currency exchange rates or foreign interest rates. Instruments used to mitigate this risk are foreign exchange options, currency swaps, futures and forwards. These instruments may be used to help insulate us against losses that may arise due to volatile movements in foreign exchange rates and/or interest rates.

Non-U.S. Operations—We conduct business throughout the world and are continuing to expand into foreign markets. We currently have offices outside the U.S. in London, Frankfurt, Luxembourg, Mumbai, Hong Kong and Singapore, and have been strategically growing our international presence. Our investments and revenues are primarily derived from our U.S. operations. With respect to our non-U.S. operations, we are subject to risk of loss from currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalization, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. We also invest in the securities of corporations which are located in non-U.S. jurisdictions. As we continue to expand globally, we will continue to focus on monitoring and managing these risk factors as they relate to specific non-U.S. investments.

Sensitivity

Our assets and unrealized gains, and our related equity and net income are sensitive to changes in the valuations of our funds' underlying investments and could vary materially as a result of changes in our valuation assumptions and estimates. See "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Critical Accounting Policies—Investments, at Fair Value" for details related to the valuation methods that are used and the key assumptions and estimates employed by such methods. We also quantify the Level III investments that are included on our consolidated statements of financial condition by valuation methodology in "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Fair Value Measurements." We employ a variety of valuation methods. Furthermore, the investments that we manage but are not on our consolidated statements of financial condition, and therefore impact carried interest, also employ a variety of valuation methods of which no single methodology is used more than any other. A 10% change in any single key assumption or estimate that is employed by any of the valuation methodologies that we use will generally not have a material impact on our financial results. Changes in fair value will have the following impacts before a reduction of profit sharing expense and Non-Controlling Interests in the Apollo Operating Group and on a pre-tax basis on our results of operations for the years ended December 31, 2012 and 2011:

- Management fees from the funds in our credit segment are based on the net asset value of the relevant fund, gross assets, capital commitments or invested capital, each as defined in the respective management agreements. Changes in the fair values of the investments in credit funds that earn management fees based on net asset value or gross assets will have a direct impact on the amount of management fees that are earned. Management fees earned from our credit segment on a segment basis that were dependent upon estimated fair value during the years ended December 31, 2012 and 2011 would decrease by approximately $11.9 million and $11.1 million, respectively, if the fair values of the investments held by such funds were 10% lower during the same respective periods. By contrast, a 10% increase in fair value would increase management fees for the years ended December 31, 2012 and 2011 by approximately $9.8 million and $10.8 million, respectively.
- Management fees for our private equity funds, excluding AAA, range from 0.65% to 1.50% and are charged on either (a) a fixed percentage of committed capital over a stated investment period or (b) a fixed percentage of invested capital of unrealized portfolio investments. Changes in values of investments could indirectly affect future management fees from private equity funds by, among other things, reducing the funds' access to capital or liquidity and their ability to currently pay the management fees or if such change resulted in a write-down of investments below their associated invested capital.
- Management fees earned from AAA and its affiliates range between 1.0% and 1.25% of AAA adjusted assets, defined as invested capital plus proceeds of any borrowings of AAA Investments, plus its cumulative distributable earnings at the end of each quarterly period (taking into account actual distributions but excluding the management fees relating to the period or any non-cash equity compensation expense), net of any amount AAA pays for the repurchase of limited partner interests, as well as capital invested in Apollo funds and temporary investments and any distributable earnings attributable thereto. Management fees earned from AAA Investments during the years ended December 31, 2012 and 2011 would increase or decrease by approximately $1.5 million and $1.7 million, respectively, if the fair values of the investments held by AAA Investments were 10% higher or lower during the same respective periods.
- Carried interest income from most of our credit funds, which are quantified in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis," are impacted directly by changes in the fair value of their investments. Carried interest income from most of our credit funds generally is earned based on achieving specified performance criteria. We anticipate that a

10% decline in the fair values of investments held by all of the credit funds at December 31, 2012 and 2011 would decrease carried interest income on a segment basis for the years ended December 31, 2012 and 2011 by approximately $289.4 million and $121.4 million, respectively. Additionally, the changes to carried interest income from most of our credit funds assume there is no loss in the fund for the relevant period. If the fund had a loss for the period, no carried interest income would be earned by us. By contrast, a 10% increase in fair value would increase carried interest income on a segment basis for the years ended December 31, 2012 and 2011 by approximately $256.6 million and $115.2 million, respectively.

- Carried interest income from private equity funds generally is earned based on achieving specified performance criteria and is impacted by changes in the fair value of their fund investments. We anticipate that a 10% decline in the fair values of investments held by all of the private equity funds at December 31, 2012 and 2011 would decrease carried interest income on a segment basis for the years ended December 31, 2012 and 2011 by $848.4 million and $230.6 million, respectively. The effects on private equity fees and income assume that a decrease in value does not cause a permanent write-down of investments below their associated invested capital. By contrast, a 10% increase in fair value would increase carried interest income on a segment basis for the years ended December 31, 2012 and 2011 by $789.2 million and $231.5 million, respectively.
- For select Apollo funds, our share of investment income as a limited partner in such funds is derived from unrealized gains or losses on investments in funds included in the consolidated financial statements. For funds in which we have an interest, but are not included in our consolidated financial statements, our share of investment income is limited to our accrued compensation units and direct investments in the funds, which ranges from 0.001% to 22.207%. A 10% decline in the fair value of investments at December 31, 2012 and 2011 would result in an approximate $35.9 million and $31.1 million decrease in investment income at the consolidated level, respectively. By contrast, a 10% increase in the fair value of investments at December 31, 2012 would result in an approximate $35.9 million increase in investment income at the consolidated level.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

New York, New York
March 1, 2013

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2012 AND DECEMBER 31, 2011
(dollars in thousands, except share data)

	December 31, 2012	December 31, 2011
Assets:		
Cash and cash equivalents	$ 946,225	$ 738,679
Cash and cash equivalents held at Consolidated Funds	1,226	6,052
Restricted cash	8,359	8,289
Investments	2,138,096	1,857,465
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,682,696	173,542
Investments, at fair value	12,689,535	3,301,966
Other assets	299,978	57,855
Carried interest receivable	1,878,256	868,582
Due from affiliates	173,312	176,740
Fixed assets, net	53,452	52,683
Deferred tax assets	542,208	576,304
Other assets	36,765	26,976
Goodwill	48,894	48,894
Intangible assets, net	137,856	81,846
Total Assets	**$ 20,636,858**	**$ 7,975,873**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 38,337	$ 33,545
Accrued compensation and benefits	56,125	45,933
Deferred revenue	252,157	232,747
Due to affiliates	477,451	578,764
Profit sharing payable	857,724	352,896
Debt	737,818	738,516
Liabilities of consolidated variable interest entities:		
Debt, at fair value	11,834,955	3,189,837
Other liabilities	634,053	122,264
Other liabilities	44,855	33,050
Total Liabilities	**14,933,475**	**5,327,552**
Commitments and Contingencies (see note 16)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 130,053,993 shares and 123,923,042 shares issued and outstanding at December 31, 2012, and 2011, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2012, and 2011	—	—
Additional paid in capital	3,043,334	2,939,492
Accumulated deficit	(2,142,020)	(2,426,197)
Appropriated partners' capital	1,765,360	213,594
Accumulated other comprehensive income (loss)	144	(488)
Total Apollo Global Management, LLC shareholders' equity	2,666,818	726,401
Non-Controlling Interests in consolidated entities	1,893,212	1,444,767
Non-Controlling Interests in Apollo Operating Group	1,143,353	477,153
Total Shareholders' Equity	**5,703,383**	**2,648,321**
Total Liabilities and Shareholders' Equity	**$ 20,636,858**	**$ 7,975,873**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Revenues:			
Advisory and transaction fees from affiliates	$ 149,544	$ 81,953	$ 79,782
Management fees from affiliates	580,603	487,559	431,096
Carried interest income (loss) from affiliates	2,129,818	(397,880)	1,599,020
Total Revenues	2,859,965	171,632	2,109,898
Expenses:			
Compensation and benefits:			
Equity-based compensation	598,654	1,149,753	1,118,412
Salary, bonus and benefits	274,574	251,095	249,571
Profit sharing expense	871,394	(63,453)	555,225
Incentive fee compensation	739	3,383	20,142
Total Compensation and benefits	1,745,361	1,340,778	1,943,350
Interest expense	37,116	40,850	35,436
Professional fees	64,682	59,277	61,919
General, administrative and other	87,961	75,558	65,107
Placement fees	22,271	3,911	4,258
Occupancy	37,218	35,816	23,067
Depreciation and amortization	53,236	26,260	24,249
Total Expenses	2,047,845	1,582,450	2,157,386
Other Income:			
Net gains (losses) from investment activities	288,244	(129,827)	367,871
Net (losses) gains from investment activities of consolidated variable interest entities	(71,704)	24,201	48,206
Income from equity method investments	110,173	13,923	69,812
Interest income	9,693	4,731	1,528
Other income, net	1,964,679	205,520	195,032
Total Other Income	2,301,085	118,548	682,449
Income (loss) before income tax provision	3,113,205	(1,292,270)	634,961
Income tax provision	(65,410)	(11,929)	(91,737)
Net Income (Loss)	3,047,795	(1,304,199)	543,224
Net (income) loss attributable to Non-Controlling Interests	(2,736,838)	835,373	(448,607)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617
Distributions Declared per Class A Share	$ 1.35	$ 0.83	$ 0.21
Net Income (Loss) Per Class A Share:			
Net Income (Loss) Per Class A Share – Basic and Diluted	$ 2.06	$ (4.18)	$ 0.83
Weighted Average Number of Class A Shares – Basic	127,693,489	116,364,110	96,964,769
Weighted Average Number of Class A Shares – Diluted	129,540,377	116,364,110	96,964,769

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Net Income (Loss)	**$3,047,795**	**$(1,304,199)**	**$ 543,224**
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $410, $855 and $1,449 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for the years ended December 31, 2012, 2011 and 2010, respectively)	2,653	6,728	11,435
Net (loss) income on available-for-sale securities (from equity method investment)	(11)	(225)	343
Total Other Comprehensive Income, net of tax	2,642	6,503	11,778
Comprehensive Income (Loss)	**3,050,437**	**(1,297,696)**	**555,002**
Comprehensive (Income) Loss attributable to Non-Controlling Interests	(922,172)	1,032,502	(446,467)
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	**$2,128,265**	**$ (265,194)**	**$ 108,535**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
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 adjustment relating to consolidation of variable interest entity	—	—	—	—	—	—	—	411,885	—	411,885
Capital increase related to equity-based compensation	—	—	376,380	—	—	—	376,380	—	735,698	1,112,078
Reclassification of equity-based compensation	—	—	(3,505)	—	—	—	(3,505)	—	—	(3,505)
Repurchase of Class A shares	(7,135)	—	(43)	—	—	—	(43)	—	—	(43)
Purchase of Class A shares	—	—	—	—	—	—	—	(48,768)	—	(48,768)
Capital contributions	—	—	—	—	—	—	—	187	—	187
Distributions	—	—	(24,115)	—	—	—	(24,115)	(166,918)	(50,400)	(241,433)
Distributions related to deliveries of Class A shares for RSUs	2,303,826	—	—	(2,876)	—	—	(2,876)	—	—	(2,876)
Non-cash distributions	—	—	—	(18)	—	—	(18)	(590)	—	(608)
Deconsolidation of fund	—	—	—	—	—	—	—	(7,204)	—	(7,204)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(7,014)	—	—	—	(7,014)	7,014	—	—
Satisfaction of liability related to AAA RDUs	—	—	7,594	—	—	—	7,594	—	—	7,594
Net income	—	—	—	94,617	11,359	—	105,976	409,356	27,892	543,224
Net income on available-for-sale securities (from equity method investment)	—	—	—	—	—	343	343	—	—	343
Net unrealized gain on interest rate swaps (net of taxes of $1,499 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,216	2,216	—	9,219	11,435
Balance at December 31, 2010	**97,921,232**	**1**	**$2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Issuance of Class A shares	21,500,000	—	382,488	—	—	—	382,488	—	—	382,488
Dilution impact of issuance of Class A shares	—	—	132,709	—	—	(356)	132,353	—	(127,096)	5,257
Capital increase related to equity-based compensation	—	—	451,543	—	—	—	451,543	—	696,361	1,147,904
Distributions	—	—	(115,139)	—	—	—	(115,139)	(349,509)	(199,199)	(663,847)
Distributions related to deliveries of Class A shares for RSUs	4,631,906	—	11,680	(17,081)	—	—	(5,401)	—	—	(5,401)
Repurchase for net settlement of Class A shares	(130,096)	—	—	(2,472)	—	—	(2,472)	—	—	(2,472)
Non-cash distributions	—	—	—	—	—	—	—	(3,176)	—	(3,176)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(6,524)	—	—	—	(6,524)	6,524	—	—
Satisfaction of liability related to AAA RDUs	—	—	3,845	—	—	—	3,845	—	—	3,845
Net (loss) income	—	—	—	(468,826)	202,235	—	(266,591)	(97,296)	(940,312)	(1,304,199)
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(225)	(225)	—	—	(225)
Net unrealized gain on interest rate swaps (net of taxes of $855 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	1,622	1,622	—	5,106	6,728
Balance at December 31, 2011	**123,923,042**	**1**	**$2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' Equity (Deficit)	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
Balance at January 1, 2012	**123,923,042**	**1**	**$2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**
Dilution impact of issuance of Class A shares	—	—	1,589	—	—	—	1,589	—	—	1,589
Capital increase related to equity-based compensation	—	—	282,288	—	—	—	282,288	—	313,856	596,144
Capital contributions	—	—	—	—	—	—	—	551,154	—	551,154
Distributions	—	—	(203,997)	—	(264,910)	—	(468,907)	(495,506)	(335,023)	(1,299,436)
Distributions related to deliveries of Class A shares for RSUs	6,130,951	—	9,090	(25,992)	—	—	(16,902)	—	—	(16,902)
Purchase of AAA shares	—	—	—	—	—	—	—	(102,072)	—	(102,072)
Non-cash distributions	—	—	—	(788)	—	—	(788)	(3,605)	—	(4,393)
Non-cash contributions to Non-controlling interests	—	—	—	—	—	—	—	2,547	—	2,547
Capital increase related to business acquisition (note 3)	—	—	14,001	—	—	—	14,001	—	—	14,001
Non-controlling interests in consolidated entities at acquisition date	—	—	—	—	—	—	—	306,351	—	306,351
Deconsolidation	—	—	—	—	—	—	—	(46,148)	—	(46,148)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(919)	—	—	—	(919)	919	—	—
Satisfaction of liability related to AAA RDUs	—	—	1,790	—	—	—	1,790	—	—	1,790
Net income	—	—	—	310,957	1,816,676	—	2,127,633	234,805	685,357	3,047,795
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(11)	(11)	—	—	(11)
Net unrealized gain on interest rate swaps (net of taxes of $410 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	643	643	—	2,010	2,653
Balance at December 31, 2012	**130,053,993**	**1**	**$3,043,334**	**$ (2,142,020)**	**$ 1,765,360**	**$ 144**	**$ 2,666,818**	**$ 1,893,212**	**$ 1,143,353**	**$ 5,703,383**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Cash Flows from Operating Activities:			
Net income (loss)	$ 3,047,795	$(1,304,199)	$ 543,224
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity-based compensation	598,654	1,149,753	1,118,412
Depreciation and amortization	10,226	11,132	11,472
Amortization of intangible assets	43,010	15,128	12,777
Amortization of debt issuance costs	511	511	44
Losses from investment in HFA	1,316	5,881	—
Non-cash interest income	(3,187)	(2,486)	—
Income from equity awards received for directors' fees	(2,536)	(19)	—
Income from equity method investment	(110,173)	(13,923)	(69,812)
Waived management fees	(6,161)	(23,549)	(24,826)
Non-cash compensation expense related to waived management fees	6,161	23,549	24,826
Change in fair value of contingent obligations	25,787	—	—
Deferred taxes, net	55,309	10,580	71,241
Gain on business acquisitions and dispositions	(1,951,897)	(196,193)	(29,741)
Loss on fixed assets	923	570	6,700
Changes in assets and liabilities:			
Carried interest receivable	(973,578)	998,491	(1,383,219)
Due from affiliates	5,779	(30,241)	(11,066)
Other assets	(7,901)	(7,019)	(7,880)
Accounts payable and accrued expenses	559	3,079	(5,052)
Accrued compensation and benefits	8,007	(6,128)	24,931
Deferred revenue	15,000	(21,934)	(69,949)
Due to affiliates	(103,773)	43,767	(33,529)
Profit sharing payable	361,606	(325,229)	503,589
Other liabilities	(5,052)	5,778	(7,573)
Apollo Funds related:			
Net realized (gains) losses from investment activities	(77,408)	11,313	(4,931)
Net unrealized (gains) losses from investment activities	(458,031)	113,114	(416,584)
Net realized gains on debt	—	(41,819)	(21,231)
Net unrealized losses on debt	497,704	19,880	55,040
Distributions from investment activities	99,675	30,248	58,368
Cash transferred in from consolidated funds	—	6,052	38,033
Change in cash held at consolidated variable interest entities	(348,138)	(17,400)	(87,556)
Purchases of investments	(7,525,473)	(1,294,477)	(1,240,842)
Proceeds from sale of investments and liquidating distributions	7,182,392	1,530,194	627,278
Change in other assets	(71,921)	(7,109)	(8,086)
Change in other liabilities	(49,634)	56,526	107,891
Net Cash Provided by (Used in) Operating Activities	**265,551**	**743,821**	**(218,051)**
Cash Flows from Investing Activities:			
Purchases of fixed assets	(11,259)	(21,285)	(5,601)
Acquisitions (net of cash assumed) (see note 3)	(99,190)	(29,632)	(1,354)
Proceeds from disposals of fixed assets	—	631	—
Cash received from business acquisition and disposition	—	—	21,624
Purchase of investments in HFA (see note 4)	—	(52,142)	—
Investment in Apollo Senior Loan Fund (see note 4)	—	(26,000)	—
Cash contributions to equity method investments	(126,917)	(64,226)	(63,459)
Cash distributions from equity method investments	152,645	64,844	38,868
Change in restricted cash	(70)	(1,726)	255
Net Cash Used in Investing Activities	**$ (84,791)**	**$ (129,536)**	**$ (9,667)**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Cash Flows from Financing Activities:			
Issuance of Class A shares	$ —	$ 383,990	$ —
Repurchase of Class A shares	—	(2,472)	(43)
Principal repayments of debt and repurchase of debt	(698)	(1,939)	(182,309)
Debt issuance costs	—	—	(3,085)
Issuance costs	—	(1,502)	—
Distributions related to deliveries of Class A shares for RSUs	(25,992)	(17,081)	(2,876)
Distributions to Non-Controlling Interests in consolidated entities	(8,779)	(13,440)	(13,628)
Contributions from Non-Controlling Interests in consolidated entities	4,069	—	187
Distributions paid	(202,430)	(102,598)	(21,284)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(335,023)	(199,199)	(50,400)
Apollo Funds related:			
Issuance of debt	1,413,334	454,356	1,050,377
Principal repayment of debt	(515,897)	(415,869)	(331,120)
Purchase of AAA shares	(102,072)	—	(48,768)
Distributions Paid	(264,910)	—	—
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(486,727)	(308,785)	(146,688)
Distributions paid to Non-Controlling Interests in consolidated entities	—	(27,284)	(6,602)
Contributions to Non-Controlling Interests in consolidated entities	547,085	—	—
Net Cash Provided by (Used in) Financing Activities	**21,960**	**(251,823)**	**243,761**
Net Increase in Cash and Cash Equivalents	202,720	362,462	16,043
Cash and Cash Equivalents, Beginning of Period	744,731	382,269	366,226
Cash and Cash Equivalents, End of Period	**$ 947,451**	**$ 744,731**	**$ 382,269**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 49,590	$ 49,296	$ 38,317
Interest paid by consolidated variable interest entities	116,392	20,892	12,522
Income taxes paid	7,128	10,732	13,468
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions on equity method investments	4,866	9,847	—
Non-cash distributions from equity method investments	(2,807)	(703)	—
Non-cash sale of assets held-for-sale for repayment of CIT loan	—	(11,069)	—
Non-cash distributions from investing activities	—	3,176	—
Change in accrual for purchase of fixed assets	(659)	967	(814)

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(dollars in thousands, except share data)

	2012	2011	2010
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ (788)	$ —	$ (18)
Declared and unpaid distributions	(1,567)	(12,541)	(2,831)
Non-cash distributions to Non-Controlling Interests in consolidated entities	(3,605)	(3,176)	(590)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	313,856	696,361	735,698
Non-cash contributions from Non-Controlling Interests in consolidated entities	2,547	—	—
Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	2,010	5,106	9,219
Satisfaction of liability related to AAA RDUs	1,790	3,845	7,594
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	919	6,524	7,014
Net transfer of AAA ownership interest from AGM	(919)	(6,524)	(7,014)
Unrealized gain on interest rate swaps	1,053	2,477	3,715
Unrealized (loss) gain on available for sale securities (from equity method investment)	(11)	(225)	343
Capital increases related to equity-based compensation	282,288	451,543	376,380
Dilution impact of issuance of Class A shares	1,589	132,353	—
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group	—	(127,096)	—
Deferred tax asset related to interest rate swaps	(410)	(855)	(1,499)
Reclassification of equity-based compensation	—	—	(3,505)
Reclass of fixed assets to assets held for sale	—	—	11,331
Tax benefits related to deliveries of Class A shares for RSUs	(9,090)	(11,680)	—
Capital increase related to business acquisition	14,001	—	—
Satisfaction of liability related to repayment on CIT loan	—	11,069	—
Net Assets Transferred from Consolidated Funds:			
Cash	—	6,052	38,033
Investments	—	24,213	—
Other assets	—	609	443
Other liabilities	—	(4,874)	—
Net Assets Transferred from Consolidated Variable Interest Entities:			
Cash	1,161,016	68,586	—
Investments	8,805,916	2,195,986	1,102,114
Other assets	169,937	14,039	28,789
Debt	(7,255,172)	(2,046,157)	(706,027)
Other liabilities	(560,262)	(31,959)	(12,991)
Non-Controlling interest in consolidated entities related to acquisition	260,203	—	—
Net Assets of Deconsolidated Variable Interest Entities:			
Investments	—	—	419,198
Other assets	—	—	5,180
Debt	—	—	(329,836)
Other liabilities	—	—	(87,338)

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
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(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 investment manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, credit and real estate funds as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds, as well as other institutional and individual investors. For these investment 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;
- ***Credit***—primarily invests in non-control corporate and structured debt instruments; and
- ***Real estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organizational structure as well as the manner in which resource deployment and compensation decisions are made.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but which the Company controls through a majority voting interest. 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 and completed a reorganization of its predecessor businesses on July 13, 2007 (the "2007 Reorganization"). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is indirectly wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the "Managing Partners").

As of December 31, 2012, the Company owned, through three intermediate holding companies that include 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"), 35.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

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AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and certain of the Company's other partners (the "Contributing Partners") indirectly beneficially own, including in certain cases estate planning vehicles (through Holdings), Apollo Operating Group units ("AOG Units") that represent 64.9% of the economic interests in the Apollo Operating Group as of December 31, 2012. 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 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, upon notice, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner in Holdings must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to affect an exchange for one Class A share.

Initial Public Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. The Company received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and Apollo Global Management, LLC's ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in Additional Paid in Capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (e.g., AP Alternative Assets, L.P., ("AAA") and the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund")). Apollo also consolidates entities that are 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 the Company's 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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 the previous and amended consolidation rules, 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 the previous and amended consolidation rules, 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 whether Apollo is 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.

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 VIE's 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 the relationships and activities of the parties involved in determining if there is a related-party group, and if so, which party within the related-party group is most closely associated with the VIE. The use of these judgments has a material impact to certain components of Apollo's consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. The difference between the fair value of the assets and liabilities of these VIEs is presented within appropriated partners' capital in the consolidated statements of financial condition as these VIEs are funded solely with debt. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income is presented within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statements of financial condition as of December 31, 2012 and 2011.

Refer to additional disclosures regarding VIEs in note 5 to our consolidated financial statements. Intercompany transactions and balances, if any, have been eliminated in consolidation.

Equity Method Investments—For investments in 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

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such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations. The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

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 Interest in the consolidated financial statements. As of December 31, 2012, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes the 64.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximately 97% ownership interest held by limited partners in AAA as of December 31, 2012. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition; net income (loss) includes the net income (loss) attributed to the holders of Non-Controlling Interests on the Company's consolidated statements of operations; the primary components of Non-Controlling Interests are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities; and profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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 are on deposit in interest-bearing accounts with major financial institutions and exceed insured limits.

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

Revenues—Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and credit funds; (ii) 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; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

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 the transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to certain transactions that are not consummated ("broken deal costs"). These costs (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) are determined to be broken deal costs upon management's decision to no longer pursue the transaction. In accordance with the related fund agreement, in the event the deal is deemed broken, all of the costs are reimbursed by the funds and then included in the calculation of the Management Fee Offset described below. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company of all costs incurred and no offset is generated.

Advisory and Transaction fees from Affiliates also include underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of

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the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the income is reasonably assured and are included in the consolidated statements of operations. Fees recognized but not received are included in other assets on the consolidated statements of financial condition.

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition, in certain cases, and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations and directors' fees. The amounts due from portfolio companies are included in "—Due from Affiliates," which is discussed further in note 15. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and 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 statements of operations.

Management Fees from Affiliates—Management fees for private equity funds, real estate funds and certain credit funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement, and are generally based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 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. Carried interest receivable is presented separately in the consolidated statements of financial condition. The carried interest income from affiliates may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, 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 or realized until the end of a fund's life.

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 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. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

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 of such advisory and/or transaction fees, as applicable, 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 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 from Affiliates in the consolidated statements of operations.

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 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 fees or costs in connection with the offering and sale of interests in the 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 organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational 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 Other Income—Apollo recognizes security transactions on the trade date. 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.

Due from/to Affiliates—Apollo considers its existing partners, employees, certain former employees, portfolio companies of the funds and non-consolidated private equity, credit and real estate funds to be affiliates or related parties.

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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

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 close 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 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, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. 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 and market information and assumptions, general economic and market conditions and other factors deemed relevant. 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.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our private equity investments. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis. 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.

Credit Investments

The majority of the investments in Apollo's credit funds are valued based on quoted market prices and valuation models. 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 credit funds also enter into foreign currency exchange contracts, total return swap 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. Total return swap contracts and 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 total return or credit default swap 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 credit 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.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our credit investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments

For the CMBS portfolio of Apollo's funds, the estimated fair value is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs for certain investments. For Apollo's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our real estate investments. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

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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 12), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2012. However, the carrying value that is recorded on the consolidated statements of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the AMH Credit Agreement would be categorized as a Level III liability in the fair-value hierarchy.

Fair Value Option—Apollo has elected the fair value option for the convertible notes issued by HFA and 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 the consolidated VIEs that otherwise would not have been carried at fair value. For the convertible notes issued by HFA, Apollo has elected to separately present interest income from other changes in the fair value of the convertible notes in the consolidated statements of operations. Refer to notes 4 and 5 for further disclosure on the investment in HFA and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Interest Rate Swap Agreements—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 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 (loss) 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 statements of operations.

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. When market quotations are not available a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available a model based approach is used. The valuation approach used to estimate the fair values of debt obligations for which market quotations are not available 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.

Pending Deal Costs

Pending deal costs consist of certain costs incurred (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) related to private equity, credit and real estate 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 generally 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 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 and in the case of leasehold improvements the lesser of the useful life or the term of the lease. 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. Under the purchase method of accounting, the purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of

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amortization. At June 30, 2012, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Profit Sharing Payable—Profit sharing payable primarily 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. This portion of 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.

Profit sharing payable also includes amounts payable to certain employees of the Company who are entitled to a share in the earnings of and any appreciation in the value in one of the Company's subsidiaries, during the term of their employment. This portion of the liability is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined. This amount shall be payable out of distributable funds based upon proceeds received by the subsidiary through management fees earned.

Profit sharing payable also includes contingent obligations that were recognized in connection with certain Apollo acquisitions.

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 statements of financial condition.

Foreign Currency—The Company may, from time to time, hold foreign currency denominated assets and liabilities. 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), net in the consolidated statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss), net in the consolidated statements of operations.

Compensation and Benefits

Equity-Based Compensation—Equity-based compensation is 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. Equity-based awards granted to non-employees for services provided to the affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits—Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are generally accrued over the related service period.

From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying 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, 2012, 2011 and 2010, respectively.

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Profit Sharing Expense—Profit sharing expense consists of a portion of carried interest recognized in one or more funds allocated to employees and former employees. Profit sharing expense is recognized on an accrued basis as the related carried interest income is earned. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized. Additionally, profit sharing expenses previously distributed may be subject to clawback from employees, former employees and Contributing Partners.

Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions will be reflected in the Company's consolidated statements of operations as profit sharing expense.

Profit sharing expense is also the result of profits interests issued to certain employees whereby they are entitled to a share in earnings of and any appreciation of the value in a subsidiary of the Company during their term of employment. Profit sharing expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation—Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our credit funds, based on performance for the year. Incentive fee compensation expense is recognized on an accrual basis as the related carried interest income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income crystallizes.

Other Income (Loss)

Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening balance sheet date and the closing balance sheet date. The consolidated financial statements include the net realized and unrealized gains (losses) of investments at fair value.

Net Gains from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Other Income (Loss), Net—Other income, net includes the recognition of bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, and other miscellaneous non-operating income and expenses.

Comprehensive (Loss) Income—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 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

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previously. 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—The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to New York City unincorporated business taxes (" NYC UBT") and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Net Income (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from a hypothetical conversion of these potential common shares.

Use of Estimates—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the 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, contingent consideration obligations related to acquisitions, non-cash compensation and fair value of investments and debt in the consolidated and unconsolidated funds and VIEs. Actual results could differ materially from those estimates.

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Recent Accounting Pronouncements

In December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance will not have a material impact on the Company's financial statements.

In July 2012, the FASB issued amended guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not to be less than the carrying amount, then the entity must perform the quantitative impairment test; otherwise, further testing would not be required. The amendments are effective for all entities for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance will not have an impact on the Company's consolidated financial statements when the Company performs its annual impairment test in June 2013.

In February 2013, the FASB issued an update which includes amendments that require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income (OCI) on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other required disclosures that provide additional detail about those amounts. The new requirement presents information on amounts reclassified out of accumulated OCI and their corresponding effect on net income in one place or in some cases, provides for cross-references to related footnote disclosures. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. As the amendments are limited to disclosure only, the adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

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3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Stone Tower

On April 2, 2012, the Company completed its previously announced acquisition of the membership interests of Stone Tower Capital LLC and its related management companies (“Stone Tower”), a leading alternative credit manager. The acquisition was consummated by the Company for total consideration at fair value of approximately $237.2 million. The transaction added significant scale and several new credit product capabilities and increased the assets under management of the credit segment.

Consideration exchanged at closing included a payment of approximately $105.5 million, which the Company funded from its existing cash resources, and equity granted to the former owners of Stone Tower with grant date fair value of $14.0 million valued using the Company’s closing stock price on April 2, 2012 of $14.40. Additionally, the Company will also make payments to the former owners of Stone Tower under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Stone Tower based on a specified percentage of carried interest income. The contingent consideration obligation had an acquisition date fair value of approximately $117.7 million, which was determined based on the present value of the estimated future carried interest payments of approximately $139.4 million using a discount rate of 9.5%, and is reflected in profit sharing payable in the consolidated statements of financial condition.

As a result of the acquisition, the Company incurred $4.6 million in acquisition costs, of which $2.8 million was incurred during the year ended December 31, 2012.

Tangible assets acquired in the acquisition consisted of management and carried interest receivable and other assets. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to management fees, senior fees, subordinate fees, and carried interest from existing CLOs, funds and strategic investment accounts.

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The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $1,951.1 million for the year ended December 31, 2012. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with corresponding amounts reflected as components of appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Cash	$ 6,310
Carried Interest Receivable	36,097
Due from Affiliates	1,642
Other Assets	2,492
Total assets of consolidated variable interest entities	10,136,869
Intangible Assets:	
Management Fees Contracts	9,658
Senior Fees Contracts	568
Subordinate Fees Contracts	2,023
Carried Interest Contracts	85,071
Non-Compete Covenants	200
Fair Value of Assets Acquired	10,280,930
Liabilities Assumed:	
Accounts payable and accrued expenses	3,570
Due to Affiliates	4,410
Other Liabilities	8,979
Total liabilities of consolidated variable interest entities	7,815,434
Fair Value of Liabilities Assumed	7,832,393
Fair Value of Net Assets Acquired	2,448,537
Less: Net assets attributable to Non-Controlling Interests in consolidated entities	260,203
Less: Fair Value of Consideration Transferred	237,201
Gain on Acquisition	$ 1,951,133

The bargain purchase gain was recorded in other income, net in the consolidated statements of operations. During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The acquisition related intangible assets valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	As of December 31, 2012
Management Fees contracts	2.2	$ 9,658
Senior Fees Contracts	2.4	568
Subordinate Fees Contracts	2.5	2,023
Carried Interest Contracts	3.7	85,071
Non-Compete Covenants	2.0	200
Total Intangible Assets		97,520
Less: Accumulated amortization		(20,456)
Net Intangible Assets		$ 77,064

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The results of operations of the acquired business since the acquisition date included in the Company's consolidated statements of operations for the period from April 2, 2012 to December 31, 2012 were as follows:

	For the Period from April 2, 2012 to December 31 2012
Total Revenues	$ 51,719
Net Income Attributable to Non-Controlling Interest	$ (1,925,053)
Net Income Attributable to Apollo Global Management, LLC	$ 12,446

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2012 and 2011 assuming the acquisition had occurred as of January 1, 2011 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the acquisition been completed on January 1, 2011, nor does it purport to be indicative of any future results.

	For the Year Ended December 31, 2012	2011
	(in millions, except for per share data)	
Total Revenues	$ 2,873,903	$ 217,347
Net (Income) Attributable to Non-Controlling Interest	$ (739,862)	$ (1,194,226)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 321,420	$ (456,112)
Net Income (Loss) per Class A Share:		
Net Income (Loss) per Class A Share – Basic and Diluted	$ 2.14	$ (4.07)
Weighted Average Number of Class A Shares – Basic	127,693,489	116,364,110
Weighted Average Number of Class A Shares – Diluted	129,540,377	116,364,110

The supplemental pro forma earnings include an adjustment to exclude $5.5 million of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Gulf Stream

On October 24, 2011, the Company completed its previously announced acquisition of 100% of the membership interests of Gulf Stream Asset Management, LLC ("Gulf Stream"), a manager of collateralized loan obligations. The acquisition was consummated by the Company for total consideration at fair value of approximately $39.0 million.

The transaction broadens Apollo's existing senior credit business by expanding our credit coverage as well as investor relationships and increases the assets under management of Apollo's credit business.

Consideration exchanged at closing consisted of payment of approximately $29.6 million, of which $6.7 million was used to repay subordinated notes and debt due to the existing shareholder on behalf of Gulf Stream. The Company funded the consideration exchanged at closing from its existing cash resources. Additional consideration of $4.0 million having an acquisition date fair value of $3.9 million will be paid to the former owners of Gulf Stream on the fourteen-month anniversary of the closing date. The Company will also make payments to the former owners of Gulf Stream under a contingent

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consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent consideration liability had an acquisition date fair value of approximately $5.4 million, which was determined based on the present value of the estimated range of future carried interest payments between $0 and approximately $8.7 million using a discount rate of 13.7%.

Tangible assets acquired in the acquisition consisted of a management fee receivable. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and incentive fees from existing CLOs managed by Gulf Stream. Additionally, as part of the acquisition, the Company acquired the assets and liabilities of six consolidated CLOs.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $196.2 million. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with a corresponding amount reflected in appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Receivable, management fees	$ 1,720
Total assets of consolidated CLOs	2,278,612
Intangible Assets:	
Management Contracts	33,900
Fair Value of Assets Acquired	2,314,232
Liabilities assumed:	
Deferred Tax Liability	871
Total liabilities of consolidated CLOs	2,078,117
Fair Value of Liabilities Assumed	2,078,988
Fair Value of Net Assets Acquired	235,244
Less: Fair Value of Consideration Transferred	39,026
Gain on Acquisition	$ 196,218

The Company's rights under all management contracts acquired will be amortized over six years. The management contract valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	December 31, 2012	December 31, 2011
Management contracts	3.7	$ 33,900[(1)]	$ 32,400
Less: Accumulated amortization		(9,351)	(284)
Net intangible assets		$ 24,549	$ 32,116

(1) During 2012 the Company recorded a purchase price adjustment of $1.5 million to management contracts acquired as part of the Gulf Stream acquisition.

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The results of operations of the acquired business since the acquisition date included in the Company's consolidated statements of operations for the period from October 24, 2011 to December 31, 2011 were as follows:

	For the Period from October 24, 2011 to December 31, 2011
Total Revenues	$ 2,107
Net Income Attributable to Non-Controlling Interest	$ 194,852
Net Income Attributable to Apollo Global Management, LLC	$ 473

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2011 and 2010, assuming the Gulf Stream acquisition had occurred as of January 1, 2010 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the acquisition been completed on January 1, 2010, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2011	2010
	(in million, except for share data)	
Total Revenues	$ 174.9	$ 2,115.7
Net (Income) Loss Attributable to Non-Controlling Interest	$ (1,097.1)	$ 652.1
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468.7)	$ 95.9
Net (Loss) Income per Class A Share:		
Net (Loss) Income per Class A Share – Basic and Diluted	$ (4.18)	$ 0.84
Weighted Average Number of Class A Shares – Basic and Diluted	116,364,110	96,964,769

The 2011 and 2010 supplemental pro forma earnings include an adjustment to exclude $4.9 million and $9.7 million, respectively of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Other Acquisitions

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.

CPI

On November 12, 2010, Apollo completed the acquisition of substantially all of the assets of Citi Property Investors ("CPI"), the real estate investment management group of Citigroup Inc. CPI had AUM of approximately $3.6 billion as of December 31, 2010. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability was $1.2 million as of November 12, 2010. The acquisition was accounted for as a business combination and the Company recorded a $24.1 million gain on acquisition which is included in other income (loss), net in the accompanying consolidated statements of operations for the year ended December 31, 2010.

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The finite-life intangible assets relate to management contracts associated with the CPI funds. The fair value of the management contracts was estimated to be $8.3 million. The Company also received $15.5 million of cash and recorded a receivable valued at $1.5 million as of December 31, 2010.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed:

Tangible Assets:	
Cash	$ 15,468
Receivables, at fair value	1,500
Intangible Assets:	
Management Contracts	8,300
Total Assets	25,268
Less: Contingent consideration, at fair value	(1,200)
Gain on Acquisition	$ 24,068

The estimated useful life of the management contracts is 2.5 years. The Company is amortizing the management contracts over their estimated useful life using the straight-line method.

	Useful Life in Years	As of December 31, 2012	As of December 31, 2011
Management contracts	2.5	$ 8,300	$ 8,300
Less: Accumulated amortization of intangibles		(7,081)	(3,761)
Net intangible assets		$ 1,219	$ 4,539

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31, 2012	As of December 31, 2011
Finite-lived intangible assets/management contracts	$ 240,020	$ 141,000
Accumulated amortization	(102,164)	(59,154)
Intangible assets, net	$ 137,856	$ 81,846

The changes in intangible assets, net consist of the following:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Balance, beginning of year	$ 81,846	$ 64,574
Amortization expense	(43,009)	(15,128)
Acquisitions	99,019(1)	32,400
Balance, end of year	$ 137,856	$ 81,846

(1) Includes impact of purchase price adjustments related to Gulf Stream acquisition

Amortization expense related to intangible assets was $43.0 million, $15.1 million, and $12.8 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

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	2013	2014	2015	2016	2017	There-After	Total
Amortization of intangible assets	$41,351	$36,246	$33,714	$7,881	$4,952	$13,712	$137,856

4. INVESTMENTS

The following table represents Apollo's investments:

	December 31, 2012	December 31, 2011
Investments, at fair value	$ 1,744,412	$1,552,122
Other investments	393,684	305,343
Total Investments	$2,138,096	$1,857,465

Investments, at Fair Value

Investments, at fair value consist of financial instruments held by AAA, investments held by the Apollo Senior Loan Fund, the Company's investment in HFA and other investments held by the Company at fair value. As of December 31, 2012 and 2011, the net assets of the consolidated funds (excluding VIEs) were $1,691.3 million and $1,505.5 million, respectively. The following investments, except the investment in HFA and other investments, are presented as a percentage of net assets of the consolidated funds:

	December 31, 2012					December 31, 2011				
	Fair Value					Fair Value				
Investments, at Fair Value – Affiliates	Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds	Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds
Investments held by:										
AAA	$1,666,448	$ —	$1,666,448	$1,561,154	98.5%	$1,480,152	$ —	$ 1,480,152	$1,662,999	98.4%
Investments held by Apollo Senior Loan Fund	—	27,653	27,653	27,296	1.5	—	24,213	24,213	24,569	1.6
HFA	—	48,723	48,723	57,815	N/A	—	46,678	46,678	54,628	N/A
Other Investments	1,588	—	1,588	3,563	N/A	1,079	—	1,079	2,881	N/A
Total	$1,668,036	$ 76,376	$1,744,412	$1,649,828	100.0%	$ 1,481,231	$ 70,891	$1,552,122	$1,745,077	100.0%

Securities

At December 31, 2012 and 2011, the sole investment held by AAA was its investment in AAA Investments, L.P. ("AAA Investments"), which is measured based on AAA's share of net asset value of AAA investments. The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

	December 31, 2012			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Athene Holding Ltd.(1)	Equity	$1,276,366	$1,578,954	93.4%

(1) Two subsidiaries of AAA Investments, AAA Guarantor-Athene, L.P. and Apollo Life Re Ltd., own the majority of the equity of Athene Holding Ltd.

AAA Investments owns through its subsidiaries the majority of the equity of Athene Holding Ltd. ("Athene"), the direct or indirect parent of the following principal operating subsidiaries: Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the fixed annuity reinsurance sector, Athene Annuity & Life Assurance Company (formerly Liberty Life Insurance Company), a Delaware-domiciled (formerly South Carolina-domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market, Athene Life Insurance Company, a Delaware-domiciled (formerly Indiana-domiciled) stock

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life insurance company focused on the institutional funding agreement backed note and funding agreement markets, and Presidential Life Corporation, a New-York-domiciled stock life insurance company focused on retail sales of fixed annuity products principally in New York.

During the fourth quarter of 2012, AAA and AAA Investments consummated a transaction whereby a wholly-owned subsidiary of AAA Investments contributed substantially all of its investments to Athene Holding Ltd. in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2012, AAA through its investment in AAA Investments was the largest shareholder of Athene Holding Ltd with an approximate 77% ownership stake (without giving to effect to restricted common shares issued under Athene's management equity plan).

	December 31, 2011			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Apollo Life Re Ltd.	Equity	$ 358,241	$ 430,800	28.6%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	105,889	164,811	10.9
Rexnord Corporation	Equity	37,461	139,100	9.2
LeverageSource, L.P.	Equity	139,913	102,834	6.8
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	88,166	86,329	5.7
Momentive Performance Materials	Equity	80,657	85,300	5.7

Apollo Strategic Value Offshore Fund, Ltd. (the "Apollo Strategic Value Fund") has an ownership interest in a special purpose vehicle, Apollo VIF/SVF Bradco LLC, which owns interests in Bradco Supply Corporation. AAA Investments' combined share of these investments is greater than 5.0% of the net assets of the consolidated funds valued at $80.9 million at December 31, 2011.

In addition to the AAA Investments' private equity co-investment in Momentive Performance Materials ("Momentive") noted above, AAA Investments had an ownership interest in the debt of Momentive. AAA Investments' combined share of these debt and equity investments is greater than 5% of the net assets of the consolidated funds and is valued at $85.9 million at December 31, 2011.

The Apollo Strategic Value Fund 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 the Apollo Strategic Value Fund, the remainder of AAA Investments' investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Strategic Value 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 current expenses incurred by the Apollo Strategic Value Fund.

During the first quarter of 2012, the general partner of the Apollo Asia Opportunity Offshore Fund, Ltd. (the "Apollo Asia Opportunity Fund") determined that it was in the best interests of the limited partners in the Apollo Asia Opportunity Fund to wind down the fund and begin making distributions to investors as investments are liquidated. The remainder of the investment in the Apollo Asia Opportunity Fund is currently expected to be distributed as the less liquid investments are realized, with the final liquidation expected to occur in 2013, although the actual timing of the realizations may differ substantially from this estimate.

Apollo Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund"). As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Apollo Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Apollo Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Apollo Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Apollo Senior Loan Fund investment as Level II and Level III investments. All Level II and Level III investments of the Apollo Senior Loan Fund were valued using broker quotes.

HFA

On March 7, 2011, the Company invested $52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of $50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or "PIK" interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an "if-converted basis," which is based on a hypothetical exit through conversion to common equity(for which quoted price exists) as of the valuation date. The Company separately presents interest income in the consolidated statements of operations from other changes in the fair value of the convertible note. For the years ended December 31, 2012 and 2011 the Company has recorded $3.1 million and $2.5 million, respectively in PIK interest income included in interest income in the consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ("A$") of A$8.00 (exchange rate of A$1.00 to $1.04 and A$1.00 to $0.84 as of December 31, 2012 and 2011, respectively) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the years ended December 31, 2012 and 2011, the Company recorded an unrealized loss of approximately $1.1 million and $5.9 million, respectively, related to the convertible note and stock options within net gains (losses) from investment activities in the consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments.

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Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized gains (losses). Additionally net gains (losses) from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo's net gains (losses) from investment activities for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$ —	$ 443	$ 443
Change in net unrealized gains due to changes in fair values	288,140	(339)	287,801
Net Gains from Investment Activities	$ 288,140	$ 104	$ 288,244

	For the Year Ended December 31, 2011		
	Private Equity	Credit	Total
Change in net unrealized (losses) gains due to changes in fair values	$ (123,946)	$ (5,881)	$ (129,827)
Net (Losses) Gains from Investment Activities	$ (123,946)	$ (5,881)	$ (129,827)

	For the Year Ended December 31, 2010		
	Private Equity	Credit	Total
Realized (losses) gains on sales of investments	$ —	$ (2,240)	$ (2,240)
Change in net unrealized gains (losses) due to changes in fair values	370,145	(34)	370,111
Net Gains (Losses) from Investment Activities	$ 370,145	$ (2,274)	$ 367,871

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Other Investments

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

The following table presents income from equity method investments for the years ended December 31, 2012, 2011 and 2010:

	For the Years Ended December 31,		
	2012	2011	2010
Investments:			
Private Equity Funds:			
AAA Investments	$ 195	$ (55)	$ 215
Apollo Investment Fund IV, L.P. ("Fund IV")	(2)	8	24
Apollo Investment Fund V, L.P. ("Fund V")	20	(9)	39
Apollo Investment Fund VI, L.P. ("Fund VI")	3,947	2,090	599
Apollo Investment Fund VII, L.P. ("Fund VII")	60,576	10,156	37,499
Apollo Natural Resources Partners, L.P. ("ANRP")	(71)	(141)	—
AION Capital Management Limited ("AION")	71	—	—
Credit Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	843	(793)	1,106
Apollo Value Investment Fund, L.P. ("VIF")	19	(25)	29
Apollo Strategic Value Fund, L.P. ("SVF")	15	(21)	21
Apollo Credit Liquidity Fund, L.P. ("ACLF")	4,219	(295)	3,431
Apollo/Artus Investors 2007-I, L.P. ("Artus")	1,466	368	4,895
Apollo Credit Opportunity Fund I, L.P. ("COF I")	19,731	2,410	12,618
Apollo Credit Opportunity Fund II, L.P. ("COF II")	4,989	(737)	3,610
Apollo European Principal Finance Fund, L.P. ("EPF I")	3,933	1,729	2,568
Apollo Investment Europe II, L.P. ("AIE II")	1,948	(308)	1,496
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	2,228	(100)	903
Apollo Senior Floating Rate Fund ("AFT")	14	(16)	—
Apollo/ JH Loan Portfolio	5	—	—
Apollo Residential Mortgage, Inc. ("AMTG")	1,053(1)	(80)(2)	—
Apollo European Credit, L.P. ("AEC")	203	(10)	—
Apollo European Strategic Investments, L.P. ("AESI")	576	21	—
Apollo Centre Street Partnership, L.P. ("ACSP")	433	—	—
Apollo Investment Corporation ("AINV")	1,761	—	—
Apollo European Principle Finance Fund II, L.P. ("EPF II")	568	—	—
Apollo SK Strategic Investments, L.P.	18	—	—
Apollo SPN Investments I, L.P.	(10)	—	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. ("ARI")	1,100(1)	636(2)	(390)(3)
AGRE US Real Estate Fund, L.P.	(172)	(79)	—
CPI Capital Partners North America	17	98	—
CPI Capital Partners Asia Pacific	72	71	—
Apollo GSS Holding (Cayman), L.P.	(39)	—	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A/B")	(306)	(1,860)	(951)
VC Holdings, L.P. Series C ("Vantium C")	165	580	1,370
VC Holdings, L.P. Series D ("Vantium D")	588	285	730
Total Income from Equity Method Investments	$110,173	$ 13,923	$69,812

(1) Amounts are as of September 30, 2012.
(2) Amounts are as of September 30, 2011.
(3) Amounts are as of September 30, 2010.

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Other investments as of December 31, 2012 and 2011 consisted of the following:

	Equity Held as of			
	December 31, 2012	% of Ownership	December 31, 2011	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 998	0.057%	$ 859	0.057%
Fund IV	9	0.015	15	0.010
Fund V	173	0.014	202	0.014
Fund VI	9,814	0.094	7,752	0.082
Fund VII	164,773	1.316	139,765	1.318
ANRP	2,355	0.903	1,982	2.544
AION	625	10.000	—	—
Credit Funds:				
SOMA	5,887	0.643	5,051	0.525
VIF	141	0.093	122	0.081
SVF	137	0.076	123	0.059
ACLF	9,281	2.579	14,449	2.465
Artus	667	6.156	6,009	6.156
COF I	39,416	1.924	37,806	1.977
COF II	19,654	1.429	22,979	1.472
EPF I	18,329	1.363	14,423	1.363
AIE II	7,207	2.205	7,845	2.076
Palmetto	13,614	1.186	10,739	1.186
AFT	98	0.034	84	0.034
Apollo/JH Loan Portfolio, L.P.	—	0.000	100	0.189
AMTG[(3)(5)]	4,380[(1)]	0.811[(1)]	4,000[(2)]	1.850[(2)]
AEC	1,604	1.079	542	1.053
AESI	3,076	0.991	1,704	1.035
ACSP	5,327	2.457	—	—
AINV[(5)]	51,761[(1)]	2.955[(1)]	—	—
EPF II	5,337	1.316	—	—
Apollo SK Strategic Investments, L.P.	1,002	0.988	—	—
Asia Private Credit (“APC”)	17	0.058	—	—
Apollo SPN Investments I, L.P.	90	0.083	—	—
CION Investment Corporation	1,000	22.207	—	—
Real Estate:				
ARI[(3)(5)]	11,469[(1)]	2.729[(1)]	11,288[(2)]	2.730[(2)]
AGRE U.S. Real Estate Fund	5,210	1.845	5,884	2.065
CPI Capital Partners North America	455	0.413	564	0.344
CPI Capital Partners Europe	5	0.001	5	0.001
CPI Capital Partners Asia Pacific	186	0.039	256	0.039
Apollo GSS Holding (Cayman), L.P.	2,428	4.621	—	—
Other Equity Method Investments:				
Vantium A/B	54	6.450	359	6.450
Vantium C	5,172	2.071	6,944	2.300
Vantium D	1,933	6.345	1,345	6.300
Portfolio Company Holdings	—	N/A[(4)]	2,147	N/A[(4)]
Total Other Investments	$393,684		$ 305,343	

(1) Amounts are as of September 30, 2012.
(2) Amounts are as of September 30, 2011.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, at which point the RSUs are converted to common stock and delivered to the Company.
(4) Ownership percentages are not presented for these equity method investments in our portfolio companies as we only present ownership percentages for the funds in which we are the general partner. All equity methods of investments were sold during the year ended December 31, 2012.
(5) The value of the Company’s investment in AINV was $51,351 based on the quoted market price as of December 31, 2012.

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The most recently issued summarized aggregated financial information of the funds and other equity method investments in which Apollo has equity method investments is as follows:

Balance Sheet Information	Private Equity As of December 31, 2012(2)(3)	Private Equity As of December 31, 2011(2)(3)	Credit As of December 31, 2012	Credit As of December 31, 2011	Real Estate As of December 31, 2012(1)	Real Estate As of December 31, 2011(1)
Investments	$25,896,569	$22,759,853	$ 17,089,006	$ 10,004,744	$1,912,369	$1,980,613
Assets	26,606,324	24,219,637	19,397,579	11,335,170	2,038,877	2,196,460
Liabilities	101,803	686,558	7,823,274	2,773,163	290,392	587,576
Equity	26,504,521	23,533,079	11,574,305	8,562,007	1,748,485	1,608,884

(1) Certain real estate amounts are as of September 30, 2012 and 2011.
(2) Certain equity investment amounts are as of September 30, 2012 and 2011.
(3) Financial information of certain equity method investments is not available as of December 31, 2012 and 2011.

Balance Sheet Information	Aggregate Totals as of December 31, 2012	Aggregate Totals as of December 31, 2011
Investments	$44,897,944	$ 34,745,210
Assets	48,042,780	37,751,267
Liabilities	8,215,469	4,047,297
Equity	39,827,311	33,703,970

Income Statement Information	Private Equity For the Years Ended December 31, 2012(2)(3)	Private Equity 2011(2)(3)	Private Equity 2010	Credit For the Years Ended December 31, 2012	Credit 2011	Credit 2010	Real Estate For the Years Ended December 31, 2012(1)	Real Estate 2011(1)	Real Estate 2010(1)
Revenues/Investment Income	$1,682,837	$1,522,831	$ 610,899	$ 1,330,160	$852,282	$ 304,332	$ 54,720	$ 46,654	$14,468
Expenses	275,126	377,985	286,719	699,250	290,843	145,138	32,077	30,350	6,377
Net Investment Income	1,407,711	1,144,846	324,180	630,910	561,439	159,194	22,643	16,304	8,091
Net Realized and Unrealized Gain (Loss)	6,856,074	2,239,373	5,918,694	2,053,440	(537,017)	1,531,056	275,659	172,018	(1,058)
Net Income	$8,263,785	$3,384,219	$6,242,874	$2,684,350	$ 24,422	$1,690,250	$298,302	$188,322	$ 7,033

(1) Certain real estate amounts are as of September 30, 2012, 2011 and 2010.
(2) Certain equity investment amounts are as of September 30, 2012 and 2011.
(3) Financial information of certain equity method investments is not available as of December 31, 2012 and 2011.

Income Statement Information	Aggregate Totals for the Years Ended December 31, 2012	2011	2010
Revenues/Investment Income	$ 3,067,717	$ 2,421,767	$ 929,699
Expenses	1,006,453	699,178	438,234
Net Investment Income	2,061,264	1,722,589	491,465
Net Realized and Unrealized Gain	9,185,173	1,874,374	7,448,692
Net Income	$11,246,437	$3,596,963	$7,940,157

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Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets, at fair value:								
Investment in AAA Investments	$ —	$ —	$ —	$ —	$1,666,448	$ 1,480,152	$1,666,448	$ 1,480,152
Investments held by Apollo Senior Loan Fund	—	—	27,063	23,757	590	456	27,653	24,213
Investments in HFA and Other	—	—	—	—	50,311	47,757	50,311	47,757
Total	$ —	$ —	$ 27,063	$ 23,757	$ 1,717,349	$1,528,365	$ 1,744,412	$1,552,122

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843
Total	$ —	$ —	$ —	$ 3,843	$ —	$ —	$ —	$ 3,843

There was a transfer of investments from Level III into Level II as well as a transfer from Level II into Level III relating to investments held by the Apollo Senior Loan Fund during 2012, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. There were no transfers between Level I, II or III during the year ended December 31, 2011 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 1,480,152	$1,637,091	$ 1,324,939
Purchases	—	432	375
Distributions	(101,844)	(33,425)	(58,368)
Change in unrealized gains (losses), net	288,140	(123,946)	370,145
Balance, End of Period	$1,666,448	$ 1,480,152	$1,637,091

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The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2012	2011
Balance, Beginning of Period	$47,757(1)	$ —
Acquisitions related to consolidated fund	46,148	—
Purchases	5,759	57,509
Deconsolidation	(48,037)(1)	—
Director Fees	—	(1,802)
Expenses incurred	—	(2,069)
Change in unrealized losses	(1,316)	(5,881)
Balance, End of Period	$ 50,311	$ 47,757

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

The change in unrealized losses, net has been recorded within the caption “Net gains (losses) from investment activities” in the consolidated statements of operations.

The following table summarizes the changes in the Apollo Senior Loan Fund, which is measured at fair value and characterized as a Level III investment for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31, 2012	2011
Balance, Beginning of Period	$ 456	$ —
Acquisition	—	456
Purchases of investments	496	—
Sale of investments	(1,291)	—
Realized gains	20	—
Change in unrealized gains	8	—
Transfers out of Level III	(935)	—
Transfers into Level III	1,836	—
Balance, End of Period	$ 590	$456

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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 as of December 31, 2012 and 2011:

	Private Equity			
	December 31, 2012		December 31, 2011	
		% 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:				
Discounted cash flow models	$1,581,975	98.6%	$ 643,031	38.4%
Comparable company and industry multiples	—	—	749,374	44.6
Listed quotes	22,029	1.4	139,833	8.3
Broker quotes	—	—	179,621	10.7
Other net liabilities(1)	—	—	(33,330)	(2.0)
Total Investments	1,604,004	100.0%	1,678,529	100.0%
Other net assets (liabilities)(2)	62,444		(198,377)	
Total Net Assets	$ 1,666,448		$ 1,480,152	

(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 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, liabilities and general partner interests of AAA Investments. Balance at December 31, 2012 is primarily comprised of $113.3 million in notes receivable from affiliate. Balance at December 31, 2011 was primarily comprised of $402.5 million in long-term debt offset by cash and cash equivalents. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

The significant unobservable inputs used in the fair value measurement of the Level III investments are the comparable multiples and weighed average cost of capital rates applied in the valuation models for each investment. These inputs in isolation can cause significant increases or decreases in fair value. Specifically, the comparable multiples are generally multiplied by the underlying companies embedded value to establish the total enterprise value of our portfolio company investments. The comparable multiple is determined based on the implied trading multiple of public industry peers. Similarly, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the weighted average cost of capital calculation that weights the cost of equity and the cost of debt based on comparable debt to equity ratios.

5. VARIABLE INTEREST ENTITIES

The Company consolidates entities that are VIEs for 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 credit 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 obligations to provide funding to VIEs other than its own capital commitments. There is no recourse to the Company for the consolidated VIEs' liabilities.

The assets and liabilities of the consolidated VIEs are comprised primarily of investments and debt, at fair value, and are included within assets and liabilities of consolidated variable interest entities, respectively, in the consolidated statements of financial condition.

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Consolidated Variable Interest Entities

In accordance with the methodology described in note 2, Apollo has consolidated VIEs as of December 31, 2012, in connection with the Company's October 2011 acquisition of Gulf Stream Asset Management, LLC and the Company's April 2012 acquisition of Stone Tower. Refer to note 3 for further discussion of the Stone Tower and Gulf Stream acquisitions.

The majority of the consolidated VIEs were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the 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 against the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include 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 December 31, 2012 and 2011:

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Investments, at fair value(1)	$ 168	$ —	$11,045,902	$3,055,357	$1,643,465	$246,609	$12,689,535	$3,301,966

	Level I		Level II		Level III		Totals	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Liabilities, at fair value	$ —	$ —	$ —	$ —	$11,834,955	$3,189,837	$11,834,955	$3,189,837

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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. All Level II investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are accounted for as of the end of the reporting period in which the transfer occurred.

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 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.

The following table summarizes the fair value transfers between Level I and Level II:

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	December 31, 2012	December 31, 2011
Transfers from Level II into Level I(1)	$ 164	$ —

(1) Transfers into Level I represents those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

The following table summarizes the quantitative inputs and assumptions used for Investments, at fair value, categorized as Level III in the fair value hierarchy as of December 31, 2012. The disclosure below excludes Level III Investments, at fair value as of December 31, 2012, for which the determination of fair value is based on broker quotes:

	Fair Value at December 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets:					
Bank Debt Term Loans	$ 67,920	Discounted Cash Flow – Comparable Yields	Discount Rates	11.8%–25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Total	$ 71,544				

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. When a comparable multiple model is used to determine fair value, the comparable multiples are generally multiplied by the underlying companies EBITDA to establish the total enterprise value of the company. The comparable multiple is determined based on the implied trading multiple of public industry peers.

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2012	2011	2010
Balance, Beginning of Period	$ 246,609	$ 170,369	$ —
Acquisition of VIEs	1,706,145	335,353	—
Transition adjustment relating of consolidation of VIE	—	—	1,102,114
Deconsolidation of VIE	—	—	(20,751)
Elimination of investments attributable to consolidation of VIEs	(69,437)	—	—
Purchases	1,236,232	663,438	840,926
Sale of investments	(1,561,589)	(273,719)	(125,638)
Net realized gains (losses)	21,603	980	131
Changes in net unrealized (losses) gains	(56,013)	(7,669)	29,981
Transfers out of Level III	(712,040)	(802,533)	(1,663,755)
Transfers into Level III	831,955	160,390	7,361
Balance, End of Period	$ 1,643,465	$ 246,609	$ 170,369
Changes in net unrealized gains (losses) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ 7,464	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

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The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31, 2012	2011	2010
Balance, Beginning of Period	$ 3,189,837	$ 1,127,180	$ —
Acquisition of VIEs	7,317,144	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	—	706,027
Additions	1,639,271	454,356	1,050,377
Repayments	(741,834)	(415,869)	(331,120)
Net realized gains on debt	—	(41,819)	(21,231)
Changes in net unrealized losses from debt	497,704	19,880	55,040
Deconsolidation of VIE	—	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(67,167)	(48)	(2,077)
Balance, End of Period	$11,834,955	$ 3,189,837	$1,127,180
Changes in net unrealized losses (gains) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ 446,649	$ (25,347)	$ 16,916

Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the years ended December 31, 2012 and 2011, respectively:

	For the Year Ended December 31, 2012	2011	2010
Net unrealized gains from investment activities	$ 169,087	$ 10,832	$ 46,406
Net realized gains (losses) from investment activities	76,965	(11,313)	7,239
Net gains (losses) from investment activities	246,052	(481)	53,645
Net unrealized losses from debt	(497,704)	(19,880)	(55,040)
Net realized gains from debt	—	41,819	21,231
Net (losses) gains from debt	(497,704)	21,939	(33,809)
Interest and other income	581,610	75,004	62,696
Other expenses	(401,662)	(72,261)	(34,326)
Net (Losses) Gains from Investment Activities of Consolidated VIEs	$ (71,704)	$ 24,201	$ 48,206

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Senior Secured Notes, Subordinated Note, Term Loans—Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of December 31, 2012 and 2011:

	December 31, 2012			December 31, 2011		
	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes(2)(3)	$11,409,825	1.30%	7.3	$3,121,126	1.35%	8.9
Subordinated Notes(2)(3)	1,074,904	N/A(1)	7.7	416,275	N/A(1)	8.8
	$ 12,484,729			$ 3,537,401		

(1) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.
(2) The fair value of Senior Secured and Subordinated Notes as of December 31, 2012 and December 31, 2011 was $11,835 million and $3,190 million, respectively.
(3) The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another. As of December 31, 2012 and December 31, 2011, the fair value of the consolidated VIE assets was $14,672 million and $3,533 million, respectively. This collateral consists of cash and cash equivalents, investments at fair value and other assets.

The following table summarizes the quantitative inputs and assumptions used for Liabilities, at fair value categorized as Level III in the fair value hierarchy as of December 31, 2012. The disclosure below excludes Level III Liabilities, at fair value as of December 31, 2012, for which the determination of fair value is based on broker quotes:

	As of December 31, 2012			
	Fair Value	Valuation Technique	Unobservable Input	Ranges
Subordinated Notes	**$ 195,357**	**Discounted Cash Flow**	Discount Rate	17.0%
			Default Rate	1.5%–4.0%
			Recovery Rate	80.0%
Senior Secured Notes	**$2,066,250**	**Discounted Cash Flow**	Discount Rate	1.65%–1.95%
			Default Rate	2.0%
			Recovery Rate	30.0%–60.0%

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of subordinated and senior secured notes; conversely decrease in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for similar subordinated and senior secured notes with similar risks.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of December 31, 2012, the debt, at fair value, is classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

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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 the covenants.

As of December 31, 2012, the table below presents the maturities for debt of the consolidated VIEs:

	2013	2014	2015	2016	2017	Thereafter	Total
Secured notes	$ —	$—	$—	$2,175,000	$378,999	$8,855,826	$11,409,825
Subordinated notes	22,000	—	—	—	88,250	964,654	1,074,904
Total Obligations as of December 31, 2012	$22,000	$—	$—	$2,175,000	$ 467,249	$ 9,820,480	$ 12,484,729

Note: All of the CLOs are past their call date and therefore the collateral manager can call the CLO and liquidate (with the consent of each of the majority of the subordinated notes).

Variable Interest Entities Which 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.

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

	December 31, 2012		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 13,498,100	$ (34,438)	$ 7,105
Credit	3,276,198	(545,547)	12,605
Real Estate	1,685,793	(1,237,462)	—
Total	$18,460,091 (1)	$ (1,817,447) (2)	$ 19,710 (3)

(1) Consists of $452,116 in cash, $17,092,814 in investments and $915,161 in receivables.
(2) Represents $1,752,294 in debt and other payables, $32,702 in securities sold, not purchased, and $32,451 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

	December 31, 2011		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$11,879,948	$ (146,374)	$ 8,753
Credit	3,274,288	(1,095,266)	11,305
Real Estate	2,216,870	(1,751,280)	—
Total	$ 17,371,106 (1)	$ (2,992,920) (2)	$ 20,058 (3)

(1) Consists of $383,017 in cash, $16,507,142 in investments and $480,947 in receivables.
(2) Represents $2,874,394 in debt and other payables, $86,102 in securities sold, not purchased, and $32,424 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

At December 31, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At December 31, 2011, the aggregate amount of such investments was $131.8 million. The Company's ownership interest in AAA was 2.45% at December 31, 2011. As of December 31, 2012 AAA Investments did not hold investments in any of the Company's unconsolidated VIEs.

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6. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit, and real estate funds consists of the following:

	For the Year Ended December 31, 2012	2011
Private equity	$ 1,413,306	$672,952
Credit	454,155	195,630
Real Estate	10,795	—
Total Carried Interest Receivable	$1,878,256	$868,582

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2012 and 2011:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2011	$1,578,135	$ 288,938	$ —	$ 1,867,073
Change in fair value of funds(1)(2)	(373,906)	67,971	—	(305,935)
Fund cash distributions to the Company	(531,277)	(161,279)	—	(692,556)
Carried Interest Receivable, December 31, 2011	$ 672,952	$ 195,630	$ —	$ 868,582
Change in fair value of funds(1)	1,592,234	448,670	15,074	2,055,978
Acquisition of Stone Tower	—	36,097	—	36,097
Fund cash distributions to the Company	(851,880)	(226,242)	(4,279)	(1,082,401)
Carried Interest Receivable, December 31, 2012	$ 1,413,306	$ 454,155	$10,795	$1,878,256

(1) Included in change in fair value of funds for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Included in change in fair value of funds for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million for Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Reclassified to include related foreign exchange loss attributable to credit segment in order to conform to current period presentation.

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 credit funds, carried interest is payable based on realizations after the end of the relevant fund's fiscal year or fiscal quarter, subject to high watermark provisions.

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7. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2012	December 31, 2011
Ownership interests in aircraft	15	$ 10,184	$ 10,184
Leasehold improvements	8-16	48,610	44,433
Furniture, fixtures and other equipment	4-10	16,047	14,455
Computer software and hardware	2-4	27,744	22,789
Other	4	509	506
Total fixed assets		103,094	92,367
Less – accumulated depreciation and amortization		(49,642)	(39,684)
Fixed Assets, net		$ 53,452	$ 52,683

In December 2010, the Company committed to a plan to sell its ownership interests in certain aircraft, which occurred in the first half of 2011. Accordingly, in 2010, the Company reclassified the assets to assets held for sale and measured the assets at the lower of cost or fair value less costs to sell. As a result of reclassifying the assets to assets held for sale, the Company recognized a loss of $2.8 million during the year ended December 31, 2010 on the assets held for sale, which is included in other income (loss), net in the accompanying consolidated statements of operations.

As part of the plan to liquidate its ownership interest in aircraft, the Company determined that the remaining interests in aircraft were higher than its current fair value. In 2010, the Company recognized an impairment loss of $3.1 million related to its remaining ownership in aircraft. This loss is included in other income (loss), net in the accompanying consolidated statements of operations.

Depreciation expense for the years ended December 31, 2012, 2011 and 2010 was $10.2 million, $11.1 million and $11.5 million, respectively.

8. OTHER ASSETS

Other assets consist of the following:

	December 31, 2012	December 31, 2011
Prepaid expenses	$ 12,650	$ 6,271
Tax receivables	5,380	10,465
Underwriting fee receivable	5,569	—
Receivable from broker	3,537	604
Debt issuance costs	2,113	2,624
Rent deposits	1,336	1,482
Other	6,180	5,530
Total Other Assets	$ 36,765	$ 26,976

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9. OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2012	December 31, 2011
Deferred rent	$ 14,829	$ 14,798
Deferred taxes	13,717	2,774
Unsettled trades and redemption payable	3,986	2,902
Deferred payment related to acquisition (note 3)	—	3,858
Interest rate swap agreements	—	3,843
Other	12,323	4,875
Total Other Liabilities	$ 44,855	$ 33,050

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 the Company's variable rate debt under the AMH Credit Agreement (discussed in note 12) 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 5.175%, on the notional amount of $167.0 million, effectively converting a portion of its floating rate borrowings to a fixed rate. The interest rate swap agreement related to the $167.0 million notional amount expired in May 2012. Apollo had hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2012 and 2011, the Company has recorded a liability of $0.0 million and $3.8 million, 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.

10. OTHER INCOME, NET

Other income, net consists of the following:

	For the Year Ended December 31,		
	2012	2011	2010
Insurance proceeds	$ —	$ —	$162,500
Tax receivable agreement adjustment	3,937	(137)	7,614
Gain on acquisitions and dispositions	1,951,897	196,193	29,741
Loss on assets held for sale	—	—	(2,768)
Impairment of fixed assets	—	—	(3,101)
AMTG offering costs	—	(8,000)	—
ARI reimbursed offering costs	—	8,000	—
Foreign exchange translation	(790)	6,169	(3,025)
Rental income	4,387	1,999	1,699
Other	5,248	1,296	2,372
Total Other Income, Net	$1,964,679	$ 205,520	$195,032

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11. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. Federal and State income taxes. APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, State and Local corporate income taxes. In addition, certain subsidiaries of the Company are subject to NYC UBT attributable to the Company's operations apportioned to New York City. Certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate income tax return, as well as file standalone corporate state and local income tax returns in California, New York State and New York City. The Company's provision for income taxes is accounted for in accordance with U.S. GAAP.

The Company's (provision) benefit for income taxes totaled $(65.4) million, $(11.9) and $(91.7) million for the years ended December 31, 2012, 2011 and 2010, respectively. The Company's effective tax rate was approximately 2.10%, (0.92) % and 14.45% for the years ended December 31, 2012, 2011 and 2010, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
Current:			
Federal income tax	$ —	$ (856)	$ (8,051)
Foreign income tax	(3,411)	(3,705)	(3,726)
State and local income tax	(7,722)	(6,943)	(8,648)
Subtotal	(11,133)	(11,504)	(20,425)
Deferred:			
Federal income tax	(55,114)	248	(64,633)
Foreign income tax	277	301	260
State and local income tax (net of federal (benefit) provision)	560	(974)	(6,939)
Subtotal	(54,277)	(425)	(71,312)
Total Income Tax Provision	$ (65,410)	$ (11,929)	$ (91,737)

For the years ended 2012, 2011 and 2010, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $(0.4) million, $1.4 million and $4.2 million, respectively.

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

	For the Year Ended December 31,		
	2012	2011	2010
U.S. Statutory Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Non-Controlling Interest	(30.88)	(24.67)	(24.54)
Income passed through to Class A holders	(4.41)	(1.28)	(15.93)
Equity Based Compensation – AOG Units	1.84	(9.12)	16.49
Foreign income tax	0.10	(0.17)	0.54
State and Local Income Taxes (net of Federal Benefit)	0.20	(0.56)	2.32
Amortization & Other Accrual Adjustments	0.25	(0.12)	0.57
Effective Income Tax Rate	2.10%	(0.92)%	14.45%

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 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 statements of financial condition consist of the following:

	For the Year Ended December 31, 2012	2011
Deferred Tax Assets:		
Depreciation and amortization	$ 448,372	$476,812
Revenue recognition	40,597	36,732
Net operating loss carry forward	5,514	17,238
Equity-based compensation – RSUs and AAA RDUs	41,083	37,336
Other	6,642	8,186
Total Deferred Tax Assets	542,208	576,304
Deferred Tax Liabilities:		
Unrealized gains from investments	12,882	1,307
Other	835	1,467
Total Deferred Tax Liabilities	$ 13,717	$ 2,774

As of December 31, 2012, the Company has approximately $4.8 million of federal net operating loss (NOL) carryforwards and $60.7 million of state and local NOL carryforwards available to be utilized in future periods. If the Company is unable to utilize its NOL carryforwards, they will begin to expire in 2031. For tax year ended December 31, 2012, the Company expects to utilize NOLs carried forward from prior periods to offset its entire federal and state taxable income. In addition, the Company has foreign tax credit carryforwards of $6.0 million that will begin to expire in 2020.

The Company has recorded a significant deferred income tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. The amortization period for these tax basis intangibles is 15 years and accordingly, the related deferred income tax assets will reverse over the same period.

The Company considered its historical and current year earnings in addition to the 15-year amortization period of the tax basis of its intangible assets 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, including the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicates that deferred income 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 income tax assets. Based upon this positive evidence, the Company has concluded it is more likely than not, that the deferred income tax assets will be realized and that no valuation allowance is needed at December 31, 2012.

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. Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined that no unrecognized tax benefits for uncertain tax positions were required to be 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 tax authorities. With a few exceptions, as of December 31, 2012, Apollo and its predecessor entities' U.S. Federal, state, local and foreign income tax returns for the years 2009 through 2012 are open under the general statute of limitations provisions and therefore subject to examination. In addition, the State of New York is examining APO Corp.'s tax returns for tax years 2008 to 2010 and the

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Internal Revenue Service is examining APO Corp.'s tax returns for tax years 2010 and 2011 in connection with the NOL carryback claim from tax year 2011 to tax year 2010.

12. DEBT

Debt consists of the following:

	December 31, 2012		December 31, 2011	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH Credit Agreement	$728,273	4.95%(1)	$ 728,273	5.39%(1)
CIT secured loan agreements	9,545	3.47	10,243	3.39
Total Debt	$737,818	4.93%	$738,516	5.35%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement—On April 20, 2007, Apollo Management Holdings, L.P. ("AMH"), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, 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 irrevocably elected three-month LIBOR for $167 million of the debt for five years from the closing date of the AMH Credit Agreement, which expired in May 2012. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for $995 million of the loan, as discussed below, and 1.00% for $5 million of the loan as of December 31, 2012 and 3.75% for $995 million of the loan and 1.00% for $5 million of the loan as of December 31, 2011). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loan from April 20, 2014 to January 3, 2017 and modified certain other terms of the AMH Credit Agreement. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of the term loan by December 31, 2014 and at least $100.0 million aggregate principal amount of the term loan (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of the term loan in connection with the extension of the maturity date of such loan and thus the AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2012 was 4.07% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2012 was 1.32%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of

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financial condition at December 31, 2012 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of December 31, 2012 and 2011, the AMH Credit Agreement was guaranteed by, and 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 forth in the AMH Credit Agreement. As of December 31, 2012, 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 and its consolidated subsidiaries were $94.9 million, $91.1 million, $62.3 million, $217.5 million and $(858.9) million, respectively. As of December 31, 2011, 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 $56.6 million, $46.2 million, $50.1 million, $131.9 million and $(1,014.3) million, respectively.

In accordance with the AMH Credit Agreement as of December 31, 2012, 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 respective subsidiaries were 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.

If AMH's debt to EBITDA ratio (the "Leverage Ratio") as of the end of any fiscal year exceeds the level set forth in the next sentence (the "Excess Sweep Leverage Ratio"), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage 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 is: for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

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 as necessary to reduce its Leverage 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 (the following specified levels for the specified years, the "Sweep Leverage Ratio") (i) for 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

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. As of December 31, 2012, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

CIT Secured Loan Agreements—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 $9.4 million due at the end of the terms in April 2013. At December 31, 2012, the interest rate was 3.40%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreements for $11.3 million with $11.1 million of the proceeds going to

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CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of December 31, 2012, the carrying value of the remaining CIT secured loan is $9.5 million.

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

As of December 31, 2012, the table below presents the contractual maturities for the AMH Credit Agreement and CIT secured loan agreements:

	2013	2014	2015	2016	2017	Total
AMH Credit Agreement	$ —	$55,000	$50,000	$—	$623,273	$728,273
CIT secured loan agreements	9,545	—	—	—	—	9,545
Total Obligations as of December 31, 2012	$9,545	$55,000	$50,000	$—	$623,273	$737,818

13. NET INCOME (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

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The table below presents basic and diluted net income (loss) per Class A share using the two-class method for the years ended December 31, 2012, 2011 and 2010:

	Basic and Diluted For the Year Ended December 31,		
	2012	2011	2010
Numerator:			
Net income (loss) attributable to Apollo Global Management, LLC	$ 310,957	$ (468,826)	$ 94,617
Distributions declared on Class A shares	(172,887)(1)	(97,758)(2)	(20,453)(3)
Distributions on participating securities	(31,175)	(17,381)	(3,662)
Earnings allocable to participating securities	(16,855)	— (4)	(10,357)
Undistributed Income (Loss) Attributable to Class A Shareholders	$ 90,040	$ (583,965)	$ 60,145
Denominator:			
Weighted average number of Class A shares outstanding	127,693,489	116,364,110	96,964,769
Net income (loss) per Class A share: Basic and Diluted (5)			
Distributable Earnings	$ 1.35	$ 0.84	$ 0.21
Undistributed income (loss)	0.71	(5.02)	0.62
Net Income (Loss) per Class A Share	$ 2.06	$ (4.18)	$ 0.83

(1) The Company declared a $0.46 distribution on Class A shares on February 10, 2012, a $0.25 distribution on Class A shares on May 8, 2012, a $0.24 distribution on Class A shares on August 12, 2012, and a $0.40 distribution on Class A shares on November 9, 2012. As a result, there is a decrease in undistributed income attributable to Class A shareholders presented during the year ended December 31, 2012

(2) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on Class A shares on May 12, 2011, a $0.24 distribution on Class A shares on August 9, 2011, and a $0.20 distribution on Class A shares on November 3, 2011. As a result, there is an increase in undistributed loss attributable to Class A shareholders presented during the year ended December 31, 2011.

(3) The Company declared a $0.07 distribution on Class A shares on May 27, 2010, August 2, 2010 and November 1, 2010. As a result, there is a decrease in undistributed income attributable to Class A shareholders presented during the year ended December 31, 2010.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(5) For the year ended December 31, 2012, unvested RSUs and share options were determined to be dilutive and accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2011, unvested RSUs, share options, AOG Units and RSUs that participate in dividends were determined to be anti-dilutive. For the year ended December 31, 2010, unvested RSUs were determined to be dilutive and accordingly included in the diluted earnings per share calculation. The resulting diluted earnings per share amounts were not significantly different from basic earnings per share and therefore were presented as the same amount. The AOG Units and RSUs that participate in dividends were determined to be anti-dilutive for the years ended December 31, 2012 and 2010. The share options were also determined to be anti-dilutive for the year ended December 31, 2010.

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 Company’s 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees during 2011 and 2012 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as “Plan Grants.” For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees in 2011 and 2012 (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 distribution is declared. As of December 31, 2012, approximately 22.5 million vested RSUs and 4.4 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

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distribution equivalents qualify as participating securities and are included in the Company's basic and diluted earnings per share computations using the two-class method. The holder of an RSU 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 RSU 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, upon notice (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 ten Apollo Operating Group partnerships to affect an exchange for one Class A share. If fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. 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 distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share currently has a super voting power of 240,000,000 votes.

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The table below presents transactions in Class A shares during the years ended December 31, 2012, 2011 and 2010 and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of AGM Class A Shares Transaction	Number of Shares Issued (Repurchased/Cancelled) in AGM Class A Shares Transaction (in thousands)	AGM ownership% in AOG before AGM Class A Shares Transaction	AGM ownership% in AOG after AGM Class A Shares Transaction	Holdings ownership% in AOG before AGM Class A Shares Transaction	Holdings ownership% in AOG after AGM Class A Shares Transaction
March 12, 2010	Issuance	721	28.5%	28.6%	71.5%	71.4%
July 9, 2010	Issuance	1,540	28.6%	29.0%	71.4%	71.0%
July 23, 2010	Issuance	31	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 16, 2010	Net Settlement	(7)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 30, 2010	Issuance	11	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 8, 2011	Issuance	2	N/A(1)	N/A(1)	N/A(1)	N/A(1)
March 15, 2011	Issuance	1,548	29.0%	29.3%	71.0%	70.7%
April 4, 2011	Issuance	21,500	29.3%	33.5%	70.7%	66.5%
April 7, 2011	Issuance	750	33.5%	33.7%	66.5%	66.3%
July 11, 2011	Issuance	77	N/A(1)	N/A(1)	N/A(1)	N/A(1)
August 15, 2011	Issuance	1,191	33.7%	33.9%	66.3%	66.1%
October 10, 2011	Issuance	52	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 10, 2011	Issuance	1,011	33.9%	34.1%	66.1%	65.9%
November 22, 2011	Net Settlement	(130)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 18, 2012	Issuance	394	34.1%	34.1%	65.9%	65.9%
February 13, 2012	Issuance	1,994	34.1%	34.5%	65.9%	65.5%
March 5, 2012	Issuance	50	N/A(1)	N/A(1)	N/A(1)	N/A(1)
April 3, 2012	Issuance	150	N/A(1)	N/A(1)	N/A(1)	N/A(1)
July 9, 2012	Issuance	1,452	34.5%	34.7%	65.5%	65.3%
August 6, 2012	Issuance	1,962	34.7%	35.1%	65.3%	64.9%
October 9, 2012	Issuance	150	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 12, 2012	Issuance	25	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 19, 2012	Issuance	5	N/A(1)	N/A(1)	N/A(1)	N/A(1)

(1) Transaction did not have a material impact on ownership.

14. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the years ended December 2012, 2011 and 2010, $480.9 million, $1,032.8 million and $1,032.9 million of compensation expense was recognized, respectively. The estimated forfeiture rate was 0% for Contributing Partners and 0% for Managing Partners based on actual forfeitures as well as the Company's future forfeiture expectations. As of December 31, 2012, there was $30.0 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next 6 months.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2012, 2011 and 2010:

	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	(44,089,188)		23.43
Balance at December 31, 2010	66,742,906	$	23.13
Granted	—		—
Forfeited	—		—
Vested	(44,149,696)		23.39
Balance at December 31, 2011	22,593,210	$	22.64
Granted	199,050		17.36
Forfeited	(199,050)		20.00
Vested	(21,092,844)		22.80
Balance at December 31, 2012	1,500,366	$	20.00

Units Expected to Vest—As of December 31, 2012, 1,500,366 AOG Units are expected to vest over the next 6 months.

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. All grants after March 29, 2011 consider the public share price of the Company. The fair value of grants made in 2012, 2011 and 2010 was approximately $73.5 million, $116.6 million and $120.2 million, respectively. Of these awards, 972,266 RSUs relate to awards granted as part of the Stone Tower acquisition. The fair value of these awards was not charged to compensation expense, but charged to additional paid in capital in the consolidated statements of changes in shareholder's equity. Refer to note 3 for further discussion of the Stone Tower acquisition. For Plan Grants, the fair value is based on grant date fair value, and is discounted 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 is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). The actual forfeiture rate was 3.9%, 2.3% and 7.9% for the years ended December 31, 2012, 2011 and 2010, respectively. For the years ended December 31, 2012, 2011 and 2010, $110.2 million, $108.2 million and $78.9 million of compensation expense was recognized, respectively.

Delivery of Class A Shares

During 2012 and 2011, the Company delivered Class A Shares for vested RSUs. The Company generally allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment was $26.0 million and $19.6 million in 2012 and 2011, respectively, and is disclosed in the consolidated statement of equity.

The delivery of RSUs does not cause a transfer of amounts in the Consolidated Statement of Changes in Shareholders' Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the year ended December 31, 2012, the Company delivered 6.1

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million Class A shares in settlement of vested RSUs, which caused the Company's ownership interest in the Apollo Operating Group to increase to 35.1% from 34.1%.

The following table summarizes RSU activity for the years ended December 31, 2012, 2011 and 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2010	19,937,996	$ 10.87	12,092,019	32,030,015
Granted	12,861,969	9.34	—	12,861,969
Forfeited	(2,578,992)	10.07	—	(2,578,992)
Delivered	—	6.74	(3,227,155)	(3,227,155)
Vested	(6,778,057)	10.40	6,778,057	—
Balance at December 31, 2010	23,442,916	10.25	15,642,921	39,085,837
Granted	8,068,735	14.45	—	8,068,735
Forfeited	(737,372)	12.59	—	(737,372)
Delivered	—	10.12	(5,696,419)	(5,696,419)
Vested	(10,293,506)	11.13	10,293,506	—
Balance at December 31, 2011	20,480,773	11.38	20,240,008	40,720,781 (1)
Granted	5,377,562	13.68	—	5,377,562
Forfeited	(966,725)	11.02	—	(966,725)
Delivered	—	11.69	(7,894,214)	(7,894,214)
Vested	(10,167,136)	12.28	10,167,136	—
Balance at December 31, 2012	14,724,474	$ 11.62	22,512,930	37,237,404

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

Units Expected to Vest—As of December 31, 2012, approximately 13,841,000 RSUs are expected to vest during the next six years.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011 and 25,000 options were granted on April 9, 2011. Of the options granted on January 22, 2011, half of such options that vested and became exercisable on December 31, 2011 were exercised on March 5, 2012 and the other half that were due to become exercisable on December 31, 2012 were forfeited during the quarter ended March 31, 2012. The options granted on April 9, 2011 vested and became exercisable with respect to half of the options shares on December 31, 2011 and the other half vests in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012. In addition, 50,000 and 200,000 options were granted on July 9, 2012 and December 28, 2012, respectively. These options will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2013 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on June 30, 2018. For the years ended December 31, 2012, 2011, and 2010, $4.8 million, $6.9 million, and $0.3 million of compensation expense were recognized as a result of option grants, respectively.

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Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2012 and 2011:

Assumptions:	2012(2)	2011(2)	2010
Risk-free interest rate	1.11%	2.79%	2.34%
Weighted average expected dividend yield	8.13%	2.25%	2.79%
Expected volatility factor(1)	45.00%	40.22%	40.00%
Expected life in years	6.66	5.72	6.79
Fair value of options per share	$ 3.01	$ 8.44	$5.62

(1) The Company determined its expected volatility based on comparable companies using daily stock prices and the Company's volatility.
(2) Represents weighted average of 2012 and 2011 grants, respectively.

The following table summarizes the share option activity for the years ended December 31, 2012, 2011 and 2010:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2010	—	$ —	$ —	—
Granted	5,000,000	8.00	28,100	9.92
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2010	5,000,000	8.00	$ 28,100	9.92
Granted	580,556	9.39	4,896	9.09
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2011	5,580,556	8.14	$32,996	8.93
Granted	250,000	16.26	752	9.90
Exercised	(277,778)	9.00	(2,364)	—
Forfeited	(277,778)	9.00	(2,364)	—
Balance at December 31, 2012	5,275,000	8.44	$ 29,020	8.01
Exercisable at December 31, 2012	1,691,665	$ 8.15	$ 9,535	7.92

Units Expected to Vest—As of December 31, 2012, approximately 3,368,000 options are expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2012 was $18.3 million and is expected to be recognized over a weighted average period of 4.0 years. The total intrinsic value of options exercised during the year ended December 31, 2012 was $1.4 million.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depository units ("RDUs") following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The 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 AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value is based on the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the years ended December 31, 2012, 2011

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and 2010, the actual forfeiture rate was 0%, 0% and 1.5%, respectively. For the years ended December 31, 2012, 2011 and 2010, $1.0 million, $0.5 million and $5.5 million of compensation expense was recognized, respectively.

During the years ended December 31, 2012, 2011 and 2010, the Company delivered 60,702, 389,785 and 596,375 RDUs, respectively, to individuals who had vested in these units. The deliveries in 2012, 2011 and 2010 resulted in a satisfaction of liability of $1.8 million, $3.8 million and $7.6 million, respectively, and the recognition of a net decrease of additional paid in capital in 2012 of $2.5 million and a net decrease and increase in 2011 and 2010 of $2.7 million and $0.6 million, respectively. These amounts are presented in the consolidated statement of changes in shareholders' equity. There was $1.0 million and $0.5 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2012 and 2011, respectively. The following table summarizes RDU activity for the years ended December 31, 2012, 2011 and 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2010	221,221	$ 12.95	395,448	616,669
Granted	547,974	7.34	—	547,974
Forfeited	(11,816)	13.00	—	(11,816)
Delivered	—	12.73	(596,375)	(596,375)
Vested	(590,712)	9.36	590,712	—
Balance at December 31, 2010	166,667	7.20	389,785	556,452
Granted	90,688	10.30	—	90,688
Forfeited	—	—	—	—
Delivered	—	10.54	(389,785)	(389,785)
Vested	(60,702)	8.69	60,702	—
Balance at December 31, 2011	196,653	8.17	60,702	257,355
Granted	256,673	9.45	—	256,673
Forfeited	—	—	—	—
Delivered	—	8.69	(60,702)	(60,702)
Vested	(114,896)	9.02	114,896	—
Balance at December 31, 2012	338,430	$ 8.85	114,896	453,326

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Units Expected to Vest—As of December 31, 2012, approximately 318,000 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	96,661
Granted	(547,974)
Forfeited	11,816
Balance at December 31, 2010	1,979,031
Purchases	59,494
Granted	(90,688)
Forfeited	—
Balance at December 31, 2011	1,947,837
Purchases	187,261
Granted/Issued	(449,753)(1)
Forfeited	—
Balance at December 31, 2012	1,685,345

(1) During 2012, the Company delivered 193,080 RDUs to certain employees as part of AAA's carry reinvestment program. This resulted in a decrease in profit sharing payable of $1.2 million in the consolidated statements of financial condition. No additional compensation expense was recognized.

Restricted Stock and Restricted Stock Unit Awards—Apollo Commercial Real Estate Finance, Inc. ("ARI")

On September 29, 2009, 97,500 and 145,000 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 were granted to an employee of the company. The fair value of the Company and employee awards granted was $1.8 million and $2.7 million, respectively. These awards generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units ("ARI RSUs"), respectively, were granted to certain of the Company's employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company's employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI RSUs, respectively, were granted to certain of the Company's employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. On December 28, 2011, the Company issued 45,587 ARI RSUs to certain of the Company's employees. On March 15, 2012, 20,000 ARI RSUs were granted to an employee of the Company. The awards granted to the Company are accounted for as investments and deferred revenue in the consolidated statements 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 fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for transfer restrictions and timing of distributions. The awards granted to the Company's employees are remeasured each period to reflect the fair value of the asset and other liabilities and any changes in these values are recorded in the consolidated statements of operations. For the years ended December 31, 2012, 2011 and 2010, $2.3 million, $2.9 million and $1.5 million of management fees and $1.5 million, $1.3 million and $0.8 million of compensation expense were recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 1%, 7% and 2% for the years ended December 31, 2012, 2011 and 2010, respectively.

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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 years ended December 31, 2012, 2011 and 2010:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of RSUs Outstanding
Balance at January 1, 2010	242,500	—	$ 18.47	—	—
Granted to employees of the Company	—	123,959	16.97	—	123,959
Forfeited by employees of the Company	(118,959)	(5,000)	18.41	—	(5,000)
Vested awards employees of the Company	(26,039)	(22,709)	17.77	22,709	—
Vested awards for the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2010	65,002	96,250	17.57	22,709	118,959
Granted to employees of the Company	—	203,337	14.34	—	203,337
Granted to the Company	—	156,000	14.85	—	156,000
Forfeited by employees of the Company	—	(30,000)	14.85	—	(30,000)
Vested awards for employees of the Company	—	(50,833)	16.95	50,833	—
Vested awards of the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2011	32,502	374,754	15.12	73,542	448,296
Granted to employees of the Company	—	20,000	15.17	—	20,000
Granted to the Company	—	—	—	—	—
Forfeited by employees of the Company	—	(5,522)	14.09	—	(5,522)
Vested awards for employees of the Company	—	(99,690)	15.43	99,690	—
Vested awards of the Company	(32,502)	(52,000)	16.25	52,000	—
Balance at December 31, 2012	—	237,542	$ 14.62	225,232	462,774

Units Expected to Vest—As of December 31, 2012, approximately 230,000 shares of ARI RSUs are expected to vest.

Restricted Stock Unit Awards—Apollo Residential Mortgage, Inc. ("AMTG")

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units ("AMTG RSUs") were granted to the Company and certain of the Company's employees, respectively. On September 26, 2011, 875 AMTG RSUs were granted to certain employees of the Company. The fair value of the Company and employee awards granted were $0.3 million and $0.2 million, respectively. These awards generally vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. On June 30, 2012 and September 30, 2012, 5,000 AMTG RSUs were granted to employees of the Company with a Fair Value of $0.1 million. On November 26, 2012, 133,244 AMTG RSUs were granted to employees of the Company with a fair value of $2.8 million. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 other liabilities and any changes in these values are recorded in the consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for transfer restrictions and timing of distributions. For the year ended December 31, 2012, $0.2 million of management fees and $0.1 million of compensation expense were recognized in the consolidated statements of operations. For the year ended December 31, 2011, $0.1 million of management fees and $0.0 million of compensation expense were recognized in the consolidated statement of operations. The actual forfeiture rate for AMTG RSUs was 0% for the years ended December 31, 2012 and December 31, 2011.

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The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the years ended December 31, 2012 and December 31, 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	—	$ —	—	—
Granted to employees of the Company	12,125	16.57	—	12,125
Granted to the Company	18,750	18.20	—	18,750
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(1,008)	16.57	1,008	—
Vested awards of the Company	(1,562)	18.20	1,562	—
Balance at December 31, 2011	28,305	17.56	2,570	30,875
Granted to employees of the Company	143,244	20.62	—	143,244
Granted to the Company	—	—	—	—
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(4,042)	16.57	4,042	—
Vested awards of the Company	(6,250)	18.20	6,250	—
Balance at December 31, 2012	161,257	$ 20.28	12,862	174,119

Units Expected to Vest—As of December 31, 2012, approximately 152,000 AMTG RSUs are expected to vest.

Equity-Based Compensation Allocation

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders' Equity attributable to Apollo Global Management, LLC 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 attributable to Apollo Global Management, LLC in the Company's consolidated financial statements.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2012:

	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	$ 480,931	64.9%	$ 313,856	$167,075
RSUs and Share Options	115,013	—	—	115,013
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,674	64.9	1,093	581
AAA RDUs	1,036	64.9	676	360
Total Equity-Based Compensation	$598,654		315,625	283,029
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,769)	(741)
Capital Increase Related to Equity-Based Compensation			$ 313,856	$ 282,288

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2011:

	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	$ 1,032,762	65.9%	$696,361	$ 336,401
RSUs and Share Options	115,142	—	—	115,142
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,320	65.9	870	450
AAA RDUs	529	65.9	349	180
Total Equity-Based Compensation	$1,149,753		697,580	452,173
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,219)	(630)
Capital Increase Related to Equity-Based Compensation			$696,361	$ 451,543

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 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	$1,032,909	71.0%	$735,698	$297,211
RSUs and Share Options	79,169	—	—	79,169
ARI Restricted Stock Awards and ARI RSUs	801	71.0	569	232
AAA RDUs	5,533	71.0	3,930	1,603
Total Equity-Based Compensation	$1,118,412		740,197	378,215
Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs			(4,499)	(1,835)
Capital Increase Related to Equity-Based Compensation			$735,698	$ 376,380

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

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15. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

The Company typically facilitates the initial payment of 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:

	As of December 31, 2012	2011
Due from Affiliates:		
Due from private equity funds	$ 28,201	$ 28,465
Due from portfolio companies	46,048	61,867
Management and advisory fees receivable from credit funds	46,000	23,545
Due from credit funds	22,278	15,822
Due from Contributing Partners, employees and former employees	9,536	30,353
Due from real estate funds	17,950	13,453
Other	3,299	3,235
Total Due from Affiliates	$ 173,312	$ 176,740
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$441,997	$ 451,743
Due to private equity funds	12,761	86,500
Due to credit funds	19,926	18,817
Due to real estate funds	1,200	1,200
Distributions payable to employees	1,567	12,532
Other (1)	—	7,972
Total Due to Affiliates	$477,451	$578,764

(1) As of December 31, 2011, includes a $4.7 million contingent consideration liability at fair value due to former owners of Gulf Stream as discussed in note 3 to the consolidated financial statements.

Tax Receivable Agreement and Other

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 of 1986, 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 ("TRA") 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 2007 Reorganization. If the Company does not make the required annual payment on a timely basis as outlined in the TRA, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 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% or $12.1 million of the required payments pursuant to the TRA that is attributable to the 2010 fiscal year for a period of four years until April 5, 2014.

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In April 2011, Apollo made cash payments of $39.8 million, in connection with the TRA to the Managing Partners and Contributing Partners resulting from realized tax benefits for the 2010 tax year. Included in the 2011 payment was $29.0 thousand and $3.0 thousand of interest paid to the Managing Partners and Contributing Partners, respectively. In April 2012, Apollo made a $5.8 million cash payment pursuant to the TRA resulting from the realized tax benefit for the 2011 tax year. Included in the payment was approximately $1.2 million and approximately $0.1 million of interest paid to the Managing Partners and Contributing Partners, respectively. Because distributions from the Apollo Operating Group are made pari passu to all unit holders, the TRA payment noted above resulted in an additional $11.0 million distribution to Holdings.

In addition, Apollo adjusted the remaining liability by $(3.9) million, $(0.1) million and $7.6 million and recorded a corresponding gain in other income (loss), net in the consolidated statement of operations during the years ended December 31, 2012 and 2011, respectively, and a corresponding loss in other income (loss), net in the consolidated statement of operations for the year ended December 31, 2010 due to changes in projected income estimates and fluctuations in the tax rates.

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 allowed for a maximum allocation of income from Holdings of $22.1 million in 2009 and $117.5 million in 2010. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation beyond such date. The Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

Due from Contributing Partners, Employees and Former Employees

For the year ended December 31, 2011, the Company accrued $22.1 million in receivables from the Contributing Partners and certain employees and former employees of Fund VI for the potential return of carried interest income that would be due if the private equity fund were liquidated at the balance sheet date. For the year ended December 31, 2012, the Company has no liability to Fund VI in connection with the potential general partner obligation to return previously distributed carried interest income. As a result, for the year ended December 31, 2012, the Company has no receivables from the Contributing Partners, certain employees and former employees of Fund VI in connection with the potential general partner obligation to return previously distributed carried interest income.

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 and related compensation expense amounted to $6.2 million, $23.5 million and $24.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

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Distributions

In addition to other distributions such as TRA payments, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the manager of the Company during 2010, 2011, and 2012 (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
May 27, 2010	$ 0.07	June 15, 2010	$ 6.7	$ 16.8	$ 23.5	$ 1.0
August 2, 2010	0.07	August 25, 2010	6.9	16.8	23.7	1.4
November 1, 2010	0.07	November 23, 2010	6.9	16.8	23.7	1.3
January 4, 2011	0.17	January 14, 2011	16.6	40.8	57.4	3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8	79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6	87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0	72.8	4.3
February 12, 2012	0.46	February 29, 2012	58.1	110.4	168.5	10.3
May 8, 2012	0.25	May 30, 2012	31.6	60.0	91.6	6.2
August 2, 2012	0.24	August 31, 2012	31.2	57.6	88.8	5.3
November 9, 2012	0.40	November 30, 2012	52.0	96.0	148.0	9.4

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.

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. The Company recorded an indemnification liability of $0.8 million as of December 31, 2011. There was no indemnification liability as of December 31, 2012.

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 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. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the consolidated statements of financial condition. During the year ended December 31, 2011, there was a $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. At December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. During the year ended December 31, 2012, there was no interest paid and $1.3 million accrued interest on the outstanding loan obligation. As of December 31, 2012, the total outstanding loan aggregated

$9.3 million, including accrued interest of $1.3 million which approximated fair value, of which approximately $6.7 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

As of December 31, 2011, the Company had also accrued a liability to Fund VI of $75.3 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $22.1 million was a receivable from Contributing Partners, employees and former employees. As of December 31, 2012, the general partner obligation was reversed and there was no liability.

Due to Credit Funds

In connection with the Gulf Stream acquisition during October 2011, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. Additionally the Company has deferred a payment obligation to the former owners. This obligation was $3.9 million at date of acquisition and was paid in December 2012. The contingent consideration liability had a fair value of approximately $4.7 million as of October 24, 2011 (the date of acquisition) and $14.1 million as of December 31, 2012. As of December 31, 2012, the former owner is no longer an employee of Apollo therefore the contingent consideration is reported within profit sharing payable in the consolidated statements of financial condition.

Similar to the private equity funds, certain credit funds allocate carried interest income to the Company. As of December 31, 2011, the Company had accrued a liability to SOMA of $18.1 million, in connection with the potential general partner obligation for carried interest income that was previously distributed from SOMA. This amount increased by $1.2 million during the year ended December 31, 2012. The Company also accrued a liability to APC of $0.3 million, in connection with the potential general obligation for carried interest income that was previously distributed from APC as of December 31, 2012. As such, there was a general partner obligation to return previously distributed carried interest income of $19.6 million accrued as of December 31, 2012.

Due to Real Estate Funds

In connection with the acquisition of CPI during November 2010, Apollo has a contingent liability to Citigroup Inc. based on a specified percentage of future earnings from the date of acquisition through December 31, 2012. The estimated fair value of the contingent liability was $1.2 million as of December 31, 2012 and 2011, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%.

Regulated Entities

During 2011, the Company formed Apollo Global Securities, LLC (“AGS”), which is a registered broker dealer with the United States Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, subject to the minimum net capital requirements of the SEC. AGS is in compliance with these requirements at December 31, 2012. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS earns underwriting and transaction fees for its services. The Company also has an entity based in London which is subject to the capital requirements of the U.K. Financial Services Authority. This entity has continuously operated in excess of these regulatory capital requirements.

All of the investment advisors of the Apollo funds are affiliates of certain subsidiaries of the Company that are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended.

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Underwriting Fee Paid for ARI

During 2009, the Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI's IPO on September 29, 2009, ARI's core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate. During the second quarter of 2011, the core earnings had exceeded the hurdle rate and the Company recorded $8.0 million of other income in the consolidated statement of operations.

Interests in Consolidated Entities

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net (income) loss attributable to Non-Controlling Interests consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
AAA[1]	$ (278,454)	$ 123,400	$(356,251)
Interest in management companies and a co-investment vehicle [2]	(7,307)	(12,146)	(16,258)
Other consolidated entities	50,956	(13,958)	(36,847)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(234,805)	97,296	(409,356)
Net (income) attributable to Appropriated Partners' Capital [3]	(1,816,676)	(202,235)	(11,359)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(685,357)	940,312	(27,892)
Net (income) loss attributable to Non-Controlling Interests	$ (2,736,838)	$ 835,373	$ (448,607)
Net income attributable to Appropriated Partners' Capital [4]	1,816,676	202,235	11,359
Other Comprehensive Income attributable to Non-Controlling Interests	(2,010)	(5,106)	(9,219)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$ (922,172)	$1,032,502	$ (446,467)

(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% during the year ended December 31, 2012, approximately 98% during the year ended December 31, 2011 and approximately 97% during the year ended 2010, respectively.

(2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies.

(3) Reflects net income of the consolidated CLOs classified as VIEs. Includes the bargain purchase gain from the Stone Tower acquisition of $1,951.1 million for the year ended December 31, 2012 and the bargain purchase gain from the Gulf Stream acquisition of $0.8 million and $195.4 million for the years ended December 31, 2012 and 2011, respectively.

(4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive (income) loss attributable to non-controlling interest on the statement of comprehensive income (loss).

16. 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 December 31, 2012, the maximum exposure relating to these financial guarantees approximated $3.4 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 financial statements.

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As the general partner of Apollo/Artus Investor 2007-I, L.P. (“Artus”), the Company may be obligated for certain 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, 2012, the Company had no current obligations to Artus.

Investment Commitments—As a limited partner, general partner and manager of the Apollo private equity funds, credit and real estate funds, Apollo has unfunded capital commitments as of December 31, 2012 and 2011 of $258.3 million and $137.9 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

On December 21, 2012, the Company agreed to provide up to $100 million of capital support to Athene to the extent such support is necessary in connection with Athene’s pending acquisition of Aviva plc’s annuity and life insurance operations in the United States.

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—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.

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 Apollo’s motion. The court also dismissed two other defendants, Permira and Merrill Lynch. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding an additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the court granted plaintiffs’ motion to file that amended complaint. Plaintiffs’ fourth amended complaint, filed on October 7, 2010, adds Apollo as a defendant. Apollo joined in the other defendants’ October 21, 2010 motion to dismiss the third claim for relief and all claims by the PanAmSat Damages Sub-class in the fourth amended complaint, which motion was granted on January 13, 2011. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the court denied Apollo’s motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint, adding ten additional transactions and expanding the scope of the class seeking relief. On September 7, 2011, the court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. By court order, the parties concluded discovery on May 21, 2012. The plaintiffs then filed a fifth amended complaint on June 14, 2012. One week later, the defendants filed a motion to dismiss portions of the Fifth Amended Complaint. On July 18, 2012, the court granted the defendants’ motion in part and denied it in part. On July 21, 2012, all defendants filed motions for summary judgment. While those motions were pending, the New York Times moved to intervene and unseal the fifth amended complaint. After a court order, the defendants submitted a version of the complaint containing only four redactions. The court publicly filed this version of the fifth amended complaint on the case docket on October 10, 2012. On December 18 and 19, 2012, the court heard oral argument on the defendants’ motions

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for summary judgment. Those motions remain pending. Apollo does not believe that a loss from liability in this case is either probable or reasonably estimable. Apollo believes the plaintiffs' claims lack factual and legal merit and intends to defend it vigorously. For these reasons, no estimate of possible loss, if any, can be made at this time.

In March 2012, plaintiffs filed two putative class actions, captioned Kelm v. Chase Bank (No. 12-cv-332) and Miller v. 1-800-Flowers.com, Inc. (No. 12-cv-396), in the District of Connecticut on behalf of a class of consumers alleging online fraud. The defendants included, among others, Trilegiant Corporation, Inc. ("Trilegiant"), its parent company, Affinion Group, LLC ("Affinion"), and Apollo Global Management, LLC, which is affiliated with funds that are the beneficial owners of 69% of Affinion's common stock. In both cases, plaintiffs allege that Trilegiant, aided by its business partners, who include e-merchants and credit card companies, developed a set of business practices intended to create consumer confusion and ultimately defraud consumers into unknowingly paying fees to clubs for unwanted services. Plaintiffs allege that Apollo is a proper defendant because of its indirect stock ownership and ability to appoint the majority of Affinion's board. The complaints assert claims under the Racketeer Influenced Corrupt Organizations Act; the Electronic Communications Privacy Act; the Connecticut Unfair Trade Practices Act; and the California Business and Professional Code, and seek, among other things, restitution or disgorgement, injunctive relief, compensatory, treble and punitive damages, and attorneys' fees. The allegations in Kelm and Miller are substantially similar to those in Schnabel v. Trilegiant Corp. (No. 3:10-cv-957), a putative class action filed in the District of Connecticut in 2010 that names only Trilegiant and Affinion as defendants. The court has consolidated the Kelm, Miller, and Schnabel cases under the caption In re: Trilegiant Corporation, Inc. and ordered that they proceed on the same schedule. On June 18, 2012, the court appointed lead plaintiffs' counsel, and on September 7, 2012, plaintiffs filed their consolidated amended complaint ("CAC"), which alleges the same causes of action against Apollo as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, and plaintiffs filed opposition papers on February 7, 2013. Defendants' replies are due on March 11, 2013. On December 5, 2012, plaintiffs filed another putative class action, captioned Frank v. Trilegiant Corp. (No. 12-cv-1721), in the District of Connecticut, naming the same defendants and containing allegations substantially similar to those in the CAC. On January 23, 2013, plaintiffs moved to transfer and consolidate Frank into In re: Trilegiant, and on February 15, 2013, the Frank Court extended all defendants' deadlines to respond to the Frank complaint until the earlier of (i) April 1, 2013 or (ii) a ruling on the motion to transfer and consolidate. Apollo believes that plaintiffs' claims against it in these cases are without merit. For this reason, and because the claims against Apollo are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

On July 9, 2012, Apollo was served with a subpoena by the New York Attorney General's Office regarding Apollo's fee waiver program. The subpoena is part of what we understand to be an industry-wide investigation by the New York Attorney General into the tax implications of the fee waiver program implemented by numerous private equity and hedge funds. Under the fee waiver program, individual fund managers for Apollo-managed funds may elect to prospectively waive their management fees. Program participants receive an interest in the future profits, if any, earned on the invested amounts that represent waived fees. They receive such profits from time to time in the ordinary course when distributions are made generally, as provided for in the applicable fund governing documents and waiver agreements. Four Apollo funds have implemented the program. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former Chief Executive Officer of

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CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds managed by 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. On December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services, and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. On April 23, 2012, the SEC filed a lawsuit alleging securities fraud on the part of Arvco, as well as Messrs. Buenrostro and Villalobos, in connection with their activities concerning certain CalPERS investments in funds managed by Apollo. This lawsuit also does not allege wrongdoing on the part of Apollo, and in fact alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. Apollo believes that it has handled its use of placement agents in an appropriate manner. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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 effect on our financial statements. Legal actions material to us 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 December 31, 2012, the approximate aggregate minimum future payments required for operating leases were as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
Aggregate minimum future payments	$36,109	$36,853	$36,105	$35,265	$32,680	$74,174	$251,186

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $41.2 million, $38.3 million and $28.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Other Long-term Obligations—These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2012, fixed and determinable payments due in connection with these obligations are as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
Other long-term obligations	$7,418	$700	$250	$—	$—	$ —	$8,368

Contingent Obligations—Carried interest income in private equity funds and certain credit and real estate 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 December 31, 2012 and that would be

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reversed approximates $3.2 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2012
Private Equity Funds:	
Fund VII	$ 1,440,907
Fund VI	567,106
Fund V	213,739
Fund IV	19,739
Other (AAA, Stanhope Life, L.P. “Stanhope”)	93,635
Total Private Equity Funds	2,335,126
Credit Funds(1):	
U.S. Performing Credit	656,518
Opportunistic Credit	27,222
Structured Credit	30,863
European Credit	47,206
Non-Performing Loans	102,101
Total Credit Funds	863,910
Real Estate Funds:	
CPI Other	10,406
Total Real Estate Funds	10,406
Total	$ 3,209,442

(1) Reclassified to conform to current presentation.

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 general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15, the Company has recorded a general partner obligation to return previously distributed carried interest income of $19.3 million and $0.3 million relating to SOMA and APC, respectively, as of December 31, 2012. As of December 31, 2012, the general partner obligation for Fund VI was reversed and there was no liability as discussed in note 15.

Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company’s subsidiaries, AGS, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2012 and 2011, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the Stone Tower acquisition, the Company agreed to pay the former owners of Stone Tower a specified percentage of any future carried interest income earned from certain of the Stone Tower funds, CLOs, and strategic investment accounts. This contingent consideration liability had an acquisition date fair value of $117.7 million, which was determined based on the present value of estimated future carried interest payments, and is recorded in profit sharing payable in the consolidated statements of

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financial condition. The fair value of the contingent obligation was $126.9 million as of December 31, 2012. Refer to note 3 for additional details related to the Stone Tower acquisition.

In connection with the Gulf Stream acquisition, as discussed in note 3, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of approximately $14.1 million as of December 31, 2012, which is recorded in profit sharing payable in the consolidated statements of financial condition. The contingent liability had a fair value of approximately $4.7 million as of December 31, 2011, which is recorded in due to affiliates in the consolidated statements of financial condition.

In connection with the CPI acquisition, the consideration transferred in the acquisition was a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2012 and 2011 and is recorded in due to affiliates in the consolidated statements of financial condition.

The contingent consideration obligations will be remeasured to fair value at each reporting period until the obligations are satisfied. The changes in the fair value of the contingent consideration obligations will be reflected in profit sharing expense in the consolidated statements of operations.

During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The Company has determined that the contingent consideration obligations are categorized as a Level III liability in the fair value hierarchy as the pricing inputs into the determination of fair value requires significant management judgment and estimation.

The following table summarizes the quantitative inputs and assumptions used for the contingent consideration obligations categorized in Level III of the fair value hierarchy as of December 31, 2012:

	Fair Value at December 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges
Financial Assets:				
Contingent consideration obligations	$ 142,219	Discounted cash flow	Discount rate	7.0%-11.6%

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The significant unobservable input used in the fair value measurement of the contingent obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of the contingent consideration obligations; conversely decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. In order to determine the discount rate the Company considered the following: the weighted average cost of capital for the Company, the implied internal rate of return for the transaction, and weighted average return on assets.

The following table summarizes the changes in contingent consideration obligations, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,		
	2012	2011	2010
Balance, Beginning of Period	$ 5,900	$ 1,200	$ —
Acquisition (see note 3)	117,700	4,700	1,200
Payments	(8,168)	—	—
Purchase accounting adjustments	1,000	—	—
Change in fair value	25,787		
Balance, End of Period	$142,219	$5,900	$1,200

17. 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 December 31, 2012, there were more than 1,000 limited partner investors in Apollo's active private equity, credit and real estate funds, and no individual investor accounted for more than 10% of the total 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 December 31, 2012 and 2011, $737.8 million and $738.5 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively. However, as of December 31, 2011, $167.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 12. As the interest rate swap expired in May 2012, the $167 million of debt was no longer converted to a fixed rate.

18. 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;
- ***Credit***—primarily invests in non-control corporate and structured debt instruments; and
- ***Real Estate***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors 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 exclude 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 tables below present the financial data for Apollo's reportable segments further separated between the management and incentive business as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the "management" business section 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, investment income, profit sharing expense and incentive fee based compensation.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change aligns with the Company's management reporting and organizational structure and is consistent with the manner in which resource deployment and compensation decisions are made.

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, credit and real estate segments. Management also believes the components of ENI such 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:

(dollars in thousands, except share data)

- 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 relating to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. 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 (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, (ii) income tax expense, (iii) amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and (iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements.

During the fourth quarter 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, credit and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation expense for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the year ended December 31, 2010:

	Impact of Modification on ENI			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2010	$(6,525)	$(23,449)	$(3,975)	$(33,949)

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 138,531	$ 10,764	$ 749	$ 150,044
Management fees from affiliates	277,048	299,667	46,326	623,041
Carried interest income from affiliates	1,667,535	518,852	15,074	2,201,461
Total Revenues	2,083,114	829,283	62,149	2,974,546
Expenses	945,466	454,378	72,437	1,472,281
Other Income	78,691	59,966	2,253	140,910
Non-Controlling Interests	—	(8,730)	—	(8,730)
Economic Net Income (Loss)	$ 1,216,339	$ 426,141	$ (8,035)	$ 1,634,445
Total Assets	$2,589,645	$1,791,814	$76,851	$ 4,458,310

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$2,974,546	$ (114,581)(1)	$ 2,859,965
Expenses	1,472,281	575,564(2)	2,047,845
Other income	140,910	2,160,175(3)	2,301,085
Non-Controlling Interests	(8,730)	(2,728,108)	(2,736,838)
Economic Net Income	$ 1,634,445(4)	N/A	N/A
Total Assets	$ 4,458,310	$16,178,548(5)	$20,636,858

(1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.

(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.

(3) Results from the following:

	For the Year Ended December 31, 2012
Net gains from investment activities	$ 289,386
Net losses from investment activities of consolidated variable interest entities	(71,704)
Loss from equity method investments	(10,947)
Interest and other income	1,543
Gain on acquisition	1,951,897
Total Consolidation Adjustments	$ 2,160,175

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

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	For the Year Ended December 31, 2012
Economic Net Income	$1,634,445
Income tax provision	(65,410)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(685,357)
Non-cash charges related to equity-based compensation (6)	(529,712)
Amortization of intangible assets	(43,009)
Net Income Attributable to Apollo Global Management, LLC	$ 310,957

(5) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2012:

	For the Year Ended December 31, 2012					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 138,531	$ —	$ 138,531	$ 10,764	$ —	$ 10,764
Management fees from affiliates	277,048	—	277,048	299,667	—	299,667
Carried interest income from affiliates:						
Unrealized gains(1)	—	854,919	854,919	—	301,077	301,077
Realized gains	—	812,616	812,616	37,842	179,933	217,775
Total Revenues	415,579	1,667,535	2,083,114	348,273	481,010	829,283
Compensation and benefits(2)	159,678	702,477	862,155	149,801	155,526	305,327
Other expenses(2)	83,311	—	83,311	149,051	—	149,051
Total Expenses	242,989	702,477	945,466	298,852	155,526	454,378
Other Income	4,653	74,038	78,691	15,008	44,958	59,966
Non-Controlling Interests	—	—	—	(8,730)	—	(8,730)
Economic Net Income	$ 177,243	$ 1,039,096	$1,216,339	$ 55,699	$ 370,442	$ 426,141

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	For the Year Ended December 31, 2012		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 749	$ —	$ 749
Management fees from affiliates	46,326	—	46,326
Carried interest income from affiliates:			
Unrealized gains	—	10,401	10,401

Realized gains	—	4,673	4,673
Total Revenues	47,075	15,074	62,149
Compensation and benefits[(1)]	34,037	14,130	48,167
Other expenses[(1)]	24,270	—	24,270
Total Expenses	58,307	14,130	72,437
Other Income	1,271	982	2,253
Economic Net (Loss) Income	$ (9,961)	$ 1,926	$ (8,035)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 66,913	$ 14,699	$ 698	$ 82,310
Management fees from affiliates	263,212	186,700	40,279	490,191
Carried interest (loss) income from affiliates	(449,208)	51,801	—	(397,407)
Total Revenues	(119,083)	253,200	40,977	175,094
Expenses	155,994	250,020	77,179	483,193
Other Income (Loss)	15,041	(5,716)	10,420	19,745
Non-Controlling Interests	—	(12,146)	—	(12,146)
Economic Net Loss	$ (260,036)	$ (14,682)	$(25,782)	$ (300,500)
Total Assets	$1,764,166	$1,123,654	$ 61,970	$2,949,790

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 175,094	$ (3,462)(1)	$ 171,632
Expenses	483,193	1,099,257(2)	1,582,450
Other income	19,745	98,803(3)	118,548
Non-Controlling Interests	(12,146)	847,519	835,373
Economic Net Loss	$ (300,500)(4)	N/A	N/A
Total Assets	$2,949,790	$ 5,026,083(5)	$7,975,873

(1) Represents advisory and management fees earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

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	For the Year Ended December 31, 2011
Net losses from investment activities	$(123,946)
Net gains from investment activities of consolidated variable interest entities	24,201
Gain from equity method investments	3,094
Gain on acquisition	195,454
Total Consolidation Adjustments	$ 98,803

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2011
Economic Net Loss	$ (300,500)
Income tax provision	(11,929)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	940,312
Non-cash charges related to equity-based compensation (6)	(1,081,581)
Amortization of intangible assets	(15,128)
Net Loss Attributable to Apollo Global Management, LLC	$ (468,826)

(5) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2011:

	For the Year Ended December 31, 2011					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 66,913	$ —	$ 66,913	$ 14,699	$ —	$ 14,699
Management fees from affiliates	263,212	—	263,212	186,700	—	186,700
Carried interest (loss) income from affiliates:						
Unrealized losses(1)	—	(1,019,748)	(1,019,748)	—	(66,852)	(66,852)
Realized gains	—	570,540	570,540	44,540	74,113	118,653
Total Revenues	330,125	(449,208)	(119,083)	245,939	7,261	253,200
Compensation and benefits(2)	156,923	(100,267)	56,656	116,181	38,844	155,025
Other expenses(2)	99,338	—	99,338	94,995	—	94,995
Total Expenses	256,261	(100,267)	155,994	211,176	38,844	250,020
Other Income (Loss)	7,081	7,960	15,041	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	—	—	—	(12,146)	—	(12,146)
Economic Net Income (Loss)	$ 80,945	$ (340,981)	$ (260,036)	$ 20,639	$ (35,321)	$ (14,682)

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million with respect to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2011		
	Management	Real Estate Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698
Management fees from affiliates	40,279	—	40,279
Carried interest income from affiliates	—	—	—
Total Revenues	40,977	—	40,977
Compensation and benefits(1)	46,163	1,353	47,516
Other expenses(1)	29,663	—	29,663
Total Expenses	75,826	1,353	77,179
Other Income	9,694	726	10,420
Economic Net Loss	$(25,155)	$ (627)	$(25,782)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2010:

	As of and for the Year Ended December 31, 2010			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 60,444	$ 19,338	$ —	$ 79,782
Management fees from affiliates	259,395	160,318	11,383	431,096
Carried interest loss from affiliates	1,321,113	277,907	—	1,599,020
Total Revenues	1,640,952	457,563	11,383	2,109,898
Expenses	767,600	240,341	46,034	1,053,975
Other Income	212,845	41,606	23,231	277,682
Non-Controlling Interests	—	(16,258)	—	(16,258)
Economic Net Income (Loss)	$1,086,197	$ 242,570	$(11,420)	$ 1,317,347
Total Assets	$2,271,564	$1,152,389	$46,415	$ 3,470,368

	For the Year Ended December 31, 2010		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$2,109,898	$ —	$2,109,898
Expenses	1,053,975	1,103,411(1)	2,157,386
Other income	277,682	404,767(2)	682,449
Non-Controlling Interests	(16,258)	(432,349)	(448,607)
Economic Net Income	$ 1,317,347(3)	N/A	N/A
Total Assets	$ 3,470,368	$ 3,082,004(4)	$6,552,372

(1) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.

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(2) Results from the following:

	For the Year Ended December 31, 2010
Net gains from investment activities	$367,871
Net gains from investment activities of consolidated variable interest entities	48,206
Loss from equity method investments	(11,107)
Interest income	20
Other loss	(223)
Total Consolidation Adjustments	$ 404,767

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2010
Economic Net Income	$ 1,317,347
Income tax provision	(91,737)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)
Non-cash charges related to equity-based compensation (5)	(1,087,943)
Net loss of Metals Trading Fund	(2,380)
Amortization of intangible assets	(12,778)
Net Income Attributable to Apollo Global Management, LLC	$ 94,617

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

(5) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2010:

	For the Year Ended December 31, 2010					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 60,444	$ —	$ 60,444	$ 19,338	$ —	$ 19,338
Management fees from affiliates	259,395	—	259,395	160,318	—	160,318
Carried interest income from affiliates:						
Unrealized gains	—	1,251,526	1,251,526	—	103,918	103,918
Realized gains	—	69,587	69,587	47,385	126,604	173,989
Total Revenues	319,839	1,321,113	1,640,952	227,041	230,522	457,563
Compensation and benefits (1)	150,181	519,669	669,850	103,763	55,698	159,461
Other expenses (1)	97,750	—	97,750	80,880	—	80,880
Total Expenses	247,931	519,669	767,600	184,643	55,698	240,341
Other Income	162,213	50,632	212,845	10,928	30,678	41,606
Non-Controlling Interests	—	—	—	(16,258)	—	(16,258)
Economic Net Income	$ 234,121	$ 852,076	$ 1,086,197	$ 37,068	$205,502	$ 242,570

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2010		
		Real Estate	
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ —	$ —	$ —
Management fees from affiliates	11,383	—	11,383
Carried interest income from affiliates	—	—	—
Total Revenues	11,383	—	11,383
Compensation and benefits[1]	26,096	—	26,096
Other expenses[1]	19,938	—	19,938
Total Expenses	46,034	—	46,034
Other Income (Loss)	23,622	(391)	23,231
Economic Net Loss	$(11,029)	$ (391)	$ (11,420)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

19. SUBSEQUENT EVENTS

On January 9, 2013, the Company issued 150,000 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.1% to 35.2%.

On January 28, 2013, the Company issued 23,231 Class A shares in settlement of vested RSUs. The issuance had minimal impact on the Company's ownership in the Apollo Operating Group.

On February 11, 2013, the Company issued 1,912,632 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 35.2% to 35.5%.

On February 8, 2013, the Company declared a cash distribution of $1.05 per Class A share, which was paid on February 28, 2013 to holders of record on February 20, 2013.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenues	$ 776,743	$ 211,628	$ 712,373	$1,159,221
Expenses	523,230	316,962	520,008	687,645
Other Income	192,188	1,950,461	27,348	131,088
Income Before Provision for Taxes	$ 445,701	$1,845,127	$ 219,713	$ 602,664
Net Income	$ 431,141	$ 1,834,477	$197,796	$ 584,381
Income (Loss) attributable to Apollo Global Management, LLC.	$ 98,043	$ (41,386)	$ 82,791	$ 171,509
Net Income (Loss) per Class A Share – Basic and Diluted	$ 0.66	$ (0.38)	$ 0.55	$ 1.12

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	For the Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Revenues	$ 696,342	$ 308,876	$(1,479,580)	$ 645,994
Expenses	641,581	480,006	(158,100)	618,963
Other Income (Loss)	205,164	70,035	(442,310)	285,659
Income (Loss) Before Provision for Taxes	$259,925	$(101,095)	$(1,763,790)	$ 312,690
Net Income (Loss)	$ 251,105	$ (104,645)	$ (1,743,943)	$ 293,284
Income (Loss) attributable to Apollo Global Management, LLC.	$ 38,156	$ (50,989)	$ (466,926)	$ 10,933
Net Income (Loss) per Class A Share – Basic and Diluted	$ 0.33	$ (0.46)	$ (3.86)	$ 0.05

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, its principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on its financial statements.

Management conducted an assessment of the effectiveness of Apollo’s internal control over financial reporting as of December 31, 2012 based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Organizations of the Treadway Commission. Based on this assessment, management has determined that Apollo’s internal control over financial reporting as of December 31, 2012 was effective.

No changes in our internal control over financial reporting (as such term is defined in Rules 13a–15(f) and 15d–15(f) under the Securities Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued its attestation report on our internal control over financial reporting which is included in “Item 8. Financial Statements and Supplementary Data.”

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table presents certain information concerning our board of directors and executive officers:

Name	Age	Position(s)
Leon Black	61	Chairman, Chief Executive Officer and Director
Joshua Harris	48	Senior Managing Director and Director
Marc Rowan	50	Senior Managing Director and Director
Marc Spilker	48	President
Martin Kelly	45	Chief Financial Officer
Barry Giarraputo	49	Chief Accounting Officer and Controller
John Suydam	53	Chief Legal Officer and Chief Compliance Officer
James Zelter	50	Managing Director – Credit
Michael Ducey	64	Director
Paul Fribourg	58	Director
A.B. Krongard	76	Director
Pauline Richards	64	Director

Leon Black. Mr. Black is the Chairman of the board of directors and Chief Executive Officer of Apollo and a Managing Partner of Apollo Management, L.P. In 1990, Mr. Black founded Apollo Management, L.P. and Lion Advisors, L.P. to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as a Managing Director, head of the Mergers & Acquisitions Group, and co-head of the Corporate Finance Department. Mr. Black also serves on the board of directors of the general partner of AAA and previously served on the board of directors of Sirius XM Radio Inc. Mr. Black is a trustee of The Museum of Modern Art, The Mount Sinai Medical Center, The Metropolitan Museum of Art, and The Asia Society. He is also a member of The Council on Foreign Relations and The Partnership for New York City. He is also a member of the boards of directors of FasterCures and the Port Authority Task Force. Mr. Black graduated summa cum laude from Dartmouth College in 1973 with a major in Philosophy and History and received an MBA from Harvard Business School in 1975. Mr. Black has significant experience making and managing private equity investments on behalf of Apollo and has over 34 years experience financing, analyzing and investing in public and private companies. In his prior positions with Drexel and in his positions at Apollo, Mr. Black is responsible for leading and overseeing teams of professionals. His extensive experience allows Mr. Black to provide insight into various aspects of Apollo's business and is of significant value to the board of directors.

Joshua Harris. Mr. Harris is a Senior Managing Director and a member of the board of directors of Apollo and Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Harris was a member of the Mergers and Acquisitions Group of Drexel Burnham Lambert Incorporated. Mr. Harris currently serves on the boards of directors of Berry Plastics Group Inc., LyondellBasell Industries B.V., CEVA Group plc, Momentive Performance Materials Holdings LLC, EPE Acquisition, LLC and the holding company for Alcan Engineered Products. Mr. Harris has previously served on the boards of directors of Verso Paper Corp., Metals USA, Inc., Nalco Corporation, Allied Waste Industries, Inc., Pacer International, Inc., General Nutrition Centers, Inc., Furniture Brands International Inc., Compass Minerals International, Inc., Alliance Imaging, Inc., NRT Inc., Covalence Specialty Materials Corp., United Agri Products, Inc., Quality Distribution, Inc., Whitmire Distribution Corp. and Noranda Aluminum Holding Corporation. Mr. Harris is actively involved in charitable and political organizations. He also serves on the Corporate Affairs Committee of the Council on Foreign Relations. Mr. Harris serves as Chairman of the Department of Medicine Advisory Board for The Mount Sinai Medical Center and is on the board of trustees of the Mount Sinai Medical Center. He is also a member of The Federal Reserve Bank of New York Investors Advisory Committee on Financial Markets and a member of The University of Pennsylvania's Wharton Undergraduate Executive Board and is on the board of trustees for The Allen-Stevenson School and the Harvard Business School. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a BS in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar. Mr. Harris has significant experience in making and managing private equity investments on behalf of Apollo and has over 24 years experience in financing, analyzing and investing in public and private companies. Mr. Harris's extensive knowledge of Apollo's business and experience in a variety of senior leadership roles enhance the breadth of experience of the board of directors.

Marc Rowan. Mr. Rowan is a Senior Managing Director and member of the board of directors of Apollo and Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of directors of the general partner of AAA, Athene Holding Ltd, Athene Life Re Ltd., Caesars Entertainment Corporation and Norwegian Cruise Lines. He has previously served on the boards of directors of AMC Entertainment, Inc., Cablecom GmbH, Culligan Water Technologies, Inc., Countrywide Holdings Limited, Furniture Brands International Inc., Mobile Satellite Ventures, LLC, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc. Mr. Rowan is also active in charitable activities. He is a founding member and Chairman of the Youth Renewal Fund and is a member of the boards of directors of the National Jewish Outreach Program, Inc., the Undergraduate Executive Board of the University of Pennsylvania's Wharton School of Business and the New York City Police Foundation. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in Finance. Mr. Rowan has significant experience making and managing private equity investments on behalf of Apollo and has over 26 years experience financing, analyzing and investing in public and private companies. Mr. Rowan's extensive financial background and expertise in private equity investments enhance the breadth of experience of the board of directors.

Marc Spilker. Mr. Spilker joined Apollo as President in 2010. Mr. Spilker retired from Goldman Sachs in May 2010 following a 20-year career with the firm, where he served as the co-head of Goldman Sachs' Investment Management Division and also as a member of the firm-wide Management Committee. Mr. Spilker joined IMD in 2006 as head of Global Alternative Asset Management and became chief operating officer in 2007. Prior to that, Mr. Spilker was responsible for Goldman Sachs' U.S. Equities Trading and Global Equity Derivatives and was head of Fixed Income, Currency and Commodities in Japan from 1997 to 2000. Mr. Spilker joined Goldman Sachs in 1990 and was named partner in 1996. Mr. Spilker is a member of the University of Pennsylvania's Wharton Undergraduate Executive Board, is on the board of directors of The New 42nd Street, Inc., is the Founder of Third Way's Capital Markets Initiative and chairs the RFK Leadership Council at the Robert F. Kennedy Center for Justice & Human Rights. Mr. Spilker is also a board member of the Samuel Bronfman Department of Medicine Advisory Board at Mount Sinai School of Medicine, an Advisory Board member for Mount Sinai's Institute for Genomics and Multiscale Biology, a board member of the New York State Financial Control Board and a member of the Council of Economic and Fiscal Advisors for Governor Andrew Cuomo. He has previously been a member of the Google Investment Advisory Committee, the American Stock Exchange and the Chicago Mercantile Exchange, and has served on the Boards of the Philadelphia Stock Exchange, the Stone and Bridge Street funds, BrokerTec and Bondbook, LLC. Mr. Spilker graduated with a B.S. in Economics from the Wharton School of the University of Pennsylvania.

Martin Kelly. Mr. Kelly joined Apollo as Chief Financial Officer in 2012. Prior to that time, Mr. Kelly was a Managing Director at Barclays and served as the Chief Financial Officer of Barclays' Americas division since 2009 and also served as the Global Head of Financial Control for Barclays' Corporate and Investment Bank since 2011. From September 2008 to March 2009, Mr. Kelly served in a variety of senior finance roles at Barclays. Prior to his tenure at Barclays, Mr. Kelly was employed in a variety of roles at Lehman Brothers since 2000, including serving as a Managing Director and as Global Financial Controller from 2007 to 2008. From 2000 to 2007, Mr. Kelly provided accounting and regulatory expertise to support the development and distribution of investment and financing products to corporate and financial institution clients. Prior to joining Lehman Brothers in 2000, Mr. Kelly spent thirteen years with PricewaterhouseCoopers, where he served in the Financial Services Group in New York from 1994 to 2000. He was appointed a partner of the firm in 1999. Mr. Kelly received a degree in Commerce, majoring in Finance and Accounting, from the University of New South Wales in 1989.

Barry Giarraputo. Mr. Giarraputo joined Apollo in 2006. Before joining Apollo, Mr. Giarraputo was a Senior Managing Director at Bear Stearns & Co. where he served in a variety of finance roles over nine years. Prior to that, Mr. Giarraputo was with the accounting and auditing firm of PricewaterhouseCoopers LLP for 12 years where he was a member of the firm's Audit and Business Services Group and was responsible for a number of capital markets clients including broker-dealers, money-center banks, domestic investment companies and offshore hedge funds and related service providers. Mr. Giarraputo is on the Board of Directors for the Association for Children with Down Syndrome where he also serves as the Treasurer and Chairman of the audit committee. Mr. Giarraputo has also served as an Adjunct Professor of Accounting at Baruch College where he graduated cum laude with a BBA in Accountancy.

John Suydam. Mr. Suydam joined Apollo in 2006 and serves as Apollo's Chief Legal Officer and Chief Compliance Officer. From 2002 to 2006, Mr. Suydam was a partner at O'Melveny & Myers LLP where he served as head of Mergers and Acquisitions and co-head of the Corporate Department. Prior to that time, Mr. Suydam served as Chairman of the law firm O'Sullivan, LLP which specialized in representing private equity investors. Mr. Suydam serves on the boards of Environmental Solutions Worldwide, Inc. and New York University School of Law, and is a member of the Department of Medicine Advisory Board of the Mount Sinai Medical Center. Mr. Suydam received his J.D. from New York University and graduated magna cum laude with a B.A. in History from the State University of New York at Albany.

James Zelter. Mr. Zelter joined Apollo in 2006. Mr. Zelter is the Managing Director of Apollo's credit business, Chief Executive Officer and director of AINV. Prior to joining Apollo, Mr. Zelter was with Citigroup Inc. and its predecessor companies from 1994 to 2006. From 2003 to 2005, Mr. Zelter was Chief Investment Officer of Citigroup Alternative Investments, and prior to that he was responsible for the firm's Global High Yield franchise. Prior to joining Citigroup in 1994, Mr. Zelter was a High Yield Trader at Goldman, Sachs & Co. Mr. Zelter has significant experience in global credit markets and has overseen the broad expansion of Apollo's credit platform. Mr. Zelter is a board member of DUMAC, the investment management company that oversees the Duke Endowment and Duke Foundation, and is on the board of the Dalton School. Mr. Zelter has a degree in Economics from Duke University.

Paul Fribourg. Mr. Fribourg has served as an independent director of Apollo and as a member of the conflicts committee of our board of directors since 2011. From 1997 to the present, Mr. Fribourg has served as Chairman and Chief Executive Officer of Continental Grain Company. Prior to 1997, Mr. Fribourg served in a variety of other roles at Continental Grain Company, including Merchandiser, Product Line Manager, Group President and Chief Operating Officer. Mr. Fribourg serves on the boards of directors of Burger King Holdings, Inc., Loews Corporation, Castleton Commodities International LLC and The Estee Lauder Companies, Inc. He also serves as a board member of the Rabobank International North American Agribusiness Advisory Board, the Harvard Business School Board of Dean's Advisors, the New York University Mitchell Jacobson Leadership Program in Law and Business Advisory Board, the America-China Society, Endeavor Global Inc. and Teach For America–New York. Mr. Fribourg is also a member of the Council on Foreign Relations, the Brown University Advisory Council on China, the International Business Leaders Advisory Council for The Mayor of Shanghai. Mr. Fribourg graduated magna cum laude from Amherst College and completed the Advanced Management Program at Harvard Business School. Mr. Fribourg's extensive corporate experience enhances the breadth of experience and independence of the board of directors.

A.B. Krongard. Mr. Krongard has served as an independent director of Apollo and as a member of the audit committee of our board of directors since 2011. From 2001 to 2004, Mr. Krongard served as Executive Director of the Central Intelligence Agency. From 1998 to 2001, Mr. Krongard served as Counselor to the Director of Central Intelligence. Prior to 1998, Mr. Krongard served in various capacities at Alex Brown, Incorporated, including serving as Chief Executive Officer beginning in 1991 and assuming additional duties as Chairman of the board of directors in 1994. Upon the merger of Alex Brown, Incorporated with Bankers Trust Corporation in 1997, Mr. Krongard served as Vice-Chairman of the Board of Bankers Trust Corporation and served in such capacity until joining the Central Intelligence Agency. Mr. Krongard serves as the Lead Director and audit committee Chairman of Under Armour, Inc. and also serves as a board member of Iridium Communications Inc. Mr. Krongard graduated with honors from Princeton University and received a J.D. from the University of Maryland School of Law, where he also graduated with honors. Mr. Krongard also serves as the interim Chairman of the Johns Hopkins Health System. Mr.

Krongard's comprehensive corporate background contributes to the range of experience of the board of directors.

Pauline Richards. Ms. Richards has served as an independent director of Apollo and as Chairman of the audit committee of our board of directors since 2011. From 2008 to the present, Ms. Richards served as Chief Operating Officer of Armour Reinsurance Group Limited. Prior to 2008, Ms. Richards served as Director of Development of Saltus Grammar School from 2003 to 2008, as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Limited from 2001 to 2003, and as Treasurer of Gulf Stream Financial Limited from 1999 to 2000. Ms. Richards also serves as a member of the audit committee and Chairman of the corporate governance committee of the board of directors of Butterfield Bank and as a member of the audit and compensation committees of the board of directors of Wyndham Worldwide. Ms. Richards also serves as the Treasurer of the board of directors of PRIDE (Bermuda), a drug prevention organization. Ms. Richards graduated from Queen's University, Ontario, Canada, with a BA in psychology and has obtained certification as a Certified Management Accountant. Ms. Richards' extensive finance experience and her service on the boards of other public companies add significant value to the board of directors.

Michael Ducey. Mr. Ducey has served as an independent director of Apollo and a member of the audit committee and as Chairman of the conflicts committee of our board of directors since 2011. Most recently, Mr. Ducey was with Compass Minerals International, Inc., from March 2002 to May 2006, where he served in a variety of roles, including as President, Chief Executive Officer and Director prior to his retirement in May 2006. Prior to joining Compass Minerals International, Inc., Mr. Ducey worked for nearly 30 years at Borden Chemical, Inc., in various management, sales, marketing, planning and commercial development positions, and ultimately as President, Chief Executive Officer and Director. Mr. Ducey is currently a director of and serves as the Chairman of the audit committee of Verso Paper Holdings, Inc. He is also the Chairman of the compliance and governance committee and the nominations committee of the board of directors of HaloSource, Inc. From September 2009 to December 2012, Mr. Ducey was the non-executive Chairman of TPC Group, Inc. and served on the audit committee and the environmental health and safety committee. From June 2006 to May 2008, Mr. Ducey served on the board of directors of and as a member of the governance and compensation committee of the board of directors of UAP Holdings Corporation. Also, from July 2010 to May 2011, Mr. Ducey was a member of the board of directors and served on the audit committee of Smurfit-Stone Container Corporation. Mr. Ducey graduated from Otterbein University with a degree in Economics and an M.B.A. in finance from the University of Dayton. Mr. Ducey's comprehensive corporate background and his experience serving on various boards and committees add significant value to the board of directors.

Our Manager

Our operating agreement provides that so long as the Apollo Group 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 owned and controlled by our Managing Partners, 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. We refer to the Apollo Group's beneficial ownership of at least 10% of such voting power as the "Apollo control condition." 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.

Decisions by our manager are made by its executive committee, which is composed of our three Managing Partners and our President, the latter of which serves as a non-voting member. Each Managing Partner will remain on the executive committee for so long as he is employed by us, provided that Mr. Black, upon his retirement, may at his option remain on the executive committee until his death or disability or any commission of an act that would constitute cause if Mr. Black had still been employed by us. Other than those actions that require unanimous consent, actions by the executive committee are determined by majority vote of its voting members, except as to the following matters, as to which Mr. Black will have the right of veto: (i) the designations of directors to our board, or (ii) a sale or other disposition of the Apollo Operating Group and/or its subsidiaries or any portion thereof, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party (other than through an exchange of Apollo Operating Group units and interests in our Class B share for Class A shares, transfers by a founder or a permitted transferee to another permitted transferee, or the issuance of bona fide equity incentives to any of our non-founder employees) that constitutes (x) a direct or indirect sale of a ratable interest (or substantially ratable interest) in each entity that constitutes the Apollo Operating Group or (y) a sale of all or substantially all of the assets of Apollo. Exchanges of Apollo Operating Group units for Class A shares that are not pro rata among our Managing Partners or in which each Managing Partner has the option not to participate are not subject to Mr. Black's right of veto.

Subject to limited exceptions described in our operating agreement, our manager may not sell, exchange or otherwise dispose of all or substantially all of our assets and those of our subsidiaries, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the aggregate number of voting shares outstanding; provided, however, that this does not preclude or limit our manager's ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets and those of our subsidiaries (including for the benefit of persons other than us or our subsidiaries, including affiliates of our manager).

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. The agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Board Composition and Limited Powers of Our Board of Directors

For so long as the Apollo control condition is satisfied, our manager shall (i) nominate and elect all directors to our board of directors, (ii) set the number of directors of our board of directors and (iii) fill any vacancies on our board of directors. After the Apollo control condition is no longer satisfied, each of our directors will be elected by the vote of a plurality of our shares entitled to vote, voting as a single class, to serve until his or her successor is duly elected or appointed and qualified or until his or her earlier death, retirement, disqualification, resignation or removal. Our board currently consists of seven members. For so long as the Apollo control condition is satisfied, our manager may remove any director, with or without cause, at anytime. After such condition is no longer satisfied, a director or the entire board of directors may be removed by the affirmative vote of holders of 50% or more of the total voting power of our shares.

As noted, so long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities, and our board of directors will have no authority other than that which our manager chooses to delegate to it. In the event that the Apollo control condition is not satisfied, our board of directors will manage all of our operations and activities.

Pursuant to a delegation of authority from our manager, which may be revoked, our board of directors has established and at all times will maintain audit and conflicts committees of the board of directors that have the responsibilities described below under "—Committees of the Board of Directors —Audit Committee" and "—Committees of the Board of Directors—Conflicts Committee."

Where action is required or permitted to be taken by our board of directors or a committee thereof, a majority of the directors or committee members present at any meeting of our board of directors or any committee thereof at which there is a quorum shall be the act of our board or such committee, as the case may be. Our board of directors or any committee thereof may also act by unanimous written consent.

Under the Agreement Among Managing Partners, the vote of a majority of the independent members of our board of directors will decide the following: (i) in the event that a vacancy exists on the executive committee of our manager and the remaining members of the executive committee cannot agree on a replacement, the independent members of our board of directors shall select one of the two nominees to the executive committee of our manager presented to them by the remaining members of such executive committee to fill the vacancy on such executive committee and (ii) in the event that at any time after December 31, 2009, Mr. Black wishes to exercise his ability to cause (x) the direct or indirect sale of a ratable interest (or substantially ratable interest) in each Apollo Operating Group entity, or (y) a sale of all or substantially all of our assets, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party, the affirmative vote of the majority of the independent members of our board of directors shall be required to approve such a transaction. We are not a party to the Agreement Among Managing Partners, and neither we nor our shareholders (other than our Strategic Investors, as described under "Item 13. Certain Relationships and Related Transactions—Lenders Rights Agreement—Amendments to Managing Partner Transfer Restrictions") have any right to enforce the provisions described above. Such provisions can be amended or waived upon agreement of our Managing Partners at any time.

Committees of the Board of Directors

We have established an audit committee as well as a conflicts committee. Our audit committee has adopted a charter that complies with current SEC and NYSE rules relating to corporate governance matters. Our board of directors may from time to time establish other committees of our board of directors.

Audit Committee

The primary purpose of our audit committee is to assist our manager in overseeing and monitoring (i) the quality and integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent registered public accounting firm's qualifications and independence and (iv) the performance of our independent registered public accounting firm.

The current members of our audit committee are Messrs. Ducey, Krongard and Ms. Richards. Ms. Richards currently serves as Chairman of the committee. Each of the members of our audit committee meets the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees and corporate governance. Furthermore, our manager has determined that Ms. Richards is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K. Our audit committee has a charter which is available at the Investor Relations section of our Internet website at www.agm.com.

Conflicts Committee

The current members of our conflicts committee are Messrs. Ducey and Fribourg. Mr. Ducey currently serves as Chairman of the committee. The purpose of the conflicts committee is to review specific matters that our manager believes may involve conflicts of interest. The conflicts committee will determine whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties that we may owe to our shareholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Item 13. Certain Relationships and Related Party Transactions—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics, which applies to, among others, our principal executive officer, principal financial officer and principal accounting officer. A copy of our Code of Business Conduct and Ethics is available on our Internet website at www.agm.com under the "Investor Relations" section. We intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our Internet website or in an 8-K filing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2012, such persons complied with all such filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Philosophy

Alignment of Interests with Investors and Shareholders. Our principal compensation philosophy is to align the interests of our Managing Partners, Contributing Partners, and other senior professionals with those of our Class A shareholders and fund investors. This alignment, which we believe is a key driver of our success, has been achieved principally by our Managing Partners', Contributing Partners', and other investment professionals' direct beneficial ownership of equity in our business in the form of AOG Units and Class A shares, their ownership of rights to receive a portion of the incentive income earned from our funds, the direct investment by our investment professionals in our funds, and our practice of paying annual incentive compensation partly in the form of equity-based grants that are subject to vesting. As a result of this alignment, the compensation of our professionals is closely tied to the performance of our businesses.

Significant Personal Investment. Like our fund investors and Class A shareholders, certain of our investment professionals make significant personal investments in our funds (as more fully described under "Item 13. Certain Relationships and Related Party Transactions"), directly or indirectly, and our professionals who receive carried interests in our funds are generally required to invest their own capital in the funds they manage in amounts that are generally proportionate to the size of their participation in incentive income. We believe that these investments help to ensure that our professionals have capital at risk and reinforce the linkage between the success of the funds we manage, the success of the Company and the compensation paid to our professionals.

Long-Term Performance and Commitment. Most of our professionals have been issued RSUs, which provide rights to receive Class A shares and distributions on those shares. The vesting requirements and minimum retained ownership requirements for these awards and the AOG Units beneficially owned by our Managing Partners and Contributing Partners contribute to our professionals' focus on long-term performance while enhancing retention of these professionals.

Discouragement of Excessive Risk-Taking. Although investments in alternative assets can pose risks, we believe that our compensation program includes significant elements that discourage excessive risk-taking while aligning the compensation of our professionals with our long-term performance. For example, notwithstanding that we accrue compensation for our carried interest programs (described below) as increases in the value of the portfolio investments are recorded in the related funds, we generally make payments in respect of carried interest allocations to our employees only after profitable investments have actually been realized. This helps to ensure that our professionals take a long-term view that is consistent with the Company's and our shareholders' interests. Moreover, if a fund fails to achieve specified investment returns due to diminished performance of later investments, our carried interest program relating to that fund generally permits, for the benefit of the limited partner investors in that fund, the return of carried interest payments (generally net of tax) previously made to us, our Contributing Partners or our other employees. These provisions discourage excessive risk-taking and promote a long-term view that is consistent with the interests of our investors and shareholders. Our general requirement that our professionals invest in the funds we manage further aligns the interests of our professionals, fund investors and Class A shareholders. Finally, the vesting provisions and minimum retained ownership requirements of our RSUs and AOG Units noted above discourage excessive risk-taking because the value of these units is tied directly to the long-term performance of our Class A shares.

Compensation Elements for Named Executive Officers

Consistent with our emphasis on alignment of interests with our fund investors and Class A shareholders, compensation elements tied to the profitability of our different businesses and that of the funds that we manage are the primary means of compensating our six executive officers listed in the tables below, or the "named executive officers." The key elements of the compensation of our named executive officers during fiscal year 2012 are described below. We distinguish among the compensation components applicable to our six named executive officers as appropriate in the below summary. Mr. Black is a member of the group referred to elsewhere in this report as the "Managing Partners," and Mr. Zelter is a member of the group referred to elsewhere in this report as the "Contributing Partners."

***Annual Salary*.** Each of our named executive officers other than Mr. Zelter receives an annual salary. The base salaries of our named executive officers are set forth in the Summary Compensation Table below, and those base salaries were set by our Managing Partners in their judgment after considering the historic compensation levels of the officer, competitive market dynamics, and each officer's level of responsibility and anticipated contributions to our overall success.

RSUs. Most of our professionals, including our named executive officers other than Messrs. Black and Zelter, received a Plan Grant (as defined below) of RSUs, either at the time of the 2007 Reorganization or in connection with their subsequent commencement of employment. In 2012, a portion of our named executive officers' compensation (other than for Messrs. Black and Donnelly) was also paid in the form of RSUs. We refer to our annual grants of RSUs as Bonus Grants. Mr. Zelter received a special grant of RSUs in 2012, based on a determination by our Managing Partners in their discretion that his contributions merited such grant, and Mr. Azrack received a special grant of RSUs in 2012 consistent with the terms of his employment agreement. The RSUs are subject to multi-year vesting and minimum retained ownership requirements. In 2012, all named executive officers were required to retain at least 85% of any Class A shares issued to them pursuant to RSU awards (net of an assumed rate of 50% of gross shares sold or netted to pay applicable income or employment taxes). The named executive officer Plan Grants, Bonus Grants and special grants are described below under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan."

Carried Interest. Carried interests with respect to our funds confer rights to receive distributions if a distribution is made to investors following the realization of an investment or receipt of operating profit from an investment by the fund. These rights provide their holders with substantial incentives to attain strong returns in a manner that does not subject their capital investment in the Company to excessive risk. Distributions of carried interest generally are subject to contingent repayment (generally net of tax) if the fund fails to achieve specified investment returns due to diminished performance of later investments. The actual gross amount of carried interest allocations available is a function of the performance of the applicable fund. For these reasons, we believe that carried interest participation aligns the interests of our professionals with those of our Class A shareholders and fund investors.

We currently have two principal types of carried interest programs, dedicated and incentive pool. Messrs. Black, Zelter, Suydam and Azrack have been awarded rights to participate in a dedicated percentage of the carried interest income earned by the general partners of certain of our funds. Participation in dedicated carried interest is typically subject to vesting, which rewards long-term commitment to the firm and thereby enhances the alignment of participants' interests with the Company. Our financial statements characterize the carried interest income allocated to participating professionals in respect of their dedicated interests as compensation. Actual distributions in respect of dedicated carried interests are included in the "All Other Compensation" column of the summary compensation table.

Our performance based incentive arrangement referred to as the incentive pool further aligns the overall compensation of our professionals to the realized performance of our business. The incentive pool provides for discretionary compensation based on carried interest realizations earned by us during the year and enhances our capacity to offer competitive compensation opportunities to our professionals. "Carried interest realizations earned" means carried interest earned by the general partners of our funds under the applicable fund limited partnership agreements based upon transactions that have closed or other rights to cash that have become fixed in the applicable calendar year period. Under this arrangement, Messrs. Kelly, Zelter, Suydam and Azrack, among other of our professionals, were awarded incentive pool compensation based on carried interest realizations we earned during 2012. Allocations to participants in the incentive pool contain both a fixed component ($18,000 in 2012) and a discretionary component, both of which may vary year-to-year, including as a result of our overall realized performance and the contributions and performance of each participant. The Managing Partners determine the amount of the carried interest realizations to place into the incentive pool in their discretion after considering various factors, including Company profitability, management company cash requirements and anticipated future costs, provided that the incentive pool consists of an amount equal to at least one percent (1%) of the carried interest realizations attributable to profits generated after creation of the incentive pool program that were taxable in the applicable year and not allocable to dedicated carried interests. The $18,000 figure noted above was chosen as an amount that was in excess of this one percent (1%) threshold, without exceeding the minimum distribution that the Managing Partners determined that all incentive pool participants were entitled to receive. Our financial statements characterize the carried interest income allocated to participating professionals in respect of incentive pool interests as compensation. The “All Other Compensation” column of the summary compensation table includes actual distributions paid from the incentive pool.

Bonus. Three of our named executive officers, Messrs. Kelly, Donnelly and Zelter, received cash bonuses in 2012. Pursuant to his employment agreement, Mr. Kelly received a special one-time sign-on bonus in connection with entering into his employment agreement. Mr. Donnelly’s separation agreement entitled him to a cash bonus for his services in 2012, including with respect to the filing of our Form 10-Q for the period ending June 30, 2012 and as a full-time senior advisor assisting us in the transition of his responsibilities as chief financial officer to Mr. Kelly. Mr. Zelter is entitled to receive an annual bonus based on the management fee and incentive income of certain of our businesses in which he participates, which encourages him to maintain a long-term focus on the performance of those businesses. Because Mr. Zelter’s bonus is performance-based, nondiscretionary, and not a retention bonus, we report it in the “Non-Equity Incentive Plan” column of the summary compensation table.

Determination of Compensation of Named Executive Officers

Our Managing Partners make all final determinations regarding named executive officer compensation. Decisions about the variable elements of a named executive officer’s compensation, including participation in our carried interest programs and grants of equity-based awards, are based primarily on our Managing Partners’ assessment of such named executive officer’s individual performance, operational performance for the department or division in which the officer (other than a Managing Partner) serves, and the officer’s impact on our overall operating performance and potential to contribute to long-term shareholder value. In evaluating these factors, our Managing Partners do not utilize quantitative performance targets but rather rely upon their judgment about each named executive officer’s performance to determine an appropriate reward for the current year’s performance. The determinations by our Managing Partners are ultimately subjective, are not tied to specified annual, qualitative or individual objectives or performance factors, and reflect discussions among the Managing Partners. Key factors that our Managing Partners consider in making such determinations include the officer’s type, scope and level of responsibilities and the officer’s overall contributions to our success. Our Managing Partners also consider each named executive officer’s prior-year compensation, the appropriate balance between incentives for long-term and short-term performance, competitive market dynamics and the compensation paid to the named executive officer’s peers within the Company.

Note on Distributions on Apollo Operating Group Units

We note that all of our Managing Partners and Contributing Partners, including Mr. Black, beneficially own AOG Units. In particular, as of December 31, 2012, the Managing Partners beneficially owned, through their interest in Holdings, approximately 57% of the total limited partner interests in the Apollo Operating Group. When made, distributions on these units (which are made on both vested and unvested units) are in the same amount per unit as distributions made to us in respect of the AOG Units we hold. Accordingly, although distributions on AOG Units are distributions on equity rather than compensation, they play a central role in aligning our Managing Partners’ and Contributing Partners’ interests with those of our Class A shareholders, which is consistent with our compensation philosophy. In 2012, the Managing Partners, including Mr. Black, and Contributing Partners, including Mr. Zelter, were required to retain 100% of their AOG Units.

Compensation Committee Interlocks and Insider Participation

Our board of directors does not have a compensation committee. Our Managing Partners make all such compensation determinations, as discussed above under “—Determination of Compensation of Named Executive Officers.” For a description of certain transactions between us and the Managing Partners, see “Item 13. Certain Relationships and Related Party Transactions.”

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Compensation Committee Report

As noted above, our board of directors does not have a compensation committee. The executive committee of the board of directors identified below has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this Annual Report on Form 10-K.

Leon Black, Chairman
Joshua Harris
Marc Rowan

Summary Compensation Table

The following summary compensation table sets forth information concerning the compensation earned by, awarded to or paid to our principal executive officer, our principal financial officer, and our three other most highly compensated executive officers for the fiscal year ended December 31, 2012. Managing Partners Messrs. Harris and Rowan are not included in the table because their compensation, as tabulated in accordance with applicable rules, does not result in either of them being among the three most highly compensated executive officers after our principal executive and principal financial officers. Our Managing Partners' earnings derive predominantly from distributions they receive as a result of their indirect beneficial ownership of AOG Units and their rights under the tax receivable agreement (described elsewhere in this report, including above under "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Cash Distribution Policy"), rather than from compensation, and accordingly are not included in the below tables. The officers named in the table are referred to as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Non-Equity Incentive Plan ($)(3)	All Other Compensation ($)(4)	Total ($)
Leon Black,	2012	100,000	—	—	—	187,368	287,368
Chairman, Chief Executive Officer and Director	2011	100,000	—	—	—	372,996	472,996
	2010	100,000	—	7,391,825	—	1,312,412	8,804,237
Martin Kelly,	2012	300,000	200,000	4,687,530	—	1,433,411	6,620,941
Chief Financial Officer *(assumed this position effective September 13, 2012)*							
Gene Donnelly,	2012	875,000	1,487,500	1,556,592	—	—	3,919,092
Chief Financial Officer and Vice President *(ceased*	2011	1,000,000	—	2,049,194	—	1,360,000	4,409,194
serving in this position on August 14, 2012)	2010	500,000	1,360,000	3,630,000	—	—	5,490,000
James Zelter,	2012	—	—	2,606,310	5,099,193	14,959,920	22,665,423
Managing Director, Credit	2011	—	—	2,631,239	2,230,843	8,227,188	13,089,270
	2010	—	—	1,338,548	5,373,638	3,070,459	9,782,645
John Suydam,	2012	3,000,000	—	496,715	—	3,405,953	6,902,668
Chief Legal Officer and Chief Compliance Officer	2011	3,000,000	—	1,555,133	—	1,786,111	6,341,244
	2010	3,000,000	1,487,500	945,566	—	262,312	5,695,378
Joseph Azrack,	2012	791,667	—	1,994,702	—	208,333	2,994,702
Managing Director, Real Estate	2011	500,000	—	11,149,657	—	519,750	12,169,407

(1) Amounts shown for 2012 represent cash bonuses earned in 2012.

(2) Represents the aggregate grant date fair value of stock awards granted, as applicable, computed in accordance with FASB ASC Topic 718. See note 14 to our consolidated financial statements for further information concerning the assumptions made in valuing our RSU awards. The amounts shown do not reflect compensation actually received by the named executive officers, but instead represent the aggregate grant date fair value of the awards. Mr. Black's 2010 amount represents an allocation of AOG Units to him in accordance with the Agreement Among Managing Partners upon the forfeiture of such AOG Units by a retiring contributing partner. For Mr. Donnelly, the Accounting Standards Codification ("ASC") amount represents the incremental fair value for accounting purposes, computed in accordance with FASB ASC Topic 718, of the vesting on December 31, 2012 of 25% of his unvested RSUs that had been granted in prior years, in accordance with his separation agreement. Mr. Donnelly

did not receive a new grant of RSUs in 2012.

(3) Mr. Zelter's annual cash compensation is derived from the management fee and incentive income generated by various of our funds in which he participates pursuant to his employment agreement.

(4) Amounts included for 2012, 2011 and 2010 represent, in part, actual distributions in respect of dedicated carried interest allocations relating to the named executive officers in those years. Of these 2012 distribution amounts, $18,108 and $5,432, respectively, was paid in the form of AAA RDUs for Messrs. Zelter and Suydam, which RDUs are not subject to vesting. To the extent that compensation expense recorded by us on an accrual basis in respect of dedicated carried interest allocations had been included in the table for 2012 (rather than actual distributions), the accrued amounts would have been $0 for Mr. Black, $15,522,718 for Mr. Zelter, and $1,875,426 for Mr. Suydam. For financial statement reporting purposes, accrued carried interest related to investments is classified as compensation expense for the relevant period (we note that this expense can be negative in a given year, in the event of a reversal of previously allocated carried interest due to negative adjustments in the fair value on certain portfolio investments). The ultimate amount of actual dedicated carried interest distributions that may be generated in connection with fund investments and subsequently distributed to our named executive officers in future years, as well as the associated compensation expense, may be more or less than the accrued amounts stated in this footnote. Additionally, such amounts are generally subject to vesting conditions and to contingent repayment (generally net of tax) in certain instances.

For 2012, the "All Other Compensation" column also includes actual incentive pool distributions ($1,433,411 for Mr. Kelly, $18,000 for Mr. Zelter, $500,000 for Mr. Suydam and $208,333 for Mr. Azrack).

The "All Other Compensation" column also includes the following amounts for 2012:

(a) Costs relating to Company-provided cars and drivers for the business and personal use of Messrs. Black and Suydam. We provide this benefit because we believe that its cost is outweighed by the convenience, increased efficiency and added security and confidentiality that it offers. The personal use cost was approximately $166,718 for Mr. Black and $36,639 for Mr. Suydam. For Mr. Black, this amount includes both fixed and variable costs, including lease costs, driver compensation, driver meals, fuel, parking, tolls, repairs, maintenance and insurance. For Mr. Suydam, this amount includes the costs to the Company associated with his use of a car service.

(b) Tickets to sporting events for Mr. Black's personal use having an aggregate incremental cost (based on the full price of the tickets used) of $12,400.

Except as discussed above in paragraphs (a) and (b) of this footnote 4, no 2012 perquisites or personal benefits individually exceeded the greater of $25,000 or 10% of the total amount of all perquisites and other personal benefits reported for the named executive officer. The cost of excess liability insurance provided to our named executive officers falls below this threshold. None of Messrs. Kelly, Donnelly, Zelter or Azrack received perquisites or personal benefits in 2012, except for incidental benefits having an aggregate value of less than $10,000 per individual. Our named executive officers also receive occasional secretarial support with respect to personal matters. We incur no incremental cost for the provision of such additional benefits. Finally, Mr. Black makes business and personal use of various aircraft in which we have fractional interests, and he bears the aggregate incremental cost of his personal usage. Accordingly, no such amount is included in the Summary Compensation Table.

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Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table

Employment, Non-Competition and Non-Solicitation Agreement with Chairman and Chief Executive Officer

In July 2012, we entered into an employment, non-competition and non-solicitation agreement with Leon Black, our chairman and chief executive officer and a member of our manager's executive committee, which agreement supersedes and is substantially similar to the agreement we entered into with Mr. Black dated July 13, 2007. The term of the agreement concludes on July 19, 2015. Mr. Black has the right to terminate his employment voluntarily at any time, but we may terminate his employment only for cause or by reason of death or disability (as such terms are defined in his employment agreements.)

Mr. Black is entitled during his employment to an annual salary of $100,000 and to participate in our employee benefit plans, as in effect from time to time.

The employment agreement requires Mr. Black to protect the confidential information of Apollo both during and after employment. In addition, until one year after his employment terminates, Mr. Black is required to refrain from soliciting employees under specified circumstances or interfering with our relationships with investors and to refrain from competing with us in a business that involves primarily (*i.e.*, more than 50%) third-party capital, whether or not the termination occurs during the term of the agreement or thereafter. These post-termination covenants survive any termination or expiration of the Agreement Among Managing Partners.

If Mr. Black becomes subject to a potential termination for cause or by reason of disability, our manager may appoint an investment professional to perform his functional responsibilities and duties until cause or disability definitively results in his termination or is determined not to have occurred, but the manager may so appoint an investment professional only if Mr. Black is unable to perform his responsibilities and duties or, as a matter of fiduciary duty, should be prohibited from doing so. During any such period, Mr. Black shall continue to serve on the executive committee of our manager unless otherwise prohibited from doing so pursuant to the Agreement Among Managing Partners.

Under his employment agreement, if we terminate Mr. Black's employment for cause or his employment is terminated by reason of death or disability, or he terminates his employment voluntarily, he will be paid only his accrued but unpaid salary through the date of termination.

Employment, Non-Competition and Non-Solicitation Agreement with Chief Financial Officer Martin Kelly

On July 2, 2012, we entered into an employment, non-competition and non-solicitation agreement with Martin Kelly, who became our chief financial officer on September 13, 2012. Pursuant to his employment agreement, Mr. Kelly received a sign-on bonus in the amount of $200,000, which amount is subject to repayment if he resigns without good reason or is terminated with cause (as such terms are defined in his employment agreement) within one year after payment. His annual base salary is $1,000,000, which amount was prorated for 2012. As provided in his employment agreement, Mr. Kelly received a Plan Grant of 375,000 RSUs in connection with his commencement of employment. He is eligible for an annual bonus in an amount to be determined by us in our discretion, except that his minimum bonus for services performed in 2012 was $1,890,000 and his minimum bonus for services performed in 2013 shall be $1,500,000, a portion of which bonuses is subject to payment in the form of Bonus Grants. Consistent with his employment agreement, Mr. Kelly participates in the incentive pool carried interest program and is eligible to receive discretionary distributions thereunder. Any distributions actually received under the incentive pool reduce his 2012 and 2013 bonuses by an equivalent amount.

We may terminate Mr. Kelly's employment with or without cause, and we will provide 90 days' notice (or payment in lieu of such period of notice) prior to a termination without cause. Under the employment agreement, Mr. Kelly will give us 90 days' notice prior to a resignation for any reason. If Mr. Kelly's employment is terminated by us without cause or he resigns for good reason, we will pay him the balance of the 2013 minimum annual bonus not yet paid. If such termination or resignation occurs after the payment of the 2013 annual bonus, Mr. Kelly will be entitled to severance of six months' base pay and reimbursement of health insurance premiums paid in the six months following his employment termination.

The employment agreement obligates Mr. Kelly to protect the confidential information of Apollo both during and after employment. In addition, the agreement provides that during the term and for 12 months after employment, Mr. Kelly will refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to those managed or invested in by Apollo or its affiliates. If we terminate Mr. Kelly's employment without cause or he resigns for good reason, he will vest in 50% of any unvested portion of his RSU Plan Grant. If his employment is terminated by reason of death or disability, he will vest in 50% of any unvested portion of his Bonus Grant RSUs.

Employment, Non-Competition and Non-Solicitation Agreement and subsequent Separation Letter with former Chief Financial Officer Gene Donnelly

Our former chief financial officer, Gene Donnelly, ceased employment with us effective December 31, 2012. On July 2, 2012, our employment, non-competition and non-solicitation agreement with Mr. Donnelly, dated May 13, 2012, was superseded in part by a letter agreement entered into by Mr. Donnelly and Apollo, which we refer to as the separation letter.

Under his employment agreement, Mr. Donnelly had been entitled to an annual salary of $1,000,000 and to an annual bonus determined by the Managing Partners in their discretion. Mr. Donnelly's annual target bonus was 170% of his base salary. During his employment, Mr. Donnelly was eligible to participate in our employee benefit plans as in effect from time to time. In accordance with the separation letter, Mr. Donnelly remained our chief financial officer until August 14, 2012 and thereafter served as a senior advisor, assisting us in the transition of his previous responsibilities to his successor, until December 31, 2012. Consistent with the separation letter, Mr. Donnelly received a payment of $1,487,500 for services performed on or before December 31, 2012, and vested in 25% of his RSUs that remained unvested as of December 31, 2012. Pursuant to his separation letter and employment agreement, Mr. Donnelly is required to protect the confidential information of Apollo after employment. In addition, Mr. Donnelly is required, for 12 months after employment, to refrain from soliciting our employees or interfering with our relationships with investors and other business relations, and for six (6) months after employment, to refrain from competing with us in a business that manages or invests in assets substantially similar to those invested in or managed by Apollo or its affiliates.

Employment, Non-Competition and Non-Solicitation Agreement and Roll-Up Agreement with Managing Director—Credit

We entered into an employment agreement with our Managing Director—Credit, James Zelter, on May 15, 2006. The agreement was amended in connection with the 2007 Reorganization, when Mr. Zelter entered into a Roll-Up Agreement dated as of July 13, 2007, and this discussion refers to the employment agreement as so amended. The agreement provides Mr. Zelter with the right to participate in management fee net income and incentive income attributable to various funds managed by us. It also entitles Mr. Zelter to dedicated carried interests in one of our private equity funds, which carried interest rights are subject to vesting. A portion of Mr. Zelter's total annual compensation is payable in the form of a Bonus Grant, as discussed below under the section entitled, "Awards of Restricted Share Units Under the Equity Plan." In connection with the management and incentive income rights provided to him under the employment agreement, Mr. Zelter is required to make investments of his own capital in various of our funds.

In the event of his termination without cause and other than by reason of death or disability, Mr. Zelter will continue to receive payments with respect to certain funds for one year after his employment termination. Upon his termination by reason of death or disability, without cause, or due to his resignation for good reason (as these terms are defined in the Roll-Up Agreement), Mr. Zelter will generally vest in additional AOG Units equal to one half of his then-unvested AOG Units. Upon his termination by reason of death or disability, Mr. Zelter will vest in 50% of his then unvested Bonus Grant RSUs granted after March 2011 and 50% of his then unvested special grant RSUs.

Mr. Zelter is subject to the restrictive covenants contained in his Roll-Up Agreement, as discussed under "Certain Relationships and Related Party Transactions—Roll-Up Agreements."

Employment Terms of Chief Legal Officer and Chief Compliance Officer

John Suydam, our chief legal officer and chief compliance officer, does not have an employment agreement with us. Pursuant to the RSU award agreement provided in connection with his Plan Grant, Mr. Suydam is required to protect our confidential information at all times. The Plan Grant agreement also provides that during his employment and for one year thereafter, Mr. Suydam will refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to those invested in or managed by Apollo or its affiliates. If Mr. Suydam's employment is terminated by reason of death or disability, he will vest in 50% of his then unvested Bonus Grant RSUs granted after March 2011 and 50% of his then unvested Plan Grant RSUs. If his employment is terminated without cause or due to his resignation for good reason, Mr. Suydam will vest in 50% of his then unvested Plan Grant RSUs.

Employment, Non-Competition and Non-Solicitation Agreement with Managing Director—Real Estate

On June 1, 2012, we amended and restated the employment, non-competition and non-solicitation agreement with Joseph Azrack. Pursuant to the agreement, Mr. Azrack transitioned from being Managing Partner of AGRE to its Chairman, effective January 1, 2013, whereupon he ceased to be one of our executive officers. Under the amended agreement, Mr. Azrack's annual base pay while serving as Managing Partner of AGRE was increased from $500,000 to $1,000,000 for the balance of 2012 in acknowledgement of his level of responsibility in that role. His annual base pay as Chairman of AGRE is $350,000. Mr. Azrack is also entitled to carried interests with respect to various real estate funds or investments that we manage. During his employment, Mr. Azrack is eligible to participate in our employee benefit plans as in effect from time to time.

We may terminate Mr. Azrack's employment without cause on 30 days' written notice. No notice is required if his employment is terminated for cause. If Mr. Azrack remains employed with us through December 31, 2013 or his employment is terminated before that date without cause or by him for good reason, grants of our RSUs made to him prior to 2012 will vest immediately, our RSU grant made to him in 2012 will be vested as if his employment had terminated on December 31, 2013, and we will recommend that grants of ARI RSUs made to him prior to 2012 will also vest immediately. Upon his termination by reason of death or disability, Mr. Azrack will vest in 50% of the RSUs that are then unvested under his 2011 special grant. In addition, if Mr. Azrack remains employed on December 31, 2013 or his employment is terminated without cause or he resigns for good reason prior to that date, his carried interest in AGRE U.S. Real Estate Advisors, L.P., the general partner of one of our real estate funds, as of his termination date will be equal to what would have vested had his employment terminated on June 30, 2014. However, if he continues to be employed after June 30, 2014, the regular vesting schedule for the carried interests shall apply and any interests that remain unvested at his termination date shall be forfeited.

The agreement entitles Mr. Azrack to up to two additional RSU grants, each to be made on the last day of any calendar quarter in which the aggregate assets under management of our real estate funds reach dollar thresholds set forth in the agreement. Any such additional RSUs shall vest 25% on the first anniversary of the grant date, and thereafter in equal quarterly installments over the next three years.

Mr. Azrack's agreement requires him to protect our confidential information at all times. It also provides that during his service with us, and for six months after his termination without cause or resignation for good reason (12 months after his termination for any other reason), Mr. Azrack will refrain from interfering with our relationships with investors or other business relations, soliciting our employees, and competing with us in any entity specified in his employment agreement. Until the later of September 30, 2013 or 90 days after he ceases providing services to us, Mr. Azrack is required to refrain from competing with us in any other business that manages or invests in assets substantially similar to those invested in or managed by Apollo or its affiliates. Mr. Azrack may terminate his employment on 30 days' notice.

Awards of Restricted Share Units Under the Equity Plan

On October 23, 2007, we adopted our 2007 Omnibus Equity Incentive Plan. Grants of RSUs under the plan have been made to certain of our named executive officers primarily pursuant to two programs, which we call the "Plan Grants" and the "Bonus Grants." Following the 2007 Reorganization, Plan Grants were made to Mr. Suydam and a broad range of our other employees. Plan Grants have also been made to subsequent hires, including Messrs. Kelly, Donnelly and Azrack. The Plan Grants generally vest over six years (although Mr. Azrack's Plan Grant vests over three and one-half years), with the first installment becoming vested approximately one year after grant and the balance vesting thereafter in equal quarterly installments. Holders of Plan Grant RSUs become entitled to distribution equivalents on their vested RSUs if we pay ordinary distributions on our outstanding Class A shares. Once vested, the Class A shares underlying Plan Grants granted prior to 2012 generally are issued on fixed dates, with 7.5% of the shares generally issued once each year over a four-year period and the remaining 70% issued in seven equal quarterly installments commencing in the fifth year. Vested Class A shares underlying Plan Grants issued in 2012 are generally issuable by March 15th after the year in which they vest. The administrator of the 2007 Omnibus Equity Incentive Plan determines when shares issued pursuant to the RSU awards may be disposed of, except that a participant will generally be permitted to sell shares if necessary to cover taxes. In 2012, all named executive officers were required to retain at least 85% of any Class A shares issued to them pursuant to RSU awards (net of an assumed rate of 50% of gross shares sold or netted to pay applicable income or employment taxes).

During the restricted period set forth in a participant's award agreement evidencing his Plan Grant (or, for Messrs. Kelly and Donnelly, his employment agreement), the participant will not (i) engage in any business activity in which the Company operates, (ii) render any services to any competitive business or (iii) acquire a financial interest in, or become actively involved with, any competitive business (other than as a passive holding of less than a specified percentage of publicly traded companies). In addition, the grant recipient will be subject to non-solicitation, non-hire and non-interference covenants during employment and for a specified period thereafter. Each grant recipient is generally also bound to a non-disparagement covenant with respect to us and the Managing Partners and to confidentiality restrictions. Any resignation by a grant recipient shall generally require at least 90 days' notice. Any restricted period applicable to the grant recipient will commence after the notice of termination period.

The RSUs advance several goals of our compensation program. The Plan Grants align employee interests with those of our shareholders by making our employees, upon delivery of the underlying Class A shares, shareholders themselves. Because they vest over time, the Plan Grants reward employees for sustained contributions to the Company and foster retention. The size of the Plan Grants is determined by the Plan administrator based on the grantee's level of responsibility and contributions to the Company. The restrictive covenants contained in the RSU agreements reinforce our culture of fiduciary protection of our investors by requiring RSU holders to abide by the provisions regarding non-competition, confidentiality and other limitations on behavior described in the immediately preceding paragraph.

In 2012 we also awarded special RSU grants to each of Messrs. Zelter and Azrack. Mr. Zelter's grant was made by our Managing Partners in their discretion based on their determination that his contributions merited such grant and Mr. Azrack's grant was awarded in accordance with the terms of his employment agreement.

The Bonus Grants are also grants of RSUs under the 2007 Omnibus Equity Incentive Plan. However, the Bonus Grants constitute payment of a portion of the annual compensation earned by certain of our professionals, including Messrs. Kelly, Donnelly and Suydam, subject to the employee's continued service through the vesting dates. Our named executive officers' Bonus Grants differ from their Plan Grants in the following principal ways:

- The RSU Shares underlying Bonus Grants are scheduled to vest in three equal annual installments.
- Distribution equivalents are earned on Bonus Grant RSUs (whether or not vested) when ordinary distributions are made on Class A shares after the grant date, but distribution equivalents are earned on Plan Grant RSUs only after they have vested.
- Bonus Grants generally do not contain restrictive covenants (however, an individual who has received both a Plan Grant and a Bonus Grant remains subject to the restrictive covenants contained in his or her Plan Grant).

Grants of Plan-Based Awards

The following table presents information regarding the awards granted to the named executive officers under a plan in 2012. All such awards were granted under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan. No options were granted to a named executive officer in 2012.

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Name	Award	Grant Date	Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards ($)
Leon Black	—	—	—	—
Martin Kelly	Bonus Grant RSUs	December 28, 2012	27,033(1)	442,530(3)
	Plan Grant RSUs	September 30, 2012	375,000(1)	4,245,000(3)
Gene Donnelly	Various RSUs	—	94,179(2)	1,556,592(4)
James Zelter	Bonus Grant RSUs	April 5, 2012	54,902(1)	645,099(3)
	Special Grant RSUs	December 28, 2012	148,016(1)	1,961,212(3)
John Suydam	Bonus Grant RSUs	December 28, 2012	30,343(1)	496,715(3)
Joseph Azrack	Special Grant RSUs	June 30, 2012	204,166(1)	1,994,702(3)

(1) Represents the aggregate number of RSUs covering our Class A shares (none of the Bonus Grants awarded in 2012 vested in 2012 except for Mr. Zelter's April 5, 2012 Bonus Grant, the first vesting date for which was December 31, 2012). For a discussion of these grants, please see the discussion above under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan." One sixth of Mr. Zelter's special RSU grant vests on December 31, 2013 and the balance vests in twenty substantially equal quarterly installments thereafter. Mr. Azrack's special RSU grant vests in equal installments on the last day of the 12 calendar quarters that begin March 31, 2013.

(2) Represents the number of RSUs granted to Mr. Donnelly prior to 2012 for which vesting was accelerated in 2012 pursuant to Mr. Donnelly's separation agreement.

(3) Represents the aggregate grant date fair value of the RSUs granted in 2012, computed in accordance with FASB ASC Topic 718. The amount shown does not reflect compensation actually received, but instead represents the aggregate grant date fair value of the award.

(4) Represents the incremental fair value for accounting purposes, computed in accordance with FASB ASC Topic 718, of the vesting on December 31, 2012 of 25% of Mr. Donnelly's unvested RSUs that had been granted in prior years, in accordance with his separation agreement. Mr. Donnelly did not receive a new grant of RSUs in 2012.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding the outstanding unvested equity awards made by us to each of our named executive officers on or prior to December 31, 2012.

		Stock Awards	
Name	Source of Award	Number of Unearned Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Leon Black	—	—	—(11)
Martin Kelly	2007 Omnibus Equity Incentive Plan	375,000(1)	6,510,000(12)
		27,033(2)	469,293(12)
Gene Donnelly	—	—	—(13)
James Zelter	AOG Units	200,160(3)	3,474,778(14)
	2007 Omnibus Equity Incentive Plan	148,016(4)	2,569,558(12)
		51,023(5)	885,759(12)
		36,602(6)	635,411(12)
John Suydam	2007 Omnibus Equity Incentive Plan	95,487(7)	1,657,654(12)
		21,355(5)	370,723(12)
		27,710(8)	481,046(12)
		30,343(2)	526,754(12)
Joseph Azrack	2007 Omnibus Equity Incentive Plan	204,166(8)	3,544,322(12)
		46,719(9)	811,042(12)
		204,166(10)	3,544,322(12)

(1) Plan Grant RSUs, one sixth of which vest on September 30, 2013, with the balance vesting in substantially equal installments over the next 20 calendar quarters.
(2) Bonus Grant RSUs that vest in substantially equal annual installments on December 31 of each of 2013, 2014 and 2015.
(3) AOG Units that vest in six substantially equal monthly installments beginning January 31, 2013.
(4) Special grant RSUs, one sixth of which vest on December 31, 2013, with the balance vesting in substantially equal installments over the next 20 calendar quarters.
(5) Bonus Grant RSUs that vest on December 31, 2013.
(6) Bonus Grant RSUs that vest in equal annual installments on December 31 of each of 2013 and 2014.
(7) Plan Grant RSUs that vest in equal installments on March 31, 2013 and June 30, 2013.
(8) Special grant RSUs, one quarter of which vest on March 31, 2013, with the balance vesting in substantially equal installments over the next 12 calendar quarters.
(9) Bonus Grant RSUs that vest on December 31, 2013.
(10) Special grant RSUs that vest in four equal quarterly installments beginning March 31, 2013.
(11) Mr. Black vested in all of his AOG Units on December 31, 2012 in accordance with their vesting schedule.
(12) Amounts calculated by multiplying the number of unvested RSUs held by the named executive officer by the closing price of $17.36 per Class A share on December 31, 2012.
(13) In connection with his December 31, 2012 employment termination, Mr. Donnelly vested in 94,179 RSUs and forfeited his 282,537 RSUs that had not vested.
(14) Amounts calculated by multiplying the number of unvested AOG Units held by Mr. Zelter by the closing price of $17.36 per Class A share on December 31, 2012.

Option Exercises and Stock Vested

The following table presents information regarding the number of outstanding initially unvested RSUs made to our named executive officers that vested during 2012. The amounts shown below do not reflect compensation actually received by the named executive officers, but instead are calculations of the number of RSUs or AOG Units that vested during 2012 based on the closing price of our Class A shares on the date of vesting.

	Stock Awards(3)		
Name	Type of Award	Number of Shares Acquired on Vesting	Value Realized on Vesting ($)
Leon Black	AOG Units	15,663,846	221,262,568(1)
Martin Kelly	—	—	—
Gene Donnelly	RSUs	243,372	3,911,137(2)
James Zelter	AOG Units	400,320	5,647,514(1)
	RSUs	114,899	1,994,647(2)
John Suydam	RSUs	254,654	3,908,034(2)
Joseph Azrack	RSUs	391,247	6,004,048(2)

(1) Amounts calculated by multiplying the number of AOG Units beneficially held by the named executive officer that vested on each month-end vesting date in 2012 by the closing price per Class A share on that date.
(2) Amounts calculated by multiplying the number of RSUs held by the named executive officer that vested on each applicable quarter-end or year-end vesting date in 2012 by the closing price per Class A share on that date. Class A shares underlying these vested RSUs are issued to the named executive officer in accordance with the schedules described above under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan."
(3) No options to purchase Class A shares were exercised by a named executive officer in 2012.

Potential Payments upon Termination or Change in Control

None of the named executive officers is entitled to payment or other benefits in connection with a change in control.

Mr. Black’s employment agreement does not provide for severance or other payments or benefits in connection with an employment termination. Pursuant to the Agreement Among Managing Partners, Mr. Black vested in his interest in AOG Units in equal monthly installments over the 72-month period that concluded on December 31, 2012. We may not terminate Mr. Black except for cause or by reason of disability (as such terms are defined in his employment agreement).

If Mr. Kelly’s employment is terminated by us without cause or he resigns for good reason, we will pay him the balance of the 2013 minimum annual bonus not yet paid. If such termination or resignation occurs after the payment of the 2013 annual bonus, Mr. Kelly will be entitled to severance of six months’ base pay and reimbursement of health insurance premiums paid in the six months following his employment termination. If Mr. Kelly’s employment is terminated by us without cause or he resigns for good reason, or his employment is terminated by reason of death or disability, he will vest in 50% of any unvested portion of his Plan Grant RSUs. If his employment is terminated by reason of death or disability, he will vest in 50% of any unvested portion of his Bonus Grant RSUs.

On July 2, 2012, Mr. Donnelly entered into a separation letter entitling him, if he remained employed until December 31, 2012, to a one-time bonus of $1,487,500 in January 2013, and to immediate vesting in 25% of his outstanding RSUs that remained unvested as of that date.

Upon his termination without cause and other than by reason of death or disability, Mr. Zelter will continue to receive payments with respect to certain funds for one year after his employment termination. Upon his termination by reason of death or disability, without cause, or due to his resignation for good reason, Mr. Zelter will generally vest in additional AOG Units equal to one half of his then-unvested AOG Units. Upon his termination by reason of death or disability, Mr. Zelter will vest in 50% of his then unvested Bonus Grant RSUs granted after March 2011 and 50% of his then unvested special grant RSUs.

If Mr. Suydam’s employment is terminated by reason of death or disability, he will vest in 50% of his then unvested Bonus Grant RSUs granted after March 2011 and 50% of his then unvested Plan Grant RSUs. If his employment is terminated without cause or due to his resignation for good reason, Mr. Suydam will vest in 50% of his then unvested Plan Grant RSUs.

If Mr. Azrack’s employment is terminated before December 31, 2013 without cause or by him for good reason, grants of our RSUs made to him prior to 2012 will vest immediately, our RSU grant made to him in 2012 will be vested as if his employment had terminated on December 31, 2013, and we will recommend that grants of ARI RSUs made to him prior to 2012 will also vest immediately. Upon his termination by reason of death or disability, Mr. Azrack will vest in 50% of the RSUs that are then unvested under his 2011 special grant. In addition, if Mr. Azrack’s employment is terminated without cause or he resigns for good reason prior to December 31, 2013, his carried interest in AGRE U.S. Real Estate Advisors, L.P. as of his termination, if any, will be vested to the extent it would have been had had his employment terminated on June 30, 2014.

Our named executive officers’ post-employment obligations, and their entitlements upon employment termination, are described above in the discussion of employment, non-competition and non-solicitation agreements and the discussion titled, “Awards of Restricted Share Units Under the Equity Plan,” in each case in the section, “—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table.” The named executive officers’ obligations during and after employment were considered by the Managing Partners in determining appropriate post-employment payments and benefits for the named executive officers.

The following table lists the estimated amounts that would have been payable to each of our named executive officers in connection with a termination that occurred on the last day of our last completed fiscal year and the value of any additional equity that would vest upon such termination (where indicated, this table shows the actual amount that became payable to Mr. Donnelly in connection with his separation from employment effective December 31, 2012). When listing the potential payments to named executive officers under the plans and agreements described above, we have assumed that the applicable triggering event occurred on December 31, 2012 and that the price per share of our common stock was $17.36, which is equal to the closing price on such date. For purposes of this table, RSU and option acceleration values are based on the $17.36 closing price.

Name	Reason for Employment Termination	Estimated Value of Cash Payments ($)	Estimated Value of Equity Acceleration ($)
Leon Black	Cause	—	—
	Death, disability	—	—
Martin Kelly	Without cause; by executive for good reason	1,500,000(1)	3,255,000(4)
	Death, disability	—	3,489,646(4)
Gene Donnelly	*Actual termination effective December 31, 2012*	1,487,500(2)	1,634,947(5)
James Zelter	Without cause; by executive for good reason	3,128,688(3)	1,737,389(6)
	Death; disability	—	3,339,873(4)
John Suydam	Without cause; by executive for good reason	—	828,827(4)
	Death; disability	—	1,332,727(4)
Joseph Azrack	Without cause; by executive for good reason	—	4,444,686(4)
	Death, disability	—	1,772,161(4)

(1) This amount would have been payable to Mr. Kelly had his employment been terminated by the Company without cause (and other than by reason of death or disability) or for good reason on December 31, 2012.

(2) This amount became payable to Mr. Donnelly in connection with his actual employment termination on December 31, 2012.

(3) Pursuant to Mr. Zelter's employment agreement, had his employment terminated on December 31, 2012, he would have been entitled to be treated as if he had remained employed, for purposes of receiving distributions in respect of certain funds, for 12 additional months. The value of any such future distributions is unknowable at this time, so we have assumed, for purposes of determining the value of this right, that such distributions are equal to those earned for 2012 from the applicable funds.

(4) This amount represents the additional equity vesting that the named executive officer would have received had his employment terminated in the circumstances described in the column, "Reason for Employment Termination," on December 31, 2012, based on the closing price of a Class A share on such date. Please see our "Outstanding Equity Awards at Fiscal Year-End" table above for information regarding the named executive officer's unvested equity as of December 31, 2012.

(5) This amount represents the additional equity vesting that Mr. Donnelly received upon his actual employment termination on December 31, 2012, based on the closing price of a Class A share on such date. Upon his employment termination, Mr. Donnelly forfeited his 282,537 RSUs that had not vested.

(6) This amount represents the additional equity vesting that Mr. Zelter would have received had his employment terminated in the circumstances described in the column, "Reason for Employment Termination," on December 31, 2012, based on the closing price of a Class A share on such date. Please see our "Outstanding Equity Awards at Fiscal Year-End" table above for information regarding his unvested equity as of December 31, 2012.

Director Compensation

We do not pay additional remuneration to our employees, including Mr. Black, for their service on our board of directors. The 2012 compensation of Mr. Black is set forth above on the Summary Compensation Table.

Each independent director receives (1) an annual director fee of $100,000, (2) an additional annual director fee of $25,000 if he or she a member of the audit committee, (3) an additional annual director fee of $10,000 if he or she is a member of the conflicts committee, (4) an additional annual director fee of $25,000 (incremental to the fee described in (2)) if he or she serves as the chairperson of the audit committee, and (5) an additional annual director fee of $15,000 (incremental to the fee described in (3)) if he or she serves as the chairperson of the conflicts committee.

The following table provides the compensation for our independent directors during the year ended December 31, 2012. The directors received no equity awards in 2012.

Name	Fees Earned or Paid in Cash	Stock Awards	Total
Michael Ducey	$ 150,000	—	$ 150,000
Paul Fribourg	$ 110,000	—	$ 110,000
A. B. Krongard	$ 125,000	—	$ 125,000
Pauline Richards	$ 150,000	—	$ 150,000

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our Class A shares as of February 26, 2013 by (i) each person known to us to beneficially own more than 5% of the voting Class A shares of Apollo Global Management, LLC, (ii) each of our directors, (iii) each person who is a named executive officer for 2012 and (iv) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each person named in the table below has sole voting and investment power with respect to all of the Class A shares and interests in our Class B share shown as beneficially owned by such person, except as otherwise set forth in the notes to the table and pursuant to applicable community property laws. Unless otherwise indicated, the address of each person named in the table is c/o Apollo Global Management, LLC, 9 West 57th Street, New York, NY 10019.

In respect of our Class A shares, the table set forth below assumes the exchange by Holdings of all AOG Units for our Class A shares with respect to which the person listed below has the right to direct such exchange pursuant to the exchange agreement described under “Item 13. Certain Relationships and Related Party Transactions—Exchange Agreement,” and the distribution of such shares to such person as a limited partner of Holdings.

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	Class A Shares Beneficially Owned			Class B Share Beneficially Owned		
	Number of Shares	Percent(1)	Total Percentage of Voting Power(2)	Number of Shares	Percent	Total Percentage of Voting Power(2)
Directors and Executive Officers(3):						
Leon Black(4)(5)	92,727,166	41.2%	76.9%	1	100%	76.9%
Joshua Harris(4)(5)	59,008,262	30.9%	76.9%	1	100%	76.9%
Marc Rowan(4)(5)	59,008,262	30.9%	76.9%	1	100%	76.9%
Pauline Richards	6,181	*	*	—	—	—
Alvin Bernard Krongard	256,181	*	*	—	—	—
Michael Ducey	10,481	*	*	—	—	—
Paul Fribourg	25,181	*	*	—	—	—
Martin Kelly	—	—	—	—	—	—
Gene Donnelly(6)	292,918	*	*	—	—	—
Joseph Azrack	287,244	*	*	—	—	—
John Suydam(7)	412,446	*	*	—	—	—
James Zelter(8)	2,816,159	2.1%	*	—	—	—
All directors and executive officers as a group (twelve persons) (9)	216,874,128	62.5%	69.1%	1	100%	76.9%
BRH(5)	—	—	—	1	100%	76.9%
AP Professional Holdings, L.P.(10)	240,000,000	64.5%	76.9%	—	—	—
5% Stockholders:						
Waddell & Reed Financial, Inc.(11)	15,140,260	11.5%	4.9%	—	—	—
Fidelity Management & Research Company (12)	7,287,097	5.5%	2.3%	—	—	—

* Represents less than 1%.

(1) The percentage of beneficial ownership of our Class A shares is based on voting and non-voting Class A shares outstanding.

(2) The total percentage of voting power is based on voting Class A shares and the Class B share.

(3) The shares beneficially owned by the directors and executive officers reflected above do not include the following number of Class A shares that will be delivered to the respective individual more than 60 days after February 26, 2013 in settlement of vested restricted share units: Gene Donnelly —268,624; Joseph Azrack—1,006,771; John Suydam—792,535; and all directors and executive officers as a group – 1,413,368.

(4) The number of Class A shares presented are held by estate planning vehicles, for which this individual disclaims beneficial ownership except to the extent of his pecuniary interest therein. The number of Class A shares presented do not include any Class A shares owned by Holdings with respect to which this individual, as one of the three owners of all of the interests in BRH, the general partner of Holdings, or as a party to the Agreement Among Managing Partners described under "Item 13. Certain Relationships and Related Party Transactions—Agreement Among Managing Partners" or the Managing Partner Shareholders Agreement described under "Item 13. Certain Relationships and Related Party Transactions—Managing Partner Shareholders Agreement," may be deemed to have shared voting or dispositive power. Each of these individuals disclaims any beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(5) BRH, the holder of the Class B share, is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. Pursuant to the Agreement Among Managing Partners, the Class B share is to be voted and disposed of by BRH based on the determination of at least two of the three Managing Partners; as such, they share voting and dispositive power with respect to the Class B share.

(6) On August 14, 2012, Mr. Donnelly ceased to be the Chief Financial Officer of the Company and on December 31, 2012, Mr. Donnelly's employment with the Company and its subsidiaries terminated.

(7) Includes 49,827 Class A shares held by a trust for the benefit of Mr. Suydam's spouse and children, for which Mr. Suydam's spouse is the trustee. Mr. Suydam disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(8) Includes 879,103 Class A shares held by a trust for the benefit of certain of Mr. Zelter's family members, for which Mr. Zelter is a trustee. Mr. Zelter disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(9) Refers to shares beneficially owned by the individuals who were directors and executive officers as of February 26, 2013.

(10) Assumes that no Class A shares are distributed to the limited partners of Holdings. The general partner of AP Professional Holdings, L.P. is BRH, which is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. BRH is also the general partner of BRH Holdings, L.P., the limited partnership through which Messrs. Black, Harris and Rowan indirectly beneficially own (through estate planning vehicles) their limited partner interests in AP Professional Holdings, L.P. These individuals disclaim any beneficial ownership of these Class A shares, except to the extent of their pecuniary interest therein.

(11) Based on a Schedule 13G/A filed on February 7, 2013 by Waddell & Reed Financial, Inc. ("WDR"), Ivy Investment Management Company ("IICO"), Waddell & Reed Investment Management Company ("WRIMCO"), Waddell & Reed, Inc. ("WRI") and Waddell & Reed Financial Services, Inc. ("WRFSI") as joint reporting persons. These shares are beneficially owned by one or more open-end investment companies or other managed accounts that are advised or sub-advised by IICO, an investment advisory subsidiary of WDR or WRIMCO, an investment advisory subsidiary of WRI. WRI is a broker-dealer and underwriting subsidiary of WRFSI, a parent holding company. In turn, WRFSI is a subsidiary of WDR, a publicly traded company. The investment advisory contracts grant IICO and WRIMCO all investment and/or voting power over securities owned by such advisory clients. The investment sub-advisory contracts grant IICO and WRIMCO investment power over securities owned by such sub-advisory clients and, in most cases, voting power. Any investment restriction of a sub-advisory contract does not restrict investment discretion or power in a material manner As of December 31, 2012, WDR indirectly has sole voting and dispositive power over 15,140,260 Class A shares; WRFSI indirectly has sole voting and dispositive power over 2,180,720 of

the Class A shares; WRI indirectly has sole voting and dispositive power over 2,180,720 of the Class A shares; WRIMCO directly has sole voting and dispositive power over 2,180,720 of the Class A shares and IICO directly has sole voting and dispositive power over 12,959,540 of the Class A shares. The address of the beneficial owners is 6300 Lamar Avenue, Overland Park, KS 66202.

(12) Based on a Schedule 13G/A filed on February 14, 2013 by FMR LLC and Edward C. Johnson 3d as joint reporting persons. Fidelity Management & Research Company ("Fidelity"), a wholly owned subsidiary of FMR LLC, is the beneficial owner of 7,287,097 of the Class A shares as a result of acting as investment adviser to various investment companies. FMR LLC and Edward C. Johnson 3d, through their control of Fidelity and its funds, have sole power to dispose of the 7,287,097 shares owned by the Fidelity funds. Neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds' Boards of Trustees. The address of the beneficial owner is 82 Devonshire Street, Boston, MA 02109.

Securities Authorized for Issuance under Equity Incentive Plans

The following table sets forth information concerning the awards that may be issued under the Company's Omnibus Equity Incentive Plan as of December 31, 2012.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	42,512,404	$ 8.44	39,558,144
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	42,512,404	$ 8.44	39,558,144

(1) Reflects the aggregate number of outstanding options and RSUs granted under the Company's 2007 Omnibus Equity Incentive Plan (the "Equity Plan") as of December 31, 2012.

(2) The Class A shares reserved under the Equity Plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and AOG Units exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. The number of shares reserved under the Equity Plan is also subject to adjustment in the event of a share split, share dividend, or other change in our capitalization. Generally, employee shares that are forfeited, canceled, surrendered or exchanged from awards under the Equity Plan will be available for future awards. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register Class A shares under the Equity Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, Class A shares registered under such registration statement will be available for sale in the open market.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreement Among Managing Partners

Our Managing Partners have entered into the Agreement Among Managing Partners, which provides that each Managing Partner's Pecuniary Interest (as defined below) in the AOG Units that he holds indirectly through Holdings would be subject to vesting. The Managing Partners own Holdings in accordance with their respective sharing percentages, or "Sharing Percentages," as set forth in the Agreement Among Managing Partners. For the purposes of the Agreement Among Managing Partners, "Pecuniary Interest" means, with respect to each Managing Partner, the number of AOG Units that would be distributable to such Managing Partner assuming that Holdings was liquidated and its assets distributed in accordance with its governing agreements.

Pursuant to the Agreement Among Managing Partners, each of Messrs. Harris and Rowan vested in his interest in the AOG Units in 60 equal monthly installments, and Mr. Black vested in his interest in the AOG 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 were credited for their employment with us since January 1, 2007. We may not terminate a Managing Partner except for cause or by reason of disability.

The transfer by a Managing Partner of any portion of his Pecuniary Interest to a permitted transferee will in no way affect any of his obligations under the Agreement Among Managing Partners; provided, that all permitted transferees are required to sign a joinder to the Agreement Among Managing Partners.

The Managing Partners' respective Pecuniary Interests in certain funds, or the "Heritage Funds," within the Apollo Operating Group are not held in accordance with the Managing Partners' respective Sharing Percentages. Instead, each Managing Partner's Pecuniary Interest in such Heritage Funds is held in accordance with the historic ownership arrangements among the Managing Partners, and the Managing Partners continue to share the operating income in such Heritage Funds in accordance with their historic ownership arrangement with respect to such Heritage Funds.

The Agreement Among Managing Partners may be amended and the terms and conditions of the Agreement Among Managing Partners 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 "—Lenders Rights Agreement—Amendments to Managing Partner Transfer Restrictions") and the Apollo Operating Group have no ability to enforce any provision thereof or to prevent the Managing Partners from amending the Agreement Among Managing Partners.

The Managing Partners differ on the interpretation of a provision in the Agreement Among Managing Partners regarding benefits provided by the Company to the Managing Partners. The amounts involved are not material.

Managing Partner Shareholders Agreement

We have entered into the Managing Partner Shareholders Agreement with our Managing Partners. The Managing Partner Shareholders Agreement provides the Managing Partners with certain rights with respect to the approval of certain matters and the designation of nominees to serve on our board of directors, as well as registration rights for our securities that they own.

Board Representation

The Managing Partner Shareholders Agreement requires our board of directors, so long as the Apollo control condition is satisfied, to nominate individuals designated by our manager such that our manager will have a majority of the designees on our board.

Transfer Restrictions

No Managing Partner may, nor shall any of such Managing Partner's permitted transferees, directly or indirectly, voluntarily effect cumulative transfers of Equity Interests, representing more than: (i) 0.0% of his Equity Interests at any time prior to the second anniversary of our IPO (the "registration effectiveness date"), (ii) 7.5% of his Equity Interests at any time on or after the second anniversary and prior to the third anniversary of the registration effectiveness date; (iii) 15% of his Equity Interests at any time on or after the third anniversary and prior to the fourth anniversary of the registration effectiveness date; (iv) 22.5% of his Equity Interests at any time on or after the fourth anniversary and prior to the fifth anniversary of the registration effectiveness date; (v) 30% of his Equity Interests at any time on or after the fifth anniversary and prior to the sixth anniversary of the registration effectiveness date; and (vi) 100% of his Equity Interests at any time on or after the sixth anniversary of the registration effectiveness date, other than, in each case, with respect to transfers (a) from one founder to another founder, (b) to a permitted transferee of such Managing Partner, or (c) in connection with a sale by one or more of our Managing Partners in one or a related series of transactions resulting in the Managing Partners owning or controlling, directly or indirectly, less than 50.1% of the economic or voting interests in us or the Apollo Operating Group, or any other person exercising control over us or the Apollo Operating Group by contract, which would include a transfer of control of our manager.

The percentages referenced in the preceding paragraph will apply to the aggregate amount of Equity Interests held by each Managing Partner (and his permitted transferees) as of July 13, 2007 and adjusted for any additional Equity Interests received by such Managing Partner upon the forfeiture of Equity Interests by another Managing Partner. Any Equity Interests received by a Managing Partner pursuant to the forfeiture provisions of the Agreement Among Managing Partners (described above) will remain subject to the foregoing restrictions in the receiving Managing Partner's hands; provided, that each Managing Partner shall be permitted to sell without regard to the foregoing restrictions such number of forfeitable interests received by him as are required to pay taxes payable as a result of the receipt of such interests, calculated based on the maximum combined U.S. Federal, New York State and New York City tax rate applicable to individuals; and, provided further, that each Managing Partner who is not required to pay taxes in the applicable fiscal quarter in which he receives Equity Interests as a result of being in the U.S. Federal income tax "safe harbor" will not effect any such sales prior to the six-month anniversary of the applicable termination date which gave rise to the receipt of such Equity Interests. After six years, each Managing Partner and his permitted transferees may transfer all of the Equity Interests of such Managing Partner to any person or entity in accordance with Rule 144, in a registered public offering or in a transaction exempt from the registration requirements of the Securities Act. The above transfer restrictions will lapse with respect to a Managing Partner if such Managing Partner dies or becomes disabled.

A "permitted transferee" means, with respect to each Managing Partner and his permitted transferees, (i) such Managing Partner's spouse, (ii) a lineal descendant of such Managing Partner's parents (or any such descendant's spouse), (iii) a charitable institution controlled by such Managing Partner, (iv) a trustee of a trust (whether inter vivos or testamentary), the current beneficiaries and presumptive remaindermen of which are one or more of such Managing Partner and persons described in clauses (i) through (iii) above, (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 Partner and persons described in clauses (i) through (iv) above, (vi) an individual mandated under a qualified domestic relations order, (vii) a legal or personal representative of such Managing Partner in the event of his death or disability, (viii) any other Managing Partner with respect to transactions contemplated by the Managing Partner Shareholders Agreement, and (ix) any other Managing Partner who is then employed by Apollo or any of its affiliates or any permitted transferee of such Managing Partner in respect of any transaction not contemplated by the Managing Partner Shareholders Agreement, in each case that agrees in writing to be bound by these transfer restrictions.

Any waiver of the above transfer restrictions may only occur with our consent. As our Managing Partners control the management of our company, however, they have discretion to cause us to grant one or more such waivers. Accordingly, the above transfer restrictions might not be effective in preventing our Managing Partners from selling or transferring their Equity Interests.

Indemnity

Carried interest income from our funds can be distributed to us on a current basis, but is subject to repayment by the subsidiaries of the Apollo Operating Group that act as general partner of the funds 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 obligations 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. Pursuant to the Managing Partner Shareholders Agreement, we agreed to 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 Fund IV, Fund V and Fund VI (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 other investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions with respect to Fund IV, Fund V and Fund VI, 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 distribution to which that general partner obligation related.

Registration Rights

Pursuant to the Managing Partner Shareholders Agreement, we have granted Holdings, an entity through which our Managing Partners and Contributing Partners own their Apollo Operating Group units, and its permitted transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our Class A shares held or acquired by them. Under the Managing Partner Shareholders Agreement, the registration rights holders (i) will have "demand" registration rights, exercisable two years after the registration effectiveness date, but unlimited in number thereafter, which require us to register under the Securities Act the Class A shares that they hold or acquire, (ii) may require us to make available registration statements permitting sales of Class A shares they hold or acquire in the market from time to time over an extended period and (iii) have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other registration rights holders or initiated by us. We have agreed to indemnify each registration rights holders and certain related parties against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which they sell our shares, unless such liability arose from such holder's misstatement or omission, and each registration rights holder has agreed to indemnify us against all losses caused by his misstatements or omissions.

Roll-Up Agreements

Pursuant to the Roll-Up Agreements, the Contributing Partners received interests in Holdings, which we refer to as "Holdings Units," in exchange for their contribution of assets to the Apollo Operating Group. The Holdings Units received by our Contributing Partners and any units into which they are exchanged generally vest over six years in equal monthly installments with additional vesting (i) on death, disability, a termination without cause or a resignation by the Contributing Partner for good reason, (ii) with consent of BRH, which is controlled by our Managing Partners, and (iii) in connection with certain other transactions involving sales of interests in us and with transfers by our Managing Partners in connection with their registration rights to the extent that our Contributing Partners do not have sufficient vested securities to otherwise allow them to participate pro rata. Holdings Units are subject to a lock-up until two years after the registration effectiveness date. Thereafter, 7.5% of the Holdings Units will become tradable on each of the second, third, fourth and fifth anniversaries of the registration effectiveness date, with the remaining Holdings Units becoming tradable on the sixth anniversary of the registration effectiveness date or upon subsequent vesting. A Holdings Unit that is forfeited will revert to the Managing Partners. Our Contributing Partners have the ability to direct Holdings to exercise Holdings' registration rights described above under "—Managing Partner Shareholders Agreement—Registration Rights."

Our Contributing Partners are subject to a noncompetition provision for the applicable period of time as follows: (i) if the Contributing Partner is still providing services as a partner to us on the fifth anniversary of the date of his Roll-Up Agreement, the first anniversary of the date of termination of his service as a partner to us, or (ii) if the Contributing Partner is terminated for any reason such that he is no longer providing services to us prior to the fifth anniversary of the date of his Roll-Up Agreement, the earlier to occur of (A) the second anniversary of such date of termination and (B) the sixth anniversary of the date of his Roll-Up Agreement. During that period, our Contributing Partners will be prohibited from (i) engaging in any business activity that we operate in, (ii) rendering any services to any alternative asset management business (other than that of us or our affiliates) that involves primarily (i.e., more than 50%) third-party capital or (iii) acquiring a financial interest in, or becoming actively involved with, any competitive business (other than as a passive holding of a specified percentage of publicly traded companies). In addition, our Contributing Partners are subject to nonsolicitation, nonhire and noninterference covenants during employment and for two years thereafter. Our Contributing Partners are also bound to a nondisparagement covenant with respect to us and our Contributing Partners and to confidentiality restrictions. Any resignation by any of our Contributing Partners shall require ninety days' notice. Any restricted period applicable to a Contributing Partner will commence after the ninety day notice of termination period.

Exchange Agreement

We have entered into an exchange agreement with Holdings under which, 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 (or certain transferees thereof) has the right to cause Holdings to exchange the AOG Units that he owns through Holdings for our Class A shares and 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 distribute the net proceeds of such sale to such Managing Partner or Contributing Partner. Under the exchange agreement, to effect the exchange, a Managing Partner or Contributing Partner, through Holdings, must then simultaneously exchange one AOG 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 AOG Units, our interest in the AOG Units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased.

We may, from time to time, at the discretion of our manager, provide the opportunity for Holdings and any other holders of AOG Units at such time to sell AOG Units to us, provided that the aggregate amount of designated quarterly dates for exchanges and such opportunities for the sale of such units may not exceed four. We will use an independent, third-party valuation expert for purposes of determining the purchase price of any such purchases of AOG Units.

Tax Receivable Agreement

With respect to any exchange by a Managing Partner or Contributing Partner of AOG Units (together with the corresponding interest in our Class B share) that he owns through Holdings for our Class A shares in a taxable transaction, each of AMH Holdings (Cayman), L.P. and the Apollo Operating Group entities controlled by it or Apollo Management Holdings, L.P. has made or will make an election under Section 754 of the Internal Revenue Code, which may result in an adjustment to the tax basis of a portion of the assets owned by the Apollo Operating Group at the time of the exchange. The taxable exchanges may result in increases in the tax depreciation and amortization deductions from depreciable and amortizable assets, as well as an increase in the tax basis of other assets, of the Apollo Operating Group that otherwise would not have been available. A portion of these increases in tax depreciation and amortization deductions, as well as the increase in the tax basis of such other assets, will reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. Additionally, our acquisition of AOG Units from the Managing Partners or Contributing Partners, such as our acquisition of AOG Units from the Managing Partners in the Strategic Investors Transaction, may result in increases in tax deductions and tax basis that reduces 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 our Managing Partners and Contributing Partners that provides for the payment by APO Corp. to an exchanging or selling Managing Partner or Contributing Partner of 85% of the amount of actual cash savings, if any, in U.S. Federal, state, local and foreign income tax 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, and certain other tax benefits, including imputed interest expense, related to entering into the tax receivable agreement. APO Corp. expects to benefit from the remaining 15% of actual cash savings, if any, in income tax that it realizes. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that APO Corp. would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the applicable Apollo Operating Group entity as a result of the transaction and had APO Corp. not entered into the tax receivable agreement. The tax savings achieved may not ensure that we have sufficient cash available to pay our tax liability or generate additional distributions to our investors. Also, we may need to incur additional debt to repay the tax receivable agreement if our cash flows are not met. The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless APO Corp. exercises the right to terminate the tax receivable agreement by paying an amount based on the present value of payments remaining to be made under the agreement with respect to units that have been exchanged or sold and units which have not yet been exchanged or sold. Such present value will be determined based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions that would have arisen from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. No payments will be made if a Managing Partner or Contributing Partner elects to exchange his or her AOG Units in a tax-free transaction. In the event that other of our current or future subsidiaries become taxable as corporations and acquire AOG Units in the future, or if we become taxable as a corporation for U.S. Federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms. In connection with an amendment of the AMH partnership agreement in April 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 are attributable to the 2010 fiscal year for a period of four years.

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 we claim as a result of such increase 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, our Managing Partners and Contributing Partners would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to it (although 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 APO Corp.'s actual cash tax savings. In general, estimating the amount of payments that may be made to our Managing Partners and Contributing Partners under the tax receivable agreement is by its nature, imprecise, in the absence of an actual transaction, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis and the amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including:

- the timing of the transactions—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of the Apollo Operating Group entities at the time of the transaction;
- the price of our Class A shares at the time of the transaction—the increase in any tax deductions, as well as tax basis increase in other assets, of the Apollo Operating Group entities, is directly proportional to the price of the Class A shares at the time of the transaction;

- the taxability of exchanges—if an exchange is not taxable for any reason, increased deductions will not be available; and
- the amount and timing of our income—APO Corp. will be required to pay 85% of the tax savings as and when realized, if any. If APO Corp. does not have taxable income, it is not required to make payments under the tax receivable agreement for that taxable year because no tax savings were actually realized.

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. As noted above, no payments will be made if a Managing Partner or Contributing Partner elects to exchange his or her AOG Units in a tax-free transaction.

Strategic Investors Transaction

On July 13, 2007, we sold securities to the Strategic Investors in return for a total investment of $1.2 billion. Through our intermediate holding companies, we used all of the proceeds from the issuance of such securities to the Strategic Investors to purchase from our Managing Partners 17.4% of their AOG 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 million. The Strategic Investors hold non-voting Class A shares, which represented 46.1% of our issued and outstanding Class A shares and 16.2% of the economic interest in the Apollo Operating Group, in each case as of December 31, 2012.

As all of their holdings in us are non-voting, neither of the Strategic Investors has any means for exerting control over our company.

Strategic Relationship Agreement

On April 20, 2010, we announced a new strategic relationship agreement with CalPERS, whereby we agreed to reduce management fees and other fees charged to CalPERS on funds we manage, or in the future will manage, solely for CalPERS by $125 million over a five-year period 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. Through December 31, 2012, the Company has reduced fees charged to CalPERS on the funds it manages by approximately $66.9 million.

Lenders Rights Agreement

In connection with the Strategic Investors Transaction, we entered into a shareholders agreement, or the "Lenders Rights Agreement," with the Strategic Investors.

Transfer Restrictions

Except in connection with the drag-along covenants provided for in the Lenders Rights Agreement, prior to the second anniversary of the registration effectiveness date, each Strategic Investor may not transfer its rights, other than to an "Investor Permitted Transferee," as defined below, without the prior written consent of our Managing Partners.

Following the registration effectiveness date, each Strategic Investor may transfer its non-voting Class A shares up to the percentages set forth below during the relevant periods identified:

Period	Maximum Cumulative Amount
Registration Effectiveness Date – 2nd anniversary of the Registration Effectiveness Date	0%
2nd – 3rd anniversary of Registration Effectiveness Date	25%
3rd – 4th anniversary of Registration Effectiveness Date	50%
4th – 5th anniversary of Registration Effectiveness Date	75%
5th anniversary of Registration Effectiveness Date (and thereafter)	100%

Notwithstanding the foregoing, at no time following the registration effectiveness date may a Strategic Investor make a transfer representing 2% or more of our total Class A shares to any one person or group of related persons.

An "Investor Permitted Transferee" shall include any entity controlled by, controlling or under common control with a Strategic Investor, or certain of its affiliates so long as such entity continues to be an affiliate of the Strategic Investor at all times following such transfer.

Registration Rights

Pursuant to the Lenders Rights Agreement, following the second anniversary of the registration effectiveness date, each Strategic Investor shall be afforded four demand registrations with respect to non-voting Class A shares, covering offerings of at least 2.5% of our total equity ownership and customary piggyback registration rights. All cut-backs between the Strategic Investors and Holdings (or its members) in any such demand registration shall be pro rata based upon the number of shares available for sale at such time (regardless of which party exercises a demand).

Amendments to Managing Partner Transfer Restrictions

Each Strategic Investor has a consent right with respect to any amendment or waiver of any transfer restrictions that apply to our Managing Partners.

Apollo Operating Group Limited Partnership Agreements

Pursuant to the partnership agreements of the Apollo Operating Group partnerships, the wholly-owned subsidiaries of Apollo Global Management, LLC that are the general partners of those partnerships have the right to determine when distributions will be made to the partners of the Apollo Operating Group and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Apollo Operating Group pro rata in accordance with their respective partnership interests.

The partnership agreements of the Apollo Operating Group partnerships also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to Apollo Global Management, LLC (such as expenses incurred in connection with the Private Offering Transactions), will be borne by the Apollo Operating Group; provided that obligations incurred under the tax receivable agreement by Apollo Global Management, LLC and its wholly-owned subsidiaries (which currently consist of our three intermediate holding companies, APO Corp., APO (FC), LLC and APO Asset Co., 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 shall be borne solely by Apollo Global Management, LLC and its wholly-owned subsidiaries.

Fee Waiver 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. This election allows certain executive officers and other professionals 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 the participating individuals. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

Employment Arrangements

Please see the section entitled "Item 11. Executive Compensation—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table" for a description of the employment agreements of our named executive officers who have employment agreements.

In addition, Joshua M. Black, a son of Leon Black, is employed by the Company as an Associate in the Company's private equity business. He is entitled to receive a base salary, incentive compensation and other employee benefits that are offered to similarly situated employees of the Company. He is also eligible to receive an annual performance-based bonus in an amount determined by the Company in its discretion.

Reimbursements

In the normal course of business, our personnel have made use of aircraft owned as personal assets by Messrs. Black and Rowan. Messrs. Black and Rowan paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us for the business use of these aircraft by Messrs. Black and Rowan and other of our personnel totaled $1,219,890 and $2,053,580 for 2012 for Mr. Black and Mr. Rowan, respectively (which amounts exclude fixed costs of operating the aircraft). In addition, Mr. Harris makes business and personal use of various aircraft in which we have fractional interests, and pays the contractual cost of his personal usage. Mr. Harris paid $525,761 for this personal usage in 2012. We also have fractional interests in an aircraft owned by Heliflite Shares, LLC ("Heliflite"). For 2012, Mr. Harris paid Heliflite $95,377 for his use of this aircraft, and we paid Heliflite $300,457 for its use by individuals other than Mr. Harris. Mr. Spilker, our President, has an approximately 21% indirect ownership interest in Heliflite and serves as a member of its board of directors.

Investments In Apollo Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles that they control) directly in our funds, and in general, such investments are not subject to management fees, and in certain instances, may not be subject to carried interest. The opportunity to invest in our funds is available to all of the senior Apollo professionals and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. From our inception through December 31, 2012, our professionals have committed or invested approximately $1.0 billion of their own capital to our funds.

The amount invested in our investment funds by our directors and executive officers (and their estate planning vehicles) during 2012 was $46,868, $1,671,679, $97,631, $2,500,851, $977,358, and $605,857, for Messrs Black, Rowan, Harris, Zelter, Suydam, and Giarraputo, respectively. The amount of distributions, including profits and return of capital to our directors and executive officers (and their estate planning vehicles) during 2012 was $88,449,682, $26,233,366, $32,969,759, $14,964,478, $3,043,697, and $1,598,657, for Messrs Black, Rowan, Harris, Zelter, Suydam and Giarraputo.

Sub-Advisory Arrangements and Strategic Investment Accounts

From time to time, we may enter into sub-advisory arrangements with, or establish strategic investment accounts for, our directors and executive officers or vehicles they manage. Such arrangements would be approved in advance in accordance with our policy regarding transactions with related persons. In addition, any such sub-advisory arrangement or strategic investment account would be entered into with, or advised by, an Apollo entity serving as investment advisor registered under the Investment Advisers Act, and any fee arrangements, if applicable would be on an arms-length basis.

Indemnification of Directors, Officers and Others

Under our operating agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our manager; any departing manager; any person who is or was an affiliate of our manager or any departing manager; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, our manager or any departing manager or any affiliate of us or our subsidiaries, our manager or any departing manager; any person who is or was serving at the request of our manager or any departing manager or any affiliate of our manager or any departing manager as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our manager. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our operating agreement.

We have entered into indemnification agreements with each of our directors, executive officers and certain of our employees which set forth the obligations described above.

We have also agreed to indemnify each of our Managing Partners and certain Contributing Partners against certain amounts that they are required to pay in connection with a general partner obligation for the return of previously made carried interest distributions in respect of Fund IV, Fund V and Fund VI. See the above description of the indemnity provisions of the Managing Partners Shareholders Agreement.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors has adopted a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our Chief Legal Officer any "related person transaction" (defined as any transaction that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Our Chief Legal Officer will then promptly communicate that information to our manager. No related person transaction will be consummated without the approval or ratification of the executive committee of our manager or any committee of our board of directors consisting exclusively of disinterested directors. It is our policy that persons interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Director Independence

Because more than fifty percent of our voting power is controlled by Holdings, we are considered a "controlled company" as defined in the listing standards of the NYSE and we are exempt from the NYSE rules that require that:

- our board of directors be comprised of a majority of independent directors;
- we establish a compensation committee composed solely of independent directors; and
- we establish a nominating and corporate governance committee composed solely of independent directors.

While our board of directors is currently comprised of a majority of independent directors, we plan on availing ourselves of the controlled company exceptions. Our board of directors has determined that four of our seven directors meet the independence standards under the NYSE and the SEC. These directors are Messrs. Ducey, Fribourg and Krongard and Ms. Richards.

At such time that we are no longer deemed a controlled company, our board of directors will take all action necessary to comply with all applicable rules within the applicable time period under the NYSE listing standards.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the “Deloitte Entities”) for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Audit fees	$ 12,100(1)	$ 6,692(1)
Audit fees for Apollo fund entities	18,470(2)	13,612(2)
Audit-related fees	875(3)(4)	896(3)(4)
Tax fees	1,550(5)	1,505(5)
Tax fees for Apollo fund entities	12,125(2)	5,205(2)
Other fees	775(6)	140(6)

(1) Audit Fees consisted of fees for (a) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services attendant to, or required by, statute or regulation; (b) reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q.
(2) Audit and Tax Fees for Apollo fund entities consisted of services to investment funds managed by Apollo in its capacity as the general partner.
(3) Audit-Related Fees consisted of comfort letters, consents and other services related to SEC and other regulatory filings.
(4) Includes audit-related fees for Apollo fund entities of $0.6 million and $0.1 million for the year ended December 31, 2012 and 2011, respectively.
(5) Tax Fees consisted of fees for services rendered for tax compliance and tax planning and advisory services.
(6) Consisted of certain agreed upon procedures.

Our audit committee charter requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax and Other categories above were approved by the audit committee.

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PART IV

ITEM 15. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Certificate of Formation of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
3.2	Amended and Restated Limited Liability Company Agreement of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
4.1	Specimen Certificate evidencing the Registrant's Class A shares (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.1	Amended and Restated Limited Liability Company Operating Agreement of AGM Management, LLC dated as of July 10, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.2	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings I, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.3	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings II, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.4	Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings III, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.5	Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IV, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.6	Registration Rights Agreement, dated as of August 8, 2007, by and among Apollo Global Management, LLC, Goldman Sachs & Co., J.P. Morgan Securities Inc. and Credit Suisse Securities (USA) LLC (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.7	Investor Rights Agreement, dated as of August 8, 2007, by and among Apollo Global Management, LLC, AGM Management, LLC and Credit Suisse Securities (USA) LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.8	Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.9	Agreement Among Principals, dated as of July 13, 2007, by and among Leon D. Black, Marc J. Rowan, Joshua J. Harris, Black Family Partners, L.P., MJR Foundation LLC, AP Professional Holdings, L.P. and BRH Holdings, L.P. (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.10	Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.11	Exchange Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, 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 Management Holdings, L.P. and the Apollo Principal Holders (as defined therein), from time to time party thereto (incorporated by reference

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Exhibit Number	Exhibit Description
	to Exhibit 10.11 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.12	Tax Receivable Agreement, dated as of July 13, 2007, by and among APO Corp., Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Management Holdings, L.P. and each Holder defined therein (incorporated by reference to Exhibit 10.12 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.13	Credit Agreement dated as of April 20, 2007 among Apollo Management Holdings, L.P., as borrower, 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. and AAA Holdings, L.P., as guarantors, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.13 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.14	Employment Agreement with Leon D. Black, dated July 19, 2012 (incorporated by reference to Exhibit 10.43 to the Registrant’s Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.15	Employment Agreement with Marc. J. Rowan, dated July 19, 2012 (incorporated by reference to Exhibit 10.44 to the Registrant’s Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.16	Employment Agreement with Joshua J. Harris, dated July 19, 2012 (incorporated by reference to Exhibit 10.45 to the Registrant’s Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.17	Employment Agreement with Barry Giarraputo (incorporated by reference to Exhibit 10.17 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.18	Amended and Restated Employment Agreement with Joseph F. Azrack, dated June 1, 2012 (incorporated by reference to Exhibit 10.40 to the Registrant’s Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.19	Employment Agreement with Henry Silverman (incorporated by reference to Exhibit 10.19 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.20	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings V, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.20 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.21	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VI, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.21 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.22	Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings VII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.22 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.23	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VIII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.23 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.24	Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IX, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.24 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.25	Third Amended and Restated Limited Partnership Agreement of Apollo Management Holdings, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.25 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.26	Settlement Agreement, dated December 14, 2008, by and among Huntsman Corporation, Jon M. Huntsman, Peter R. Huntsman, Hexion Specialty Chemicals, Inc., Hexion LLC, Nimbus Merger Sub, Inc., Craig O. Morrison, Leon Black, Joshua J. Harris and Apollo Global Management, LLC and certain of its affiliates (incorporated by reference to Exhibit 10.26 to the Registrant’s

Exhibit Number	Exhibit Description
	Registration Statement on Form S-1 (File No. 333-150141)).
10.27	First Amendment and Joinder, dated as of August 18, 2009, to the Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.28	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.29	Employment Agreement with James Zelter (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.30	Roll-Up Agreement with James Zelter (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.31	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Plan Grants) (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.32	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Bonus Grants) (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.33	Form of Lock-up Agreement (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.34	Apollo Management Companies AAA Unit Plan (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.35	Employment Agreement with Marc Spilker (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.36	First Amendment and Joinder, dated as of April 14, 2010, to the Tax Receivable Agreement (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.37	Employment Agreement with Gene Donnelly (incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.38	First Amendment, dated as of May 16, 2007, to the Credit Agreement, dated as of April 20, 2007, among Apollo Management Holdings, L.P., as borrower, the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties party thereto (incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.39	Second Amendment, dated as of December 20, 2010, to the Credit Agreement, dated as of April 20, 2007, as amended by the First Amendment thereto dated as of May 16, 2007, among Apollo Management Holdings, L.P., as borrower, the lenders party thereto from time to time JPMorgan Chase Bank as administrative agent and the other parties party thereto (incorporated by reference to Exhibit 10.39 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.40	Non-Qualified Share Option Agreement pursuant to the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan with Marc Spilker dated December 2, 2010 (incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.41	Non-Qualified Share Option Agreement pursuant to the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan with Henry Silverman dated January 21, 2011 (incorporated by reference to Exhibit 10.41 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.42	Form of Independent Director Engagement Letter (incorporated by reference to Exhibit 10.42 to

Exhibit Number	Exhibit Description
	the Registrant's Form 10-Q for the quarter period ended March 31, 2011 (File No. 001-35107)).
10.43	Separation Agreement with Henry Silverman (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-35107)).
10.44	Separation Agreement with Eugene Donnelly, dated July 2, 2012 (incorporated by reference to Exhibit 10.41 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.45	Employment Agreement with Martin Kelly, dated July 2, 2012 (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.46	Amended and Restated Exempted Limited Partnership Agreement of AMH Holdings, L.P., dated October 30, 2012. (incorporated by reference to Exhibit 10.46 to the Registrant's Form 10-Q for the period ended September 30, 2012 (File No. 001-35107)).
*21.1	Subsidiaries of Apollo Global Management, LLC
*23.1	Consent of Deloitte & Touche LLP
*31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
*31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
*32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
*32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
†*101.INS	XBRL Instance Document
†*101.SCH	XBRL Taxonomy Extension Scheme Document
†*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
†*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Apollo Global Management, LLC
(Registrant)

March 1, 2013

By: /s/ Martin Kelly
Name: Martin Kelly
Title: Chief Financial Officer (principal financial officer)

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

Name	Title	Date
/s/ Leon Black Leon Black	Chairman and Chief Executive Officer and Director (principal executive officer)	March 1, 2013
/s/ Martin Kelly Martin Kelly	Chief Financial Officer (principal financial officer)	March 1, 2013
/s/ Barry Giarraputo Barry Giarraputo	Chief Accounting Officer (principal accounting officer)	March 1, 2013
/s/ Joshua Harris Joshua Harris	Senior Managing Director and Director	March 1, 2013
/s/ Marc Rowan Marc Rowan	Senior Managing Director and Director	March 1, 2013
/s/ Michael Ducey Michael Ducey	Director	March 1, 2013
/s/ Paul Fribourg Paul Fribourg	Director	March 1, 2013
/s/ AB Krongard AB Krongard	Director	March 1, 2013
/s/ Pauline Richards Pauline Richards	Director	March 1, 2013

Exhibit 21.1

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Capital Management IV, Inc.	Delaware
Apollo Advisors IV, L.P.	Delaware
Apollo Capital Management V, Inc.	Delaware
Apollo Advisors V, L.P.	Delaware
Apollo Principal Holdings I, L.P.	Delaware
Apollo Capital Management VI, LLC	Delaware
Apollo Advisors VI, L.P.	Delaware
APO Asset Co., LLC	Delaware
Apollo Principal Holdings I GP, LLC	Delaware
Apollo Principal Holdings III GP, Ltd.	Cayman Islands
Apollo Advisors V (EH), LLC	Anguilla
Apollo Advisors V (EH Cayman), L.P.	Cayman Islands
Apollo Principal Holdings III, L.P.	Cayman Islands
Apollo Advisors VI (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VI (EH), L.P.	Cayman Islands
AAA Guernsey Limited	Guernsey
Apollo Alternative Assets, L.P.	Cayman Islands
AAA MIP Limited	Guernsey
AAA Associates, L.P.	Guernsey
APO Corp.	Delaware
Apollo SVF Capital Management, LLC	Delaware
Apollo SVF Advisors, L.P.	Delaware
Apollo SVF Administration, LLC	Delaware
Apollo SOMA Capital Management, LLC	Delaware
Apollo SOMA Advisors, L.P.	Delaware
Apollo Principal Holdings II GP, LLC	Delaware
Apollo Asia Capital Management, LLC	Delaware
Apollo Asia Advisors, L.P.	Delaware
Apollo Asia Administration, LLC	Delaware
Apollo Value Capital Management, LLC	Delaware
Apollo Value Advisors, L.P.	Delaware
Apollo Value Administration, LLC	Delaware
Apollo Principal Holdings II, L.P.	Delaware
Apollo Principal Holdings IV, L.P.	Cayman Islands
Apollo EPF Capital Management, Limited	Cayman Islands
Apollo EPF Advisors, L.P.	Cayman Islands
Apollo EPF Administration, Limited	Cayman Islands
Apollo Management Holdings, L.P.	Delaware
Apollo Management, L.P.	Delaware
AIF III Management, LLC	Delaware
Apollo Management III, L.P.	Delaware
AIF V Management, LLC	Delaware
Apollo Management V, L.P.	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
AIF VI Management, LLC	Delaware
Apollo Management VI, L.P.	Delaware
Apollo Management IV, L.P.	Delaware
Apollo International Management, L.P.	Delaware
Apollo Alternative Assets GP Limited	Cayman Islands
Apollo Management International LLP	UK
Apollo Management Advisors GmbH	Germany
AMI (Holdings), LLC	Delaware
AAA Holdings GP Limited	Guernsey
AAA Holdings, L.P.	Guernsey
Apollo International Management GP, LLC	Delaware
Apollo Capital Management GP, LLC	Delaware
AEM GP, LLC	Delaware
Apollo Europe Management, L.P.	Delaware
ACC Management, LLC	Delaware
Apollo Investment Management, L.P.	Delaware
Apollo SVF Management GP, LLC	Delaware
Apollo SVF Management, L.P.	Delaware
Apollo Value Management GP, LLC	Delaware
Apollo Value Management, L.P.	Delaware
Apollo Asia Management GP, LLC	Delaware
Apollo Asia Management, L.P.	Delaware
Apollo Management Singapore Pte Ltd	Singapore
Apollo EPF Management GP, LLC	Delaware
Apollo EPF Management, L.P.	Delaware
Apollo Capital Management, L.P.	Delaware
Apollo Principal Holdings IV GP, Ltd.	Cayman Islands
Apollo Management Holdings GP, LLC	Delaware
Apollo Management VII, L.P.	Delaware
AIF VII Management, LLC	Delaware
Apollo Advisors VII, L.P.	Delaware
Apollo Capital Management VII, LLC	Delaware
Apollo Credit Liquidity Management, L.P.	Delaware
Apollo Credit Liquidity Management GP, LLC	Delaware
Apollo Credit Liquidity Capital Management, LLC	Delaware
Apollo Credit Liquidity Investor, LLC	Delaware
Apollo Credit Liquidity Advisors, L.P.	Delaware
Apollo Investment Consulting LLC	Delaware
Apollo Life Asset Ltd	Cayman Islands
Apollo Management GP, LLC	Delaware
AP Transport	Delaware
AP Alternative Assets, L.P.	Guernsey
Apollo Management (UK), L.L.C.	Delaware
Apollo Investment Administration, LLC	Maryland

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
A/A Capital Management, LLC	Delaware
A/A Investor I, LLC	Delaware
Apollo/Artus Management, LLC	Delaware
Apollo Fund Administration VII, LLC	Delaware
Apollo Management (UK) VI, LLC	Delaware
Apollo COF Investor, LLC	Delaware
Apollo Credit Opportunity Management, LLC	Delaware
Apollo Co-Investors VII (D), L.P.	Delaware
Apollo EPF Co-Investors (B), L.P.	Cayman Islands
Apollo Management (AOP) VII, LLC	Delaware
Apollo Co-Investors Manager, LLC	Delaware
Apollo Commodities Management GP, LLC	Delaware
Apollo Commodities Management, L.P.	Delaware
Apollo Commodities Partners Fund Administration, LLC	Delaware
Apollo Fund Administration IV, L.L.C.	Delaware
Apollo Fund Administration V, L.L.C.	Delaware
Apollo Fund Administration VI, LLC	Delaware
VC GP, LLC	Delaware
Apollo Management (Germany) VI, LLC	Delaware
Apollo Advisors VII (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VII (EH), L.P.	Cayman Islands
Apollo Co-Investors VII (EH-D), LP	Anguilla
Apollo Verwaltungs V GmbH	Germany
Apollo AIE II Co-Investors (B), L.P.	Cayman Islands
Apollo Credit Co-Invest II GP, LLC	Delaware
Apollo Europe Advisors, L.P.	Cayman Islands
Apollo Europe Capital Management, Ltd	Cayman Islands
LeverageSource Management, LLC	Delaware
AMI (Luxembourg) S.a.r.l.	Luxembourg
Apollo Principal Holdings V, L.P.	Delaware
Apollo Principal Holdings VI, L.P.	Delaware
Apollo Principal Holdings VII, L.P.	Cayman Islands
Apollo Principal Holdings V GP, LLC	Delaware
Apollo Principal Holdings VI GP, LLC	Delaware
ACC Advisors D, LLC	Delaware
Apollo Principal Holdings VII GP, Ltd.	Cayman Islands
ACC Advisors C, LLC	Delaware
APO (FC), LLC	Anguilla
ACC Advisors A/B, LLC	Delaware
Apollo Master Fund Feeder Management, LLC	Delaware
Apollo Palmetto Management, LLC	Delaware
Apollo Master Fund Feeder Advisors, L.P.	Delaware
Apollo Palmetto Advisors, L.P.	Delaware
Apollo Master Fund Administration, LLC	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Global Real Estate Management GP, LLC	Delaware
Apollo Global Real Estate Management, L.P.	Delaware
Apollo Advisors VI (APO FC-GP), LLC	Anguilla
Apollo Advisors VII (APO FC-GP), LLC	Anguilla
Apollo Advisors VI (APO DC-GP), LLC	Delaware
Apollo Advisors VII (APO DC-GP), LLC	Delaware
Apollo Anguilla B LLC	Anguilla
Apollo Advisors VI (APO DC), L.P.	Delaware
Apollo Advisors VII (APO DC), L.P.	Delaware
Apollo Advisors VI (APO FC), L.P.	Cayman Islands
Apollo Advisors VII (APO FC), L.P.	Cayman Islands
VC GP C, LLC	Delaware
APH I (SUB I), Ltd	Cayman Islands
APH III (SUB I), Ltd	Cayman Islands
Apollo Strategic Advisors, L.P.	Cayman Islands
Apollo SOMA II Advisors, L.P.	Cayman Islands
Apollo Strategic Management GP, LLC	Delaware
Apollo Strategic Management, L.P.	Delaware
Apollo Strategic Capital Management, LLC	Delaware
Ohio Haverly Finance Company GP, LLC	Delaware
Ohio Haverly Finance Company, L.P.	Delaware
AGM India Advisors Private Limited	India
Apollo Principal Holdings VIII GP, Ltd.	Cayman Islands
Apollo Principal Holdings VIII, L.P.	Cayman Islands
Apollo Principal Holdings IX GP, Ltd.	Cayman Islands
Apollo Principal Holdings IX, L.P.	Cayman Islands
Blue Bird GP, Ltd.	Cayman Islands
Green Bird GP, Ltd.	Cayman Islands
Red Bird GP, Ltd.	Cayman Islands
August Global Management, LLC	Florida
ACREFI Management, LLC	Delaware
New York Haverly Finance Company GP, LLC	Delaware
Apollo COF I Capital Management, LLC	Delaware
Apollo Credit Opportunity Advisors I, L.P.	Delaware
Apollo COF II Capital Management, LLC	Delaware
Apollo Credit Opportunity Advisors II, L.P.	Delaware
Apollo Co-Investors VI (D), L.P.	Delaware
Apollo Co-Investors VI (DC-D), L.P.	Delaware
Apollo Co-Investors VI (EH-D), LP	Anguilla
Apollo Co-Investors VI (FC-D), LP	Anguilla
Athene Asset Management, LLC	Delaware
Apollo Credit Opportunity CM Executive Carry I, L.P.	Delaware
Apollo Credit Opportunity CM Executive Carry II, L.P.	Delaware
Apollo Credit Liquidity CM Executive Carry, L.P.	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Laminates Agent, LLC	Delaware
Apollo Management Asia Pacific Limited	Hong Kong
Apollo ALS Holdings II GP, LLC	Delaware
Apollo Resolution Servicing GP, LLC	Delaware
Apollo Resolution Servicing, L.P.	Delaware
AGRE CMBS Management LLC	Delaware
AGRE CMBS GP LLC	Delaware
Apollo Co-Investors VII (FC-D), L.P.	Anguilla
Apollo Co-Investors VII (DC-D), L.P.	Delaware
Apollo Credit Management (CLO), LLC	Delaware
Apollo Global Securities, LLC	Delaware
Apollo Advisors (Mauritius) Ltd.	Mauritius
AAA Life Re Carry, L.P.	Cayman Islands
AGRE Asia Pacific Management, LLC	Delaware
AGRE NA Management, LLC	Delaware
AGRE Europe Management, LLC	Delaware
AGRE - DCB, LLC	Delaware
Apollo Parallel Partners Administration, LLC	Delaware
Apollo Credit Capital Management, LLC	Delaware
Apollo Credit Advisors I, LLC	Delaware
Apollo Credit Management (Senior Loans), LLC	Delaware
Apollo Asian Infrastructure Management, LLC	Delaware
Apollo CKE GP, LLC	Delaware
ALM Loan Funding 2010-1, LLC	Delaware
AGRE NA Legacy Management, LLC	Delaware
AGRE Europe Legacy Management, LLC	Delaware
AGRE Asia Pacific Legacy Management, LLC	Delaware
AGRE GP Holdings, LLC	Delaware
Apollo Gaucho GenPar, Ltd	Cayman Islands
Apollo Credit Advisors II, LLC	Delaware
AP TSL Funding, LLC	Delaware
AGRE - E Legacy Management, LLC	Delaware
Financial Credit I Capital Management, LLC	Delaware
Financial Credit Investment I Manager, LLC	Delaware
AGRE CMBS GP II LLC	Delaware
AGRE CMBS Management II LLC	Delaware
Financial Credit Investment Advisors I, L.P.	Cayman Islands
APH HFA Holdings, L.P.	Cayman Islands
APH HFA Holdings GP, Ltd	Cayman Islands
AGRE - E2 Legacy Management, LLC	Delaware
AP AOP VII Transfer Holdco, LLC	Delaware
ALM Loan Funding 2010-3, Ltd.	Cayman Islands
Apollo Credit Management, LLC	Delaware
Apollo Capital Credit Management, LLC	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo India Credit Opportunity Management, LLC	Delaware
AGRE U.S. Real Estate Advisors, L.P.	Delaware
AGRE U.S. Real Estate Advisors GP, LLC	Delaware
Apollo AGRE USREF Co-Investors (B), LLC	Delaware
CPI Capital Partners Asia Pacific GP Ltd.	Cayman Islands
CPI Asia G-Fdr General Partner GmbH	Germany
CPI Capital Partners Asia Pacific MLP II Ltd.	Cayman Islands
CPI Capital Partners Europe GP Ltd.	Cayman Islands
CPI European Fund GP LLC	Delaware
CPI European Carried Interest, L.P.	Delaware
CPI CCP EU-T Scots GP Ltd.	Scotland
CPI NA GP LLC	Delaware
CPI NA Fund GP LP	Delaware
CPI NA Cayman Fund GP, L.P.	Cayman Islands
CPI NA WT Fund GP LP	Delaware
Apollo Administration GP Ltd.	Cayman Islands
Apollo Achilles Co-Invest GP, LLC	Anguilla
Apollo Palmetto HFA Advisors, L.P.	Delaware
Apollo Credit Co-Invest II, L.P.	Delaware
ARM Manager, LLC	Delaware
Stanhope Life Advisors, L.P.	Cayman Islands
AION Capital Management Limited	Mauritius
Greenhouse Holdings, Ltd.	Cayman Islands
Apollo ALST GenPar, Ltd.	Cayman Islands
Apollo Palmetto Athene Advisors, L.P.	Delaware
Apollo ANRP Co-Investors (D), L.P.	Delaware
Apollo Co-Investors VII (NR DC-D), L.P.	Delaware
Apollo Co-Investors VII (NR D), L.P.	Delaware
Apollo Co-Investors VII (NR FC-D), LP	Anguilla
Apollo Co-Investors (NR EH-D), LP	Anguilla
ALM IV, Ltd.	Cayman Islands
APH Holdings, L.P.	Cayman Islands
APH Holdings (DC), L.P.	Cayman Islands
APH Holdings (FC), L.P.	Cayman Islands
Apollo Longevity, LLC	Delaware
Apollo ANRP Capital Management, LLC	Delaware
Apollo ANRP Advisors, L.P.	Delaware
Apollo ALST Voteco, LLC	Delaware
AGRE CRE Debt Manager, LLC	Delaware
Apollo GSS GP Limited	Channel Islands
Apollo ANRP Advisors (IH-GP), LLC	Anguilla
Apollo ANRP Advisors (IH), L.P.	Cayman Islands
Apollo ANRP Co-Investors (IH-D), LP	Anguilla
AGRE Debt Fund I GP, Ltd.	Cayman Islands

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo APC Capital Management, LLC	Anguilla
Apollo APC Advisors, L.P.	Cayman Islands
Apollo European Senior Debt Advisors, LLC	Delaware
Apollo European Strategic Advisors, LLC	Delaware
Apollo European Strategic Advisors, L.P.	Cayman Islands
Apollo European Strategic Management, LLC	Delaware
Apollo European Strategic Management, L.P.	Delaware
Apollo Credit Management (European Senior Debt), LLC	Delaware
Apollo European Senior Debt Management, LLC	Delaware
Apollo Credit Advisors III, LLC	Delaware
Apollo EPF Advisors II, L.P.	Cayman Islands
Apollo EPF Management II GP, LLC	Delaware
Apollo EPF Management II, L.P.	Delaware
Apollo VII TXU Administration, LLC	Delaware
Apollo APC Management, L.P.	Delaware
Apollo APC Management GP, LLC	Delaware
Apollo EPF Co-Investors II (D), L.P.	Cayman Islands
Apollo Executive Carry VII (NR), L.P.	Delaware
Apollo Executive Carry VII (NR APO DC), L.P.	Cayman Islands
Apollo Executive Carry VII (NR APO FC), L.P.	Delaware
Apollo Executive Carry VII (NR EH), L.P.	Cayman Islands
Apollo European Credit Advisors, L.P.	Cayman Islands
Apollo European Credit Advisors, LLC	Delaware
Apollo European Credit Management, L.P.	Delaware
Apollo European Credit Management, LLC	Delaware
GSAM Apollo Holdings, LLC	Delaware
Gulf Stream - Compass CLO 2007, Ltd.	Cayman Islands
Gulf Stream - Compass CLO 2005-II, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2007-I, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2006-I, Ltd.	Cayman Islands
Gulf Stream - Rashinban CLO 2006-I, Ltd.	Cayman Islands
Neptune Finance CCS, Ltd.	Cayman Islands
Apollo Senior Loan Fund Co-Investors (D), L.P.	Delaware
Apollo European Strategic Co-Investors, LLC	Delaware
ST Holdings GP, LLC	Delaware
ST Management Holdings, LLC	Delaware
Apollo Credit Senior Loan Fund, L.P.	Delaware
Apollo Athlon GenPar, Ltd.	Cayman Islands
Apollo SPN Capital Management, LLC	Anguilla
Apollo SPN Advisors, L.P.	Cayman Islands
Apollo SPN Management, LLC	Delaware
Apollo SPN Co-Investors (D), L.P.	Anguilla
Apollo SPN Capital Management (APO FC-GP), LLC	Anguilla
Apollo SPN Advisors (APO FC), L.P.	Cayman Islands

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo SPN Co-Investors (FC-D), L.P.	Anguilla
Apollo SPN Capital Management (APO DC-GP), LLC	Anguilla
Apollo SPN Advisors (APO DC), L.P.	Cayman Islands
Apollo SPN Co-Investors (DC-D), L.P.	Anguilla
Apollo AGRE Prime Co-Investors (D), LLC	Anguilla
Apollo European Credit Co-Investors, LLC	Delaware
Gulf Stream Asset Management, LLC	North Carolina
Apollo Centre Street Management, LLC	Delaware
Apollo Centre Street Advisors (APO DC-GP), LLC	Delaware
Apollo Centre Street Advisors (APO DC), LLC	Delaware
Apollo Centre Street Co-Investors (DC-D), L.P.	Delaware
Apollo ANRP Advisors (APO FC), L.P.	Cayman Islands
Apollo ANRP Advisors (APO FC-GP), LLC	Anguilla
Apollo ANRP Co-Investors (FC-D), L.P.	Anguilla
Apollo ANRP Advisors (APO DC), L.P.	Delaware
Apollo ANRP Advisors (APO DC-GP), LLC	Delaware
Apollo ANRP Fund Administration, LLC	Delaware
Stone Tower Capital LLC	Delaware
Apollo ST Debt Advisors LLC	Delaware
Stone Tower Europe LLC	Ireland
Stone Tower Europe Limited	Ireland
Apollo ST Fund Management LLC	Delaware
Stone Tower Operating LP	Delaware
Stone Tower Loan Value Recovery Fund GP LLC	Delaware
Apollo ST Credit Partners GP LLC	Delaware
Apollo ST Credit Strategies GP LLC	Delaware
Stone Tower Credit Solutions GP LLC	Delaware
Stone Tower Offshore Ltd.	Cayman Islands
ANRP Talos GenPar, Ltd.	Cayman Islands
Apollo Talos GenPar, Ltd.	Cayman Islands
Stone Tower Structured Credit Recovery Partners GP, LLC	Delaware
Apollo ST Structured Credit Recovery Partners II GP LLC	Delaware
Apollo EPF II Capital Management, LLC	Marshall Islands
Apollo European Senior Debt Advisors II, LLC	Delaware
Apollo ST CLO Holdings GP, LLC	Delaware
2012 CMBS-I GP LLC (fka 2012 CMBS GP LLC)	Delaware
2012 CMBS-I Management LLC (fka 2012 CMBS Management LLC)	Delaware
2012 CMBS-II GP LLC	Delaware
2012 CMBS-II Management LLC	Delaware
2012 CMBS-III GP LLC	Delaware
2012 CMBS-III Management LLC	Delaware
Apollo Credit Fund LP (fka Stone Tower Credit Fund LP)	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Offshore Credit Fund Ltd. (fka Stone Tower Offshore Credit Fund Ltd)	Cayman Islands
Apollo Credit Funding I Ltd. (fka Stone Tower Credit Funding I Ltd.)	Cayman Islands
AGRE U.S. Real Estate Advisors Cayman, Ltd.	Cayman Islands
Rampart CLO 2006-1 Ltd.	Cayman Islands
Rampart CLO 2007 Ltd.	Cayman Islands
Stone Tower CLO II Ltd.	Cayman Islands
Stone Tower CLO III Ltd.	Cayman Islands
Stone Tower CLO IV Ltd.	Cayman Islands
Stone Tower CLO V Ltd.	Cayman Islands
Stone Tower CLO VI Ltd.	Cayman Islands
Stone Tower CLO VII Ltd.	Cayman Islands
Granite Ventures II Ltd.	Cayman Islands
Granite Ventures III Ltd.	Cayman Islands
Cornerstone CLO Ltd.	Cayman Islands
Stone Tower Credit Solutions Fund LP	Delaware
EPE Acquisition Holdings, LLC	Delaware
ALM VI, Ltd	Delaware
Apollo AION Capital Partners	Cayman Islands
Apollo SK Strategic Management, LLC	Delaware
Apollo SK Strategic Co-Investors (FC-D), LLC	Marshall Islands
Apollo SK Strategic Advisors, L.P.	Cayman Islands
Apollo SK Strategic Advisors, LLC	Anguilla
AION Co-Investors (D) Ltd	Mauritius
EPF II Team Carry Plan, L.P.	Marshall Islands
Apollo Credit Management (Senior Loans) II, LLC	Delaware
AGRE Asia Pacific Real Estate Advisors GP, Ltd.	Cayman Islands
Apollo AGRE APREF Co-Investors (D), LP	Cayman Islands
AGRE Asia Pacific Real Estate Advisors, L.P.	Cayman Islands
Smart & Final Holdco LLC	Delaware
ALM VII, Ltd.	Cayman Islands
Apollo Credit Income Co-Investors (D) LLC	Delaware
Apollo Credit Income Advisors LLC	Delaware
Apollo Credit Income Management LLC	Delaware
Apollo BSL Management, LLC	Delaware
Apollo Credit Opportunity Management III LLC	Delaware
Apollo Credit Opportunity Advisors III, L.P.	Delaware
Apollo Credit Opportunity Advisors III GP LLC	Delaware
Apollo Credit Opportunity Co-Investors III (D) LLC	Delaware
AMH Holdings (Cayman), L.P.	Cayman Islands
AMH Holdings GP, Ltd.	Cayman Islands
AIF VIII Management, LLC	Delaware
Apollo Management VIII, L.P.	Delaware
Apollo Co-Investors VIII (D), L.P.	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Fund Administration VIII, LLC	Delaware
Apollo Capital Management VIII, LLC	Delaware
Apollo Advisors VIII, L.P.	Delaware
Apollo Palmetto Athene Management, LLC	Delaware
CAI Strategic European Real Estate Advisors GP, LLC	Marshall Islands
CAI Strategic European Real Estate Advisors, L.P.	Marshall Islands
Apollo ANRP Co-Investors (DC-D), L.P.	Delaware
ALM V, Ltd.	Cayman Islands
London Prime Apartments Guernsey Holdings Limited	Guernsey
London Prime Apartments Guernsey Limited	Guernsey
ANRP PG GenPar, Ltd.	Cayman Islands
Apollo PG GenPar, Ltd.	Cayman Islands
Apollo Management (AOP) VIII, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report, dated March 1, 2013, relating to the consolidated financial statements of Apollo Global Management, LLC and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2012:

- Registration Statement No. 333-182844 on Form S-3ASR
- Registration Statement No. 333-173161 on Form S-8.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 1, 2013

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Leon Black, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of Apollo Global Management, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ Leon Black

Leon Black
Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Martin Kelly, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of Apollo Global Management, LLC
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ Martin Kelly

Martin Kelly
Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Apollo Global Management, LLC (the “Company”) on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Leon Black, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2013

/s/ Leon Black
Leon Black
Chief Executive Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Apollo Global Management, LLC (the "Company") on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin Kelly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2013

/s/ Martin Kelly
Martin Kelly
Chief Financial Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC

(Exact name of Registrant as specified in its charter)

Delaware	**20-8880053**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9 West 57th Street, 43rd Floor New York, New York	**10019**
(Address of principal executive offices)	(Zip Code)

(212) 515-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A shares representing limited liability company interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐		Accelerated filer ☐
Non-accelerated filer ☒	(Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2011 the aggregate market value of 47,969,316 Class A shares held by non-affiliates was approximately $825 million.

As of March 7, 2012 there were 126,309,787 Class A shares and 1 Class B share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward-Looking Statements

This report may contain forward looking statements that are within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, discussions related to Apollo's expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this report, the words "believe," "anticipate," "estimate," "expect," "intend" and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, capital markets or real estate funds, market conditions, generally; our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this report, references to "Apollo," "we," "us," "our" and the "Company" refer collectively to Apollo Global Management, LLC and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries.

"AMH" refers to Apollo Management Holdings, L.P., a Delaware limited partnership owned by APO Corp. and Holdings;

"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 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";

"Assets Under Management," or "AUM," refers to the investments 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 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 certain senior credit funds, which are structured as collateralized loan obligations (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) or certain collateralized loan obligation and collateralized debt obligation credit funds that have a fee generating basis other than mark-to-market asset values, plus used or available leverage and/or capital commitments;

(iii) the gross asset values or net 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 portfolio company assets that we manage; and

(v) the fair value of any other investments 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.

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 use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

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 par asset value," "adjusted cost of all unrealized portfolio investments," "capital commitments," "adjusted assets," "stockholders' equity," "invested capital" or "capital contributions," each as 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, (e) structured portfolio vehicle investments that do not generate monitoring fees and (f) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value. 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.

"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;

"co-founded" means the individual joined Apollo in 1990, the year in which the company commenced business operations;

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“contributing partners” refers to those of our partners (and their related parties) who indirectly own (through Holdings) Apollo Operating Group units;

“distressed and event-driven hedge funds” refers to certain of our capital markets funds, including SVF, VIF, SOMA, AAOF and certain of our strategic investment accounts;

“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;

“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 investments assuming disposition on December 31, 2011 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 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;

“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;

“our manager” means AGM Management, LLC, a Delaware limited liability company that is controlled by our managing partners;

“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; and

"Strategic Investors" refers to the California Public Employees' Retirement System, or "CalPERS," and an affiliate of the Abu Dhabi Investment Authority, or "ADIA."

PART I.

ITEM 1. BUSINESS

Overview

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate, with significant distressed investment 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 December 31, 2011, we had total AUM of $75.2 billion across all of our businesses. Our latest private equity buyout fund, Fund VII, held a final closing in December 2008, raising a total of $14.7 billion, and as of December 31, 2011 Fund VII had $6.2 billion of uncalled commitments, or "dry powder", remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through December 31, 2011. A number of our capital markets funds have also performed well since their inception through December 31, 2011.

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 548 employees, including 201 investment professionals, as of December 31, 2011. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Hong Kong, and Mumbai. We operate our private equity, capital markets and real estate businesses in a highly integrated manner, which we believe distinguishes us from other alternative asset managers. Our investment professionals frequently collaborate across disciplines. We believe that this collaboration, including market insight, management, banking and consultant contacts, and 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 private equity funds throughout a range of 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 experience, 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 to identify what we believe are attractive investment opportunities, deploy capital across the balance sheet of industry leading, or "franchise," businesses and create value throughout economic cycles.

We rely on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy significant amounts of new capital within challenging economic environments. As in prior market downturns and periods of significant volatility, in the current environment 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 deep expertise. From the fourth quarter of 2007 through December 31, 2011, Apollo's private equity and capital markets funds have acquired approximately $15.6 billion of par value of distressed debt and approximately $37.4 billion of par value of leveraged loans, both at significant discounts to par. 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 seek to enhance value in the investment portfolios of the funds we manage. We have relied on our transaction, restructuring and capital markets experience to work proactively with our private equity funds' portfolio company management teams to identify and execute strategic acquisitions, joint ventures, and other transactions, 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.

We had total AUM of $75.2 billion as of December 31, 2011, consisting of $35.4 billion in our private equity business, $31.9 billion in our capital markets business and $8.0 billion in our real estate business. We have grown our total AUM at a 31.1% compound annual growth rate, or "CAGR," from December 31, 2004 to December 31, 2011. In addition, we benefit from mandates with long-term capital commitments in our private equity, capital markets and real estate 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 December 31, 2011, approximately 92% of our AUM was in funds with a contractual life at inception of seven years or more, and 10% of our AUM was in permanent capital vehicles with unlimited duration.

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 "Item 1A. 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 on fee arrangements of our future funds."

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. We have also raised a dedicated natural resources fund, which we include within our private equity segment, that targets global private equity opportunities in energy, metals and mining and select other natural resources sub-sectors. The diagram below summarizes our current businesses:

(1) All data is as of December 31, 2011. The chart does not reflect legal entities or assets managed by former affiliates.
(2) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.30 as of December 31, 2011.

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

Private Equity Funds

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 adapt quickly to changing market environments and capitalize on market dislocations through our traditional, distressed and corporate 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 and corporate 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.

Traditional Buyouts

Traditional buyouts have historically comprised the majority of our investments. We generally target investments in companies where an entrepreneurial management team is comfortable operating in a leveraged environment. We also pursue acquisitions where we believe a non-core business owned by a large corporation will function more effectively if structured as an independent entity managed by a focused, stand-alone management team. Our leveraged buyouts have generally been in situations that involved consolidation through merger or follow-on acquisitions; carveouts from larger organizations looking to shed non-core assets; situations requiring structured ownership to meet a seller's financial goals; or situations in which the business plan involved substantial departures from past practice to maximize the value of its assets.

Distressed Buyouts and Debt Investments

Over our history, approximately 46% of our private equity investments have involved distressed buyouts and debt investments. We target assets with high-quality operating businesses but low-quality balance sheets, consistent with our traditional buyout strategies. The distressed securities we purchase include bank debt, public high-yield debt and privately held instruments, often with significant downside protection in the form of a senior position in the capital structure, and in certain situations we also provide debtor-in-possession ("DIP") financing to companies in bankruptcy. Our investment professionals generate these distressed buyout and debt investment opportunities based on their many years of experience in the debt markets, and as such they are generally proprietary in nature.

We believe distressed buyouts and debt investments represent a highly attractive risk/reward profile. Our investments in debt securities have generally resulted in two outcomes. The first has been when we succeed in taking control of a company through its distressed debt. By working proactively through the restructuring process, we are able to equitize our debt position, resulting in a well-financed buyout. Once we control the company, the investment team works closely with management toward an eventual exit, typically over a three- to five-year period as with a traditional buyout. The second outcome for debt investments has been when we do not gain control of the company. This is typically driven by an increase in the price of the debt beyond what is considered an attractive acquisition valuation. The run-up in bond prices is usually a result of market interest or a strategic investor's interest in the company at a higher valuation than we are willing to pay. In these cases, we typically sell our securities for cash and seek to realize a high short-term internal rate of return.

Corporate Partner Buyouts

Corporate partner buyouts or carve-out situations offer another way to capitalize on investment opportunities during environments in which purchase prices for control of companies are at high multiples of earnings, making them less attractive for traditional buyout investors. Corporate partner buyouts focus on companies in need of a financial partner in order to consummate acquisitions, expand product lines, buy back stock or pay down debt. In these investments, we do not seek control but instead make significant investments that typically allow us to demand control rights similar to those that we would require in a traditional buyout, such as control over the direction of the business and our ultimate exit. Although corporate partner buyouts historically have not represented a large portion of our overall investment activity, we do engage in them selectively when we believe circumstances make them an attractive strategy.

Corporate partner buyouts typically have lower purchase multiples and a significant amount of downside protection, when compared with traditional buyouts. Downside protection can come in the form of seniority in the capital structure, a guaranteed minimum return from a creditworthy partner, or extensive governance provisions. Importantly, Apollo has often been able to use its position as a preferred security holder in several buyouts to weather difficult times in a portfolio company's lifecycle and to create significant value in investments that otherwise would have been impaired.

Other Investments

In addition to our traditional, distressed and corporate partner buyout activities, we also maintain the flexibility to deploy capital of our private equity funds in other types of investments such as the creation of new companies, which allows us to leverage our deep industry and distressed expertise and collaborate with experienced management teams to seek to capitalize on market opportunities that we have identified, particularly in asset-intensive industries that are in distress. In these types of situations, we have the ability to establish new entities that can acquire distressed assets at what we believe are attractive valuations without the burden of managing an existing portfolio of legacy assets. Similar to our corporate partner buyout activities, other investments, such as the creation of new companies, historically have not represented a large portion of our overall investment activities, although we do make these types of investments selectively.

Natural Resources

Apollo recently established Apollo Natural Resources Partners, L.P. (together with any parallel fund or alternative investment vehicle, "ANRP"), and has assembled a team of dedicated investment professionals to capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. As of December 31, 2011, ANRP had raised nearly $600 million of capital commitments.

Building Value in Portfolio Companies

We are a "hands-on" investor organized around nine core industries where we believe we have significant knowledge and expertise, and we remain actively involved with the operations of our buyout investments for the duration of the investment. In connection with this strategy, we have established relationships with operating executives that assist in the diligence review of new opportunities and provide strategic and operational oversight for portfolio investments. In addition, we have established a group purchasing program to leverage the combined corporate spending among Apollo and portfolio companies of the funds it manages in order to seek to reduce costs, optimize payment terms and improve service levels for all program participants.

Exiting Investments

We realize the value of the investments that we have made on behalf of our funds typically through either an initial public offering, or "IPO", of common stock on a nationally recognized exchange or through the private sale of the companies in which we have invested. We believe the advantage of having long-lived funds and complete investment discretion is that we are able to time our exit when we believe we may most appropriately maximize value.

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Our Portfolio Company Holdings

The following table presents the current list of portfolio companies included in our private equity funds as of December 31, 2011.

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region	Sole Financial Sponsor
Ascometal	2011	Fund VII & ANRP	Corporate Partner	Materials	Western Europe	Yes
Brit Insurance	2011	Fund VII	Traditional	Insurance	Western Europe	No
CKx	2011	Fund VII	Traditional	Media, Entertainment & Cable	North America	Yes
Sprouts Farmers Markets	2011	Fund VI	Traditional	Food Retail	North America	Yes
Welspun	2011	Fund VII & ANRP	Other	Materials	India	No
Aleris International	2010	Fund VII & VI	Distressed	Building Products	Global	No
Athlon	2010	Fund VII	Other	Oil & Gas	North America	Yes
CKE Restaurants Inc.	2010	Fund VII	Traditional	Food Retail	North America	Yes
Constellium (formerly Alcan)	2010	Fund VII	Corporate Partner	Materials	Western Europe	No
Evertec	2010	Fund VII	Traditional	Financial Services	Puerto Rico	No
Gala Coral Group	2010	Fund VII & VI	Distressed	Gaming & Leisure	Western Europe	No
LyondellBasell	2010	Fund VII & VI	Distressed	Chemicals	Global	No
Monier	2010	Fund VII	Distressed	Building Products	Western Europe	No
Twin River	2010	Fund VII	Distressed	Gaming & Leisure	North America	No
Veritable Maritime	2010	Fund VII	Other	Shipping	North America	Yes
Charter Communications	2009	Fund VII & VI	Distressed	Media, Entertainment & Cable	North America	No
Dish TV	2009	Fund VII	Other	Media, Entertainment & Cable	India	No
Caesars Entertainment	2008	Fund VI	Traditional	Gaming & Leisure	North America	No
Norwegian Cruise Line	2008	Fund VI	Corporate Partner	Cruise	North America	Yes
Skylink	2008	Fund VII	Traditional	Logistics	North America	No
Claire's	2007	Fund VI	Traditional	Specialty Retail	Global	Yes
Countrywide	2007	Fund VI	Traditional	Real Estate Services	Western Europe	Yes
Jacuzzi Brands	2007	Fund VI	Traditional	Building Products	Global	Yes
Noranda Aluminum	2007	Fund VI	Traditional	Materials	North America	Yes
Prestige Cruise Holdings	2007	Fund VII & VI	Corporate Partner	Cruise	North America	Yes
Realogy	2007	Fund VI	Traditional	Real Estate Services	North America	Yes
Smart & Final	2007	Fund VI	Traditional	Food Retail	North America	Yes
Vantium	2007	Fund VII	Other	Business Services	North America	Yes
Berry Plastics(1)	2006	Fund VI & V	Traditional	Packaging & Materials	North America	Yes
CEVA Logistics(2)	2006	Fund VI	Traditional	Logistics	Western Europe	Yes
Hughes Telematics	2006	Fund V	Traditional	Satellite & Wireless	North America	Yes
Rexnord(3)	2006	Fund VI	Traditional	Diversified Industrial	North America	Yes
SourceHOV(4)	2006	Fund V	Traditional	Financial Services	North America	Yes
Verso Paper	2006	Fund VI	Traditional	Paper Products	North America	Yes
Affinion Group	2005	Fund V	Traditional	Financial Services	North America	Yes
Metals USA	2005	Fund V	Traditional	Distribution & Transportation	North America	Yes
AMC Entertainment	2004	Fund V	Traditional	Media, Entertainment & Cable	North America	No
PLASE Capital	2003	Fund V	Traditional	Financial Services	North America	Yes
Core-Mark	2002	Fund V	Distressed	Distribution & Transportation	North America	No
Momentive Performance Materials	2000/2004/2006	Fund IV, V & VI	Traditional	Chemicals	North America	Yes
Sirius XM Radio, Inc.	1998	Fund IV	Traditional	Broadcasting	North America	Yes
Quality Distribution	1998	Fund III	Traditional	Distribution & Transportation	North America	Yes
Debt Investment Vehicles—Fund VII	Various	Fund VII	Various	Various	Various	Various
Debt Investment Vehicles—Fund VI	Various	Fund VI	Various	Various	Various	Various
Debt Investment Vehicles—Fund V	Various	Fund V	Various	Various	Various	Various

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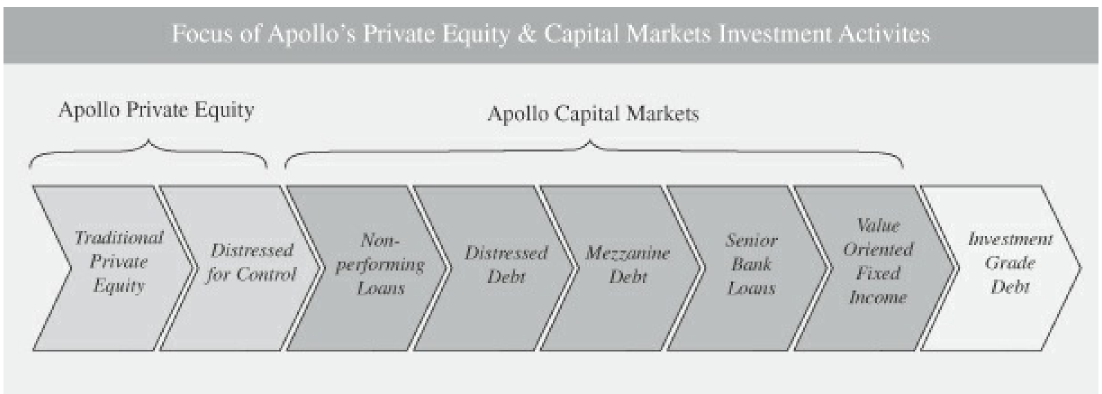
(1) Prior to merger with Covalence.
(2) Includes add-on investment in EGL, Inc.
(3) Includes add-on investment in Zurn.
(4) Subsequent to merger with SOURCECORP.

Capital Markets

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, which include 95 investment professionals as of December 31, 2011, are led by James Zelter, who has served as the managing director of the capital markets business since April 2006. Our capital markets business had total and fee-generating AUM of $31.9 billion and $26.6 billion, respectively, as of December 31, 2011 and grew its total and fee-generating AUM by a 53.9% and 50.2% CAGR, respectively, from December 31, 2004 through December 31, 2011.

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.



As of December 31, 2011, our capital markets funds included distressed and event-driven hedge funds with total AUM of $1.9 billion, mezzanine funds with total AUM of $3.9 billion, senior credit funds with total AUM of $15.4 billion, and a European non-performing loan fund with total AUM of $1.9 billion. Our capital markets segment also includes a number of strategic investment accounts, a fund focused on opportunities in the life settlements industry, and permanent capital vehicles including Apollo Senior Floating Rate Fund Inc. ("AFT"), Apollo Residential Mortgage, Inc. ("AMTG") and Athene Asset Management LLC, which provides asset management services to certain annuity and life insurance providers.

Distressed and Event-Driven Hedge Funds

We currently manage distressed and event-driven hedge funds that invest primarily in North America, Europe and Asia. These funds had a total of $1.9 billion in AUM as of December 31, 2011. Investors can invest in several of our distressed and event-driven hedge funds as frequently as monthly. Our distressed and event-driven hedge funds utilize similar value-oriented investment philosophies as our private equity business and are focused on capitalizing on our substantial industry and credit knowledge.

Value Funds. We are the investment managers for our flagship distressed Value Funds, which utilize similar investment strategies. The Value Funds seek to identify and capitalize on absolute-value driven investment opportunities. Apollo Value Investment Master Fund, L.P., together with its feeder funds ("VIF") began investing capital in October 2003 and is currently closed to new investors. Apollo Strategic Value Master Fund, L.P., together with its feeder funds ("SVF") began investing capital in June 2006 and is currently open to new investors. The Value Funds had a combined net asset value of approximately $765.6 million as of December 31, 2011, and had a net return of 50.0% since inception and (9.6)% for the year ended December 31, 2011.

The Value Funds' flexible investment strategy primarily focuses on investments in distressed companies before, during, or 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. As of December 31, 2011, the Value Funds' investments were primarily located in North America, and comprised approximately 68% of the portfolio, with the remaining 32% of the total portfolio being investments made internationally.

SOMA. SOMA is a private investment fund we formed to manage for one of our Strategic Investors. SOMA seeks to generate attractive risk-adjusted returns through investment in distressed opportunities, primarily in North America and Europe. This fund's primary mandate is a very similar investment strategy to our Value Funds and is currently managed by the same investment professionals. SOMA began investing capital in March 2007 and represents a commitment by one of our Strategic Investors of $800.0 million. The fund had a net asset value of approximately $963.0 million as of December 31, 2011, including $748.0 million in the primary mandate, which had a net return of 25.9% since inception and (10.5)% for the year ended December 31, 2011.

Apollo Asia Opportunity Fund. Apollo Asia Opportunity Fund ("AAOF") 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. AAOF began investing capital in February 2007. The fund had a net asset value of approximately $230.6 million as of December 31, 2011, and had a net return of 7.4% since inception and (7.3)% for the year ended December 31, 2011

Mezzanine Funds

We manage U.S. and European-based mezzanine funds and related investment vehicles with total AUM of $3.9 billion as of December 31, 2011, including: (i) Apollo Investment Corporation ("AINV"), a U.S.-based permanent capital vehicle, which 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 ("Investment Company Act") and to be treated for tax purposes as a regulated investment company under the Internal Revenue Code; (ii) Apollo Investment Europe I, L.P. ("AIE I"), which is an unregistered private closed-end investment fund formed in June 2006; and (iii) Apollo Investment Europe II, L.P. ("AIE II"), which is an unregistered private closed-end investment fund formed in April 2008. AIE I and AIE II seek to capitalize upon mezzanine and subordinated debt opportunities with a focus on Western Europe.

Apollo Investment Corporation. Apollo Investment Corporation's common stock is quoted on the NASDAQ Global Select Market under the symbol "AINV" and is currently a component of the S&P MidCap 400 index. AINV raised over $870 million of net permanent investment capital through its initial public offering on the NASDAQ in April 2004. Since that time, AINV has successfully completed several secondary offerings and raised approximately $1.9 billion of net incremental permanent investment capital. Since inception in April 2004 through December 31, 2011, the annualized return on AINV's net asset value was 3.9%, and as of December 31, 2011, AINV's net asset value was approximately $1.6 billion. AINV has the ability to incur indebtedness by issuing senior securities in amounts such that its asset coverage equals at least 200% after each issuance.

European Mezzanine Funds. AIE I and AIE II, our European mezzanine funds, are unregistered private closed-end investment funds formed in June 2006 and April 2008, respectively, that seek to more fully capitalize upon mezzanine and subordinated debt opportunities with a primary focus on Western Europe. As of December 31, 2011, AIE I and AIE II had an investment portfolio of approximately 87% in secured and unsecured subordinated loans (also referred to as mezzanine loans), senior secured loans and high-yield debt.

As of December 31, 2011, AIE I had an investment portfolio of approximately $30.7 million at market value, based on an exchange rate of €1.00 to $1.30 as of such date. Due to market conditions in 2008 and early 2009, AIE I's investment performance was adversely impacted, and on July 10, 2009, its shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling AIE I'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 AIE I'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.

The investment objective of AIE II is to generate both capital appreciation and current income through debt and equity investments. AIE II utilizes a disciplined investment approach that seeks to evaluate the appropriate part of the capital structure in which to invest based on the risk/reward profile of the investment opportunity. AIE II invests primarily in European mezzanine investments, with a primary focus in Western Europe. AIE II participates in both the primary and secondary credit markets based on the relative attractiveness of each at any given time.

As of December 31, 2011, AIE II had an investment portfolio of approximately $237.9 million at market value based on an exchange rate of €1.00 to $1.30 as of such date, and had a net IRR of 14.2% since inception until December 31, 2011. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—The Historical Investment Performance of Our Funds" for reasons why AIE II's returns might decrease from its historical performance and the historical performances of our other funds.

Senior Credit Funds

We believe we are a leading manager of senior credit. We manage senior credit funds with total AUM of $15.4 billion as of December 31, 2011. We began to establish these funds, which are primarily oriented towards the acquisition of leveraged loans and other performing senior debt, in late 2007 and 2008, in order to capitalize upon the supply-demand imbalances in the leveraged finance market. Since that time, we have been actively investing these funds and have established new senior credit funds. Our senior credit funds together with our private equity funds and certain other capital markets funds, as of December 31, 2011, have deployed approximately $34.0 billion, including leverage, in senior credit investments. We believe these funds benefit from the broad range of investment opportunities that arise as a result of our deep industry and credit expertise. The following funds comprise the majority of our senior credit funds' AUM.

Apollo Credit Opportunity Fund I, L.P. Apollo Credit Opportunity Fund I, L.P. ("COF I") began investing in April 2008 and, as of December 31, 2011, had aggregate capital commitments of approximately $1.5 billion, primarily from one of our Strategic Investors. COF I principally invests, through privately negotiated transactions, in senior secured debt instruments, including bank loans and bonds, as well as opportunistically investing in a variety of other public and private debt instruments such as DIP financings, rescue or "bridge" financings, and other debt instruments. COF I may use leverage to finance portfolio investments, including as incurred by the fund's subsidiaries or special-purpose vehicles, and may enter into credit facilities or other debt transactions to leverage its investments.

Our capital commitment to COF I is equal to 2.0% of the aggregate capital commitments of COF I's limited partners (without regard to any co-investment commitments). COF I is closed to additional investors. As of December 31, 2011, COF I had a net asset value of approximately $1.9 billion.

Apollo Credit Opportunity Fund II, L.P. Apollo Credit Opportunity Fund II, L.P ("COF II") began investing in June 2008 and has aggregate capital commitments of approximately $1.6 billion as of December 31, 2011. COF II principally invests, through privately negotiated transactions, in senior secured debt instruments, including bank loans and bonds, as well as opportunistically investing in a variety of other public and private debt instruments such as DIP financings, rescue or "bridge" financings, and other debt instruments. COF II may use leverage to finance portfolio investments, including as incurred by the fund's subsidiaries or special-purpose vehicles, and may enter into credit facilities or other debt transactions to leverage its investments.

Our capital commitment to COF II is equal to 1.5% of the aggregate capital commitments of COF II's limited partners (without regard to any co-investment commitments). COF II is closed to additional investors. As of December 31, 2011, COF II had a net asset value of approximately $1.6 billion.

Apollo Credit Liquidity Fund, L.P. Apollo Credit Liquidity Fund, L.P. ("ACLF") began investing capital in October 2007 and held its final closing on November 13, 2007 with initial aggregate capital commitments of $681.6 million. Subsequent to the final closing, ACLF accepted additional commitments of $302.4 million, raising the aggregate capital commitments to $984.0 million by December 10, 2008. ACLF invests principally in senior secured bank debt and debt related securities in the United States and Western Europe. Additionally, up to 20% of ACLF's capital commitments may be invested in other types of debt and debt related securities, including non-senior bank debt, publicly traded debt securities, "bridge" financings and the equity tranche of any collateralized debt obligation fund sponsored by Apollo or others. Investments may be effected using a wide variety of investment types and transaction structures, including the use of derivatives or other credit instruments, such as credit default swaps, total return swaps and any other credit securities or other credit instruments.

Our capital commitment to ACLF is equal to 2.4% of the aggregate capital commitments of ACLF's limited partners (without regard to any co-investment commitments). ACLF is closed to additional investors. As part of the initial closing of ACLF, Apollo closed on a co-investment vehicle that has the capacity to invest alongside ACLF on a pre-determined proportionate basis in senior debt investments, which we refer to as ACLF Co-Invest. As of December 31, 2011, ACLF had net assets of $586.1 million and was primarily invested in debt-related securities and various derivative instruments.

Apollo/Artus Investors 2007 I, L.P. Apollo/Artus Investors 2007 I, L.P ("Artus") closed on October 19, 2007 with aggregate capital commitments of $106.6 million, including a commitment from one of our Strategic Investors. In November 2007, Artus purchased certain collateralized loan obligations. The collateralized loan obligations are secured by a diversified pool of approximately $0.5 billion in aggregate principal amount of commercial loans and cash as of December 31, 2011.

Apollo Senior Floating Rate Fund. During 2010, we formed AFT, a non-diversified, closed-end management investment company. The investment objective of the fund is to seek current income and preservation of capital primarily through investments in senior secured loans made to companies whose debt is rated below investment grade and investments with similar economic characteristics. During the first quarter of 2011, the fund issued \$309 million of common shares (\$295 million net of offering costs) in its initial public offering and trades on the New York Stock Exchange under the symbol “AFT.”

Apollo European Credit Fund. During 2011 we established Apollo European Credit, L.P. (“AEC”), which seeks to generate total returns via both capital gains and current income, with a secondary objective of capital preservation, by investing in a variety of fixed income investment opportunities in Europe. We generally expect that at least 70% of AEC’s investments will be made in securities issued by, or loans made to, companies established or operating in Europe, with a focus on Western Europe. As of December 31, 2011, AEC had total AUM of \$234 million.

Gulf Stream Asset Management. In addition to the funds listed above, on October 24, 2011, we completed the acquisition of Gulf Stream Asset Management, LLC (“Gulf Stream”), a leading asset manager of ten collateralized loan obligations, or “CLOs”, primarily focused on the U.S. corporate credit markets. The Gulf Stream acquisition increased Apollo’s AUM by \$3 billion. We believe Gulf Stream is highly complementary to our existing CLO management activities, and brings our total number of CLOs under management to 14 as of December 31, 2011.

Non-Performing Loan Funds

Apollo European Principal Finance Fund. Apollo European Principal Finance Fund L.P. (“EPF”) is an investment fund launched in May 2007 that invests primarily in European commercial and residential mortgage performing and non-performing loans (NPLs) and unsecured consumer loans. NPLs are loans held by financial institutions that are in default of principal or interest payments for 90 days or more. We estimate that the size of the European NPL and non-core asset market is approximately €1.7 trillion. Investment banks have traditionally been the biggest buyers of NPLs, but almost all of these firms either no longer exist or have exited the business during the past few years. In addition, despite the market size and decrease in natural competition, high barriers to entry have limited, and we believe will continue to limit, the number of credible competitors. We believe EPF is uniquely positioned to capitalize on this opportunity through its 17 professionals based in London, Frankfurt and Dublin, combined with its captive pan-European loan servicing and property management platform, The Lapithus Group, or “Lapithus.” Lapithus operates in six European countries and is directly servicing approximately 54,000 loans secured by more than 19,000 commercial and residential properties. As of December 31, 2011, EPF had portfolio investments throughout Europe with its largest concentration in the United Kingdom, Germany and Spain.

EPF has approximately €1.3 billion (\$1.7 billion using an exchange rate of €1.00 to \$1.30 as of December 31, 2011) in total capital commitments. EPF is structured with many characteristics typically associated with private equity funds, including multi-year capital commitments from the fund’s investors. Through December 31, 2011, the fund had invested approximately €1.1 billion (\$1.4 billion using an exchange rate of €1.00 to \$1.30 as of December 31, 2011) in 17 NPL investments in loan portfolios and three ancillary investments and had received net proceeds of approximately 60% of invested capital. EPF had a net asset value of approximately \$1.1 billion as of December 31, 2011 based on an exchange rate of €1.00 to \$1.30 as of such date.

During the second half of 2011, Apollo also began raising a second European non-performing loan fund (EPF II) that will have an investment strategy similar to EPF. As of December 31, 2011, EPF II had raised approximately \$200 million of capital commitments.

Other Capital Markets Funds

Athene. During 2009, Apollo formed Athene Asset Management LLC, an investment manager that provides asset management services to Athene Holding Ltd (together with its subsidiaries, “Athene”), a Bermuda holding company founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector, and others. In addition, certain Apollo affiliates manage assets for Athene Asset Management and earn sub-advisory fees for these services.

Athene is the parent of: Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the life reinsurance sector; Liberty Life Insurance Company, a recently acquired Delaware-domiciled (formerly South Carolina domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market; Investors Insurance Corporation, a Delaware-domiciled stock life insurance company focused on the retirement services market; and Athene Life Insurance Company, an Indiana-domiciled stock life insurance company focused on the institutional guaranteed investment contract ("GIC") backed note and funding agreement markets.

As of December 31, 2011, Athene represented approximately $8.5 billion of Apollo's total AUM, $2.1 billion of which was managed by other Apollo funds and investment vehicles.

Apollo Residential Mortgage, Inc. In 2011, we launched AMTG, a residential real estate finance company that is focused primarily on investing in, financing, and managing residential mortgage-backed securities, residential mortgage loans, and other residential mortgage assets in the United States. Apollo Residential Mortgage, Inc. began trading on the New York Stock Exchange in July 2011 under the ticker "AMTG", raising approximately $200 million of gross proceeds in its initial public offering.

The principal objective of Apollo Residential Mortgage is to provide attractive risk-adjusted returns to its stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. Apollo Residential Mortgage aims to achieve this objective by selectively constructing a portfolio of assets that will consist of Agency MBS, non-Agency MBS, residential mortgage loans and other residential mortgage assets.

Financial Credit Investment I, L.P. In 2010, we established Financial Credit Investment I, L.P. ("FCI"). FCI seeks to capitalize on dislocations in the life insurance market by acquiring large portfolios of life insurance policies, typically at discounts to face value. As of December 31, 2011, FCI had total AUM of $521 million.

Real Estate

We have assembled a dedicated global investment management team to pursue real estate investment opportunities, which we refer to as Apollo Global Real Estate Management, L.P. ("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 27 investment professionals as of December 31, 2011, is led by Joseph Azrack, who joined Apollo in 2008 with 30 years of real estate investment management experience, having previously served 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 December 31, 2011, our real estate business had total and fee-generating AUM of approximately $8.0 billion and $3.5 billion, respectively.

In addition to the funds described below, we may seek to serve as the manager of, or sponsor, additional real estate funds that focus on commercial real estate-related debt investments and 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.

CPI Business . On November 12, 2010, Apollo completed the acquisition of the CPI business, which was the real estate investment management business of Citigroup Inc. The CPI business had AUM of approximately $3.5 billion as of December 31, 2011. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals.

Apollo Commercial Real Estate Finance, Inc. In 2009, we launched Apollo Commercial Real Estate Finance, Inc. ("ARI"), a real estate investment trust managed by Apollo that acquires, originates, invests in and manages performing commercial first mortgage loans, CMBS, mezzanine investments and other commercial real estate-related investments in the United States. The company trades on the New York Stock Exchange under the symbol "ARI." As of December 31, 2011, ARI had raised gross proceeds of $354.3 million through equity offerings and subsequent private placements.

AGRE CMBS Accounts. In December 2009, we launched the AGRE CMBS Fund L.P. ("AGRE CMBS Account"), a real estate strategic investment account formed to invest principally in CMBS and leverage those investments by borrowing from the TALF program and repurchase facilities. We collectively refer to this account, together with the 2011 A4 Fund, L.P. described below, as the "AGRE CMBS Accounts." As of December 31, 2011, the AGRE CMBS Account had total and fee-generating AUM of approximately $1.3 billion and $0.2 billion, respectively.

In November 2010, we launched the 2011 A4 Fund, L.P., a real estate strategic investment account formed to invest principally in CMBS and leverage those investments through repurchase facilities. As of December 31, 2011, the 2011 A4 Fund had total and fee generating AUM of approximately $1.0 billion and $0.1 billion, respectively.

AGRE U.S. Real Estate Fund, L.P. AGRE is sponsoring the AGRE U.S. Real Estate Fund, L.P. ("AGRE U.S. Real Estate Fund"), which will pursue investment opportunities to recapitalize, restructure and acquire real estate assets, portfolios and companies primarily in the United States. The AGRE U.S. Real Estate Fund's investment strategy will focus on opportunities created by the significant re-pricing and restructuring of the U.S. real estate industry that have resulted from the financial market crisis and the ensuing deterioration of real estate fundamentals. As of December 31, 2011, the AGRE U.S. Real Estate Fund had $385 million of committed capital.

Strategic Investment Vehicles

In addition to the funds described above, we manage other investment vehicles, including AAA and Apollo Palmetto Strategic Partnership, L.P. ("Palmetto"), which have been established to invest either directly in or alongside certain of our funds and certain other transactions that we sponsor and manage.

AP Alternative Assets, L.P.

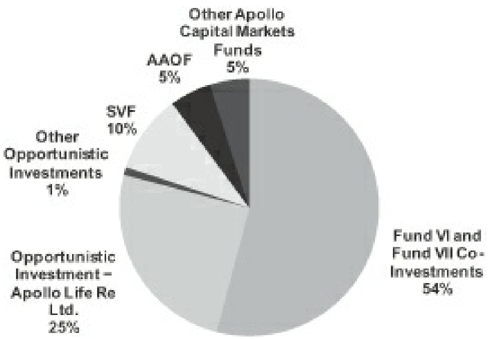
AP Alternative Assets, L.P. ("AAA") issued approximately $1.9 billion of equity capital in its initial offering in June 2006. AAA is designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allows us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in 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 NYSE Euronext Amsterdam. AAA is the sole limited partner in AAA Investments, the vehicle through which AAA's investments are made, and the Apollo Operating Group holds the economic general partnership interests in AAA Investments.

Since its formation, AAA has allowed us to quickly target 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 event-driven hedge funds, our non-performing loan fund, one of our senior credit funds, and Athene. 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 Investments may also invest in additional funds and other opportunistic investments identified by Apollo Alternative Assets, L.P., the investment manager of AAA.

AAA Investments generates management fees for us through the Apollo funds in which it invests. In addition, AAA Investments generates management fees and incentive income on the portion of its assets that is not invested directly in Apollo funds or temporary investments. AAA Investments pays management fees to Apollo Alternative Assets, L.P., its investment manager, which is 100% owned by the Apollo Operating Group, and pays incentive income to AAA Associates, L.P.

The following chart illustrates AAA Investments' $1.7 billion in investments as of December 31, 2011:

AAA Investments



As is common with investments in private equity funds, AAA Investments may follow an over-commitment approach when making investments in order to maximize the amount of capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by AAA Investments to, or to co-investment programs with, private equity funds and capital markets funds at a given time may exceed the aggregate amount of cash and available credit lines that AAA Investments has available for immediate investment. As of December 31, 2011, AAA Investments was not overcommitted.

We are contractually committed to reinvest a certain amount of our carried interest income from AAA into common units or other equity interests of AAA, as described in more detail below under "—General Partner and Professionals Investments and Co-Investments—General Partner Investments."

***Strategic Investment Accounts* ("SIAs")**

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 December 31, 2011, approximately $8.0 billion of our total AUM and $7.8 billion of our fee-generating AUM was managed through SIAs.

An example of a SIA managed by Apollo is Palmetto, which we manage on behalf of a single investor. As of December 31, 2011, the total capital commitments to Palmetto were $1.5 billion from a large state pension fund and $18.0 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 December 31, 2011, Palmetto had committed approximately $1.3 billion, net of non-recallable distributions received from investments which have the ability to be recycled under the Palmetto limited partnership agreement for investments primarily in certain of our capital markets and private equity funds.

Recent Developments

During December 2011, Apollo announced an agreement to merge Stone Tower Capital LLC and its related management companies (“Stone Tower”), a leading alternative credit manager, into Apollo’s capital markets business. The transaction is expected to close in April, subject to the satisfaction of closing conditions. Apollo believes the Stone Tower transaction will bolster Apollo’s position as one of the world’s largest and most diverse credit managers by adding significant scale and several new credit product capabilities. Stone Tower manages approximately $18 billion of AUM that was not included in Apollo’s AUM as of December 31, 2011.

On January 31, 2012, Apollo entered into definitive documentation for a long-term strategic partnership with Teacher Retirement System of Texas (“TRS”). The elements of the strategic partnership include $3 billion of long-term committed capital for new funds and investment strategies; significant recycle provisions for the commitments; discretionary deployment of the capital within agreed upon product baskets; customized fee and priority return provisions to recognize that the capital will be deployed across numerous product categories over an extended period; considerable risk mitigation for TRS as investments across multiple product categories will be made through a single partnership; and significant collaboration between Apollo’s investment teams and the Private Markets staff at TRS.

Fundraising and Investor Relations

We believe our performance track record across our funds has resulted in strong relationships with our fund investors. Our fund investors include many of the world’s most prominent pension funds, university endowments and financial institutions, as well as individuals. We maintain an internal team dedicated to investor relations across our private equity, credit-oriented capital markets and real estate businesses.

In our private equity business, fundraising activities for new funds begin once the investor capital commitments for the current fund are largely invested or committed to be invested. The investor base of our private equity funds includes both investors from prior funds and new investors. In many instances, investors in our private equity funds have increased their commitments to subsequent funds as our private equity funds have increased in size. During our Fund VI fundraising effort, investors representing over 88% of Fund V’s capital committed to the new fund. During our Fund VII fundraising effort, investors representing over 84% of Fund VI’s capital committed to Fund VII. The single largest unaffiliated investor represents only 6% of Fund VI’s commitments and 7% of Fund VII’s commitments. In addition, our investment professionals commit their own capital to each private equity fund.

During the management of a fund, we maintain an active dialogue with our fund investors. We host quarterly webcasts for our fund investors led by members of our senior management team and we provide quarterly reports to our fund investors detailing recent performance by investment. We also organize an annual meeting for our private equity investors that consists of detailed presentations by the senior management teams of many of our current investments. From time to time, we also hold meetings for the advisory board members of our private equity funds.

AAA is an important component of our business strategy, as it has allowed us to quickly target attractive investment opportunities by capitalizing new investment vehicles formed by Apollo in advance of a lengthier third-party fundraising process. In particular, we have used AAA capital to make initial investments in AIE I, SVF, AAOF, a senior credit fund, EPF and Athene. The common units of AAA are listed on Euronext Amsterdam by NYSE Euronext and AAA complies with the reporting requirements of that exchange. AAA provides monthly information and quarterly reports to, and hosts quarterly conference calls with, our AAA investors.

In our capital markets business, we have raised capital from prominent institutional investors, similar to our private equity and real estate businesses, and have also raised capital from public market investors, as in the case of AINV, AFT and AMTG. AINV provides quarterly reports to, and hosts conference calls with, investors that highlight investment activities. AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT and AMTG are listed on the New York Stock Exchange and comply with the reporting requirements of that exchange.

Similar to our private equity and capital markets businesses, in our real estate business we have raised capital from an institutional investor for the AGRE CMBS Accounts, and we have also raised capital from public market investors with respect to ARI. ARI provides quarterly reports to, and hosts conference calls with, investors that highlight investment activities. ARI is listed on the New York Stock Exchange and complies with the reporting requirements of that exchange.

Investment Process

We maintain a rigorous investment process and a comprehensive due diligence approach across all of our funds. We have developed policies and procedures, the adequacy of which are reviewed annually, that govern the investment practices of our funds. Moreover, each fund is subject to certain investment criteria set forth in its governing documents that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one company and the geographic regions in which the fund will invest. Our investment professionals are thoroughly familiar with our investment policies and procedures and the investment criteria applicable to the funds that they manage, and these limitations have generally not impacted our ability to invest our funds.

Our investment professionals interact frequently across our businesses on a formal and informal basis. In addition, members of the private equity investment committee currently serve on the investment committees of each of our capital markets funds. We believe this structure is uncommon and provides us with a competitive advantage.

We have in place certain procedures to allocate investment opportunities among our funds. These procedures are meant to ensure that each fund is treated fairly and that transactions are allocated in a way that is equitable, fair and in the best interests of each fund, subject to the terms of the governing agreements of such funds. Each of our funds has a primary investment mandate, which is carefully considered in the allocation process.

Private Equity

Our private equity investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies. These investment professionals perform significant research into each prospective investment, including a review of the company's financial statements, comparisons with other public and private companies and relevant industry data. The due diligence effort will also typically include:

- on-site visits;
- interviews with management, employees, customers and vendors of the potential portfolio company;

- research relating to the company's management, industry, markets, products and services, and competitors; and
- background checks.

After an initial selection, evaluation and diligence process, the relevant team of investment professionals will prepare a detailed analysis of the investment opportunity for our private equity investment committee. Our private equity investment committee generally meets weekly to review the investment activity and performance of our private equity funds.

After discussing the proposed transaction with the deal team, the investment committee will decide whether to give its preliminary approval to the deal team to continue the selection, evaluation, diligence and negotiation process. The investment committee will typically conduct several lengthy meetings to consider a particular investment before finally approving that investment and its terms. Both at such meetings and in other discussions with the deal team, our managing partners and partners will provide guidance to the deal team on strategy, process and other pertinent considerations. Every private equity investment requires the approval of our three managing partners.

Our private equity investment professionals are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. Disposition decisions made on behalf of our private equity funds are subject to careful review and approval by the private equity investment committee, including all three of our managing partners.

AAA. Investment decisions on behalf of AAA are subject to investment policies and procedures that have been adopted by the board of directors of the managing general partner of AAA. Those policies and procedures provide that all AAA investments (except for temporary investments) must be reviewed and approved by the AAA investment committee. In addition, they provide that over time AAA will invest approximately 90% or more of its capital in Apollo funds and Apollo sponsored private equity transactions and, subject to market conditions, target approximately 50% or more in private equity transactions. Pending those uses, AAA capital is invested in temporary liquid investments. AAA's investments do not need to be exited within fixed periods of time or in any specified manner. AAA is, however, generally required to exit any traditional private equity co-investments it makes with an Apollo fund at the same time and on the same terms as the Apollo fund in question exits its investment. The AAA investment policies and procedures provide that the AAA investment committee should review the policies and procedures on a regular basis and, if necessary, propose changes to the board of directors of the managing general partner of AAA when the committee believes that those changes would further assist AAA in achieving its objective of building a strong investment base and creating long-term value for its unitholders.

Capital Markets and Real Estate

Each of our capital markets funds and real estate funds maintains an investment process similar to that described above under "—Private Equity." Our capital markets and real estate investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments for our capital markets funds and real estate funds, respectively. The investment professionals perform significant research into and due diligence of each prospective investment, and prepare analyses of recommended investments for the investment committee of the relevant fund.

Investment decisions are carefully scrutinized by the investment committees where applicable, who review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. Close attention is given to how well a proposed investment is aligned with the distinct investment objectives of the fund in question, which in many cases have specific geographic or other focuses. At least one of our managing partners approves every significant capital markets and real estate fund investment decision. The investment committee of each of our capital markets funds and real estate funds generally is provided with a summary of the investment activity and performance of the relevant funds on at least a monthly basis.

Overview of Fund Operations

Investors in our private equity funds and our real estate equity funds make commitments to provide capital at the outset of a fund and deliver capital when called by us as investment opportunities become available. We determine the amount of initial capital commitments for any given private equity fund by taking into account current market opportunities and conditions, as well as investor expectations. The general partner's capital commitment is determined through negotiation with the fund's investor base. The commitments are generally available for six years during what we call the investment period. We have typically invested the capital committed to our funds over a three to four year period. Generally, as each investment is realized, our private equity funds first return the capital and expenses related to that investment and any previously realized investments to fund investors and then distribute any profits. These profits are typically shared 80% to the investors in our private equity funds and 20% to us so long as the investors receive at least an 8% compounded annual return on their investment, which we refer to as a "preferred return" or "hurdle." Our private equity funds typically terminate ten years after the final closing, subject to the potential for two one-year extensions. After the amendments we sought in order to deconsolidate most of our funds, dissolution of those funds can be accelerated upon a majority vote of investors not affiliated with us and, in any case, all of our funds also may be terminated upon the occurrence of certain other events. Ownership interests in our private equity funds and certain of our capital markets and real estate funds, are not, however, subject to redemption prior to termination of the funds.

The processes by which our capital markets funds and our fixed income real estate funds receive and invest capital vary by type of fund. AINV, for instance, raises capital by selling shares in the public markets and it can also issue debt. Our distressed and event-driven hedge funds sell shares or limited partner interests, subscriptions for which are payable in full upon a fund's acceptance of an investor's subscription, via private placements. The investors in SOMA, EPF, AIE II, COF I and COF II made a commitment to provide capital at the formation of such funds and deliver capital when called by us as investment opportunities become available. As with our private equity funds, the amount of initial capital commitments for our capital markets funds is determined by taking into account current market opportunities and conditions, as well as investor expectations. The general partner commitments for our capital markets funds that are structured as limited partnerships are determined through negotiation with the funds' investor base. The fees and incentive income we earn for management of our capital markets funds and the performance of these funds and the terms of such funds governing withdrawal of capital and fund termination vary across our capital markets funds and are described in detail below.

We conduct the management of our private equity, capital markets and real estate funds primarily through a partnership structure, in which limited partnerships organized by us accept commitments and/or funds for investment from investors. Funds are generally organized as limited partnerships with respect to private equity funds and other U.S. domiciled vehicles and limited partnership and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. Typically, each fund has an investment advisor affiliated with an advisor registered under the Advisers Act. Responsibility for the day-to-day operations of the funds is typically delegated to the funds' respective investment advisors pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment advisor to the applicable funds, certain rights of termination in respect of our investment advisory agreements and, generally, with respect to our capital markets funds (as these matters are covered in the limited partnership agreements of the private equity funds), the calculation of management fees to be borne by investors in such funds, as well as the calculation of the manner and extent to which other fees received by the investment advisor from fund portfolio companies serve to offset or reduce the management fees payable by investors in our funds. The funds themselves generally do not register as investment companies under the Investment Company Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the Investment Company Act excepts from its registration requirements funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are "qualified purchasers" or "knowledgeable employees" for purposes of the Investment Company Act. Section 3(c)(1) of the Investment Company Act excepts from its registration requirements privately placed funds whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the Investment Company Act exempts from registration any non-U.S. fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In addition to having an investment advisor, each fund that is a limited partnership, or "partnership" fund, also has a general partner that makes all policy and investment decisions relating to the conduct of the fund's business. The general partner is responsible for all decisions concerning the making, monitoring and disposing of investments, but such responsibilities are typically delegated to the fund's investment advisor pursuant to an investment advisory (or similar) agreement. The limited partners of the partnership funds take no part in the conduct or control of the business of the funds, have no right or authority to act for or bind the funds and have no influence over the voting or disposition of the securities or other assets held by the funds. These decisions are made by the fund's general partner in its sole discretion, subject to the investment limitations set forth in the agreements governing each fund. The limited partners often have the right to remove the general partner or investment advisor for cause or cause an early dissolution by a majority vote. In connection with the private offering transactions that occurred in 2007 pursuant to which the Company sold shares to certain initial purchasers and accredited investors in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Private Offering Transactions"), we amended the governing agreements of certain of our consolidated private equity funds (with the exception of AAA) and capital markets funds to provide that a simple majority of a fund's investors have the right to accelerate the dissolution date of the fund.

In addition, the governing agreements of our private equity funds and certain of our capital markets funds enable the limited partners holding a specified percentage of the interests entitled to vote not to elect to continue the limited partners' capital commitments for new portfolio investments in the event certain of our managing partners do not devote the requisite time to managing the fund or in connection with certain Triggering Events (as defined below). In addition to having a significant, immeasurable 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. Further, the loss of one or more our of managing partners may result in the acceleration of our debt. 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.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies and general partners are committed to contribute to the funds and affiliates. As a limited partner, general partner and manager of the Apollo funds, Apollo had unfunded capital commitments of $137.9 million and $140.6 million at December 31, 2011 and 2010, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

Managing Partners and Other Professionals Investments

To further align our interests with those of investors in our funds, our managing partners and other professionals have invested their own capital in our funds. Our managing partners and other professionals will either re-invest their carried interest to fund these investments or use cash on hand or funds borrowed from third parties. On occasion, we have provided guarantees to lenders in respect of funds borrowed by some of our professionals to fund their capital commitments. We do not provide guarantees for our managing partners or other senior executives. We generally have not historically charged management fees or carried interest on capital invested by our managing partners and other professionals directly in our private equity and capital markets funds.

Co-Investments

Investors in many of our funds, as well as other investors, may have the opportunity to make co-investments with the funds. Co-investments are investments in portfolio companies or other assets generally on the same terms and conditions as those to which the applicable fund is subject.

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisors of our funds are affiliates of certain of our subsidiaries that are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended ("Investment Advisers Act"). Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions.

AFT is a registered investment company under the Investment Company Act, as amended and is subject to the requirements and regulations of the Investment Company Act and the rules thereunder.

AINV elected to be treated as a business development company under the Investment Company Act.

In order to maintain its status as a regulated investment company under Subchapter M of the Internal Revenue Code, AINV is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, in order to avoid excise tax, it needs to distribute at least 98% of its income (such income to include both ordinary income and net capital gains), which would take into account short-term and long-term capital gains and losses. AIC, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay an excise tax on this income. In addition, as a business development company, AINV must not acquire any assets other than "qualifying assets" specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of AINV's total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." In late 2006, the SEC adopted rules under the Investment Company Act to expand the definition of "eligible portfolio company" to include all private companies and companies whose securities are not listed on a national securities exchange. The rules also permit AINV to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition.

ARI elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code commencing with its taxable year ended December 31, 2009. To maintain its status as a REIT, ARI must distribute at least 90% of its taxable income to its shareholders and meet, on a continuing basis, certain other complex requirements under the Internal Revenue Code. AMTG also intends to elect to be taxed as a REIT under the Internal Revenue Code, commencing with its fiscal year ending December 31, 2011.

During 2011, the Company formed Apollo Global Securities, LLC ("AGS"), which is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, or "FINRA". From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, capital structure, record keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

Apollo Management International LLP is regulated by the U.K. Financial Services Authority.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of asset management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. Federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities.

However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Legal Officer serves as the Chief Compliance Officer and supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

We generally operate without information barriers between our businesses. In an effort to manage possible risks resulting from our decision not to implement these barriers, our compliance personnel maintain a list of issuers for which we have access to material, non-public information and for whose securities our funds and investment professionals are not permitted to trade. 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.

Competition

The asset management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and niche basis.

We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. We compete for outside investors based on a variety of factors, including:

- investment performance;
- 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.

Over the past several years, the size and number of private equity funds, capital markets and real estate funds has continued to increase, heightening the level of competition for investor capital.

In addition, fund managers have 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 acquired minority and/or debt 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.

Depending on the investment, we expect to face competition in acquisitions primarily from other private equity funds, specialized funds, hedge fund sponsors, other financial institutions, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these 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. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Businesses—The investment management business is intensely competitive, which could materially adversely impact us."

ITEM 1A. RISK FACTORS

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 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 "Item 11. Executive Compensation—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 "Item 13. 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 "Item 13. Certain Relationships and Related Party Transactions—Agreement Among Managing Partners" for a more detailed description of the terms of this agreement.

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. Global financial markets have experienced considerable volatility in the valuations of equity and debt securities, a contraction in the 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 debt securities, adversely impacted our operating results in recent periods reflected in the financial statements included in this report. If market conditions further deteriorate, our business could be affected in different ways. These events and general economic trends are likely to impact the performance of portfolio companies in many industries, particularly industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our private equity funds and our performance may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends.

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 financial downturn that began in 2007 adversely affected our operating results in a number of ways, and if the economy were to re-enter a period of recession, it may cause our revenue and results of operations to decline by causing:

- our AUM to decrease, lowering management fees from our funds;
- 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 event-driven hedge funds and senior credit 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.

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 lack of financing options for new leveraged buyouts resulting from the recent credit market dislocation, significantly reduced the pace of traditional buyout investments by our private equity funds.

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 April 20, 2007 credit facility that 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 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 on fee arrangements of our future funds.

Our funds may not be successful in consummating their current 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.

Over the last few years, 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. In September 2009, the Institutional Limited Partners Association, or "ILPA," published a set of Private Equity Principles, or the "Principles," which were revised in January 2011. The Principles were developed in order to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced "alignment of interests" between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and carried interest structures.

We provided ILPA our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so. For example, on April 20, 2010, we 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 a five-year period 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 could result in a decrease in AUM and management fee and transaction fee revenue or us being unable to achieve an increase in AUM and management fee and transaction fee revenue, and could have a material adverse effect on our financial condition 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 certain of our capital markets and real estate 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 report 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, our reputation and our ability to raise new funds. 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 few years and may experience in the 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 the availability of distressed debt opportunities, 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 report 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 realized investment track record;
- Fund VI and Fund VII are several times larger than our previous private equity funds, and this additional capital may not be deployed 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 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 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 report, including risks of the industries and businesses in which a particular fund invests. See "Item 7. 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 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 "Item 7. 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 fluctuations, 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. 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 of 1933 ("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 "Item 1. 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. 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.

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. 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 could result in investigations, sanctions and reputational damage.

In June 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.

In November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the "AIFM." The AIFM was entered into force in early 2011 and EU member states are required to implement the AIFM into their national laws within two years (by early 2013). The AIFM imposes 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 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 2011) will be limited on the basis of earnings before interest and taxes and/or asset tax values. According to the German legislative amendments, under the German interest barrier rule, the tax deduction available to a company in respect of net interest expense (interest expense less interest income) is limited to 30% of its tax EBITDA (interest expense that does not exceed the threshold of €3m can be deducted without any limitations for income tax purposes). Interest expense in excess of the interest deduction limitation may be carried forward indefinitely (subject to change in ownership restrictions) and used in future periods against all profits and gains. In respect of a tax group, interest paid by the German tax group entities to non-tax group parties (e.g. interest on bank debt, capex facility and working capital facility debt) will be restricted to 30% of the tax group's tax EBITDA. However, the interest barrier rule may not apply where German company's gearing under IFRS accounting principles is at maximum of 2% higher than the overall group's leverage ratio at the level of the very top level entity which would be subject to IFRS consolidation (the "escape clause test"). This test is failed where any worldwide company of the entire group pays more than 10% of its net interest expense on debt to substantial (i.e. greater than 25%) shareholders, related parties of such shareholders (that are not members of the group) or secured third parties (although security granted by group members should not be harmful). If the group does not apply IFRS accounting principles, EU member countries' GAAP or US GAAP may also be accepted for the purpose of the escape clause test. It should be noted that for trade tax purposes, there is principally a 25% add back on all deductible interest paid or accrued by any German entity. 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. See "—Risks Related to Our Organization and Structure." Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of the Class A Shares could be adversely affected. 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. 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 constitutes 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 and real estate 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 a number 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 event-driven 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 during the crisis, 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 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 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, fund managers have 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. 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.

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.

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
- 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.

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.

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 generally accepted accounting principles in the United States of America, or “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 rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

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 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 either April 20, 2014 or January 3, 2017. 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.

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 report 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. 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 all or 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.

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we manage. Although the U.S. economy has improved, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governmental agencies in the U.S. and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. For example, performance of theatre exhibition companies could be adversely affected by poor box office performance, increased competition from other forms of out-of-home entertainment, as well as the continued increase in use of alternative film delivery methods. Similarly, the gaming industry is highly competitive, and in recent periods, supply has typically grown at a faster pace than demand in some markets. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies (including pricing pressure) of gaming companies have increased competition in many markets, and such competitive pressures have and are expected to continue to adversely affect financial performance of gaming companies in such markets. Cruise ship operations are also susceptible to adverse changes in the economic climate, such as higher fuel prices, as increases in the cost of fuel globally would increase the cost of cruise ship operations. Economic and political conditions in certain parts of the world make it difficult to predict the price of fuel in the future. In addition, cruise ship operators could experience increases in other operating costs, such as crew, insurance and security costs, due to market forces and economic or political instability beyond their control. In respect of real estate, even though the U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on the companies' performance, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

The performance of certain of our portfolio companies in the chemical and refining industries is subject to the cyclical and volatile nature of the supply-demand balance in these industries. These industries historically have experienced alternating periods of capacity shortages leading to tight supply conditions, causing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins. In addition to changes in the supply and demand for products, the volatility these industries experience occurs as a result of changes in energy prices, costs of raw materials and changes in various other economic conditions around the world. The performance of investments we may make in the commodities markets is also subject to a high degree of business and market risk, as it is substantially dependent upon prevailing prices of oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments in the commodities markets to deploy hedging strategies to protect against pricing fluctuations (but that may or may not protect our investments).

Our funds' investments in commercial mortgage loans and other commercial real-estate related loans are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with mortgage loans made on the security of residential properties. If the net operating income of the commercial property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by various factors, such as success of tenant businesses, property management decisions, competition from comparable types of properties and declines in regional or local real estate values and rental or occupancy rates.

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 AINV'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, AINV 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, AINV 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. AINV's stockholders have, in the past, approved a plan so that during the subsequent 12-month period, AINV 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. AINV 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.
- 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 Our Class A Shares

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.

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 distributions, 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;
- 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 of our Class A shares 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.

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 report.

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. As of December 31, 2011, we had 123,923,042 Class A shares outstanding. The Class A shares reserved under the Equity Plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and Apollo Operating Group units exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. Taking into account grants of RSUs and options made through December 31, 2011, 41,900,162 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, owned an aggregate of 65.9% of the Apollo Operating Group units as of December 31, 2011. 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. These Class A shares are eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations.

Our managing partners and contributing partners (through Holdings) 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 initial public offering of our Class A shares.

The Strategic Investors have the ability to cause us to register any of their non-voting Class A shares beginning two years after the initial public offering of our Class A shares, and, generally, may only transfer their non-voting Class A shares prior to such time to its controlled affiliates.

We have on 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, such shares will be freely tradable.

We cannot assure you that our intended quarterly distributions 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 distributions, 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 distributions 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 represented 79.0% of the total combined voting power of our shares entitled to vote as of December 31, 2011. 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.

Risks Related to Our Organization and Structure

Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected.

The U.S. Congress, the IRS and the U.S. Treasury Department have recently examined 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 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. In May 2010, the U.S. House of Representatives passed legislation (the "May 2010 House Bill") that would have, in general, treated income and gains, including gain on sale, attributable to an interest in an investment services partnership interest ("ISPI") as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI would have been 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 United States Senate considered, but did not pass, similar legislation. On February 14, 2012, Representative Levin introduced similar legislation (the "2012 Levin Bill") that would tax carried interest at ordinary income rates (which would be higher than the proposed blended rate in the May 2010 House Bill). It is unclear when or whether the U.S. Congress will pass such legislation or what provisions would be included in any legislation, if enacted.

Both the May 2010 House Bill and the 2012 Levin Bill provide 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 would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation were to be 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.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, now treated as capital gains, including gain on disposition of interests attributable to an ISPI, at rates higher than the capital gains rate applicable to such income under current law, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of carried interest. Furthermore, in the proposed American Jobs Act, the Obama administration proposed that current law regarding the treatment of carried interest be changed for taxable years ending after December 31, 2012 to subject such income to ordinary income tax. In its published revenue proposal for 2013, the Obama administration proposed that the current law regarding treatment of carried interest be changed to subject such income to ordinary income tax. The Obama administration's published revenue proposals for 2010, 2011 and 2012 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation would be enacted.

On February 22, 2012, the Obama administration announced its framework of key elements to change the U.S. federal income tax rules for businesses. Few specifics were included, and it is unclear what any actual legislation could provide, when it would be proposed, or its prospects for enactment. Several parts of the framework, if enacted, could adversely affect us. First, the framework could reduce the deductibility of interest for corporations in some manner not specified. A reduction in interest deductions could increase our tax rate and thereby reduce cash available for distribution to investors or for other uses by us. Such a reduction could also limit our ability to finance new transactions and increase the effective cost of financing by companies in which we invest, which could reduce the value of our carried interest in respect of such companies. The framework also suggests that some entities currently treated as partnerships for tax purposes could be subject to an entity-level income tax similar to the corporate income tax. If such a proposal caused us to be subject to additional entity-level taxes, it could reduce cash available for distribution to investors or for other uses by us. The framework reiterates the President's support for treatment of carried interest as ordinary income, as provided in the President's revenue proposal for 2013 described above. However, whether the President's framework will actually be enacted by the government is unknown, and the ultimate consequences of tax reform legislation, if any, are also presently not known.

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 had 79.0% of the voting power of Apollo Global Management, LLC as of December 31, 2011. Therefore, they 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 controlled 79.0% of the combined voting power of our shares entitled to vote as of December 31, 2011. 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 65.9% of Apollo Operating Group's economic returns through the Apollo Operating Group units owned by Holdings as of December 31, 2011. 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 qualify for, and rely on, exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We qualify for exceptions from certain corporate governance and other requirements under the rules of the NYSE. Pursuant to these exceptions, we have elected 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 are not 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.
- 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 “Item 13. Certain Relationships and Related Party Transactions” 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.

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 report. 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 distributions may be limited by our holding company structure. We are dependent on distributions from the Apollo Operating Group to pay distributions, taxes and other expenses.

As a holding company, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. We intend to distribute quarterly distributions 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 distributions 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 distributions 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 are 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 has 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. In April 2011 and April 2010, the Apollo Operating Group made a distribution of $39.8 million and $15.0 million, respectively, to APO Corp., and APO Corp. made payment to satisfy the liability under the tax receivable agreement to the managing partners and contributing partners from a realized tax benefit for the 2010 and 2009 tax year. In April 2009, APO Corp. made payment of $9.1 million pursuant to the tax receivable agreement. Prior to 2010, the distribution percentage was governed by a special allocation as discussed in footnote 15 of our consolidated financial statements and as a result, the Apollo Operating Group made a total distribution of $27.0 million in 2009 to APO Corp. and Holdings, respectively, in accordance with their pro rata interests, to satisfy the liability under the tax receivable agreement. Of the distribution, $17.9 million was distributed to the managing partners and contributing partners in 2009 from a realized tax benefit for the 2008 tax year. 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 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 "Item 13. 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 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 distributions 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.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to entity level taxation. See "—Risks Related to Our Organization and Structure—The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as the market price of our units, could be reduced." 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 distributions to you would be reduced.

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. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our Class A shares. For example, as discussed above under "— Risks Related to Our Organization and Structure— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected," the U.S. Congress has considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes.

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 Class A shares 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.

Our interests in certain of our businesses are held through entities that are 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, we hold our interests in certain of our businesses through entities that are 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.

Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under the U.S. Foreign Account Tax Compliance Act, or FATCA, all entities in a broadly defined class of foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or, beginning in 2014, be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2015, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or, beginning in 2014, be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2015, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). The reporting obligations imposed under FATCA require FFIs to enter into agreements with the IRS to obtain and disclose information about certain investors to the IRS. Regulations implementing FATCA have not yet been finalized. Recently issued proposed regulations if finalized would delay the implementation of certain reporting requirements under FATCA but no assurance can be given that the proposed regulations will be finalized or that any final regulations will include any delay. Accordingly, some foreign investors may hesitate to invest in U.S. funds until there is more certainty around FATCA implementation. In addition, the administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors.

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.

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 have therefore adopted 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 have adopted 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.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes. We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all holders of Class A shares and could result in a deferral of depreciation deductions allowable in computing our taxable income.

Non-U.S. persons face unique U.S. tax issues from owning Class A shares that may result in adverse tax consequences to them.

In light of our investment activities, we may be, or may become, engaged in a U.S. trade or business for U.S. federal income tax purposes, in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders of our Class A shares, or “ECI.” Moreover, dividends paid by an investment that we make in a real estate investment trust, or “REIT,” that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. holders of our Class A shares. In addition, certain income of non-U.S. holders from U.S. sources not connected to any U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, each non-U.S. holder generally would be subject to withholding tax on its allocable share of such income, would be required to file a U.S. federal income tax return for such year reporting its allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders may be reduced by withholding taxes imposed at the highest effective applicable tax rate.

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.

Class A shareholders may be subject to state and local taxes and return filing requirements as a result of investing in our Class A shares.

In addition to U.S. federal income taxes, our Class A shareholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our Class A shareholders do not reside in any of those jurisdictions. Our Class A shareholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, Class A shareholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Class A shareholder to file all U.S. federal, state and local tax returns that may be required of such Class A shareholder.

We may not be able to furnish to each Class A shareholder specific tax information within 90 days after the close of each calendar year, which means that holders of Class A shares who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that Class A shareholders may be required to file amended income tax returns.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each Class A shareholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, Class A shareholders who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that a Class A shareholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a Class A shareholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each Class A shareholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease the space for our offices in Purchase, NY, California, Houston, London, Singapore, Frankfurt, Mumbai, Hong Kong and Luxembourg. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

ITEM 3. LEGAL PROCEEDINGS

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.

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 Apollo’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. Plaintiffs’ fourth amended complaint, filed on October 7, 2010, adds Apollo Global Management, LLC, as a defendant. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo’s motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint that adds ten additional transactions and expands the scope of the class seeking relief. On September 7, 2011, the Court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. The Court set April 17, 2012, as the deadline for completing all fact discovery. Currently, Apollo 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, ruling that Apollo was released from the only transaction in which it allegedly was involved. While plaintiffs have survived Apollo’s motion to dismiss the fourth amended complaint, the Court stated in denying the motion that it will consider the statute of limitations (one of the bases for Apollo’s motion to dismiss) at the summary judgment stage. Based on the applicable statute of limitations, among other reasons, Apollo believes that plaintiffs’ claims lack factual and legal merit. For these reasons, no estimate of possible loss, if any, can be made at this time.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The report of the CalPERS Special

Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (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 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. Finally, on December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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 consolidated financial statements. Legal actions material to us could, however, arise in the future.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A shares are traded on the New York Stock Exchange ("NYSE") under the symbol "APO." Our Class A shares began trading on the NYSE on March 30, 2011.

The number of holders of record of our Class A shares as of March 7, 2012 was 6. This does not include the number of shareholders that hold shares in "street name" through banks or broker-dealers.

Cash Distribution Policy

With respect to fiscal year 2011, we have paid four cash distributions of $0.17, $0.22, $0.24 and $0.20 per Class A share on January 14, June 1, August 29 and December 2, 2011 (aggregating $0.83 per Class A share) to record holders of Class A shares and we have declared an additional cash distribution of $0.46 per Class A shares to shareholders in respect of the fourth quarter of 2011 payable on February 29, 2012 to holders of record of Class A shares at the close of business on February 23, 2012. These distributions related to fiscal year 2011 represented 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 business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

The following table sets forth the high and low intra-day sales prices per unit of our Class A shares, for the periods indicated, as reported by the NYSE:

	Sales Price	
2011	High	Low
First Quarter	$ 19.00	$ 17.91
Second Quarter	18.91	15.27
Third Quarter	17.94	9.83
Fourth Quarter	14.21	8.85

Our current 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. 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 distribution 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 distribution will be at the sole discretion of our manager, which may change our cash distribution policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly distribution, 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 distributions 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 distribution, 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 distribution we have declared; and
- ***Third***, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

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. There can be no assurance that we will pay cash distributions 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 distributions, 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 distributions 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 cash distribution policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay distributions according to our cash distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions.

As of December 31, 2011, approximately 25.8 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, to be paid in the form of cash compensation.

Class A Shares Repurchases in the Fourth Quarter of 2011

No purchases of our Class A shares were made by us or on our behalf in the fourth quarter of the year ended December 31, 2011.

Unregistered Sale of Equity Securities

On October 10, 2011 and November 10, 2011, we issued 51,663 and 1,011,248 Class A shares, net of taxes, to Apollo Management Holdings, L.P., respectively, for an aggregate purchase price of $543,494 and $13,409,148, respectively. The issuances were exempt from registration under the Securities Act in accordance with Section 4(2) and Rule 506 thereof, as transactions by the issuer not involving a public offering. We determined that the purchaser of Class A shares in the transactions, Apollo Management Holdings, L.P., was an accredited investor.

Use of Proceeds from Initial Public Offering

The effective date of Apollo Global Management, LLC's registration statement filed on Form S-1 under the Securities Act (File No. 333-150141) relating the initial public offering of Class A shares, representing Class A limited liability company interests of Apollo Global Management, LLC, was March 29, 2011. A total of 21,500,000 Class A shares were offered for sale by us and 8,257,559 Class A shares were offered for resale by certain selling shareholders. Goldman, Sachs & Co., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated acted as representatives of the underwriter and, together with Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., UBS Securities LLC, Barclays Capital Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, acted as joint book-running managers of the offering. The initial public offering was completed on April 4, 2011.

The aggregate offering price for the Class A shares offered by selling shareholders was approximately $156.9 million and the related underwriting discounts where approximately $9.4 million. We did not receive any of the proceeds from the sale of Class A shares offered by selling shareholders participating in the initial public offering.

The aggregate offering price for the Class A shares offered by us was approximately $408.5 million and the related underwriting discounts were approximately $24.5 million, none of which was paid to affiliates of Apollo Global Management, LLC. We incurred approximately $1.5 million of other expenses in connection with the initial public offering. The net proceeds from the sale of 21,500,000 Class A shares offered by us totaled approximately $382.5 million. We have used the proceeds from the initial public offering for general corporate purposes and to fund growth initiatives.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data."

The selected historical consolidated statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2011, 2010 and 2009 and the selected historical consolidated statements of financial condition data as of December 31, 2011 and 2010 have been derived from our consolidated financial statements which are included in Item 8. Financial Statements and Supplementary Data.

We derived the selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2008 and 2007 and the selected consolidated and combined statements of financial condition data as of December 31, 2009, 2008 and 2007 from our audited consolidated and combined financial statements which are not included in this document.

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The selected historical financial data are not indicative of our expected future operating results. In particular, after undergoing the Reorganization on July 13, 2007 ("2007 Reorganization") 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.

	Year Ended December 31,				
	2011	2010	2009	2008	2007(5)
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates	$ 81,953	$ 79,782	$ 56,075	$ 145,181	$ 150,191
Management fees from affiliates	487,559	431,096	406,257	384,247	192,934
Carried interest (loss) income from affiliates	(397,880)	1,599,020	504,396	(796,133)	294,725
Total Revenues	171,632	2,109,898	966,728	(266,705)	637,850
Expenses:					
Compensation and benefits:					
Equity-based compensation	1,149,753	1,118,412	1,100,106	1,125,184	989,849
Salary, bonus and benefits	251,095	249,571	227,356	201,098	149,553
Profit sharing expense	(63,453)	555,225	161,935	(482,682)	307,739
Incentive fee compensation	3,383	20,142	5,613	—	3,189
Total Compensation and Benefits	1,340,778	1,943,350	1,495,010	843,600	1,450,330
Interest expense	40,850	35,436	50,252	62,622	105,968
Interest expense—beneficial conversion feature	—	—	—	—	240,000
Professional fees	59,277	61,919	33,889	76,450	81,824
Litigation settlement(1)	—	—	—	200,000	—
General, administrative and other	75,558	65,107	61,066	71,789	36,618
Placement fees	3,911	4,258	12,364	51,379	27,253
Occupancy	35,816	23,067	29,625	20,830	12,865
Depreciation and amortization	26,260	24,249	24,299	22,099	7,869
Total Expenses	1,582,450	2,157,386	1,706,505	1,348,769	1,962,727
Other Income (Loss):					
Net (loss) income from investment activities	(129,827)	367,871	510,935	(1,269,100)	2,279,263
Net gains from investment activities of consolidated variable interest entities	24,201	48,206	—	—	—
Income (loss) from equity method investments	13,923	69,812	83,113	(57,353)	1,722
Interest income	4,731	1,528	1,450	19,368	52,500
Gain from repurchase of debt(2)	—	—	36,193	—	—
Dividend income from affiliates	—	—	—	—	238,609
Other income (loss), net	205,520	195,032	41,410	(4,609)	(36)
Total Other Income (Loss)	118,548	682,449	673,101	(1,311,694)	2,572,058
(Loss) Income Before Income Tax (Provision) Benefit	(1,292,270)	634,961	(66,676)	(2,927,168)	1,247,181
Income tax (provision) benefit	(11,929)	(91,737)	(28,714)	36,995	(6,726)
Net (Loss) Income	(1,304,199)	543,224	(95,390)	(2,890,173)	1,240,455
Net loss (income) attributable to Non-Controlling Interests (3)(4)	835,373	(448,607)	(59,786)	1,977,915	(1,810,106)
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	$ (155,176)	$ (912,258)	$ (569,651)
Distributions Declared per Class A share	$ 0.83	$ 0.21	$ 0.05	$ 0.56	$ —
Net (Loss) Income Per Class A Share—Basic and Diluted	$ (4.18)	$ 0.83	$ (1.62)	$ (9.37)	$ (11.71)(6)
Statement of Financial Condition Data					
Total assets	$ 7,975,873	$6,552,372	$3,385,197	$ 2,474,532	$ 5,115,642
Debt (excluding obligations of consolidated variable interest entities)	738,516	751,525	933,834	1,026,005	1,057,761
Debt obligations of consolidated variable interest entities	3,189,837	1,127,180	—	—	—
Total shareholders' equity	2,648,321	3,081,419	1,299,110	325,785	2,408,329
Total Non-Controlling Interests	1,921,920	2,930,517	1,603,146	822,843	2,312,286

(1) 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 proceeds of $162.5 million and $37.5 million are included in other income during the years ended December 31, 2010 and 2009, respectively.

(2) 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 (loss) income in the consolidated and combined statements of operations for the year ended December 31, 2009.

(3) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain individuals who receive an allocation of income from certain of our capital markets management companies.

(4) Reflects the Non-Controlling Interests in the net (loss) income of the Apollo Operating Group relating to the units held by our managing partners and contributing partners post-Reorganization which is calculated by applying the ownership percentage of Holding in the Apollo Operating Group.

The ownership interest was impacted by a share repurchase in February 2009, the Company's IPO in April 2011, and issuances of Class A shares in settlement of vested RSUs in 2010 and 2011. Refer to Item 8. Financial Statements and Supplementary Data, Note 13 to our consolidated financial statements for details of the ownership percentage for each period presented.

(5) Significant changes in the consolidated and combined statement of operations for 2007 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, AAA 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.

(6) This per share (loss) income is for the period July 13, 2007 through December 31, 2007, from the date of reorganization to year end.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Apollo Global Management, LLC's consolidated financial statements and the related notes as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009. 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 of this report entitled "Item 1A. Risk Factors." The highlights listed below have had significant effects on many items within our consolidated 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 investment 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 and invest funds and managed accounts 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 primarily in the United States and substantially all of its revenues are generated domestically. These businesses are conducted through the following three reportable segments:

(i) ***Private equity***—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***—invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors 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 exclude 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 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

Global equity markets remained volatile during 2011. The debate over the United States debt ceiling and continued concerns over European sovereign debt resulted in considerable volatility and declines in financial markets around the world. The S&P 500 and Dow Jones Industrial Average were up approximately 2% and 8%, respectively, during 2011, while the VIX (a measure of market volatility) surged approximately 32% during the same period. The credit markets in which Apollo is most active also suffered losses, and financing activity in those markets slowed. During the volatile economic environment, 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 third quarter of 2007 and through December 31, 2011, we have deployed approximately $28.5 billion of gross invested capital across our private equity and certain 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 fourth quarter of 2007 through December 31, 2011, the funds managed by Apollo have acquired approximately $15.6 billion in face value of distressed debt at discounts to par value and purchased approximately $37.4 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, in certain cases, attractive long-term, low cost financing.

In addition to deploying capital in new investments, we have been depending on our over 20 years of experience to enhance value in the current investment portfolio of the funds to which we serve as an investment manager. 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 December 31, 2011, Fund VI and its underlying portfolio companies purchased or retired approximately $19.4 billion in face value of debt and captured approximately $9.6 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Caesars 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 $3.1 billion of cost savings programs on an aggregate basis from the date Fund VI invested in them through December 31, 2011, which we believe will positively impact their operating profitability.

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.

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," "invested capital" or "stockholders' equity," each as defined in 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.

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 funds' 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 can 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 "Item 1A. 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 treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules.

See "Item 1A. 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," "Item 1A. 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."

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 is a measure of profitability and 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 RSUs granted in connection with the 2007 private placement and amortization of Apollo Operating Group units ("AOG Units"), income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements. Adjustments relating to income tax expense, intangible asset amortization and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of the non-cash charges related to our reorganization for equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

During the fourth quarter of 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, capital markets and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the years ended December 31, 2011, 2010 and 2009, respectively.

	Impact of Modification on ENI			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2011	$(22,756)	$(32,711)	$ (9,723)	$(65,190)
For the year ended December 31, 2010	(6,525)	(23,449)	(3,975)	(33,949)
For the year ended December 31, 2009	7,226	(8,009)	(1,652)	(2,435)

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. Management also believes the components of ENI such 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 indicate a need for additional capital to be deployed into the respective segment.
- Decisions related to expense, such as determining annual discretionary bonuses and equity-based compensation awards 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 income earned in relation to the funds we manage, with our own interests 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 of investment professionals whereas a negative ENI could indicate the need to reduce bonuses based on poor performance.

The calculation of ENI has certain limitations and as such, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results. These limitations include omission of the following:

(i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, although these costs are expected to be recurring components of our costs we may be able to incur lower cash compensation costs with the granting of equity-based compensation;

(ii) income tax, which represents a necessary and recurring element of our operating costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense;

(iii) amortization of intangible assets associated with the 2007 Reorganization and acquisitions, which is a recurring item until all intangibles have been fully amortized; and

(iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company.

We believe that ENI is helpful for 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 "—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 RSUs granted in connection with the 2007 private placement and non-cash equity-based compensation expense comprising amortization of AOG Units. 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 RSUs granted in connection with the 2007 private placement and amortization of AOG Units because these non-cash charges are 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.
- Inclusion of amortization of intangible assets associated with the 2007 Reorganization and subsequent acquisitions as these non-cash charges are not viewed as part of our core operations.
- 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 consolidated funds, which remain consolidated in our consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds. One exception is the non-controlling interest related to certain individuals who receive an allocation of income from certain of our capital markets management companies which is deducted from ENI to better reflect the performance attributable to shareholders.

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. A reconciliation of ENI to our U.S. GAAP net income (loss) attributable to Apollo Global Management, LLC can be found in the notes to our consolidated financial statements.

Operating Metrics

We monitor certain operating metrics that are common to the alternative investment 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 investments 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 certain senior credit funds, which are structured as collateralized loan obligations (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) or certain collateralized loan obligation and collateralized debt obligation credit funds that have a fee generating basis other than mark-to-market asset values, plus used or available leverage and/or capital commitments;

(iii) the gross asset values or net asset value 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 investments 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.

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 investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

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 par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as 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, (e) structured portfolio vehicle investments that do not generate monitoring fees and (f) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value. 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 December 31, 2011, 2010 and 2009. The changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

	As of December 31,		
	2011	2010	2009
		(in millions)	
Private Equity	$ 35,384	$ 38,799	$ 34,002
Fee-generating	28,031	27,874	28,092
Non-fee generating	7,353	10,925	5,910
Capital Markets	31,867	22,283	19,112
Fee-generating	26,553	16,484	14,854
Non-fee generating	5,314	5,799	4,258
Real Estate	7,971	6,469	495
Fee-generating	3,537	2,679	279
Non-fee generating	4,434	3,790	216
Total Assets Under Management	75,222	67,551	53,609
Fee-generating	58,121	47,037	43,225
Non-fee generating	17,101	20,514	10,384

During the year ended December 31, 2011, our total fee-generating AUM increased primarily due to acquisitions in our capital markets segment, as well as increases in subscriptions across our three segments. The fee-generating AUM of our capital markets funds increased primarily due to acquisitions in 2011 by Athene and AGM's Gulf Stream acquisition, as well as increased subscriptions. The fee-generating AUM of our real estate segment increased due to net segment transfers from other segments, subscriptions and increases in leverage, partially offset by losses and distributions. The fee-generating AUM of our private equity funds increased due to subscriptions, partially offset by distributions.

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 once realized and invested capital after also considering certain expenses and preferred return amounts, as specified in the 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 and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to realized carried interest on the realized gains on the dispositions investments. 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 and AMTG, 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 on value in excess of fund commitments. As of December 31, 2011, our total fee-generating AUM is comprised of approximately 88% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

The Company's entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM by segment as of December 31, 2011 and 2010 are presented below:

	As of December 31, 2011			
	Private Equity	Capital Markets	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$14,848	$ 2,747	$ 279	$ 17,874
Fee-generating AUM based on invested capital	8,635	2,909	1,820	13,364
Fee-generating AUM based on gross/adjusted assets	948	15,862	1,213 (4)	18,023
Fee-generating AUM based on leverage (1)	3,600	3,213	—	6,813
Fee-generating AUM based on NAV	—	1,822	225	2,047
Total Fee-Generating AUM	$28,031 (2)	$26,553 (3)	$3,537	$58,121

(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, 2011 is 65 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, 2010			
	Private Equity	Capital Markets	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$14,289	$ 1,689	$ 154	$ 16,132
Fee-generating AUM based on invested capital	8,742	3,093	1,750	13,585
Fee-generating AUM based on gross/adjusted assets	1,177	5,556	—	6,733
Fee-generating AUM based on leverage (1)	3,666	3,577	—	7,243
Fee-generating AUM based on NAV	—	2,569	775	3,344
Total Fee-Generating AUM	$ 27,874 (2)	$16,484 (3)	$2,679	$ 47,037

(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, 2010 is 76 months.
(3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.

AUM as of December 31, 2011, 2010 and 2009 was as follows:

	Total Assets Under Management As of December 31,		
	2011	2010	2009
	(in millions)		
AUM:			
Private equity	$ 35,384	$ 38,799	$ 34,002
Capital markets	31,867	22,283	19,112
Real estate	7,971	6,469	495
Total	$75,222	$67,551	$53,609

The following table presents total Assets Under Management and Fee Generating Assets Under Management amounts for our private equity segment by strategy:

	Total AUM As of December 31,			Fee Generating AUM As of December 31,		
	2011	2010	2009	2011	2010	2009
	(in millions)					
Traditional Private Equity Funds	$ 34,232	$ 37,341	$32,822	$26,984	$26,592	$27,096
AAA	1,152	1,458	1,180	1,047	1,282	996
Total	$35,384	$38,799	$ 34,002	$ 28,031	$ 27,874	$ 28,092

The following table presents total Assets Under Management and Fee Generating Assets Under Management amounts for our capital markets segment by strategy:

	Total AUM As of December 31,			Fee Generating AUM As of December 31,		
	2011	2010	2009	2011	2010	2009
	(in millions)					
Distressed and Event-Driven Hedge Funds	$ 1,867	$ 2,759	$ 2,428	$ 1,783	$ 2,423	$ 2,021
Mezzanine Funds	3,904	4,503	4,306	3,229	3,483	3,435
Senior Credit Funds	15,405	11,210	9,272	11,931	7,422	6,896
Non-Performing Loan Fund	1,935	1,908	1,868	1,636	1,689	1,807
Other[(1)]	8,756	1,903	1,238	7,974	1,467	695
Total	$31,867	$22,283	$19,112	$26,553	$16,484	$14,854

(1) Includes strategic investment accounts and investments held through Athene.

The following table presents total Assets Under Management and Fee Generating Assets Under Management amounts for our real estate segment by strategy:

	Total AUM As of December 31,			Fee Generating AUM As of December 31,		
	2011	2010	2009	2011	2010	2009
	(in millions)					
Fixed Income	$ 4,042	$ 2,827	$495	$ 1,411	$ 549	$279
Equity	3,929	3,642	—	2,126	2,130	—
Total	$7,971	$6,469	$495	$ 3,537	$2,679	$279

The following tables summarize changes in total AUM and total AUM for each of our segments for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31,		
	2011	2010(1)	2009(1)
	(in millions)		
Change in Total AUM:			
Beginning of Period	$67,551	$ 53,609	$ 44,202
(Loss) income	(1,477)	8,623	9,465
Subscriptions/capital raised	3,797	617	1,828
Other inflows/acquisitions	9,355	3,713	—
Distributions	(5,153)	(2,518)	(1,372)
Redemptions	(532)	(338)	(261)
Leverage	1,681	3,845	(253)
End of Period	$ 75,222	$67,551	$53,609
Change in Private Equity Total AUM:			
Beginning of Period	$ 38,799	$ 34,002	$ 29,094
(Loss) income	(1,612)	6,387	6,215
Subscriptions/capital raised	417	—	—
Distributions	(3,464)	(1,568)	(827)
Net segment transfers	167	(68)	216
Leverage	1,077	46	(696)
End of Period	$ 35,384	$ 38,799	$ 34,002
Change in Capital Markets Total AUM:			
Beginning of Period	$ 22,283	$ 19,112	$ 15,108
(Loss) income	(110)	2,207	3,253
Subscriptions/capital raised	3,094	512	1,617
Other inflows/acquisitions	9,355	—	—
Distributions	(1,237)	(698)	(545)
Redemptions	(532)	(338)	(261)
Net segment transfers	(1,353)	(291)	(322)
Leverage	367	1,779	262
End of Period	$ 31,867	$ 22,283	$19,112
Change in Real Estate Total AUM:			
Beginning of Period	$ 6,469	$ 495	$ —
Income (loss)	245	29	(3)
Subscriptions/capital raised	286	105	211
Other inflows/acquisitions	—	3,713	—
Distributions	(452)	(252)	—
Net segment transfers	1,186	359	106
Leverage	237	2,020	181
End of Period	$ 7,971	$ 6,469	$ 495

(1) Reclassified to conform to current period's presentation.

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The following tables summarize changes in total fee-generating AUM and fee-generating AUM for each of our segments for the years ended December 31, 2011 and 2010:

	For the Year Ended December 31, 2011	2010
	(in millions)	
Change in Total Fee-Generating AUM:		
Beginning of Period	$ 47,037	$ 43,224
(Loss) income	(393)	1,244
Subscriptions/capital raised	2,547	1,234
Other inflows/acquisitions	9,355	2,130
Distributions	(734)	(1,327)
Redemptions	(481)	(291)
Net movements between Fee Generating/Non Fee Generating	761	(197)
Leverage	29	1,020
End of Period	$ 58,121	$ 47,037
Change in Private Equity Fee-Generating AUM:		
Beginning of Period	$ 27,874	$28,092
(Loss) income	(112)	391
Subscriptions/capital raised	410	—
Distributions	(272)	(432)
Net segment transfers	(88)	(59)
Net movements between Fee Generating/Non Fee Generating	285	(218)
Leverage	(66)	100
End of Period	$ 28,031	$ 27,874
Change in Capital Markets Fee-Generating AUM:		
Beginning of Period	$ 16,484	$ 14,854
Income	301	842
Subscriptions/capital raised	1,795	1,234
Other inflows/acquisitions	9,355	—
Distributions	(283)	(696)
Redemptions	(481)	(291)
Net segment transfers	(638)	(300)
Net movements between Fee Generating/Non Fee Generating	356	21
Leverage	(336)	820
End of Period	$26,553	$ 16,484
Change in Real Estate Fee-Generating AUM:		
Beginning of Period	$ 2,679	$ 278
(Loss) income	(582)	11
Subscriptions/capital raised	342	—
Other inflows/acquisitions	—	2,130
Distributions	(179)	(199)
Net segment transfers	726	359
Net movements between Fee Generating/Non Fee Generating	120	—
Leverage	431	100
End of Period	$ 3,537	$ 2,679

Private Equity

During the year ended December 31, 2011, the total AUM in our private equity segment decreased by $3.4 billion, or 8.8%. This decrease was primarily a result of distributions of $3.5 billion, including $1.5 billion from Fund VII and $0.9 billion from Fund IV and $0.8 billion from Fund VI. In addition, $1.6 billion of unrealized losses were incurred that were primarily attributable to Fund VI. Offsetting these decreases was a $1.1 billion increase in leverage, primarily from Fund VII and capital raised of $0.4 billion, primarily in ANRP.

During the year ended December 31, 2010, the total AUM in our private equity segment increased by $4.8 billion, or 14.1%. This increase was primarily impacted by improved investment valuations of $6.4 billion. This increase was partially offset primarily by $1.6 billion of distributions from Fund V.

During the year ended December 31, 2009, the total AUM in our private equity segment increased by $4.9 billion, or 16.9%. This increase was impacted by $6.2 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.

Capital Markets

During the year ended December 31, 2011, total AUM in our capital markets segment increased by $9.6 billion, or 43.0%. This increase was primarily attributable to inflows of $9.4 billion related to $6.4 billion from Athene and $3.0 billion from Gulf Stream. Also contributing to this increase was $3.1 billion of capital raised driven by $0.8 billion in Palmetto, $0.4 billion in FCI, $0.3 billion in AFT, $0.5 billion in Apollo European Strategic Investments L.P. and $0.2 billion in EPF II. Partially offsetting these increases were distributions of $1.2 billion and redemptions of $0.5 billion, as well as $1.4 billion in net transfers between segments.

During the year ended December 31, 2010, total AUM in our capital markets segment increased by $3.2 billion, or 16.6%. This increase was attributable to $2.2 billion in improved valuations, primarily in Athene of $0.4 billion and COF I and COF II of $0.7 billion and $0.2 billion, respectively, $1.8 billion of increased leverage primarily in COF II and Athene of $1.1 billion and $0.5 billion, respectively, and $0.5 billion of additional subscriptions. These increases were partially offset by $0.7 billion of distributions and $0.3 billion in redemptions.

During the year ended December 31, 2009, total 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 capital raised of $1.6 billion, which was primarily comprised of EPF, Palmetto and AIC of approximately $0.6 billion, $0.6 billion and $0.3 billion, respectively.

Real Estate

During the year ended December 31, 2011, total AUM in our real estate segment increased by $1.5 billion, or 23.2%. This increase was primarily attributable to $1.2 billion from other net segments. Also impacting this change was an increase in leverage of $0.2 billion, primarily for the AGRE CMBS Accounts. In addition, there was $0.2 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by $0.5 billion of distributions.

During the year ended December 31, 2010, total AUM in our real estate segment increased by approximately $6.0 billion. The overall AUM increase in our real estate segment was primarily driven by the acquisition of CPI during the fourth quarter of 2010, which had approximately $3.6 billion of AUM at

December 31, 2010. Additionally, $2.0 billion of incremental leverage was added during the year ended December 31, 2010 to our real estate segment, which was primarily attributable to the AGRE CMBS Accounts and ARI.

During the year ended December 31, 2009, total AUM in our real estate segment increased by $0.5 billion. This increase was comprised of $0.2 billion of capital raised that resulted from the initial public offering and concurrent private placement by ARI as well as the formation of the AGRE CMBS Accounts, which raised $0.1 billion in equity capital.

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 as of the reporting date. 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 Year Ended December 31,		
	2011	2010	2009
		(in millions)	
Private equity dollars invested	$3,350	$3,863	$3,476

The following table summarizes the uncalled private equity commitments as of December 31, 2011, 2010 and 2009:

	As of December 31,		
	2011	2010	2009
		(in millions)	
Uncalled private equity commitments	$8,204	$10,345	$13,027

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.

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 few years and may experience in the 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 the availability of distressed debt opportunities, 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 are derived 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 realized investment track record;
- Fund VI and Fund VII are several times larger than our previous private equity funds, and this additional capital may not be deployed 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; consequently, we do not provide return information for any funds which have not been actively investing capital for at least 24 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 a 12% gross IRR and a 9% net IRR since its inception through December 31, 2011, while Fund V has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2011. 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, including risks of the industries and businesses in which a particular fund invests. See "Item 1A. 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 of certain of our private equity funds portfolios. All amounts are as of December 31, 2011, unless otherwise noted:

	Vintage Year	Committed Capital	Total Invested Capital	Realized	Unrealized(1)	Total Value	As of December 31, 2011 Gross IRR	Net IRR	As of December 31, 2010 Gross IRR	Net IRR	As of December 31, 2009 Gross IRR	Net IRR
				(in millions)								
Fund VII	2008	$ 14,676	$10,623	$ 5,607	$ 9,769	$15,376	31%	22%	46%	32%	NM(2)	NM(2)
Fund VI	2006	10,136	11,766	4,572	9,268	13,840	6	5	13	10	5%	4%
Fund V	2001	3,742	5,192	11,155	1,446	12,601	61	44	62	45	62	46
Fund IV	1998	3,600	3,481	6,693	140	6,833	12	9	11	9	11	8
Fund III	1995	1,500	1,499	2,615	87	2,702	18	12	18	12	18	11
Fund I, II & MIA(3)	1990/92	2,220	3,773	7,924	—	7,924	47	37	47	37	47	37
Total		$ 35,874	$36,334	$38,566	$ 20,710	$59,276	39%(4)	25%(4)	39%(4)	26%(4)	39%(4)	26%(4)

(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," in this Report for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.

(2) Fund VII only commenced investing capital within 24 months prior to the period indicated. Given the limited investment period and overall longer investment period for private equity funds, the return information was deemed not yet meaningful.

(3) 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.

(4) Total IRR is calculated based on total cash flows for all funds presented.

Capital Markets

The following table summarizes the investment record for certain funds with a defined maturity date, and internal rate of return since inception, or "IRR", which is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. All amounts are as of December 31, 2011, unless otherwise noted:

	Year of Inception	Committed Capital	Total Invested Capital	Realized	Unrealized(1)	Total Value	As of December 31, 2011 Gross IRR	Net IRR	As of December 31, 2010 Gross IRR	Net IRR	As of December 31, 2009 Gross IRR	Net IRR
				(in millions)								
AIE II(2)	2008	$ 267.7	$ 614.4	$ 549.2	$ 237.9	$ 787.1	18.2%	14.2%	27.5%	21.8%	NM(3)	NM(3)
COF I	2008	1,484.9	1,613.2	1,028.0	1,910.2	2,938.2	25.0	22.4	32.5	29.0	NM(3)	NM(3)
COF II	2008	1,583.0	2,194.7	1,074.7	1,465.4	2,540.1	10.3	8.5	17.4	14.9	NM(3)	NM(3)
ACLF	2007	984.0	1,448.5	837.9	709.3	1,547.2	10.1	9.2	12.1	11.2	NM(3)	NM(3)
Artus	2007	106.6	190.1	30.7	171.4	202.1	3.6	3.4	3.0	2.8	NM(3)	NM(3)
EPF(2)	2007	1,678.8	1,410.7	843.2	966.7	1,809.9	16.6	8.8	14.8	7.9	NM(3)	NM(3)
Totals		$ 6,105.0	$ 7,471.6	$ 4,363.7	$ 5,460.9	$9,824.6						

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See "Item 1A. 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," in this Report for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.

(2) Fund is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.30 as of December 31, 2011.
(3) Returns have not been presented as the fund only commenced investing capital within the 24 months prior to the period indicated and therefore such return information was deemed not yet meaningful.

The following table summarizes the investment record for certain funds with no maturity date, except AIE I which is winding down. All amounts are as of December 31, 2011, unless otherwise noted:

	Year of Inception	Net Asset Value as of December 31, 2011	Net Return			
			Since Inception to December 31, 2011	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
		(in millions)				
AMTG(1)(2)	2011	$ 204.6(2)	NM(1)	NM(1)	N/A(2)	N/A(2)
AFT(1)(3)	2011	273.6	NM(1)	NM(1)	N/A(3)	N/A(3)
AAOF	2007	230.6	7.4%	(7.3)%	12.5%	16.2%
SOMA(4)	2007	963.0	25.9	(10.5)	16.9	87.1
AIE I (5)	2006	38.2	(50.0)	(4.4)	32.4	77.9
AINV(6)	2004	1,607.4	34.1	(5.1)	4.8	17.0
Value Funds(7)	2003/2006	765.6	50.0	(9.6)	12.2	57.7

(1) Returns have not been presented as the fund only commenced investing capital within 24 months prior to the period indicated and therefore such return information was deemed not yet meaningful.
(2) In July 2011, Apollo Residential Mortgage, Inc. ("AMTG") completed its initial public offering raising approximately $203.0 million in net proceeds.
(3) The Apollo Senior Floating Rate Fund Inc. ("AFT") completed its initial public offering during the first quarter of 2011.
(4) SOMA returns for primary mandate, which follows similar strategies as the Value Funds and excludes SOMA's investments in other Apollo funds.
(5) Fund is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.30 as of December 31, 2011.
(6) Net return from AINV represents NAV return including reinvested dividends.
(7) Value Funds consist of Apollo Strategic Value Master Fund, L.P., together with its feeder funds ("SVF") and Apollo Value Investment Master Fund, L.P., together with its feeder funds ("VIF").

The Company also manages Palmetto, which has committed capital and current invested capital of $1,518.0 million and $796.5 million, respectively, as of December 31, 2011.

Real Estate

The following table summarizes the investment record for certain funds with a defined maturity date, and internal rate of return since inception, or "IRR", which is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. All amounts are as of December 31, 2011, unless otherwise noted:

							As of December 31, 2011		As of December 31, 2010		As of December 31, 2009	
	Year of Inception	Committed Capital	Total Invested Capital	Realized	Unrealized(1)	Total Value	Gross IRR	Net IRR	Gross IRR	Net IRR	Gross IRR	Net IRR
				(in millions)								
AGRE U.S. Real Estate Fund, L.P(2)(3)	2011	$ 384.9	$ 37.1	$ —	$ 37.0	$ 37.0	NM(2)	NM(2)	N/A(3)	N/A(3)	N/A(3)	N/A(3)
CPI Capital Partners North America(4)	2006	600.0	451.8	218.3	125.7	344.0	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)
CPI Capital Partners Asia Pacific(4)(5)	2006	1,291.6	1,075.4	731.9	570.4	1,302.3	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)
CPI Capital Partners Europe(4)(6)	2006	1,506.4	924.5	52.8	418.6	471.4	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)	N/A(4)
CPI Other(7)	Various	4,791.6	—	—	—	—	N/A(7)	N/A(7)	N/A(7)	N/A(7)	N/A(7)	N/A(7)
Totals		$ 8,574.5	$2,488.8	$1,003.0	$ 1,151.7	$2,154.7						

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See "Item 1A. 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."

(2) Returns have not been presented as the fund only commenced investing capital within 24 months prior to the period indicated and therefore such return information was deemed not yet meaningful.

(3) AGRE U.S. Real Estate Fund, L.P., a newly formed closed-end private investment fund that intends to make real estate-related investments principally located in the United States, held closings in January 2011 and June 2011 for a total of $134.9 million in base capital commitments and $250 million in additional commitments.

(4) As part of the CPI acquisition, the Company acquired general partner interests in fully invested funds. The net IRRs from the inception of the respective fund to December 31, 2011 were (11.0)%, 3.5% and (17.2)% for CPI Capital Partners North America, CPI Capital Partners Asia Pacific and CPI Capital Partners Europe, respectively. These net IRRs were primarily achieved during a period in which Apollo did not make the initial investment decisions and Apollo has only become the general partner or manager of these funds since completing the acquisition on November 12, 2010.

(5) CPI Capital Partners Asia Pacific is a U.S. dollar denominated fund.

(6) Fund is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.30 as of December 31, 2011.

(7) Other consists of funds or individual investments of which we are not the general partner or manager and only receive fees pursuant to either a sub-advisory agreement or an investment management and administrative agreement. CPI Other fund performance is a result of invested capital prior to Apollo's management of these funds. Gross assets and return data is therefore not considered meaningful as we perform primarily an administrative role.

The following table summarizes the investment record for other certain real estate funds with no maturity date. All amounts are as of December 31, 2011, unless otherwise noted:

	Year of Inception	Raised Capital(1)	Gross Assets	Current Net Asset Value
			(in millions)	
ARI	2009	$ 354.3	$ 890.8	$ 337.0
AGRE CMBS Accounts (2)	Various	653.5	2,216.9	465.6
AGRE Debt Fund I, L.P.(2)	2011	155.5	156.1	155.7

(1) Reflects initial gross raised capital and does not include distributions subsequent to capital raise.
(2) Returns have not been presented as the funds only commenced investing capital within 24 months prior to the period indicated, and therefore such return information was deemed not yet meaningful.

For a description of each fund's investments and overall investment strategy, please refer to "Item 1. 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.

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 December 31, 2011	As of December 31, 2010	As of December 31, 2009
		(in millions)	
Private Equity:			
Cost	$15,956	$ 14,322	$ 12,788
Fair Value	20,700	22,485	15,971
Capital Markets:			
Cost	10,917	10,226	8,569
Fair Value	11,696	11,476	8,811
Real Estate(1):			
Cost	4,791(2)	4,028(3)	271
Fair Value	4,344(2)	3,368(3)	270

(1) The cost and fair value of the real estate investments represent the cost and fair value, respectively, of the current unrealized invested capital for ARI, the AGRE CMBS Accounts, AGRE U.S. Real Estate Fund L.P., CPI Capital Partners North America, AGRE Debt Fund I L.P., CPI Capital Partners Asia Pacific, and CPI Capital Partners Europe.
(2) Includes CPI Funds with investment cost and fair value of $1.5 billion and $1.1 billion, respectively, as of December 31, 2011. Additionally, ARI amounts include loans at amortized cost.
(3) All amounts are as of September 30, 2010 and include CPI Funds with investment cost of $1.8 billion and fair value of $1.1 billion. Additionally, ARI amounts include loans at amortized cost.

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 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 certain 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 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 Offsets 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.

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' assets at the reporting date, and distribution of the net proceeds in accordance with the funds' allocation provisions.

At December 31, 2011, approximately 66% of the fair value of our fund investments was determined using market-based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 34% was determined primarily by comparable company and industry multiples or discounted cash flow models. For our private equity, capital markets and real estate segments, the percentage determined using market-based valuation methods as of December 31, 2011 was 59%, 79% and 48%, respectively. See "Item 1A. Risk Factors—Risks Related to Our Businesses—Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest" for discussion regarding certain industry-specific risks that could affect the fair value of our private equity funds' portfolio company investments.

Carried interest income fee rates can be as much as 20% for our private equity funds. In our 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 expenses) in excess of an 8% hurdle rate. Additionally, certain of our capital markets funds have various carried interest rates and hurdle rates. Certain capital markets funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain capital markets and certain real estate funds, 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 distributed exceeds the amount due to the general partner based on a fund's cumulative investment returns. The accrual for potential repayment of previously received carried interest income 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. This actual general partner obligation, however, would not become payable or realized until the end of a fund's life.

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The table below presents an analysis of our (i) carried interest receivable and (ii) realized and unrealized carried interest (loss) income as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009:

	As of December 31, 2011	As of December 31, 2010	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010			For the Year Ended December 31, 2009		
	Carried Interest Receivable	Carried Interest Receivable	Unrealized Carried Interest (Loss) Income	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest Income	Realized Carried Interest Income	Total Carried Interest Income	Unrealized Carried Interest Income	Realized Carried Interest Income	Total Carried Interest Income
					(in millions)						
Private Equity Funds:											
Fund VII	$ 508.0	$ 604.7	$ (135.9)	$ 260.2	$ 124.3	$ 427.1	$ 38.7	$ 465.8	$ 177.2	$ 25.7	$ 202.9
Fund VI	—	648.3	(723.6)(2)	80.7	(642.9)	647.6(3)	13.1	660.7	—	20.7	20.7
Fund V	125.0	176.5	(51.6)	24.9	(26.7)	29.4	17.8	47.2	85.5	—	85.5
Fund IV	17.9	136.0	(118.1)	204.7	86.6	136.0(3)	—	136.0	—	1.6	1.6
AAA	22.1	12.6	9.5	—	9.5	11.4	—	11.4	0.3	—	0.3
Total Private Equity Funds	$ 673.0	$ 1,578.1	$ (1,019.7)	$ 570.5	$ (449.2)	$ 1,251.5	$ 69.6	$1,321.1	$ 263.0	$ 48.0	$ 311.0
Capital Markets Funds:											
Distressed and Event-Driven Hedge Funds (Value Funds, SOMA, AAOF)	$ 12.6	$ 67.5	$ (22.0)(2)	$ 1.7	$ (20.3)	$ 6.3	$ 57.2	$ 63.5	$ 11.9	$ 23.0	$ 34.9
Mezzanine Funds (AIE II, AINV)	17.4	27.3	(18.7)	54.9	36.2	11.7	60.1	71.8	—	50.4	50.4
Non-Performing Loan Fund (EPF)	51.5	—	53.2	—	53.2	—	—	—	—	—	—
Senior Credit Funds (ACLF, COF I/COF II, Gulf Stream)	114.1	194.2	(79.4)	62.0	(17.4)	85.9	56.7	142.6	108.2	—	108.2
Total Capital Markets Funds	$ 195.6	$ 289.0	$ (66.9)	$ 118.6	$ 51.7	$ 103.9	$ 174.0	$ 277.9	$ 120.1	$ 73.4	$ 193.5
Total	$ 868.6(1)	$ 1,867.1(1)	$ (1,086.6)	$ 689.1	$ (397.5)	$ 1,355.4	$ 243.6	$1,599.0	$ 383.1	$ 121.4	$ 504.5

(1) There was a corresponding profit sharing payable of $352.9 million and $678.1 million as of December 31, 2011 and 2010, respectively, that results in a net carried interest receivable amount of $515.7 million and $1,189.0 million as of December 31, 2011 and 2010, respectively.

(2) See the following table summarizing the fair value gains on investments and income needed to generate carried interest for funds and the related general partner obligation to return previously distributed carried interest income.

(3) $602.6 million and $136.0 million for Fund VI and IV, respectively, related to the catch-up formula whereby the Company earns a disproportionate return (typically 80%) for a portion of the return until the Company's carried interest equates to its 20% incentive fee rate.

As of December 31, 2011, the general partners of Fund IV, Fund V, Fund VII, AAA, the Value Funds, AIE II, COF I, COF II, AAOF, Gulf Stream and EPF were accruing carried interest income because the fair value of the investments of certain investors in these funds is in excess of the investors' cost basis and allocable share of expenses. The investment manager of AINV accrues carried interest as it is realized. Additionally, COF I, AIE II and EPF were each above their hurdle rates of 8.0%, 7.5% and 8.0%, respectively, and generating carried interest income.

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The general partners of certain of our distressed and event-driven 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 event-driven hedge funds have investors with various high water marks and are subject to market conditions and investment performance. As of December 31, 2011, approximately 27% of the limited partners' capital in the Value Funds was generating carried interest income.

Carried interest income from our private equity funds and certain capital markets and real estate 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 fund in the table below and are included in due to affiliates on the consolidated statements of financial condition. As of December 31, 2011, there were no such general partner obligations related to certain of our real estate funds. Carried interest receivables are reported on a separate line item within the consolidated statements of financial condition.

The following table summarizes our carried interest income since inception through December 31, 2011:

	Carried Interest Income Since Inception				
	Undistributed by Fund and Recognized	Distributed by Fund and Recognized	Total Undistributed and Distributed by Fund and Recognized(1)	General Partner Obligation as of December 31, 2011(1)	Maximum Carried Interest Income Subject to Potential Reversal(2)
			(in millions)		
Private Equity Funds:					
Fund VII	$ 508.0	$ 285.0	$ 793.0	$ —	$ 651.5
Fund VI	—	124.7	124.7	75.3	—
Fund V	125.0	1,277.6	1,402.6	—	246.7
Fund IV	17.9	592.5	610.4	—	57.1
AAA	22.1	6.2	28.3	—	22.1
Total Private Equity Funds	$ 673.0	$ 2,286.0	$ 2,959.0	$ 75.3	$ 977.4
Capital Markets Funds:					
Distressed and Event-Driven Hedge Funds (Value Funds, SOMA, AAOF)	$ 12.6	$ 139.3	$ 151.9	$ 18.1	$ 12.6
Mezzanine Funds (AIE II)(3)	8.0	12.5	20.5	—	20.5
Non-Performing Loan Fund (EPF)	51.5	—	51.5	—	51.5
Senior Credit Funds (ACLF, COF I/COF II, Gulf Stream)	114.1	118.6	232.7	—	233.0
Total Capital Markets Funds	$ 186.2	$ 270.4	$ 456.6	$ 18.1	$ 317.6
Total	$ 859.2	$2,556.4	$ 3,415.6	$ 93.4	$1,295.0

(1) Amounts were computed based on the fair value of fund investments on December 31, 2011. 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 or has been reduced by the general partner obligation to return previously distributed carried interest income or fees at December 31, 2011. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of the fund's investments based on contractual termination of the fund.

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(2) Represents the amount of carried interest income that would be reversed if remaining fund investments became worthless on December 31, 2011. 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, except for Fund IV which is gross of taxes.

(3) Mezzanine Funds amounts exclude (i) AINV, as carried interest income from this fund is not subject to contingent repayment by the general partner, and (ii) AIE I as this fund is winding down.

The following table summarizes the fair value gains on investments and the income needed to generate carried interest income for funds that are currently not generating carried interest income and have a general partner obligation to return previously distributed carried interest income based on the current fair value of the underlying funds' investments as of December 31, 2011:

Fund	General Partner Obligation(1)	Fair Value of Investments/Net Asset Value as of December 31, 2011	Fair Value Gain on Investments and Income to Cross Carried Interest Income Threshold
		(in millions)	
Fund VI	$ 75.3	$ 9,267.5(2)	$ 1,553.2
SOMA	18.1	963.0(3)	111.8
Total	$ 93.4	$ 10,230.5	$ 1,665.0

(1) Based upon a hypothetical liquidation of Fund VI and SOMA as of December 31, 2011, Apollo has recorded a general partner obligation to return previously distributed carried interest income, which represents amounts due to these funds. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of the fund's investments based on contractual termination of the fund.

(2) Represents fair value of investments.

(3) Represents net asset value.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, incentive fee compensation and profit sharing expense associated with the carried interest income earned from private equity funds and capital markets funds and 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 incentive 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. Refer to note 1 of the consolidated financial statements for further discussion of the Reorganization. As a result, the consolidated 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 described below, have been recorded as compensation expense. The AOG Units were granted to the Managing Partners and Contributing Partners at the time of the Reorganization, as discussed in note 1 to our consolidated financial statements.

In addition, certain professionals and selected other individuals have a profit sharing interest in the carried interest income earned in relation to our private equity and certain capital markets 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 generally 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 generally before 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, which generally occurs at the end of the fund's term. However, indemnification clauses 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 15 to our consolidated financial statements 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 July 2007 and may likely increase subsequent to September 2012. Additionally, our Managing Partners can receive other forms of compensation. In connection with the Reorganization, the Managing Partners and Contributing Partners received AOG 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 are fully-vested for Managing Partners and Contributing Partners on the grant date. In addition, ARI RSUs, ARI restricted stock and AMTG RSUs have been granted to the Company and certain employees in the real estate and capital markets segments and generally vest over three years. In addition, the Company granted share options to certain employees that generally vest and become exercisable in quarterly installments or annual installments depending on the contract terms over the next two to six years. Refer to note 14 to our consolidated financial statements for further discussion of AOG Units and other equity-based compensation.

Other Expenses. The balance of our 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 Agreement which has a variable interest amount based on LIBOR and ABR interest rates as discussed in note 12 to our consolidated 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 are amortized based on the future cash flows over the expected useful lives of the assets. Other general operating expenses normally include costs related to travel, information technology and administration.

Other Income (Loss)

Net Gains (Losses) from Investment Activities. The performance of the consolidated Apollo funds has impacted our net gains (losses) from investment activities. Net gains (losses) from investment activities include 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 unrealized investments and reversal of unrealized gains (losses) due to dispositions of investments during the reporting period. 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 financial statements.

Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities. Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Interest Income. The Company recognizes security transactions on the trade date. 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.

Other Income (Loss), Net. Other income, net includes gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries and other miscellaneous income and expenses.

Income Taxes . The Apollo Operating Group and its subsidiaries continue to generally 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 are 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. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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 Interest in the consolidated financial statements. The Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 65.9%, 71.0% and 71.5% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings as of December 31, 2011, 2010 and 2009, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 98%, 97% and 97% ownership interest held by limited partners in AAA for the years ended December 31, 2011, 2010 and 2009, respectively. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

The authoritative guidance for Non-Controlling Interests in the consolidated financial statements requires reporting entities to present Non-Controlling Interest as equity and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. According to the guidance, (1) Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition, (2) net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company's consolidated statements of operations, (3) the primary components of Non-Controlling Interest are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests 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.

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 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 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 the 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, 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 discussed, the incremental impact of adopting the amended consolidation guidance has resulted in the consolidation of certain VIEs managed by the Company. Additional disclosures related to Apollo's involvement with VIEs are presented in note 5 to our consolidated financial statements.

Results of Operations

Below is a discussion of our consolidated results of operations for the years ended December 31, 2011, 2010 and 2009, respectively. For additional analysis of the factors that affected our results at the segment level, refer to "—Segment Analysis" below:

	Year Ended December 31, 2011	Year Ended December 31, 2010	Amount Change	Percentage Change	Year Ended December 31, 2010	Year Ended December 31, 2009	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Revenues:								
Advisory and transaction fees from affiliates	$ 81,953	$ 79,782	$ 2,171	2.7%	$ 79,782	$ 56,075	$ 23,707	42.3%
Management fees from affiliates	487,559	431,096	56,463	13.1	431,096	406,257	24,839	6.1
Carried interest (loss) income from affiliates	(397,880)	1,599,020	(1,996,900)	NM	1,599,020	504,396	1,094,624	217.0
Total Revenues	171,632	2,109,898	(1,938,266)	(91.9)	2,109,898	966,728	1,143,170	118.3
Expenses:								
Compensation and benefits:								
Equity-based compensation	1,149,753	1,118,412	31,341	2.8	1,118,412	1,100,106	18,306	1.7
Salary, bonus and benefits	251,095	249,571	1,524	0.6	249,571	227,356	22,215	9.8
Profit sharing expense	(63,453)	555,225	(618,678)	NM	555,225	161,935	393,290	242.9
Incentive fee compensation	3,383	20,142	(16,759)	(83.2)	20,142	5,613	14,529	258.8
Total Compensation and Benefits	1,340,778	1,943,350	(602,572)	(31.0)	1,943,350	1,495,010	448,340	30.0
Interest expense	40,850	35,436	5,414	15.3	35,436	50,252	(14,816)	(29.5)
Professional fees	59,277	61,919	(2,642)	(4.3)	61,919	33,889	28,030	82.7
General, administrative and other	75,558	65,107	10,451	16.1	65,107	61,066	4,041	6.6
Placement fees	3,911	4,258	(347)	(8.1)	4,258	12,364	(8,106)	(65.6)
Occupancy	35,816	23,067	12,749	55.3	23,067	29,625	(6,558)	(22.1)
Depreciation and amortization	26,260	24,249	2,011	8.3	24,249	24,299	(50)	(0.2)
Total Expenses	1,582,450	2,157,386	(574,936)	(26.6)	2,157,386	1,706,505	450,881	26.4
Other Income:								
Net (losses) gains from investment activities	(129,827)	367,871	(497,698)	NM	367,871	510,935	(143,064)	(28.0)
Net gains from investment activities of consolidated variable interest entities	24,201	48,206	(24,005)	(49.8)	48,206	—	48,206	NM
Gain from repurchase of debt	—	—	—	NM	—	36,193	(36,193)	(100.0)
Income from equity method investments	13,923	69,812	(55,889)	(80.1)	69,812	83,113	(13,301)	(16.0)
Interest income	4,731	1,528	3,203	209.6	1,528	1,450	78	5.4
Other income, net	205,520	195,032	10,488	5.4	195,032	41,410	153,622	371.0
Total Other Income	118,548	682,449	(563,901)	(82.6)	682,449	673,101	9,348	1.4
(Loss) income before income tax benefit (provision)	(1,292,270)	634,961	(1,927,231)	NM	634,961	(66,676)	701,637	NM
Income tax provision	(11,929)	(91,737)	79,808	(87.0)	(91,737)	(28,714)	(63,023)	219.5
Net (Loss) Income	(1,304,199)	543,224	(1,847,423)	NM	543,224	(95,390)	638,614	NM
Net loss (income) attributable to Non-Controlling Interests	835,373	(448,607)	1,283,980	NM	(448,607)	(59,786)	(388,821)	NM
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	$ (563,443)	NM	$ 94,617	$ (155,176)	$ 249,793	NM

"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.

Revenues

Our revenues and other income include fixed components that result from measures of capital and asset valuations and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $2.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This increase was primarily attributable to an increase of advisory fees in the private equity segment during the period of $6.5 million, partially offset by a decline in transaction fees in the capital markets segment of $4.6 million. During the year ended December 31, 2011, gross and net advisory fees, including directors' fees, were $143.1 million and $56.1 million, respectively, and gross and net transaction fees were $62.9 million and $30.7 million, respectively. During the year ended December 31, 2010, gross and net advisory fees, including directors' fees, were $120.7 million and $43.4 million, respectively, and gross and net transaction fees were $102.0 million and $38.2 million, respectively. The net transaction and advisory fees were further offset by $4.8 million and $1.8 million in broken deal costs during the years ended December 31, 2011 and 2010, respectively, primarily relating to Fund VII. Advisory and transaction 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 $56.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in management fees earned by our real estate, capital markets and private equity segments by $28.9 million, $26.4 million and $3.8 million respectively, as a result of corresponding increases in the net assets managed and fee-generating invested capital with respect to these segments during the period. The remaining change was attributable to $2.6 million of fees earned from VIEs eliminated in consolidation during the year ended December 31, 2011.

Carried interest (loss) income from affiliates changed by $(1,996.9) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. Carried interest income from affiliates is driven by investment gains and losses of unconsolidated funds. During the year ended December 31, 2011, there was $(1,087.0) million and $689.1 million of unrealized carried interest loss and realized carried interest income, respectively, which resulted in total carried interest loss from affiliates of $(397.9) million. During the year ended December 31, 2010, there was $1,355.4 million and $243.6 million of unrealized and realized carried interest income, respectively, which resulted in total carried interest income from affiliates of $1,599.0 million. The $2,442.4 million decrease in unrealized carried interest income was driven by significant declines in the fair value of portfolio investments held by certain of our private equity and capital markets funds, which resulted in reversals of previously recognized carried interest income, primarily by Fund VI, Fund VII, Fund IV, Fund V, COF II, COF I, ACLF, AIE II and SOMA, which had decreased carried interest income of $1,371.2 million, $563.0 million, $254.1 million, $81.0 million, $59.5 million, $57.9 million, $49.9 million, $30.4 million and $27.8 million, respectively. Included in the above was a reversal of previously recognized carried interest income due to general partner obligations to return carried interest income that was previously distributed on Fund VI and SOMA of $75.3 million and $18.1 million, respectively, during the year ended December 31, 2011. The $445.5 million increase in realized carried interest income was attributable to increased dispositions along with higher interest and dividend income distributions from portfolio investments held by certain of our private equity and capital markets funds, primarily by Fund VII, Fund IV and Fund VI of $221.5 million, $204.7 million and $67.6 million respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $23.7 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This increase was primarily attributable to an increase in the number of acquisitions and divestitures during the period. Net advisory and transaction fees earned for the capital markets and private equity segments increased by $11.9 million and $11.8 million, respectively. During the year ended December 31, 2010, gross and net advisory fees, including directors' fees, were $120.7 million and $43.4 million, respectively, and gross and net transaction fees were $102.0 million and $38.2 million, respectively. During the year ended December 31, 2009, gross and net advisory fees, including directors' fees, were $108.5 million and $39.1 million, respectively, and gross and net transaction fees were $68.1 million and $22.9 million, respectively. The net transaction and net advisory fees were further offset by $1.8 million and $5.9 million in broken deal costs that the Company was obligated to repay during the year ended December 31, 2010 and 2009, respectively, primarily relating to Fund VII.

Management fees from affiliates increased by $24.8 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to an increase in management fees earned by our capital markets and real estate segments by $15.7 million and $10.2 million, respectively, as a result of corresponding increases in the net assets managed during the period. These increases were partially offset by a decrease of $1.1 million in management fees earned from our private equity funds as a result of a decrease in the amount of fee-generating invested capital due to dispositions of investments subsequent to December 31, 2009.

Carried interest income from affiliates changed by $1,094.6 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. Carried interest income from affiliates is driven by investment gains and losses of unconsolidated funds. During the year ended December 31, 2010, there was $1,355.4 million and $243.6 million of unrealized and realized carried interest income, respectively, which resulted in total carried interest income from affiliates of $1,599.0 million. During the year ended December 31, 2009, there was $383.0 million and $121.4 million of unrealized and realized carried interest income, respectively, which resulted in total carried interest income from affiliates of $504.4 million. The $972.4 million increase in unrealized carried interest income was driven by significant improvements in the fair value of portfolio investments held by certain of our private equity funds, primarily by Fund VI, Fund VII and Fund IV, which had increased carried interest income of $647.6 million, $249.6 million and $136.0 million, respectively, during the period. Based on the increase in fair value of the underlying portfolio investments, profits of Fund VI were such that the priority return to the fund investors was met and thereafter its general partner was allocated (i) 80% of the fund's profits, or $602.6 million, pursuant to the catch up formula in the fund partnership agreement whereby the general partner earns a disproportionate return until the general partner's carried interest income equates to 20% of the cumulative profits of the fund, and (ii) $45.0 million, which was allocated to the general partner once its carried interest income equated to 20% of the cumulative profits of the fund. Similarly, Fund IV profits were such that the priority return to fund investors was met and thereafter its general partner was allocated 80% of the fund's profits, or $136.0 million, but did not have carried interest income that equated to 20% of the cumulative profits of the fund. The $122.2 million increase in realized carried interest income was attributable to increased dispositions of portfolio investments held by certain of our private equity and capital markets funds during the year ended December 31, 2010 as compared to the same period during 2009.

Expenses

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits decreased by $602.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a reduction of profit sharing expense of $618.7 million driven by the change in carried interest income earned from certain of our private equity and capital markets funds due to the significant decline in the fair value of the underlying investments in these funds during the period. In addition, incentive fee compensation decreased by $16.8 million as a result of the unfavorable performance of certain of our capital markets funds during the period. Management business compensation and benefits expense increased by $39.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily the result of increased headcount, partially offset by a decrease related to the performance based incentive arrangement discussed below.

The Company currently intends to, over time, seek to more directly tie compensation of its professionals to realized performance of the Company's business, which will likely result in greater variability in compensation. As previously disclosed, in June 2011, the Company adopted a performance based incentive arrangement (the "Incentive Pool") whereby certain partners and employees earned discretionary compensation based on carried interest realizations earned by the Company during the year, which amounts are reflected as profit sharing expense in the Company's consolidated financial statements. The Company adopted the Incentive Pool to attract and retain, and provide incentive to, partners and employees of the Company and to more closely align the overall compensation of partners and employees with the overall realized performance of the Company. Allocations to the Incentive Pool and to its participants contain both a fixed and a discretionary component and may vary year-to-year depending on the overall realized performance of the Company and the contributions and performance of each participant. There is no assurance that the Company will continue to compensate individuals through performance-based incentive arrangements in the future and there may be periods when the Executive Committee of the Company's manager determines that allocations of realized carried interest income are not sufficient to compensate individuals, which may result in an increase in salary, bonus and benefits expense.

Interest expense increased by $5.4 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to higher interest expense incurred during 2011 on the AMH credit facility due to the margin rate increase once the maturity date was extended in December 2010.

Professional fees decreased by $2.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was attributable to lower external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2011, as compared to the same period during 2010.

General, administrative and other expenses increased by $10.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new funds and continued expansion of our global investment platform during the year ended December 31, 2011 as compared to the same period during 2010.

Occupancy expense increased by $12.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to additional expense incurred from the extension of existing leases along with additional office space leased as a result of the increase in our headcount to support the expansion of our global investment platform during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Compensation and benefits increased by $448.3 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to an increase in profit sharing expense of $393.3 million, which was driven by the change in carried interest income earned from our private equity and capital markets funds during the period due to improved performance of their underlying portfolio investments. In addition, salary, bonus and benefits expense increased by $22.2 million, which was driven by an increase in headcount and bonus accruals during the period and non-cash equity-based compensation expense increased by $18.3 million, primarily related to additional grants of RSUs subsequent to December 31, 2009.

Furthermore, incentive fee compensation increased by $14.5 million as a result of the favorable performance of certain of our capital markets funds during the year ended December 31, 2010 as compared to the same period during 2009.

Interest expense decreased by $14.8 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to lower interest expense incurred in respect of the AMH Credit Agreement due to the $90.9 million debt repurchase during April and May 2009 along with the expiration of interest rate swap agreements during May and November 2010. In addition, there were lower LIBOR and ABR interest rates during the year ended December 31, 2010 as compared to the same period during 2009 which resulted in lower interest expense incurred.

Professional fees increased by $28.0 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to higher external accounting, tax, audit, legal and consulting fees incurred during the period which was primarily associated with incremental costs incurred to register the Company's Class A shares and the implementation of new information technology systems during the year ended December 31, 2010 as compared to the same period during 2009.

General, administrative and other expenses increased by $4.0 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new real estate funds and continued expansion of our global investment platform during the year ended December 31, 2010 as compared to the same period during 2009.

Placement fees decreased by $8.1 million for the year ended December 31, 2010 as compared to the year ended December 31, 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 2010 in connection with our capital markets and private equity funds resulting in lower placement fees incurred of $6.6 million and $1.5 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009.

Occupancy expense decreased by $6.6 million for the year ended December 31, 2010 as compared to the year ended December 31, 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 year ended December 31, 2010 as compared to the same period during 2009. In addition, there was a loss incurred on subleases totaling $3.2 million during the year ended December 31, 2009.

Other (Loss) Income

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net gains from investment activities decreased by $497.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a $494.1 million decrease in net unrealized gains related to changes in the fair value of AAA Investments' portfolio investments during the period. In addition, there was a $5.9 million unrealized loss related to the change in the fair value of the investment in HFA during the year ended December 31, 2011, partially offset by $2.3 million of net unrealized and realized gains related to changes in the fair value of the Metals Trading Fund's portfolio investments during the year ended December 31, 2010.

Net gains from investment activities of consolidated VIEs decreased by $24.0 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a decrease in net realized and unrealized gains (losses) relating to the decrease in the fair value of investments held by the consolidated VIEs of $54.1 million, along with higher expenses of $37.9 million during the period primarily due to the acquisition of Gulf Stream in October 2011. These decreases were partially offset by higher net unrealized and realized gains relating to the debt held by the consolidated VIEs of $55.7 million and higher interest income of $12.3 million during the year ended December 31, 2011 as compared to the same period during 2010.

Income from equity method investments decreased by $55.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily driven by changes in the fair values of certain Apollo funds in which the Company has a direct interest. Fund VII, COF I, Artus, COF II and ACLF had the most significant impact and together generated $11.9 million of income from equity method investments during the year ended December 31, 2011 as compared to $62.1 million of income from equity method investments during the year ended December 31, 2010 resulting in a net decrease of income from equity method investments totaling $50.2 million. Refer to note 4 to our consolidated financial statements for a complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2011 and 2010.

Other income, net increased by $10.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in gains on acquisitions of $166.5 million driven by the $195.5 million bargain purchase gain recorded on the Gulf Stream acquisition during October 2011, partially offset by the bargain purchase gain on the CPI acquisition of $24.1 million during November 2010. This was offset by $162.5 million of insurance reimbursement received during the year ended December 31, 2010 relating to a $200.0 million litigation settlement incurred during 2008, along with $7.8 million of other income attributable to the change in the estimated tax receivable agreement liability as discussed in note 10 to our consolidated financial statements. During the year ended December 31, 2011, approximately $8.0 million of offering costs were reimbursed that were incurred during 2009 related to the launch of ARI, offset by approximately $8.0 million of offering costs incurred during the third quarter of 2011 related to the launch of AMTG. The remaining change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period in 2010. Refer to note 10 of our consolidated financial statements for a complete summary of other income for the years ended December 31, 2011 and 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net gains from investment activities decreased by $143.1 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to a $101.7 million change in net unrealized gains (losses) related to changes in the fair value of AAA's portfolio investments during the period. This decrease was also a result of a change in net unrealized gains (losses) of $38.4 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. During the year ended December 31, 2009, the fair value of Artus increased, which resulted in the reversal of the previously recognized obligation. In addition, there was a $2.3 million change in net unrealized and realized gains (losses) related to changes in the fair value of the Metals Trading Fund's portfolio investments during the year ended December 31, 2010 as compared to the same period during 2009.

Net gains from investment activities of consolidated VIEs were $48.2 million during the year ended December 31, 2010. This amount was attributable to interest and other income earned of $62.7 million along with net realized and unrealized gains relating to the changes in the fair values of investments held by the consolidated VIEs of $53.6 million, partially offset by other expenses of $34.3 million and net losses relating to the changes in the fair values of debt held by the consolidated VIEs of $33.8 million during the year ended December 31, 2010.

Gain from repurchase of debt was $36.2 million for the year ended December 31, 2009 and was attributable to the purchase of $90.9 million face value of AMH debt related to the AMH Credit Agreement for $54.7 million in cash. As discussed in note 12 to our consolidated financial statements, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the re-acquisition price resulted in a gain on extinguishment of debt of $36.2 million.

Income from equity method investments changed by $13.3 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This decrease was driven by changes in the fair values of certain Apollo funds or investments in which the Company has a direct interest. ACLF, Vantium C, COF II, COF I and AIE II had the most significant impact and together generated $22.5 million of income from equity method investments during the year ended December 31, 2010 compared to $49.5 million of income from equity method investments during the year ended December 31, 2009 resulting in a net decrease of income from equity method investments totaling $27.0 million. This decrease was partially offset by an increase of income from equity method investments in Fund VII, Vantium A, Artus and EPF which together generated $44.0 million of income from equity method investments during the year ended December 31, 2010 compared to $30.3 million of income from equity method investments during the year ended December 31, 2009 resulting in a net increase of income from equity method investments totaling $13.7 million. Refer to note 4 to our consolidated financial statements for a complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2010 and 2009.

Other income, net increased by $153.6 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to an additional $125.0 million of insurance reimbursement received during the year ended December 31, 2010 totaling $162.5 million relating to the $200.0 million litigation settlement incurred during 2008, as compared to $37.5 million received during the year ended December 31, 2009. In addition, there was a net gain on acquisitions and dispositions of $29.7 million during 2010 and $14.2 million of the increase was attributable to the change in the estimated tax receivable agreement liability as discussed in note 10 to our consolidated financial statements. These increases were partially offset by impairment on fixed assets of $3.1 million and loss on assets held for sale of $2.8 million during 2010. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries, partially driven by the Euro weakening against the U.S. dollar during the year ended December 31, 2010 as compared to the same period in 2009. Refer to note 10 of our consolidated financial statements for a complete summary of other income for the years ended December 31, 2010 and 2009.

Income Tax Provision

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The income tax provision decreased by $79.8 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. As discussed in note 11 to our consolidated financial statements, 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 U.S. federal, state and local taxes. APO Corp. had income before taxes of $1.7 million and $211.0 million for the years ended December 31, 2011 and 2010, respectively, after adjusting for permanent tax differences. The $209.3 million change in income before taxes resulted in decreased federal, state and local taxes of $77.2 million utilizing a marginal corporate tax rate. The remaining decrease in the income tax provision of $2.6 million in 2011 as compared to 2010 was primarily affected by decreases in the New York City Unincorporated Business Tax ("NYC UBT"), as well as taxes on foreign subsidiaries.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The income tax provision increased by $63.0 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. As discussed in note 11 to our consolidated financial statements, 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 U.S. federal, state and local taxes. APO Corp.

had income before taxes of $211.0 million and $66.3 million for the years ended December 31, 2010 and 2009, respectively, after adjusting for permanent tax differences and the special allocation of AMH income as discussed in note 15 to our consolidated financial statements. The $144.7 million change in income before taxes resulted in increased federal taxes of $50.6 million utilizing a 35% tax rate and state and local taxes of $8.7 million utilizing a combined 6% tax rate. The remaining change of $3.7 million in the income tax provision in 2010 compared to 2009 was primarily affected by decreases in the NYC UBT, as well as, taxes on foreign subsidiaries.

Non-Controlling Interests

Net loss (income) attributable to Non-Controlling Interests consisted of the following:

	Year Ended December 31,		
	2011	2010	2009
	(in thousands)		
AAA[(1)]	$ 123,400	$(356,251)	$ (452,408)
Consolidated VIEs[(2)]	(216,193)	(48,206)	—
Interest in management companies[(3)]	(12,146)	(16,258)	(7,818)
Net income attributable to Non-Controlling Interests in consolidated entities	(104,939)	(420,715)	(460,226)
Net loss (income) attributable to Non-Controlling Interests in Apollo Operating Group	940,312	(27,892)	400,440
Net loss (income) attributable to Non-Controlling Interests	$ 835,373	$ (448,607)	$ (59,786)

(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, which was approximately 98% during the year ended December 31, 2011 and approximately 97% during the years ended December 31, 2010 and 2009, respectively.

(2) Reflects the Non-Controlling Interests in the net loss (income) of the consolidated VIEs and includes $202.2 million and $11.4 million of gains recorded within appropriated partners' capital related to consolidated VIEs during the years ended December 31, 2011 and 2010, respectively.

(3) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies.

Initial Public Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. Apollo Global Management, LLC received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and the Company's ownership interest increased from 29.3% to 33.5%. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in Additional Paid in Capital.

Net loss attributable to Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31, 2011	2010	2009
	(in thousands)		
Net (loss) income	$(1,304,199)	$ 543,224	$ (95,390)
Net loss (income) attributable to Non-Controlling Interests in consolidated entities	(104,939)	(420,715)	(460,226)
Net (loss) income after Non-Controlling Interests in consolidated entities	(1,409,138)	122,509	(555,616)
Adjustments:			
Income tax provision(1)	11,929	91,737	28,714
NYC UBT and foreign tax provision(2)	(8,647)	(11,255)	(11,638)
Capital increase related to equity-based compensation	(22,797)	—	—
Net loss in non-Apollo Operating Group entities	1,345	4,197	9,336
Total adjustments	(18,170)	84,679	26,412
Net (loss) income after adjustments	(1,427,308)	207,188	(529,204)
Approximate ownership percentage of Apollo Operating Group	65.9%	71.0%	71.5%
Net (loss) income attributable to Apollo Operating Group before other adjustments(3)	(940,312)	145,379	(378,381)
AMH special allocation(4)	—	(117,487)	(22,059)
Net (loss) income attributable to Non-Controlling Interests in Apollo Operating Group	$ (940,312)	$ 27,892	$ (400,440)

(1) Reflects all taxes recorded in our consolidated statements of operations. Of this amount, U.S. Federal, state, and local corporate income taxes attributable to APO Corp. are 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 weighted average ownership percentage range of approximately 67.4%, 71.0% and 71.5% during the years ended December 31, 2011, 2010 and 2009, respectively, 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 15 to our consolidated financial statements. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation. However, the Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

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, equity-based compensation expense comprising of AOG Units, income taxes, amortization of intangibles associated with 2007 Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals.

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. The Management Business includes management fee revenues, advisory and transaction 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 is partially dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements. The Incentive Business includes carried interest income, income from equity method investments and profit sharing expense that are associated with our general partner interests in the Apollo funds, which is 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

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the years ended December 31, 2011, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interest with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010			For the Year Ended December 31, 2009		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Private Equity:									
Revenues:									
Advisory and transaction fees from affiliates	$ 66,913	$ —	$ 66,913	$ 60,444	$ —	$ 60,444	$ 48,642	$ —	$ 48,642
Management fees from affiliates	263,212	—	263,212	259,395	—	259,395	260,478	—	260,478
Carried interest income (loss) from affiliates:									
Unrealized (loss) gain(1)	—	(1,019,748)	(1,019,748)	—	1,251,526	1,251,526	—	262,890	262,890
Realized gains	—	570,540	570,540	—	69,587	69,587	—	47,981	47,981
Total Revenues	330,125	(449,208)	(119,083)	319,839	1,321,113	1,640,952	309,120	310,871	619,991
Expenses:									
Compensation and Benefits:									
Equity compensation	31,778	—	31,778	16,182	—	16,182	2,721	—	2,721
Salary, bonus and benefits	125,145	—	125,145	133,999	—	133,999	127,751	—	127,751
Profit sharing expense	—	(100,267)	(100,267)	—	519,669	519,669	—	124,048	124,048
Total compensation and benefits	156,923	(100,267)	56,656	150,181	519,669	669,850	130,472	124,048	254,520
Other expenses	99,338	—	99,338	97,750	—	97,750	99,581	—	99,581
Total Expenses	256,261	(100,267)	155,994	247,931	519,669	767,600	230,053	124,048	354,101
Other Income:									
Income from equity method investments	—	7,960	7,960	—	50,632	50,632	—	54,639	54,639
Other income, net	7,081	—	7,081	162,213	—	162,213	58,701	584	59,285
Total Other Income	7,081	7,960	15,041	162,213	50,632	212,845	58,701	55,223	113,924
Economic Net Income (Loss)	$ 80,945	$ (340,981)	$ (260,036)	$ 234,121	$ 852,076	$ 1,086,197	$ 137,768	$ 242,046	$ 379,814

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $(75.3) million for Fund VI for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2011	2010	Amount Change	Percentage Change	2010	2009	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Private Equity:								
Revenues:								
Advisory and transaction fees from affiliates	$ 66,913	$ 60,444	$ 6,469	10.7%	$ 60,444	$ 48,642	$ 11,802	24.3%
Management fees from affiliates	263,212	259,395	3,817	1.5	259,395	260,478	(1,083)	(0.4)
Carried interest (loss) income from affiliates:								
Unrealized (losses) gains(1)	(1,019,748)	1,251,526	(2,271,274)	NM	1,251,526	262,890	988,636	376.1
Realized gains	570,540	69,587	500,953	NM	69,587	47,981	21,606	45.0
Total carried interest (losses) income from affiliates	(449,208)	1,321,113	(1,770,321)	NM	1,321,113	310,871	1,010,242	325.0
Total Revenues	(119,083)	1,640,952	(1,760,035)	NM	1,640,952	619,991	1,020,961	164.7
Expenses:								
Compensation and benefits:								
Equity-based compensation	31,778	16,182	15,596	96.4	16,182	2,721	13,461	494.7
Salary, bonus and benefits	125,145	133,999	(8,854)	(6.6)	133,999	127,751	6,248	4.9
Profit sharing expense	(100,267)	519,669	(619,936)	NM	519,669	124,048	395,621	318.9
Total compensation and benefits expense	56,656	669,850	(613,194)	(91.5)	669,850	254,520	415,330	163.2
Other expenses	99,338	97,750	1,588	1.6	97,750	99,581	(1,831)	(1.8)
Total Expenses	155,994	767,600	(611,606)	(79.7)	767,600	354,101	413,499	116.8
Other Income:								
Income from equity method investments	7,960	50,632	(42,672)	(84.3)	50,632	54,639	(4,007)	(7.3)
Other income, net	7,081	162,213	(155,132)	(95.6)	162,213	59,285	102,928	173.6
Total Other Income	15,041	212,845	(197,804)	(92.9)%	212,845	113,924	98,921	86.8
Economic Net (Loss) Income	$ (260,036)	$ 1,086,197	$ (1,346,233)	NM	$ 1,086,197	$ 379,814	$ 706,383	186.0%

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $(75.3) million for Fund VI for the year ended December 31, 2011, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

Revenues

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $6.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase in advisory services rendered during the period, primarily with respect to AAA and managed accounts. Gross advisory and transaction fees, including directors' fees, were $164.5 million and $162.9 million for the year ended December 31, 2011 and 2010, respectively, an increase of $1.6 million or 1.0%. The transaction fees earned during 2011 primarily related to five portfolio investment transactions, specifically Alcan Engineered Products, Ascometal SA, Athene Holding Ltd. and associates, Brit Insurance and CKX Inc., which together generated $35.5 million and $18.4 million of the gross and net transaction fees, respectively, as compared to transaction fees primarily earned during 2010 from four portfolio investment transactions, specifically LyondellBasell Industries, Noranda Aluminum Inc., CKE Restaurants Inc. and Evertec Inc., which together generated $58.4 million and $20.1 million of the gross and net transaction fees. The advisory fees earned during 2011 were primarily generated by advisory and monitoring arrangements with six portfolio investments including Athene Holding Ltd. and associates, Berry Plastics Group, Caesars Entertainment, CEVA Group plc, LeverageSource and Realogy Corporation, which generated gross and net fees of $78.1 million and $34.9 million, respectively. The advisory fees earned during 2010 were primarily generated by advisory and monitoring arrangements with several portfolio investments including Caesars Entertainment, LeverageSource and Realogy Corporation which generated gross and net fees of $55.7 million and $20.9 million, respectively. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $92.8 million and $100.6 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $7.8 million or 7.8%. The net transaction and advisory fees were further offset by $4.8 million and $1.8 million in broken deal costs during the years ended December 31, 2011 and 2010, respectively, relating to Fund VII.

Management fees from affiliates increased by $3.8 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased management fees earned from AAA Investments of $3.2 million as a result of increased adjusted gross assets managed during the period. In addition, management fees of $2.9 million were earned from ANRP which began earning fees during the third quarter of 2011 based on committed capital. These increases were partially offset by decreased management fees earned by Fund V of $1.8 million as a result of decreases in fee-generating invested capital. In addition, during the third quarter of 2010, Fund IV started its winding down and no longer earns management fees which resulted in a decrease in management fees of $0.7 million during the year ended December 31, 2011 as compared to the same period during 2010.

Carried interest (loss) income from affiliates changed by $(1,770.3) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributed to a decrease in net unrealized carried interest income of $2,271.2 million driven by significant declines in the fair values of the underlying portfolio investments held during the period which resulted in the reversal of previously recognized carried interest income, primarily by Fund VI, Fund VII, Fund IV and Fund V of $1,371.2 million, $563.0 million, $254.1 million and $81.0 million, respectively. Included in the above was a reversal of previously recognized carried interest income due to general partner obligations to return previously distributed carried interest income on Fund VI of $75.3 million during the year ended December 31, 2011. The remaining change relates to an increase in realized carried interest income of $500.9 million resulting from increased dispositions along with higher interest and dividend income distributions from portfolio investments held by certain of our private equity funds, primarily by Fund VII, Fund IV and Fund VI and Fund V of $221.5 million, $204.7 million, $67.6 million and $7.1 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Advisory and transaction fees from affiliates, including directors' fees and reimbursed broken deal costs, increased by $11.8 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was attributable to an increase in the number of acquisitions and divestitures during the period, primarily by AAA, Fund VII, Fund V and Fund VI of $3.7 million, $3.5 million, $1.9 million and $1.9 million, respectively. Gross advisory and transaction fees, including directors' fees, were $162.9 million and $148.1 million for the year ended December 31, 2010 and 2009, respectively, an increase of $14.8 million or 10.0%. The transaction fees earned during the year ended December 31, 2010 primarily related to four portfolio investment transactions, specifically LyondellBasell Industries, Noranda Aluminum Inc., CKE Restaurants Inc. and Evertec Inc., which together generated $58.4 million and $20.1 million of the gross and net transaction fees, respectively. The transaction fees earned during the year ended December 31, 2009 primarily related to two portfolio investment transactions, specifically Infineon Technologies AG and Charter Communications Inc., which generated $51.0 million and $16.3 million of the gross and net transaction fees, respectively. The advisory fees earned during both periods were primarily generated by advisory and monitoring arrangements with several portfolio investments including LeverageSource, Caesars Entertainment and Realogy, which generated gross and net fees of $55.7 million and $20.9 million, respectively, during the year ended December 31, 2010 gross and net fees of $53.7 million and $20.3 million, respectively, during the year ended December 31, 2009. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $100.6 million and $93.8 million for the year ended December 31, 2010 and 2009, respectively, an increase of $6.8 million or 7.2%.

Management fees from affiliates decreased by $1.1 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to decreased management fees earned as a result of decreased values of fee-generating invested capital due to dispositions of investments, primarily by Fund VI and Fund V, resulting in decreased management fees of $2.4 million and $1.4 million, respectively. In addition, during the third quarter of 2010, Fund IV started its winding down and no longer earns management fees which resulted in a decrease in management fees of $2.0 million during the period. These decreases were partially offset by increased management fees earned from AAA Investments of $5.1 million as a result of increased adjusted gross assets managed during the year ended December 31, 2010 as compared to the same period during 2009.

Carried interest income from affiliates changed by $1,010.2 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to an increase in net unrealized gains of $988.6 million driven by improvements in the fair value of the underlying portfolio investments held, primarily by Fund VI, Fund VII and Fund IV of $647.6 million, $249.6 million and $136.0 million, respectively. Based on the increase in fair value of the underlying portfolio investments, profits of Fund VI were such that the priority return to the fund investors was met and thereafter its general partner was allocated (i) 80% of the fund's profits, or $602.6 million, pursuant to the catch up formula in the fund partnership agreement whereby the general partner earns a disproportionate return until the general partner's carried interest income equates to 20% of the cumulative profits of the fund, and (ii) $45.0 million, which was allocated to the general partner once its carried interest income equated to 20% of the cumulative profits of the fund. Similarly, Fund IV profits were such that the priority return to fund investors was met and thereafter its general partner was allocated 80% of the fund's profits, or $136.0 million, but did not have carried interest income that equated to 20% of the cumulative profits of the fund. These increases were partially offset by a decrease of unrealized carried interest income in Fund V of $56.0 million primarily due to dispositions of portfolio investments along with a lower net change in the fair value of investments held by this fund during the period. The remaining change relates to an increase in net realized gains of $21.6 million resulting from dispositions of portfolio investments held during the period, primarily by Fund V and Fund VII totaling $31.2 million, partially offset by a decrease in net realized gains of $7.6 million in Fund VI during the year ended December 31, 2010 as compared to the same period during 2009. In 2010, the improved market conditions impacted the valuation across all Apollo investment classes, which is further discussed in "Item 1. Business."

Expenses

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits expense decreased by $613.2 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily a result of a $619.9 million decrease in profit sharing expense primarily attributable to a change in carried interest income earned by our funds during the period and a $8.9 million decrease in salary, bonus and benefits expense. The performance-based incentive arrangement the Company adopted in June 2011 for certain Apollo partners and employees also contributed to the decrease in salary, bonus and benefits expense during the period. These decreases were partially offset by increased non-cash equity-based compensation expense of $15.6 million primarily related to additional grants of RSUs subsequent to December 31, 2010.

Other expenses increased by $1.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased occupancy expense of $4.0 million due to additional office space leased as a result of an increase in our headcount to support the expansion of our investment platform during the period, along with increased interest expense incurred of $3.7 million in connection with the margin rate increase under the AMH Credit Agreement once the maturity date was extended in December 2010. These increases were partially offset by decreased professional fees of $6.7 million due to lower external accounting, tax, audit, legal and consulting fees incurred during the period.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Compensation and benefits increased by $415.3 million for year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to a $395.6 million increase in profit sharing expense, driven by the change in carried interest income earned from our private equity funds due to improved performance of their underlying portfolio investments during the period. In addition, salary, bonus and benefits expense increased by $6.2 million, driven by an increase in headcount and bonus amounts during the year ended December 31, 2010 as compared to the same period during 2009. Additionally, there was increased non-cash equity-based compensation expense of $13.5 million primarily related to additional grants of RSUs subsequent to December 31, 2009.

Other expenses decreased by $1.8 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to lower interest expense incurred of $9.7 million primarily in respect of the AMH Credit Agreement due to the $90.9 million debt repurchase during April and May 2009, the expiration of interest rate swap agreements during May and November 2010 and lower LIBOR and ABR interest rates incurred during the period. Additionally, there were decreases in occupancy of $2.1 million, primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the period, a $1.5 million decrease in placement fees and a $1.2 million decrease in depreciation and amortization expense from the prior year. These decreases were partially offset by increased professional fees of $8.0 million driven by higher external accounting, tax, audit, legal and consulting fees incurred during the period. In addition, general, administrative and other expenses increased by $4.6 million primarily attributable to increases in expenses incurred such as travel, information technology, recruiting and other general expenses.

Other (Loss) Income

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Income from equity method investments decreased by $42.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was driven by decreases in the fair values of our private equity investments held, primarily relating to Apollo’s ownership interest in Fund VII and AAA units which resulted in decreased income from equity method investments of $27.3 million and $14.2 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Other income net, decreased by $155.1 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to $162.5 million of insurance reimbursement received during the year ended December 31, 2010 relating to the $200.0 million litigation settlement incurred during 2008. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Income from equity method investments decreased by $4.0 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was driven by lower net changes in the fair values of our private equity investments held, primarily relating to Apollo’s ownership interest in Vantium C and AAA units, which resulted in a decrease of income from equity method investments of $6.7 million and $6.1 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009. These decreases were partially offset by an increase of income from equity method investments relating to Fund VII and Vantium A of $6.0 million and $2.8 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009.

Other income, net increased by $102.9 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to an additional $125.0 million of insurance reimbursement received during the year ended December 31, 2010 totaling $162.5 million relating to the $200.0 million litigation settlement incurred during 2008, as compared to $37.5 million received during the year ended December 31, 2009. This increase was partially offset by the gain from repurchase of debt of $20.5 million during the year ended December 31, 2009, which was attributable to the purchase of AMH debt related to the AMH Credit Agreement. As discussed in note 12 to our consolidated financial statements, 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. The remaining decrease was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries in part due to the Euro weakening against the U.S. dollar during the year ended December 31, 2010 as compared to the same period during 2009.

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Capital Markets

The following tables set forth segment statement of operations information and ENI, for our capital markets segment for the years ended December 31, 2011, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interest with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	Year Ended December 31, 2011			Year Ended December 31, 2010			Year Ended December 31, 2009		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Capital Markets									
Revenues:									
Advisory and transaction fees from affiliates	$ 14,699	$ —	$ 14,699	$ 19,338	$ —	$ 19,338	$ 7,433	$ —	$ 7,433
Management fees from affiliates	186,700	—	186,700	160,318	—	160,318	144,578	—	144,578
Carried interest income (loss) from affiliates:									
Unrealized (losses) gains[(1)]	—	(66,852)	(66,852)	—	103,918	103,918	—	120,126	120,126
Realized gains	44,540	74,113	118,653	47,385	126,604	173,989	50,404	22,995	73,399
Total Revenues	245,939	7,261	253,200	227,041	230,522	457,563	202,415	143,121	345,536
Expenses:									
Compensation and Benefits:									
Equity-based compensation	23,283	—	23,283	9,879	—	9,879	2,921	—	2,921
Salary, bonus and benefits	92,898	—	92,898	93,884	—	93,884	88,686	—	88,686
Profit sharing expense	—	35,461	35,461	—	35,556	35,556	—	37,887	37,887
Incentive fee compensation	—	3,383	3,383	—	20,142	20,142	—	5,613	5,613
Total compensation and benefits	116,181	38,844	155,025	103,763	55,698	159,461	91,607	43,500	135,107
Other expenses	94,995	—	94,995	80,880	—	80,880	83,318	—	83,318
Total Expenses	211,176	38,844	250,020	184,643	55,698	240,341	174,925	43,500	218,425
Other (Loss) Income:									
Net loss from investment activities	—	(5,881)	(5,881)	—	—	—	—	—	—
Income from equity method investments	—	2,143	2,143	—	30,678	30,678	—	46,384	46,384
Other (loss) income, net	(1,978)	—	(1,978)	10,928	—	10,928	19,309	38,478	57,787
Total Other (Loss) Income	(1,978)	(3,738)	(5,716)	10,928	30,678	41,606	19,309	84,862	104,171
Non-Controlling Interests	(12,146)	—	(12,146)	(16,258)	—	(16,258)	(7,818)	—	(7,818)
Economic Net Income (Loss)	$ 20,639	$(35,321)	$ (14,682)	$ 37,068	$205,502	$242,570	$ 38,981	$184,483	$ 223,464

(1) Included in unrealized carried interest income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income or fees of $(18.1) million for SOMA for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

	For the Year Ended. December 31,				For the Year Ended. December 31,			
	2011	2010	Amount Change	Percentage Change	2010	2009	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Capital Markets								
Revenues:								
Advisory and transaction fees from affiliates	$ 14,699	$ 19,338	$ (4,639)	(24.0)%	$ 19,338	$ 7,433	$ 11,905	160.2%
Management fees from affiliates	186,700	160,318	26,382	16.5	160,318	144,578	15,740	10.9
Carried interest income from affiliates:								
Unrealized (loss) gain(1)	(66,852)	103,918	(170,770)	NM	103,918	120,126	(16,208)	(13.5)
Realized gains	118,653	173,989	(55,336)	(31.8)	173,989	73,399	100,590	137.0
Total carried interest income from affiliates	51,801	277,907	(226,106)	(81.4)	277,907	193,525	84,382	43.6
Total Revenues	253,200	457,563	(204,363)	(44.7)	457,563	345,536	112,027	32.4
Expenses:								
Compensation and benefits								
Equity-based compensation	23,283	9,879	13,404	135.7	9,879	2,921	6,958	238.2
Salary, bonus and benefits	92,898	93,884	(986)	(1.1)	93,884	88,686	5,198	5.9
Profit sharing expense	35,461	35,556	(95)	(0.3)	35,556	37,887	(2,331)	(6.2)
Incentive fee compensation	3,383	20,142	(16,759)	(83.2)	20,142	5,613	14,529	258.8
Total compensation and benefits	155,025	159,461	(4,436)	(2.8)	159,461	135,107	24,354	18.0
Other expenses	94,995	80,880	14,115	17.5	80,880	83,318	(2,438)	(2.9)
Total Expenses	250,020	240,341	9,679	4.0	240,341	218,425	21,916	10.0
Other (Loss) Income:								
Net loss from investment activities	(5,881)	—	(5,881)	NM	—	—	—	NM
Income from equity method investments	2,143	30,678	(28,535)	(93.0)	30,678	46,384	(15,706)	(33.9)
Other (loss) income, net	(1,978)	10,928	(12,906)	NM	10,928	57,787	(46,859)	(81.1)
Total Other (Loss) Income	(5,716)	41,606	(47,322)	NM	41,606	104,171	(62,565)	(60.1)
Non-Controlling Interests	(12,146)	(16,258)	4,112	(25.3)	(16,258)	(7,818)	(8,440)	108.0
Economic Net (Loss) Income	$ (14,682)	$242,570	$(257,252)	NM	$242,570	$ 223,464	$ 19,106	8.5%

(1) Included in unrealized carried interest income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed interest income or fees of $(18.1) million for SOMA for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

Revenues

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates decreased by $4.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. Gross advisory and transaction fees, including directors' fees, were $41.2 million and $59.8 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $18.6 million or 31.1%. The transaction fees earned during 2011 were primarily related to two portfolio investment transactions of FCI and EPF which together generated gross and net fees of $9.6 million and $5.7 million, respectively. The transaction fees earning during 2010 were primarily related to certain portfolio investment transactions of EPF which together generated gross and net fees of $11.0 million and $3.9 million, respectively. In addition, a termination fee was earned from KBC Life Settlements of $7.1 million during the year ended December 31, 2010. The advisory fees earned during both periods were primarily generated by deal activity related to investments in LeverageSource, which resulted in gross and net advisory fees of $25.9 million and $3.3 million, respectively, during 2011 and gross and net fees of $25.3 million and $3.4 million, respectively, during 2010. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets totaling $26.5 million and $40.5 million for the year ended December 31, 2011 and 2010, respectively, a decrease of $14.0 million or 34.6%.

Management fees from affiliates increased by $26.4 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased asset allocation fees earned from Athene of $9.4 million during the year. These fees are partially offset by a corresponding expense categorized as sub-advisory fees and included within professional fees expense. In addition, management fees of $3.4 million were earned from AFT, $1.7 million from FCI and $1.4 million from AMTG, which all began earning management fees during the first quarter of 2011. Gulf Stream CLOs generated $2.5 million of fees and two new Senior Credit Funds, Apollo European Strategic Investment L.P. (“AESI”) and Palmetto Loan, generated fees of $1.2 million and $1.0 million, respectively, during the year ended December 31, 2011. Furthermore an increase in fee-generating invested capital in COF II, gross adjusted assets managed by AINV and increased value of commitments in EPF resulted in increased management fees earned of $2.6 million, $2.0 million and $1.4 million, respectively, during the period. These increases were partially offset by decreased management fees earned by ACLF of $1.8 million as a result of a decrease in fee-generating invested capital and by AIE I of $1.4 million as a result of sales of investments and resulting decrease in net assets managed during the period. The remaining change was attributable to overall increased assets managed by the remaining capital markets funds, which collectively contributed to the increase of management fees by $3.0 million during the period.

Carried interest income from affiliates changed by $(226.1) million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a decrease in net unrealized carried interest income of $170.8 million driven by decreased net asset values, primarily with respect to COF II, COF I, ACLF, AIE II and SOMA which collectively resulted in decreased net unrealized carried interest income of $225.4 million, partially offset by increased unrealized carried interest income earned in 2011 by EPF of $53.2 million due to increased valuation of investments. During the year ended December 31, 2011, there was a reversal of previously recognized carried interest income from SOMA due to general partner obligations to return carried interest income that was previously distributed of $18.1 million. The remaining change was attributable to a decrease in net realized gains of $55.3 million resulting primarily from a decrease in dividend and interest income on portfolio investments held by certain of our capital markets, primarily by SOMA, during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Advisory and transaction fees from affiliates increased by $11.9 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This increase was primarily attributable to a termination fee earned from KBC Life Settlements of $7.1 million during the year ended December 31, 2010. Gross advisory and transaction fees, including directors’ fees, were $59.8 million and $28.4 million for the year ended December 31, 2010 and 2009, respectively, an increase of $31.4 million or 110.6%. The transaction fees earned during both periods were primarily related to certain portfolio investment transactions of EPF which together generated gross and net fees of $11.0 million and $3.9 million, respectively, during the year ended December 31, 2010 and gross and net fees of $5.6 million and $1.9 million, respectively, during the year ended December 31, 2009. The advisory fees earned during both periods were primarily generated by deal activity related to investments in LeverageSource, which generated gross and net fees of $25.3 million and $3.4 million, respectively, during the year ended December 31, 2010 and gross and net fees of $19.2 million and $4.7 million, respectively, during the year ended December 31, 2009. Advisory and transaction fees, including directors’ fees, are reported net of Management Fee Offsets totaling $40.5 million and $21.0 million for the years ended December 31, 2010 and 2009, respectively, an increase of $19.5 million or 92.9%. Management Fee Offsets increased in 2010 primarily due to COF I Management Fee Offsets increasing to 100% from 80% of advisory fees between 2010 and 2009.

Management fees from affiliates increased by $15.7 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to increased net assets managed by certain capital markets funds including SVF, AIC and AIE II, which collectively resulted in increased management fees of $15.9 million during the period along with an increase in fee-generating invested capital in COF II, which resulted in increased management fees earned of $5.8 million during the period. In addition, asset allocation fees earned from Athene increased by $6.8 million as it began earning fees during the third quarter of 2009. This increase is offset by a corresponding expense for subadvisory fees, presented in professional fees expense. These increases were partially offset by a decrease in management fees from EPF of $10.9 million which was attributable to additional fees earned during 2009 from limited partners that committed to the fund late and as such, owed management fees retroactively from inception. In addition, there was a decrease in net assets managed by AAOF due to redemptions resulting in decreased management fees of $2.0 million during the year ended December 31, 2010 as compared to the same period during 2009.

Carried interest income from affiliates changed by $84.4 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. This change was attributable to an increase in net realized gains of $100.6 million driven by an increase in net asset value, primarily by COF I, SOMA, COF II, AIE II and SVF resulting in an increase of carried interest income of $34.0 million, $25.2 million, $22.7 million, $12.7 million and $11.2 million, respectively, during the period. This increase was partially offset by a decrease in net unrealized gains of $16.2 million due to the reversal of unrealized gains due to dispositions of investments held by certain of our capital markets funds during the period, primarily COF I, COF II, SVF, and VIF, of $25.1 million, $22.2 million, $5.6 million and $4.8 million, respectively. These decreases were partially offset by an increase of net unrealized gains by ACLF, AIE II and SOMA of $25.0 million, $11.7 million and $4.8 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009.

Expenses

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits expense decreased by $4.4 million for the ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily a result of a $16.8 million decrease in incentive fee compensation due to unfavorable performance of certain of our capital market funds during the period and a $1.0 million decrease in salary, bonus and benefits. The performance-based incentive arrangement the Company adopted in June 2011 for certain Apollo partners and employees also contributed to the decrease in salary, bonus and benefits expense during the period. These decreases were partially offset by increased non-cash equity-based compensation expense of $13.4 million primarily related to additional grants of RSUs subsequent to December 31, 2010.

Other expenses increased by $14.1 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased professional fees of $5.3 million primarily driven by structuring fees associated with AFT totaling $3.6 million incurred during 2011. In addition, general, administrative and other expenses increased by $6.3 million due to higher travel, information technology, recruiting and other expenses incurred, along with increased occupancy expense of $3.5 million due to additional office spaced leased as a result of an increase in our headcount to support the expansion of our investment platform during the period. These increases were partially offset by decreased placement fees of $1.0 million due to decreased fundraising efforts related to one of our funds during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Compensation and benefits expense increased by $24.4 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to increased incentive fee compensation expense of $14.5 million due to the favorable performance of certain of our capital markets funds during the period. Additionally, there was increased non-cash equity-based compensation expense of $7.0 million primarily related to additional grants of RSUs subsequent to December 31, 2009 along with increased salary bonus and benefits expense of $5.2 million which was driven by an increase in headcount and bonuses during the period. These increases were partially offset by decreased profit sharing expense of $2.3 million driven by the change in carried interest income of COF I and COF II due to a decline in the performance of their underlying portfolio investments during the year ended December 31, 2010 as compared to the same period during 2009.

Other expenses decreased by $2.4 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was partially attributable to lower interest expense incurred of $7.0 million primarily in respect of the AMH Credit Agreement due to the $90.9 million debt repurchase during April and May 2009, the expiration of interest rate swap agreements during May and November 2010 and lower LIBOR and ABR interest rates during the period, resulting in lower interest expense incurred. In addition, placement fees decreased by $6.6 million primarily attributable to decreased fundraising efforts during 2010. Furthermore, occupancy expense decreased by $5.6 million primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the period. These decreases were partially offset by increased professional fees of $14.5 million driven by higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2010 as compared to the same period during 2009.

Other Income (Loss)

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net losses from investment activities were $5.9 million for the year ended December 31, 2011. This amount was related to an unrealized loss on the change in the fair value of the investment in HFA during the year ended December 31, 2011.

Income from equity method investments decreased by $28.5 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was driven by decreases in the fair values of investments held by certain of our capital markets funds, primarily COF I, Artus, COF II, and ACLF, which resulted in a decrease in income from equity method investments of $10.2 million, $4.5 million $4.3 million and $3.7 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Other (loss) income, net decreased by $12.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. During the year ended December 31, 2011, approximately $8.0 million of offering costs were incurred related to the launch of AMTG. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period in 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Income from equity method investments changed by $15.7 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This decrease was driven by changes in the fair values of our capital markets investments held, primarily by ACLF, COF II, COF I and AIE II, which collectively resulted in a decrease of income from equity method investments of $20.3 million during the year ended December 31, 2010 as compared to the same period during 2009. These decreases were partially offset by an increase in income from equity method investments relating to Artus and EPF of $2.6 million and $2.2 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009.

Other income, net decreased by $46.9 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to net gains from investment activities of $38.4 million during the year ended December 31, 2009 related to an unrealized loss from Artus, where we, as the general partner, were allocated the negative equity of the fund. During the year ended December 31, 2009, the fair value of Artus increased which resulted in the reversal of the previously recognized obligation. In addition, gain from repurchase of debt was $14.7 million during the year ended December 31, 2009 and was attributable to the purchase of AMH debt related to the AMH Credit Agreement. As discussed in note 12 to our consolidated financial statements, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the re-acquisition price resulted in a gain on extinguishment of debt, of which $14.7 million was allocated to the capital markets segment. The remaining change was primarily attributable to lower gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries partially driven by the Euro weakening against the U.S. dollar during the year ended December 31, 2010 as compared to the same period during 2009.

Real Estate

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our real estate segment for the years ended December 31, 2011, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010			For the Year Ended December 31, 2009		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
				(in thousands)					
Real Estate:									
Revenues:									
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698	$ —	$ —	$ —	$ —	$ —	$ —
Management fees from affiliates	40,279	—	40,279	11,383	—	11,383	1,201	—	1,201
Carried interest income from affiliates	—	—	—	—	—	—	—	—	—
Total Revenues	40,977	—	40,977	11,383	—	11,383	1,201	—	1,201
Expenses:									
Compensation and Benefits:									
Equity-based compensation	13,111	—	13,111	4,408		4,408	1,652		1,652
Salary, bonus and benefits	33,052	—	33,052	21,688	—	21,688	10,919	—	10,919
Profit sharing expense	—	1,353	1,353	—		—	—	—	—
Total compensation and benefits	46,163	1,353	47,516	26,096	—	26,096	12,571	—	12,571
Other expenses	29,663	—	29,663	19,938	—	19,938	13,621	—	13,621
Total Expenses	75,826	1,353	77,179	46,034	—	46,034	26,192	—	26,192
Other Income:									
Income (loss) from equity method investments	—	726	726	—	(391)	(391)	—	(743)	(743)
Other income, net	9,694	—	9,694	23,622	—	23,622	1,043	—	1,043
Total Other Income (Loss)	9,694	726	10,420	23,622	(391)	23,231	1,043	(743)	300
Economic Net Loss	$ (25,155)	$ (627)	$(25,782)	$ (11,029)	$ (391)	$(11,420)	$ (23,948)	$ (743)	$(24,691)

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	Amount Change	Percentage Change	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	Amount Change	Percentage Change
				(in thousands)				
Real Estate:								
Revenues:								
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698	NM	$ —	$ —	$ —	—
Management fees from affiliates	40,279	11,383	28,896	253.9%	11,383	1,201	10,182	NM
Carried interest income from affiliates	—	—	—	—	—	—	—	—
Total Revenues	40,977	11,383	29,594	260.0	11,383	1,201	10,182	NM
Expenses:								
Compensation and Benefits								
Equity-based compensation	13,111	4,408	8,703	197.4	4,408	1,652	2,756	166.8%
Salary, bonus and benefits	33,052	21,688	11,364	52.4	21,688	10,919	10,769	98.6
Profit sharing expense	1,353	—	1,353	NM	—	—	—	—
Total compensation and benefits	47,516	26,096	21,420	82.1	26,096	12,571	13,525	107.6
Other expenses	29,663	19,938	9,725	48.8	19,938	13,621	6,317	46.4
Total Expenses	77,179	46,034	31,145	67.7	46,034	26,192	19,842	75.8
Other Income (Loss):								
Income (loss) from equity method investments	726	(391)	1,117	NM	(391)	(743)	352	(47.4)
Other income, net	9,694	23,622	(13,928)	(59.0)	23,622	1,043	22,579	NM
Total Other Income	10,420	23,231	(12,811)	(55.1)	23,231	300	22,931	NM
Economic Net Loss	$(25,782)	$ (11,420)	$ (14,362)	125.8%	$ (11,420)	$(24,691)	$ 13,271	(53.7)%

Revenues

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Advisory and transaction fees from affiliates were $0.7 million for the year ended December 31, 2011 which were earned from a new fund, AGRE Debt Fund I, L.P.

Management fees increased by $28.9 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to an increase of $22.8 million of fees earned from CPI Funds that were acquired during November 2010, therefore, 2011 included a full year of management fees earned in comparison to 2010. CPI Capital Partners Europe, CPI Capital Partners Asia Pacific and CPI Capital Partners North America earned increased fees of $8.1 million, $7.4 million and $7.3 million, respectively, during the year ended December 31, 2011 as compared to 2010. In addition, increased net assets managed by ARI, AGRE CMBS Accounts, AGRE U.S. Real Estate Fund and AGRE Debt Fund I, L.P. account resulted in increased management fees earned of $2.7 million, $1.8 million, $1.5 million and $0.2 million, respectively, during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Management fees increased by $10.2 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily attributable to $4.3 million of fees earned from CPI during the fourth quarter of 2010. In addition, increased net assets managed by ARI and the AGRE CMBS Accounts resulted in increased management fees earned of $3.7 million and $2.2 million, respectively, during the year ended December 31, 2010 as compared to the same period during 2009.

Expenses

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Compensation and benefits increased by $21.4 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a $11.4 million increase in salary, bonus and benefits expense primarily driven by an increase in headcount as a result of the CPI Funds that were acquired during November 2010 and expansion of our real estate funds during the year ended December 31, 2011 as compared to the same period during 2010. Additionally, non-cash equity-based compensation expense increased by $8.7 million primarily related to additional grants of RSUs subsequent to December 31, 2010, along with an increase in profit sharing expense of $1.4 million primarily due to the performance based incentive arrangement the Company adopted in June 2011 for certain Apollo partners and employees.

Other expenses increased by $9.7 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to increased occupancy expense of $5.3 million due to additional office space leased as a result of an increase in our headcount to support the expansion of our real estate funds during the year ended December 31, 2011 as compared to the same period during 2010 and an increase in general, administrative and other expenses of $3.7 million driven by increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new real estate funds during the period. These increases were partially offset by decreased professional fees of $1.2 million due to lower external accounting, tax, audit, legal and consulting fees incurred during the period.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Compensation and benefits increased by $13.5 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was attributable to an increase in salary, bonus and benefits expense of $10.8 primarily driven by an increase in headcount during the period as a result of the CPI acquisition. Additionally, there was increased non-cash equity-based compensation expense of $2.7 million primarily related to additional grants of RSUs subsequent to December 31, 2009.

Other expenses increased by $6.3 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. The majority of these expenses were incurred to establish our investment platform that will target real estate investment opportunities. Professional fees increased by $5.1 million primarily due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2010 as compared to the same period during 2009. This increase was partially offset by decreased general, administrative and other expenses of $2.7 million which was primarily comprised of $8.0 million of offering costs that were expensed during the year ended December 31, 2009 related to the launch of ARI during the third quarter of 2009.

Other Income (Loss)

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Total other income decreased by $12.8 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. This change was primarily attributable to a gain of $24.1 million that was recognized on the acquisition of CPI during November 2010, partially offset by the reimbursement during 2011 of approximately $8.0 million of offering costs incurred during 2009 related to the launch of ARI. The remaining change was primarily attributable to gains (losses) resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2011 as compared to the same period during 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Total other income increased by $22.9 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. This change was primarily due to a gain of $24.1 million that was recognized on the acquisition of CPI during November 2010.

Summary Combined Segment Results for Management Business and Incentive Business

The following tables combine our reportable segments' statements of operations information and supplemental performance measure, ENI, for our Management and Incentive businesses for the years ended December 31, 2011, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

In addition to providing the financial results of our three reportable business segments, we evaluate our 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.

	Year Ended December 31,		
	2011	2010	2009
	(in thousands)		
Management Business			
Revenues:			
Advisory and transaction fees from affiliates	$ 82,310	$ 79,782	$ 56,075
Management fees from affiliates	490,191	431,096	406,257
Carried interest income from affiliates	44,540	47,385	50,404
Total Revenues	617,041	558,263	512,736
Expenses:			
Equity-based compensation	68,172	30,469	7,294
Salary, bonus and benefits	251,095	249,571	227,356
Interest expense	40,850	35,436	50,252
Professional fees(1)	58,315	60,870	33,220
General, administrative and other(2)	73,972	63,466	59,437
Placement fees	3,911	4,258	12,364
Occupancy	35,816	23,067	29,625
Depreciation	11,132	11,471	11,622
Total Expenses	543,263	478,608	431,170
Other Income:			
Gain from debt repurchase	—	—	36,193
Interest income	4,731	1,508	1,450
Other income, net(3)	10,066	195,255	41,410
Total Other Income	14,797	196,763	79,053
Non-Controlling Interests	(12,146)	(16,258)	(7,818)
Economic Net Income	$ 76,429	$ 260,160	$ 152,801

(1) Excludes professional fees related to the consolidated funds.

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(2) Excludes general and administrative expenses related to the consolidated funds.
(3) Includes $162.5 million and $37.5 million of insurance proceeds related to a litigation settlement included in other income during the years ended December 31, 2010 and 2009, respectively.

The financial performance of our Incentive Business, which is dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements, includes carried interest income, income from equity method investments, profit sharing expenses and incentive fee compensation that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

	Year Ended December 31,		
	2011	2010	2009
	(in thousands)		
Incentive Business			
Revenues:			
Carried interest (loss) income from affiliates:			
Unrealized (losses) gains (1)	$(1,086,600)	$ 1,355,444	$ 383,016
Realized gains	644,653	196,191	70,976
Total Revenues	(441,947)	1,551,635	453,992
Expenses:			
Compensation and benefits:			
Profit sharing expense:			
Unrealized profit sharing expense (1)	(370,485)	504,537	143,475
Realized profit sharing expense	307,032	50,688	18,460
Total Profit Sharing Expense	(63,453)	555,225	161,935
Incentive fee compensation	3,383	20,142	5,613
Total Compensation and Benefits	(60,070)	575,367	167,548
Other Income:			
Net (loss) gains from investment activities (2)	(5,881)	—	39,062
Income from equity method investments	10,829	80,919	100,280
Total Other Income	4,948	80,919	139,342
Economic Net (Loss) Income	$ (376,929)	$ 1,057,187	$ 425,786

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income or fees of $(75.3) million and $(18.1) million for Fund VI and SOMA, respectively, for the year ended December 31, 2011. Included in unrealized profit sharing expense is reversal of previously realized profit sharing expense for the amounts receivable from Contributing Partners and certain employees due to the general partner obligation to return previously distributed carried interest income of $(22.1) million for Fund VI for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
(2) Excludes investment income and net gains (losses) from investment activities related to consolidated funds and the consolidated VIEs.

Summary

Below is the summary of our total reportable segments including management and incentive businesses and a reconciliation of ENI to Net Loss attributable to Apollo Global Management, LLC reported in our consolidated statements of operations:

	Year Ended December 31, 2011	2010	2009
		(in thousands)	
Revenues	$ 175,094	$2,109,898	$ 966,728
Expenses	483,193	1,053,975	598,718
Other income	19,745	277,682	218,395
Non-Controlling Interests	(12,146)	(16,258)	(7,818)
Economic Net (Loss) Income	(300,500)	1,317,347	578,587
Non-cash charges related to equity-based compensation	(1,081,581)	(1,087,943)	(1,092,812)
Income tax provision	(11,929)	(91,737)	(28,714)
Net loss (income) attributable to Non-Controlling Interests in Apollo Operating Group	940,312	(27,892)	400,440
Net loss of Metals Trading Fund	—	(2,380)	—
Amortization of intangible assets	(15,128)	(12,778)	(12,677)
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	$ (155,176)

Liquidity and Capital Resources

Historical

Although we have managed our historical liquidity needs by looking at deconsolidated cash flows, our historical consolidated statement of cash flows reflects the cash flows of Apollo, as well as those of our consolidated Apollo funds.

The primary cash flow activities of Apollo are:

- Generating cash flow from operations;
- Making investments in Apollo funds;
- Meeting financing needs through credit agreements; and
- Distributing cash flow to equity holders and Non-Controlling Interests.

Primary cash flow activities of the consolidated Apollo funds are:

- Raising capital from their investors, which have been reflected historically as Non-Controlling Interests of the consolidated subsidiaries in our financial statements;
- Using capital to make investments;
- Generating cash flow from operations through distributions, interest and the realization of investments; and
- Distributing cash flow to investors.

While primarily met by cash flows generated through fee income and carried interest income received, working capital needs have also been met (to a limited extent) through borrowings as follows:

	December 31, 2011		December 31, 2010	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
	(in thousands)			
AMH Credit Agreement	$ 728,273	5.39% (1)	$ 728,273	3.78% (1)
CIT secured loan agreement	10,243	3.39	23,252	3.50
Total Debt	$738,516	5.35%	$751,525	3.77%

(1) Includes the effect of interest rate swaps.

We determine whether to make capital commitments to our private equity funds in excess of our minimum required amounts based on a variety of factors, including estimates regarding our liquidity resources over the estimated time period during which commitments will have to be funded, estimates regarding the amounts of capital that may be appropriate for other funds that we are in the process of raising or are considering raising, and our general working capital requirements.

We have made one or more 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 the Private Offering Transactions. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to the Private Offering Transactions which closed in July 2007 or carry-generating transactions to which a definitive agreement was executed, but that did not close, prior to the Private Offering Transactions are treated as having been earned prior to the Private Offering Transactions.

On December 20, 2010, the Company repurchased approximately $180.8 million of AMH debt in connection with the extension of the maturity date of such loans and had a remaining outstanding balance of $728.3 million. The Company determined that debt modification resulted in debt extinguishment, which did not result in any gain or loss recognized in the consolidated financial statements.

Cash Flows

Significant amounts from our consolidated statements of cash flows for the years ended December 31, 2011, 2010 and 2009 are summarized and discussed within the table and corresponding commentary below:

Year Ended December 31, 2011 Compared to the Years Ended December 31, 2010 and 2009

	Year Ended December 31,		
	2011	2010	2009
	(in thousands)		
Operating Activities	$ 743,821	$(218,051)	$ 107,993
Investing Activities	(129,536)	(9,667)	(16,870)
Financing Activities	(251,823)	243,761	(106,264)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 362,462	$ 16,043	$ (15,141)

Operating Activities

Net cash provided by operating activities was $743.8 million during the year ended December 31, 2011. During this period, there was $1,304.2 million in net losses, to which $1,149.8 million of equity-based compensation and $196.2 million gain on business acquisitions, non-cash expenses were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2011 included $1,530.2 million in proceeds from sales of investments held by the consolidated VIEs, $113.1 million in net unrealized losses from investments held by the consolidated funds and VIEs, a $43.8 million increase in due to affiliates and $998.5 million decrease in carried interest receivable. The decrease in our carried interest receivable balance during the year ended December 31, 2011 was driven primarily by $304.5 million of carried interest losses from the change in fair value of funds for which we act as general partner, along with fund cash distributions of $692.6 million. These favorable cash adjustments were offset by $1,294.5 million of purchases of investments held by the consolidated VIEs, $325.2 million decrease in profit sharing payable and $41.8 million of realized gains on debt of the consolidated VIEs.

Net cash used in operating activities was $218.1 million during the year ended December 31, 2010. During this period, there was $543.2 million in net income, to which $87.6 million of cash held by the consolidated VIEs, $1,240.8 million in net purchases of investments primarily by the consolidated VIEs and $416.6 million of net unrealized gains from investment activities of consolidated funds and consolidated VIEs were each added to reconcile net income to net cash used in operating activities. Additional adjustments to reconcile cash used in operating activities during the year ended December 31, 2010 included a $1,383.2 million increase in our carried interest receivables. The increase in our carried interest receivable balance during the year ended December 31, 2010 was driven by a $1,585.9 million increase in the fair value of the funds for which we act as general partner, offset by fund cash distributions of $204.4 million. These adjustments were offset by $1,118.4 million of equity-based compensation, a non-cash expense, as well as $503.6 million increase in our profit sharing payable, which was also primarily driven by increases in the fair value of the funds for which we act as general partner. Additional offsets include $627.3 million of sales of investments held by the consolidated VIEs, and a $107.9 million increase in other liabilities of the consolidated VIEs, which is primarily due to the refinancing of a portfolio investment.

Net cash provided by operating activities was $108.0 million during the year ended December 31, 2009. During this period there was a $95.4 million net loss, to which $1.1 billion of equity-based compensation, a non-cash expense, was added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2009 included $471.9 million of unrealized gains on investments held by AAA, a $406.8 million increase in our carried interest receivable and $83.1 million of income from equity method investments. The increase in our carried interest receivable balance during the year ended December 31, 2009 was driven by a $504.4 million increase in the fair value of the funds for which we act as general partner, offset by fund cash distributions of $97.6 million. There was also a $45.3 million change in deferred revenue and a $40.0 million change in net purchases of investments. These unfavorable cash adjustments were offset by a $144.5 million increase in our profit sharing payable, which was also primarily driven by increases in the fair value of the funds for which we act as general partner.

The operating cash flow amounts from the Apollo funds and consolidated VIEs represent the significant variances between net income (loss) and cash flow from operations and were classified as operating activities pursuant to the American Institute of Certified Public Accountants, or "AICPA," Audit and Accounting Guide, Investment Companies, or "Investment Company Guide." The increasing capital needs reflect the growth of our business while the fund-related requirements vary based upon the specific investment activities being conducted at a point in time. These movements do not adversely affect our liquidity or earnings trends because we currently have sufficient cash reserves compared to planned expenditures.

Investing Activities

Net cash used in investing activities was $129.5 million for the year ended December 31, 2011, which was primarily comprised of $21.3 million in purchases of fixed assets, $64.2 million of cash contributions to equity method investments, a $52.1 million investment in HFA, the $29.6 million for the acquisition of Gulf Stream and $26.0 million for the acquisition of investments in the Senior Loan Fund, partially offset by $64.8 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to EPF, Fund VII and AGRE U.S. Real Estate Fund. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, COF I, COF II, Artus, EPF and Vantium C.

Net cash used in investing activities was $9.7 million for the year ended December 31, 2010, which was primarily comprised of $63.5 million of cash contributions to equity method investments and $5.6 million of fixed asset purchases, offset by $21.6 million in cash received from business acquisitions and dispositions and $38.9 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to Fund VII, COF I, COF II, Palmetto and EPF. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, COF I, COF II and Vantium C.

Net cash used in investing activities was $16.9 million for the year ended December 31, 2009, which was primarily comprised of $42.5 million of cash contributions to equity method investments and $15.8 million of fixed asset purchases, offset by $42.5 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to Fund VII, ARI, COF II and EPF. Cash distributions from equity method investments were primarily related to COF I, Fund VII, EPF and ACLF.

Financing Activities

Net cash used in financing activities was $251.8 million for the year ended December 31, 2011, which was primarily comprised of $415.9 million in repayment of term loans by consolidated VIEs, $308.8 million in distributions by consolidated VIEs, $199.2 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $27.3 million of distributions paid to Non-Controlling Interests in consolidated funds, $102.6 million in distributions and $17.1 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs. These cash outflows were offset by $384.0 million in proceeds from the issuance of Class A shares and $454.4 million of debt issued by consolidated VIEs.

Net cash provided by financing activities was $243.8 million for the year ended December 31, 2010, which was primarily comprised of $1,050.4 million related to the issuance of debt by consolidated VIEs. This amount was offset by $331.1 million in repayment of term loans by consolidated VIEs, $146.7 million in distributions by consolidated VIEs, $182.3 million in repayments and repurchases of debt primarily with respect to the AMH Credit Agreement and $48.8 million in purchases of AAA units. In addition, there were $13.6 million of distributions to Non-Controlling Interests in the consolidated entities and $21.3 million and $50.4 million of distributions paid to Class A shareholders and Non-Controlling Interests in the Apollo Operating Group, respectively.

Net cash used in financing activities was $106.3 million for the year ended December 31, 2009, which was primarily comprised of $55.8 million in repurchases of debt related to the AMH Credit Agreement and principal repayments on debt, $18.0 million of distributions to Non-Controlling Interests in the Apollo Operating Group, $12.4 million of distributions to Non-Controlling Interests in consolidated entities and $4.9 million and $12.0 million of distributions paid to Class A shareholders and Non-Controlling Interests in the Apollo Operating Group, respectively.

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Distributions

The table below presents the declaration, payment and determination of the amount of quarterly distributions which are at the sole discretion of the Company (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
January 8, 2009	$ 0.05	January 15, 2009	$ 4.9	$ 12.0	$ 16.9	$ 0.3
May 27, 2010	$ 0.07	June 15, 2010	$ 6.7	$ 16.8	$ 23.5	$ 1.0
August 2, 2010	$ 0.07	August 25, 2010	$ 6.9	$ 16.8	$ 23.7	$ 1.4
November 1, 2010	$ 0.07	November 23, 2010	$ 6.9	$ 16.8	$ 23.7	$ 1.3
January 4, 2011	$ 0.17	January 14, 2011	$ 16.6	$ 40.8	$ 57.4	$ 3.3
May 12, 2011	$ 0.22	June 1, 2011	$ 26.8	$ 52.8	$ 79.6	$ 4.7
August 9, 2011	$ 0.24	August 29, 2011	$ 29.5	$ 57.6	$ 87.1	$ 5.1
November 3, 2011	$ 0.20	December 2, 2011	$ 24.8	$ 48.0	$ 72.8	$ 4.3

Future Cash Flows

Our ability to execute our business strategy, particularly our ability to increase our AUM, depends on our ability to establish new funds and to raise additional investor capital within such funds. Our liquidity will depend on a number of factors, such as our ability to project our financial performance, which is highly dependent on our funds and our ability to manage our projected costs, fund performance, having access to credit facilities, being in compliance with existing credit agreements, as well as industry and market trends. Also during economic downturns the funds we manage might experience cash flow issues or liquidate entirely. In these situations we might be asked to reduce or eliminate the management fee and incentive fees we charge. As was the situation with AIE I, this could adversely impact our cash flow in the future.

For example, the investment performance of AIE I was adversely impacted due to market conditions in 2008 and early 2009, and on July 10, 2009, its shareholders subsequently approved a monetization plan. The primary objective of the monetization plan is to maximize shareholder recovery value by (i) opportunistically selling AIE I's assets over a three-year period from July 2009 to July 2012 and (ii) reducing the overall costs of the fund. The Company waived management fees of $12.6 million for the year ended December 31, 2008 and an additional $2.0 million for the year ended December 31, 2009 to limit the adverse impact that deteriorating market conditions were having on AIE I's performance. As a result of the monetization plan, we expect AIE I to have adequate cash flow to satisfy its obligations as they come due, therefore, we do not anticipate any additional fee waivers for AIE I in the future. The Company continues to charge AIE I management fees at a reduced rate of 1.5% of the net assets of AIE I. Prior to the monetization plan, the management fees were based on 2.0% of the gross assets of AIE I. The Company has no future plans to waive additional management fees charged to AIE I or to lower the current management fee arrangement. Management currently intends to proceed with the plan for the orderly wind down of AIE I as approved by the shareholders. However, these plans are subject to revision in the event future facts and circumstances present a more favorable solution for AIE I and its shareholders, as determined in good faith by management.

In addition, in April 2010 we announced a strategic relationship agreement with CalPERS, whereby we agreed to reduce management fees and other fees charged to CalPERS on funds we manage, or in the future will manage, solely for CalPERS by $125.0 million over a five-year period or as close a period as required to provide CalPERS with that benefit.

An increase in the fair value of our funds' investments, by contrast, could favorably impact our liquidity through higher management fees where the management fees are calculated based on the net asset value, gross assets and adjusted assets. Additionally, higher carried interest income would generally result when investments appreciate over their cost basis which would not have an impact on the Company's cash flow.

The Company granted approximately 8.1 million RSUs to its employees during the year ended December 31, 2011. The average estimated fair value per share on the grant date was $14.45 with a total fair value of the grants of $116.6 million. This will impact the Company's compensation expense as these grants are amortized over their vesting term of three to six years. The Company expects to incur annual compensation expenses on all grants, net of forfeitures, of approximately $102.2 million, $73.2 million, $25.2 million, $9.4 million, $7.2 million and $1.1 million during the years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017, respectively.

Although Apollo Global Management, LLC expects to pay distributions according to our distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions. To the extent we do not have cash on hand sufficient to pay distributions, we may have to borrow funds to pay distributions, or we may determine not to pay distributions. The declaration, payment and determination of the amount of our quarterly distributions is at the sole discretion of our manager.

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, to the extent of their ownership interest, subject to certain limitations, the obligations 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. Pursuant to the shareholders agreement dated July 13, 2007, we agreed to 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 Fund IV, Fund V and Fund VI (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 distributed carried interest income with respect to Fund IV, Fund V and Fund VI, 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 distribution to which that general partner obligation related.

Distributions to Managing Partners and Contributing Partners

The three Managing Partners who became employees of Apollo Global Management, LLC on July 13, 2007, are each entitled to a $100,000 base salary. Additionally, our Managing Partners can receive other forms of compensation. Any additional consideration will be paid to them in their proportional ownership interest in Holdings. Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to any exchanging or selling Managing Partners.

It should be noted that subsequent to the Reorganization, the Contributing Partners retained ownership interests in subsidiaries of the Apollo Operating Group. Therefore, any distributions that flow up to management or general partner entities in which the Contributing Partners retained ownership interests are shared pro rata with the Contributing Partners who have a direct interest in such entities prior to flowing up to the Apollo Operating Group. These distributions are considered compensation expense post-Reorganization.

The Contributing Partners are entitled to receive the following:

- ***Profit Sharing***—private equity carried interest income, from direct ownership of advisory entities. Any changes in fair value of the underlying fund investments would result in changes to Apollo Global Management, LLC's profit sharing payable.

- ***Net Management Fee Income***—distributable cash determined by the general partner of each management company, from direct ownership of the management company entity. The Contributing Partners will continue to receive net management fee income payments based on the interests they retained in management companies directly. Such payments are treated as compensation expense post-Reorganization as described above.
- Any additional consideration will be paid to them based on their proportional ownership interest in Holdings.
- No base compensation is paid to the Contributing Partners from the Company, but they are entitled to a monthly draw.
- Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to any exchanging or selling Contributing Partner.

Potential Future Costs

We may make grants of RSUs or other equity-based awards to employees and independent directors that we appoint in the future.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the consolidated financial statements, which have been prepared in accordance with U.S. GAAP. We also report segment information from our consolidated statements of operations and include a supplemental performance measure, ENI, for our private equity, capital markets and real estate segments. ENI represents segment income (loss) excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. A summary of our significant accounting policies is presented in our consolidated financial statements. The following is a summary of our accounting policies that are affected most by judgments, estimates and assumptions.

Consolidation

Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds for which the general partner is presumed to have control (AAA, Senior Credit Loan Fund). Apollo also consolidates entities that are 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 determine whether

(a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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 whether Apollo is 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.

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 VIE's 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 the 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 consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income are presented within appropriated partners' capital in the consolidated statements of financial condition as these VIEs are funded solely with debt and within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non- Controlling Interests in the consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statement of financial condition as of December 31, 2011.

Additional disclosures regarding VIEs are set forth in note 5 to our consolidated financial statements. Inter-company transactions and balances, if any, have been eliminated in the consolidation.

Revenue Recognition

Carried Interest Income from Affiliates. We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Such carried interest income generally is earned based upon a fixed percentage of realized and unrealized gains of various funds after meeting any applicable hurdle rate or threshold minimum. Carried interest income from certain of the funds that we manage is subject to contingent repayment and is generally paid to us as particular investments made by the funds are realized. If, however, upon liquidation of a fund, the aggregate amount paid to us as carried interest exceeds the amount actually due to us based upon the aggregate performance of the fund, the excess (in certain cases net of taxes) is required to be returned by us to that fund. For a majority of our capital markets funds, once the annual carried interest income has been determined, there generally is no look-back to prior periods for a potential contingent repayment, however, carried interest income on certain other capital markets funds can be subject to contingent repayment at the end of the life of the fund. We have elected to adopt Method 2 from U.S. GAAP guidance applicable to accounting for management fees based on a formula, and under this method, we accrue carried interest income quarterly based on fair value of the underlying investments and separately assess if contingent repayment is necessary. The determination of carried interest income and contingent repayment considers both the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. Refer to note 18 to our consolidated financial statements for disclosure of the amounts of carried interest income (loss) income from affiliates that was generated from realized versus unrealized losses. See "Valuation of Investments" below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our capital markets, private equity and real estate funds.

Management Fees from Affiliates. The management fees related to our private equity funds are generally based on a fixed percentage of the committed capital or invested capital. The corresponding fee calculations that consider committed capital or invested capital are both objective in nature and therefore do not require the use of significant estimates or assumptions. Management fees related to our capital markets funds, by contrast, can be based on net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, or capital contributions, all as defined in the respective partnership agreements. The capital markets management fee calculations that consider net asset value, gross assets, adjusted cost of all unrealized portfolio investments and adjusted assets, are normally based on the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. The management fees related to our real estate funds are generally based on a specific percentage of the funds' stockholders' equity or committed or net invested capital or the capital accounts of the limited partners. See the Valuation of Investments section below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our capital markets and private equity funds.

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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which fair value option was elected and the unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership 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. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 where the fair value is based on unobservable inputs.

In cases where an investment or financial instrument measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

Equity Method Investments. For investments in 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 such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations and income (loss) on available-for-sale securities (from equity method investments) is recognized as part of other comprehensive income (loss), net of tax in the consolidated statements of comprehensive income (loss). The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

Private Equity Investments. The majority of the investments within our private equity funds are valued using the market approach, which provides an indication of fair value based on a comparison of the subject Company to comparable publicly traded companies and transactions in the industry.

Market Approach. The market approach is driven by current market conditions, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. Consideration may also be given to any of the following factors: (1) the subject company's historical and projected financial data; (2) valuations given to comparable companies; (3) the size and scope of the subject company's operations; (4) the subject company's individual strengths and weaknesses; (5) expectations relating to the market's receptivity to an offering of the subject company's securities; (6) applicable restrictions on transfer; (7) industry and market information; (8) general economic conditions; and (9) other factors deemed relevant. Market approach valuation models typically employ a multiple that is based on one or more of the factors described above. Sources for gaining additional knowledge related to comparable companies include public filings, annual reports, analyst research reports, and press releases. Once a comparable company set is determined, we review certain aspects of the subject company's performance and determine how its performance compares to the group and to certain individuals in the group. We compare certain measurements such as EBITDA margins, revenue growth over certain time periods, leverage ratios, and growth opportunities. In addition, we compare our entry multiple and its relation to the comparable set at the time of acquisition to understand its relation to the comparable set on each measurement date.

Income Approach. For investments where the market approach does not provide adequate fair value information, we rely on the income approach. The income approach is also used to value investments or validate the market approach within our private equity funds. 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 significant assumptions related to the subject company's expected results and a calculated discount rate, which is normally based on the subject company's weighted average cost of capital, or "WACC." The WACC represents the required rate of return on total capitalization, which is comprised of a required rate of return on equity, plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt that are typical in the industry. The most critical step in determining the appropriate WACC for each subject company is to select companies that are comparable in nature to the subject company. Sources for gaining additional knowledge about the comparable companies include public filings, annual reports, analyst research reports, and press releases. The general formula then used for calculating the WACC considers the after-tax rate of return on debt capital and the rate of return on common equity capital, which further considers the risk-free rate of return, market beta, market risk premium and small stock premium, if applicable. The variables used in the WACC formula are inferred from the comparable market data obtained. The Company evaluates the comparable companies selected and concludes on WACC inputs based on the most comparable company or analyzes the range of data for the investment.

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 close price on the date of determination.

Apollo utilizes a valuation committee consisting of members from senior management that reviews and approves the valuation results related to our private equity investments. Management also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determine fair value. 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 investments in Apollo's capital markets funds are valued based on valuation models and 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 observable 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 investments also may include the market approach and the income approach, as previously described above.

Apollo also utilizes a valuation committee that reviews and approves the valuation results related to our capital markets investments. Management performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments. For the CMBS portfolio of Apollo's Funds, the estimated fair value of the AAA-rated CMBS portfolio is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs. For AGRE's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

Apollo also utilizes a valuation committee that reviews and approves the valuation results related to our real estate investments. Management performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

The fair values of the investments in our private equity, capital markets and real estate funds can be impacted by changes to the assumptions used in the underlying valuation models. For further discussion on the impact of changes to valuation assumptions refer to "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Sensitivity". There have been no material changes to the underlying valuation models during the periods that our financial results are presented.

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 12 to the consolidated financial statements), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $752.2 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2011. However, the carrying value that is recorded on the consolidated statement of financial condition is the amount for which we expect to settle the long term debt obligation.

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.

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 elected to separately present interest income in the Consolidated Statement of Operations from other changes in the fair value of the convertible notes issued by HFA. Apollo has elected to separately present interest income in the consolidated statements of operations from other changes in the fair value of the convertible notes issued by HFA. 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 5 to our consolidated financial statements for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2011, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Compensation and Benefits

Compensation and benefits include salaries, bonuses, profit sharing plans and the amortization of equity-based compensation. Bonuses are accrued over the service period. From time to time, the Company may distribute profits interests as a result of waived management fees to its investment professionals, which are considered compensation. 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. Compensation expense related to our profit sharing payable is a result of agreements with our Contributing Partners and employees to compensate them based on the ownership interest they have in the general partners of the Apollo funds. Therefore, any movements in the fair value of the underlying investments in the funds we manage and advise affect the profit sharing expense. As of December 31, 2011, our total private equity investments were approximately $20.7 billion. The Contributing Partners and employees are allocated approximately 30% to 50% of the total carried interest income which is driven primarily by changes in fair value of the underlying fund's investments and is treated as compensation expense. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and Contributing Partners.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation. Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our capital markets funds, based on performance for the year. Incentive fee compensation expense is recognized on accrual basis as the related carried interest income is earned.

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 is generally 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 recognized over the relevant service period. Further, as required under U.S. GAAP, the Company estimates forfeitures using industry comparables or historical trends for equity-based awards that are not expected to vest. Apollo's equity-based compensation awards consist of, or provide rights with respect to AOG Units, RSUs, Share Options, AAA RDUs, ARI Restricted Stock Awards, ARI RSUs Awards and AMTG RSUs. The Company's assumptions made to determine the fair value on grant date and the estimated forfeiture rate are embodied in the calculations of compensation expense.

Another significant part of our compensation expense is derived from amortization of the AOG Units subject to forfeiture by our Managing Partners and Contributing Partners. The estimated fair value was determined and recognized over the forfeiture period on a straight-line basis. We have estimated a 0% and 3% forfeiture rate for our Managing Partners and Contributing Partners, respectively, based on the Company's historical attrition rate for this level of staff as well as industry comparable rates. If either the Managing Partners or Contributing Partners are no longer associated with Apollo or if there is no turnover, we will revise our estimated compensation expense to the actual amount of expense based on the units vested at the balance sheet date in accordance with U.S. GAAP.

Additionally, the value of the AOG Units have been reduced to reflect the transfer restrictions imposed on units issued to the Managing Partners and Contributing Partners as well as the lack of rights to participate in future Apollo Global Management, LLC equity offerings. These awards have the following characteristics:

- Awards granted to the Managing Partners (i) are not permitted to be sold to any parties outside of the Apollo Global Management, LLC control group and transfer restrictions lapse pro rata during the forfeiture period over 60 or 72 months, and (ii) allow the Managing Partners to initiate a change in control.
- Awards granted to the Contributing Partners (i) are not permitted to be sold or transferred to any parties except to the Apollo Global Management, LLC control group and (ii) the transfer restriction period lapses over six years (which is longer than the forfeiture period which lapses ratably over 60 months).

As noted above, the AOG Units issued to the Managing Partners and Contributing Partners have different restrictions which affect the liquidity of and the discounts applied to each grant.

We utilized the Finnerty Model to calculate a discount on the AOG Units granted to the Contributing Partners. The Finnerty Model provides for a valuation discount reflecting the holding period restriction embedded in a restricted stock preventing its sale over a certain period of time. Along with the Finnerty Model we applied adjustments to account for the existence of liquidity clauses specific to contributing partner units and a minority interest consideration as compared to units sold through the strategic investor transaction in 2007. The combination of these adjustments yielded a fair value estimate of the AOG Units granted to the Contributing Partners.

The Finnerty Model proposes to estimate a discount for lack of marketability such as transfer restrictions by using an option pricing theory. This model has gained recognition through its ability to address the magnitude of the discount by considering the volatility of a company's stock price and the length of restriction. The concept underpinning the Finnerty Model is that restricted stock cannot be sold over a certain period of time. Further simplified, a restricted share of equity in a company can be viewed as having forfeited a put on the average price of the marketable equity over the restriction period (also known as an "Asian Put Option"). If we price an Asian Put Option and compare this value to that of the assumed fully marketable underlying stock, we can effectively estimate the marketability discount.

The assumptions utilized in the model were (i) length of holding period, (ii) volatility, (iii) dividend yield and (iv) risk free rate. Our assumptions were as follows:

(i) We assumed a maximum two year holding period.

(ii) We concluded based on industry peers, that our volatility annualized would be approximately 40%.

(iii) We assumed no distributions.

(iv) We assumed a 4.88% risk free rate based on U.S. Treasuries with a two year maturity.

For the Contributing Partners' grants, the Finnerty Model calculation, as detailed above, yielded a marketability discount of 25%. This marketability discount, along with adjustments to account for the existence of liquidity clauses and consideration of non-controlling interests as compared to units sold through the strategic investors transaction in 2007, resulted in an overall discount for these grants of 29%.

We determined a 14% discount for the grants to the Managing Partners based on the equity value per share of $24. We determined that the value of the grants to the Managing Partners was supported by the 2007 sale of an identical security to Credit Suisse Management, LLC at $24 per share. Based on an equity value per share of $24, the implied discount for the grants to the Managing Partners was 14%. The Contributing Partners yielded a larger overall discount of 29%, as they are unable to cause a change in control of Apollo. This results in a lower fair value estimate, as their units have fewer beneficial features than those of the Managing Partners.

Income Taxes

Apollo has historically generally operated in the U.S. 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 financial statements. Income taxes presented on the consolidated 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 generally 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 are subject to NYC UBT, 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. Federal, state and local corporate 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 has a greater than 50% likelihood 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 recognized. The Company's tax positions are reviewed and evaluated quarterly to 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fair Value Measurements

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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which fair value option was elected and the unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership 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. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 where the fair value is based on unobservable inputs.

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Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Assets, at fair value:								
Investment in AAA Investments, L.P.	$ —	$ —	$ —	$ —	$ 1,480,152	$ 1,637,091	$ 1,480,152	$ 1,637,091
Investments held by Senior Loan Fund	—	—	23,757	—	456	—	24,213	—
Investments in HFA and Other	—	—	—	—	47,757	—	47,757	—
Total	$ —	$ —	$ 23,757	$ —	$ 1,528,365	$ 1,637,091	$ 1,552,122	$ 1,637,091

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ 3,843	$ 11,531	$ —	$ —	$ 3,843	$ 11,531
Total	—	$ —	3,843	$ 11,531	—	$ —	3,843	$ 11,531

There were no transfers between Level I, II or III during the year ended December 31, 2011 and 2010 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31,		
	2011	2010	2009
Balance, Beginning of Period	$ 1,637,091	$ 1,324,939	$ 854,442
Purchases	432	375	4,121
Distributions	(33,425)	(58,368)	(5,497)
Change in unrealized (losses) gains, net	(123,946)	370,145	471,873
Balance, End of Period	$ 1,480,152	$ 1,637,091	$ 1,324,939

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The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2011
Balance, Beginning of Period	$ —
Purchases	57,509
Change in unrealized losses, net	(5,881)
Director Fees	(1,802)
Expenses incurred	(2,069)
Balance, End of Period	$ 47,757

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

The following table summarizes the changes in the Senior Loan Fund, which is measured at fair value and characterized as a Level III investment:

	For the Year Ended December 31, 2011
Balance, Beginning of Period	$ —
Acquisition	456
Purchases	—
Distributions	—
Realized losses (gains)	—
Change in unrealized (losses) gains	—
Balance, End of Period	$ 456

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

	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ 40,034
Purchases	—
Distributions	(37,760)(1)
Realized losses	(2,240)
Change in unrealized losses	(34)
Balance, End of Period	$ —

(1) Refer to note 1 for a discussion regarding consolidation of the Metals Trading Fund.

The change in unrealized gains (losses) and realized losses have been recorded within the caption "Net gains (losses) from investment activities" in the 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			
	December 31, 2011		December 31, 2010	
		% 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	$ 749,374	44.6%	$ 782,775	42.6%
Discounted cash flow models	643,031	38.4	490,024	26.6
Listed quotes	139,833	8.3	24,232	1.3
Broker quotes	179,621	10.7	504,917	27.5
Other net (liabilities) assets (1)	(33,330)	(2.0)	37,351	2.0
Total Investments	1,678,529	100.0%	1,839,299	100.0%
Other net liabilities (2)	(198,377)		(202,208)	
Total Net Assets	$ 1,480,152		$ 1,637,091	

(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 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, liabilities and general partner interests of AAA Investments and are primarily comprised of $402.5 million and $537.5 million in long-term debt offset by cash and cash equivalents at the December 31, 2011 and 2010 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

Fair Value Measurements

The following table summarizes the valuation of Apollo's consolidated VIEs in fair value hierarchy levels as of December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Investments, at fair value (1)	$ —	$ —	$3,055,357	$1,172,242	$246,609	$170,369	$3,301,966	$1,342,611

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value	$ —	$ —	$ —	$ —	$3,189,837	$1,127,180	$3,189,837	$1,127,180

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. At December 31, 2010, the cost and fair value of the investments of this VIE were $719.5 million and $684.1 million,

respectively. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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. All Level II and III investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are recorded as of the quarterly period in which the transfer occurred.

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 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.

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31,	
	2011	2010
Balance, Beginning of Period	$ 170,369	$ —
Acquisition of VIE	335,353	—
Transition adjustment relating to consolidation of VIE	—	1,102,114
Purchases	663,438	840,926
Sale of investments	(273,719)	(125,638)
Net realized gains	980	131
Changes in net unrealized (losses) gains	(7,669)	29,981
Deconsolidation of VIE	—	(20,751)
Transfers out of Level III	(802,533)	(1,663,755)
Transfers into Level III	160,390	7,361
Balance, End of Period	$ 246,609	$ 170,369
Changes in net unrealized (losses) gains included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31, 2011	2010
Balance, Beginning of Period	$ 1,127,180	$ —
Acquisition of VIE	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	706,027
Borrowings	454,356	1,050,377
Repayments	(415,869)	(331,120)
Net realized gains on debt	(41,819)	(21,231)
Changes in net unrealized losses from debt	19,880	55,040
Deconsolidation of VIE	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(48)	(2,077)
Balance, End of Period	$ 3,189,837	$ 1,127,180
Changes in net unrealized (gains) losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ (25,347)	$ 16,916

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to Apollo and its industry is included in note 2 to our consolidated financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential contingent repayment obligations. See note 16 to our consolidated financial statements for a discussion of guarantees and contingent obligations.

Contractual Obligations, Commitments and Contingencies

As of December 31, 2011, the Company's material contractual obligations consist of lease obligations, contractual commitments as part of the ongoing operations of the funds and debt obligations. Fixed and determinable payments due in connection with these obligations are as follows:

	2012	2013	2014	2015 (in thousands)	2016	Thereafter	Total
Operating lease obligations	$31,175	$ 30,657	$ 30,242	$ 28,921	$ 28,871	$ 92,426	$ 242,292
Other long-term obligations (1)	10,221	630	—	—	—	—	10,851
AMH Credit Agreement (2)	31,284	30,668	85,617	78,479	26,364	623,486	875,898
CIT secured loan agreement	1,032	9,626	—	—	—	—	10,658
Total Obligations as of December 31, 2011	$ 73,712	$71,581	$115,859	$107,400	$55,235	$715,912	$1,139,699

(1) Includes (i) payments on management service agreements related to certain assets and (ii) payments with respect to certain consulting agreements entered into by the Company. Note that a significant portion of these costs are reimbursable by funds.

(2) $723.3 million, net ($995.0 million portion less amount repurchased) of the AMH debt matures in January 2017 and $5.0 million matures in April 2014. Amounts represent estimated interest payments until the loan matures using an estimated weighted average annual interest rate of 4.24%, which includes the effects of the interest rate swap through its expiration in May 2012 and certain required repurchases of at least $50.0 million by December 31, 2014 and at least $100.0 million (inclusive of the previously purchased $50.0 million) by December 31, 2015 as described in note 12 to our consolidated financial statements.

Note: Due to the fact that the timing of certain amounts to be paid cannot be determined or for other reasons discussed below, the following contractual commitments have not been presented in the table above.

(i) Amounts do not include the senior secured term loan entered into by AAA Investments of which $402.5 million was utilized as of December 31, 2011. The term loan matures on June 30, 2015. AAA is consolidated by the Company in accordance with U.S. GAAP. The Company does not guarantee and has no legal obligation to repay amounts outstanding under the term loan. Accordingly, the $402.5 million outstanding balance was excluded from the table above.

(ii) As noted previously, we have entered into a tax receivable agreement with our Managing Partners and Contributing Partners which requires us to pay to our Managing Partners and Contributing Partners 85% of any tax savings received by APO Corp. from our step-up in tax basis. The tax savings achieved may not ensure that we have sufficient cash available to pay this liability and we might be required to incur additional debt to satisfy this liability.

(iii) Debt amounts related to the consolidated VIEs are not presented in the table above as the Company is not a guarantor of these non-recourse liabilities.

Commitments

Our management companies and general partners have committed that we, or our affiliates, will invest a certain percentage of capital into the funds we manage. While a small percentage of these amounts are funded by us, the majority of these amounts have historically been funded by our affiliates, including certain of our employees and certain Apollo funds. The table below presents the commitment and remaining commitment amounts of Apollo and its affiliates, the percentage of total fund commitments of Apollo and its affiliates, the commitment and remaining commitment amounts of Apollo only (excluding affiliates), and the percentage of total fund commitments of Apollo only (excluding affiliates) for each private equity fund, each capital markets fund and each real estate fund as of December 31, 2011 as follows ($ in millions):

Fund	Apollo and Affiliates Commitments	% of Total Fund Commitments	Apollo Only (Excluding Affiliates) Commitments	Apollo Only (Excluding Affiliates) % of Total Fund Commitments	Apollo and Affiliates Remaining Commitments	Apollo Only (Excluding Affiliates) Remaining Commitments
Private Equity:						
Fund VII	$ 467.2(1)	3.18%	$ 190.3	1.30%	$ 201.9(1)	$ 82.7
Fund VI	246.3	2.43	6.1	0.06	24.3	0.6
Fund V	100.0	2.67	0.5	0.01	6.5	—(2)
Fund IV	100.0	2.78	0.2	0.01	0.5	—(2)
Fund III	100.6	6.71	—	—	15.5	—
ANRP	164.0(1)	28.61	9.0	1.57	138.2(1)	7.6
Capital Markets:						
EPF(7)	377.4(3)	22.48	22.9	1.36	156.2(4)	10.8
EPF II	4.7	2.35	4.7	2.35	4.7	4.7
SOMA(8)	—	—	—	—	—	—
ACLF Co-Invest(5)	—	—	—	—	—	—
COF I	477.6(6)	32.16	29.7	2.00	242.2(6)	4.2
COF II	70.5	4.45	23.4	1.48	1.8	0.6
ACLF	23.9	2.43	23.9	2.43	10.7	10.7
Palmetto	18.0	1.19	18.0	1.19	8.3	8.3
AIE II(7)	8.4	3.15	5.2	1.94	0.8	0.5
A-A European Senior Debt Fund, L.P.	50.0	100.00	—	—	15.0	—
FCI	107.1	26.85	—	—	48.7	—
Apollo/JH Loan Portfolio	50.1	100.00	0.1	0.20	—	—
Apollo/Palmetto Loan Portfolio, L.P.	300.0(1)	100.00	—	—	120.0(1)	—
Apollo/Palmetto Short-Maturity Loan Portfolio, L.P.	200.0(1)	100.00	—	—	25.0(1)	—
AESI(7)	4.5	0.98	4.5	0.98	3.0	3.0
Apollo European Credit, L.P.	5.3	2.50	2.2	1.04	4.0	1.7
Real Estate:						
AGRE U.S. Real Estate Fund	308.0(1)	80.02	7.9	2.05	274.5(1)	2.0
CPI Capital Partners North America	7.5	1.25	2.0	0.33	1.8	0.5
CPI Capital Partners Europe	7.1	0.47	—	—	1.7	—
CPI Capital Partners Asia Pacific	6.9	0.53	0.5	0.04	0.9	—
Total	$ 3,205.1		$ 351.1		$ 1,306.2	$ 137.9

(1) As of December 31, 2011, Palmetto had commitments and remaining commitment amounts in Fund VII of $110.0 million and $46.5 million, respectively, ANRP of $150.0 million and $126.3 million, respectively,

Apollo/Palmetto Loan Portfolio, L.P. of $300.0 million and $120.0 million, respectively, Apollo/Palmetto Short-Maturity Loan Portfolio, L.P. of $200.0 million and $25.0 million, respectively, and AGRE U.S. Real Estate Fund, L.P. of $300 million and $272.5 million, respectively.

(2) As of December 31, 2011, Apollo had an immaterial amount of remaining commitments in Fund IV and Fund V. Accordingly, presentation of such remaining commitments was not deemed meaningful for inclusion in the table above.

(3) Of the total commitment amount in EPF, AAA, SOMA and Palmetto have approximately €77.0 million, €75.0 million and €106.0 million, respectively.

(4) Of the total remaining commitment amount in EPF, AAA, SOMA and Palmetto have approximately €31.1 million, €30.9 million and €42.9 million, respectively.

(5) As of December 31, 2011, the general partner of ACLF Co-Invest, a co-investment vehicle that invests alongside ACLF, had committed an immaterial amount to ACLF Co-Invest. Accordingly, presentation of such commitment was not deemed meaningful for inclusion in the table above.

(6) As of December 31, 2011, SOMA had commitments and remaining commitment amounts in COF I of $250.0 million and $202.0 million, respectively.

(7) Apollo's commitment in these funds is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.30 as of December 31, 2011.

(8) Apollo and affiliated investors must maintain an aggregate capital balance in an amount not less than 1% of total capital account balances of the partnership. As of December 31, 2011, Apollo and affiliates' capital balances exceeded the 1% requirement and are not required to fund a capital commitment.

As a limited partner, the general partner and manager of the Apollo private equity, capital markets and real estate funds, Apollo has unfunded capital commitments at December 31, 2011 and December 31, 2010 of $137.9 million and $140.6 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

The AMH Credit Agreement, which provides for a variable-rate term loan, will have future impacts on our cash uses. Borrowings under the AMH Credit Agreement originally accrued interest at a rate of (i) LIBOR loans (LIBOR plus 1.25%), or (ii) base rate loans (base rate plus 0.50%). The Company has hedged $167 million of the variable-rate loan with fixed rate swaps to minimize our interest rate risk as of December 31, 2011. The loan originally matured in April 2014. On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995 million of the term loans from April 20, 2014 to January 3, 2017 and modified certain other terms of the Credit Agreement. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50 million aggregate principal amount of term loans by December 31, 2014 and at least $100 million aggregate principal amount of term loans (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio (which is a figure that varies over time that is used to determine the applicable level of certain carve-outs to the negative covenants as well as to determine the level of AMH's cash collateralization requirements) was extended to end at the new extended maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and base rate plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH loans (excluding the portions held by AMH affiliates) had a remaining outstanding balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased) of the loan at December 31, 2011 was 4.23% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2011 was 1.48%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $752.2 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2011 is the amount for which the Company expects to settle the AMH Credit Agreement.

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 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. At December 31, 2010, the total outstanding loan aggregated $20.5 million, including accrued interest of $1.6 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the consolidated statement of financial condition. During the year ended December 31, 2011, there was $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. As of December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

In accordance with the Managing Partners Shareholders Agreement dated July 13, 2007, as amended, and the above credit agreement, we have indemnified the Managing Partners and certain Contributing Partners (at varying percentages) for any carried interest income distributed from Fund IV, Fund V and Fund VI that is subject to contingent repayment by the general partner. As of December 31, 2011, the Company had not recorded an obligation for any previously made distributions.

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 had been recognized by Apollo through December 31, 2011 and that would be reversed approximates $1.3 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2011
Private Equity Funds:	
Fund VII	$ 651,491
Fund V	246,656
Fund IV	57,104
AAA	22,090
Total Private Equity Funds	$ 977,341
Capital Markets Funds:	
Distressed and Event-Driven Hedge Funds (Value Funds, SOMA, AAOF)	12,625
Mezzanine Funds (AIE II)	20,459
Non-Performing Loan Fund (EPF)	51,463
Senior Credit Funds (COF I/COF II, Gulf Stream, CLOs)	233,139
Total Capital Market Funds	$ 317,686
Total	$1,295,027

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. This general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15 to the consolidated financial statements, the Company has recorded a general partner obligation to return previously distributed carried interest income or fees of $75.3 million and $18.1 million relating to Fund VI and SOMA as of December 31, 2011, respectively.

Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company's subsidiaries, Apollo Global Securities, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2011, there were no underwriting commitments outstanding related to such offerings.

In connection with the Gulf Stream acquisition, as discussed in Note 3 to the accompanying consolidated financial statements in this report, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. The contingent consideration liability has an Acquisition Date fair value of approximately $4.7 million, which was determined based on the present value of the estimated range of undiscounted incentive fee payable cash flows between $0 and approximately $8.7 million using a discount rate of 13.7%.

In connection with the CPI acquisition, as discussed in Note 3 to the accompanying consolidated financial statements, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-investment vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2011.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as investment manager and general partner for our funds and the sensitivity to movements in the fair value of their investments and resulting impact on carried interest income and management fee revenues. Our direct investments in the funds also expose us to market risk whereby movements in the fair values of the underlying investments will increase or decrease both net gains (losses) from investment activities and income (loss) from equity method investments. For a discussion of the impact of market risk factors on our financial instruments refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Consolidation—Valuation of Investments."

The fair value of our financial assets and liabilities of our funds may fluctuate in response to changes in the value of investments, foreign exchange, commodities and interest rates. The net effect of these fair value changes impacts the gains and losses from investments in our consolidated statements of operations. However, the majority of these fair value changes are absorbed by the Non-Controlling Interests.

The Company is subject to a concentration risk related to the investors in its funds. Although there are more than approximately 1,000 limited partner investors in Apollo's active private equity, capital markets and real estate funds, no individual investor accounts for more than 10% of the total committed capital to Apollo's active funds.

Risks are analyzed across funds from the "bottom up" and from the "top down" with a particular focus on asymmetric risk. We gather and analyze data, monitor investments and markets in detail, and constantly strive to better quantify, qualify and circumscribe relevant risks.

Each segment runs its own investment and risk management process subject to our overall risk tolerance and philosophy:

- The investment process of our private equity funds involves a detailed analysis of potential acquisitions, and investment management teams assigned to monitor the strategic development, financing and capital deployment decisions of each portfolio investment.
- Our capital markets funds continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios, as well as, fund-wide risks.

Impact on Management Fees—Our management fees are based on one of the following:

- capital commitments to an Apollo fund;
- capital invested in an Apollo fund; or
- the gross, net or adjusted asset value of an Apollo fund, as defined.
- otherwise defined in the respective agreements.

Management fees could be impacted by changes in market risk factors and management could consider an investment permanently impaired as a result of (i) such market risk factors cause changes in invested capital or in market values to below cost, in the case of our private equity funds and certain capital markets funds, or (ii) such market risk factors causing changes in gross or net asset value, for the capital markets funds. The proportion of our management fees that are based on NAV is dependent on the number and types of our funds in existence and the current stage of each fund's life cycle.

Impact on Advisory and Transaction Fees—We earn transaction fees relating to the negotiation of private equity, capital markets and real estate transactions and may obtain reimbursement for certain out-of-pocket expenses incurred. Subsequently, on a quarterly or annual basis, ongoing advisory fees, and additional transaction fees in connection with additional purchases or follow-on transactions, may be earned. Management Fee Offsets and any broken deal costs are reflected as a reduction to advisory and transaction fees from affiliates. Advisory and transaction fees will be impacted by changes in market risk factors to the extent that they limit our opportunities to engage in private equity, capital markets and real estate transactions or impair our ability to consummate such transactions. The impact of changes in market risk factors on advisory and transaction fees is not readily predicted or estimated.

Impact on Carried Interest Income—We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Our carried interest income will be impacted by changes in market risk factors. However, several major factors will influence the degree of impact:

- the performance criteria for each individual fund in relation to how that fund's results of operations are impacted by changes in market risk factors;
- whether such performance criteria are annual or over the life of the fund;
- to the extent applicable, the previous performance of each fund in relation to its performance criteria; and
- whether each funds' carried interest income is subject to contingent repayment.

As a result, the impact of changes in market risk factors on carried interest income will vary widely from fund to fund. The impact is heavily dependent on the prior and future performance of each fund, and therefore is not readily predicted or estimated.

Market Risk—We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues and expenses will be adversely affected by changes in market conditions. Market risk is inherent in each of our investments and activities, including equity investments, loans, short-term borrowings, long-term debt, hedging instruments, credit default swaps, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity prices, changes in the implied volatility of interest rates and price deterioration. For example, subsequent to the second quarter of 2007, debt capital markets around the world began to experience significant dislocation, severely limiting the availability of new credit to facilitate new traditional buyouts, and the markets remain volatile. Volatility in debt and equity markets can impact our pace of capital deployment, the timing of receipt of transaction fee revenues, and the timing of realizations. These market conditions could have an impact on the value of investments and our rates of return. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on our results from operations and our overall financial condition. We monitor our market risk using certain strategies and methodologies which management evaluates periodically for appropriateness. We intend to continue to monitor this risk going forward and continue to monitor our exposure to all market factors.

Interest Rate Risk—Interest rate risk represents exposure we have to instruments whose values vary with the change in interest rates. These instruments include, but are not limited to, loans, borrowings and derivative instruments. We may seek to mitigate risks associated with the exposures by taking offsetting positions in derivative contracts. Hedging instruments allow us to seek to mitigate risks by reducing the effect of movements in the level of interest rates, changes in the shape of the yield curve, as well as, changes in interest rate volatility. Hedging instruments used to mitigate these risks may include related derivatives such as options, futures and swaps.

Credit Risk —Certain of our funds are subject to certain inherent risks through their investments.

Certain of our entities invest substantially all of their excess cash in open-end money market funds and money market demand accounts, which are included in cash and cash equivalents. The money market funds invest primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. We continually monitor the funds' performance in order to manage any risk associated with these investments.

Certain of our entities hold derivatives instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We seek to minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

Foreign Exchange Risk—Foreign exchange risk represents exposures we have to changes in the values of current holdings and future cash flows denominated in other currencies and investments in non-U.S. companies. The types of investments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans, foreign currency-denominated transactions, and various foreign exchange derivative instruments whose values fluctuate with changes in currency exchange rates or foreign interest rates. Instruments used to mitigate this risk are foreign exchange options, currency swaps, futures and forwards. These instruments may be used to help insulate us against losses that may arise due to volatile movements in foreign exchange rates and/or interest rates.

Non-U.S. Operations—We conduct business throughout the world and are continuing to expand into foreign markets. We currently have offices outside the U.S. in London, Frankfurt, Luxembourg, Mumbai, Hong Kong and Singapore, and have been strategically growing our international presence. Our investments and revenues are primarily derived from our U.S. operations. With respect to our non-U.S. operations, we are subject to risk of loss from currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalization, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. We also invest in the securities of corporations which are located in non-U.S. jurisdictions. As we continue to expand globally, we will continue to focus on monitoring and managing these risk factors as they relate to specific non-U.S. investments.

Sensitivity

Our assets and unrealized gains, and our related equity and net income are sensitive to changes in the valuations of our funds' underlying investments and could vary materially as a result of changes in our valuation assumptions and estimates. See "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Critical Accounting Policies—Valuation of Investments" for details related to the valuation methods that are used and the key assumptions and estimates employed by such methods. We also quantify the Level III investments that are included on our consolidated statements of financial condition by valuation methodology in "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Fair Value Measurements." We employ a variety of valuation methods. Furthermore, the investments that we manage but are not on our consolidated statements of financial condition, and therefore impact carried interest, also employ a variety of valuation methods of which no single methodology is used more than any other. A 10% change in any single key assumption or estimate that is employed by any of the valuation methodologies that we use will generally not have a material impact on our financial results. Changes in fair value will have the following impacts before a reduction of profit sharing expense and Non-Controlling Interests in the Apollo Operating Group and on a pre-tax basis on our results of operations for the years ended December 31, 2011 and 2010:

- Management fees from the funds in our capital markets segment are based on the net asset value of the relevant fund, gross assets, capital commitments or invested capital, each as defined in the respective management agreements. Changes in the fair values of the investments in capital markets funds that earn management fees based on net asset value or gross assets will have a direct impact on the amount of management fees that are earned. Management fees earned from our capital markets segment that were dependent upon estimated fair value during the years ended December 31, 2011 and 2010 would decrease by approximately $11.1 million and $9.3 million, respectively, if the fair values of the investments held by such funds were 10% lower during the same respective periods. By contrast, a 10% increase in fair value would increase management fees for the years ended December 31, 2011 and 2010 by approximately $10.8 million and $9.3 million, respectively.
- Management fees for our private equity funds range from 0.65% to 1.50% and are charged on either (a) a fixed percentage of committed capital over a stated investment period or (b) a fixed percentage of invested capital of unrealized portfolio investments. Changes in values of investments could indirectly affect future management fees from private equity funds by, among other things, reducing the funds' access to capital or liquidity and their ability to currently pay the management fees or if such change resulted in a write-down of investments below their associated invested capital.
- Management fees earned from AAA and its affiliates range between 1.0% and 1.25% of AAA adjusted assets, defined as invested capital plus proceeds of any borrowings of AAA Investments, plus its cumulative distributable earnings at the end of each quarterly period (taking into account actual distributions but excluding the management fees relating to the period or any non-cash equity compensation expense), net of any amount AAA pays for the repurchase of limited partner interests, as well as capital invested in Apollo funds and temporary investments and any distributable earnings attributable thereto. Management fees earned from AAA Investments during the years ended December 31, 2011 and 2010 would increase or decrease by approximately $1.7 million and $1.4 million, respectively, if the fair values of the investments held by AAA Investments were 10% higher or lower during the same respective periods.
- Carried interest income from most of our capital markets funds, which are quantified in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment

Analysis”, are impacted directly by changes in the fair value of their investments. Carried interest income from most of our capital markets funds generally is earned based on achieving specified performance criteria. We anticipate that a 10% decline in the fair values of investments held by all of the capital markets funds at December 31, 2011 and 2010 would decrease consolidated carried interest income for the years ended December 31, 2011 and 2010 by approximately $121.4 million and $131.9 million, respectively. Additionally, the changes to carried interest income from most of our capital markets funds assume there is no loss in the fund for the relevant period. If the fund had a loss for the period, no carried interest income would be earned by us. By contrast, a 10% increase in fair value would increase consolidated carried interest income for the years ended December 31, 2011 and 2010 by approximately $115.2 million and $163.4 million, respectively.

- Carried interest income from private equity funds generally is earned based on achieving specified performance criteria and is impacted by changes in the fair value of their fund investments. We anticipate that a 10% decline in the fair values of investments held by all of the private equity funds at December 31, 2011 and 2010 would decrease consolidated carried interest income for the years ended December 31, 2011 and 2010 by $230.6 million and $934.7 million, respectively. The effects on private equity fees and income assume that a decrease in value does not cause a permanent write-down of investments below their associated invested capital. By contrast, a 10% increase in fair value would increase consolidated carried interest income for the year ended December 31, 2011 and 2010 by $231.5 million and $484.4 million, respectively.
- For select Apollo funds, our share of investment income as a limited partner in such funds is derived from unrealized gains or losses on investments in funds included in the consolidated financial statements. For funds in which we have an interest, but are not included in our consolidated financial statements, our share of investment income is limited to our accrued compensation units and direct investments in the funds, which ranges from 0.001% to 6.450%. A 10% decline in the fair value of investments at December 31, 2011 and 2010 would result in an approximately $31.1 million and $28.3 million decrease in investment income at the consolidated level, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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, 2011 and 2010, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. 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 financial statements present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
March 8, 2012

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2011 AND DECEMBER 31, 2010
(dollars in thousands, except share data)

	December 31, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	$ 738,679	$ 382,269
Cash and cash equivalents held at Consolidated Funds	6,052	—
Restricted cash	8,289	6,563
Investments	1,857,465	1,920,553
Assets of consolidated variable interest entities:		
Cash and cash equivalents	173,542	87,556
Investments, at fair value	3,301,966	1,342,611
Other assets	57,855	36,754
Carried interest receivable	868,582	1,867,073
Due from affiliates	176,740	144,363
Fixed assets, net	52,683	44,696
Deferred tax assets	576,304	571,325
Other assets	26,976	35,141
Goodwill	48,894	48,894
Intangible assets, net	81,846	64,574
Total Assets	**$ 7,975,873**	**$ 6,552,372**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 33,545	$ 31,706
Accrued compensation and benefits	45,933	54,057
Deferred revenue	232,747	251,475
Due to affiliates	578,764	517,645
Profit sharing payable	352,896	678,125
Debt	738,516	751,525
Liabilities of consolidated variable interest entities:		
Debt, at fair value	3,189,837	1,127,180
Other liabilities	122,264	33,545
Other liabilities	33,050	25,695
Total Liabilities	**5,327,552**	**3,470,953**
Commitments and Contingencies (see note 16)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 123,923,042 shares and 97,921,232 shares issued and outstanding at December 31, 2011, and 2010, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2011, and 2010	—	—
Additional paid in capital	2,939,492	2,078,890
Accumulated deficit	(2,426,197)	(1,937,818)
Appropriated partners' capital	213,594	11,359
Accumulated other comprehensive loss	(488)	(1,529)
Total Apollo Global Management, LLC shareholders' equity	726,401	150,902
Non-Controlling Interests in consolidated entities	1,444,767	1,888,224
Non-Controlling Interests in Apollo Operating Group	477,153	1,042,293
Total Shareholders' Equity	**2,648,321**	**3,081,419**
Total Liabilities and Shareholders' Equity	**$ 7,975,873**	**$ 6,552,372**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Revenues:			
Advisory and transaction fees from affiliates	$ 81,953	$ 79,782	$ 56,075
Management fees from affiliates	487,559	431,096	406,257
Carried interest (loss) income from affiliates	(397,880)	1,599,020	504,396
Total Revenues	171,632	2,109,898	966,728
Expenses:			
Compensation and benefits:			
Equity-based compensation	1,149,753	1,118,412	1,100,106
Salary, bonus and benefits	251,095	249,571	227,356
Profit sharing expense	(63,453)	555,225	161,935
Incentive fee compensation	3,383	20,142	5,613
Total Compensation and Benefits	1,340,778	1,943,350	1,495,010
Interest expense	40,850	35,436	50,252
Professional fees	59,277	61,919	33,889
General, administrative and other	75,558	65,107	61,066
Placement fees	3,911	4,258	12,364
Occupancy	35,816	23,067	29,625
Depreciation and amortization	26,260	24,249	24,299
Total Expenses	1,582,450	2,157,386	1,706,505
Other Income:			
Net (losses) gains from investment activities	(129,827)	367,871	510,935
Net gains from investment activities of consolidated variable interest entities	24,201	48,206	—
Gains from repurchase of debt	—	—	36,193
Income from equity method investments	13,923	69,812	83,113
Interest income	4,731	1,528	1,450
Other income, net	205,520	195,032	41,410
Total Other Income	118,548	682,449	673,101
(Loss) income before income tax provision	(1,292,270)	634,961	(66,676)
Income tax provision	(11,929)	(91,737)	(28,714)
Net (Loss) Income	(1,304,199)	543,224	(95,390)
Net loss (income) attributable to Non-Controlling Interests	835,373	(448,607)	(59,786)
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	(155,176)
Distributions Declared per Class A Share	$ 0.83	$ 0.21	$ 0.05
Net (Loss) Income Per Class A Share:			
Net (Loss) Income Available to Class A Shareholders	$ (468,826)	$ 94,617	$ (155,176)
Net (Loss) Income Per Class A Share—Basic and Diluted	$ (4.18)	$ 0.83	$ (1.62)
Weighted Average Number of Class A Shares—Basic and Diluted	116,364,110	96,964,769	95,815,500

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (dollars in thousands, except share data)

	2011	2010	2009
Net (Loss) Income	**$(1,304,199)**	**$ 543,224**	**$ (95,390)**
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $855, $1,499 and $1,992 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for all three years ended December 31, 2011, 2010 and 2009, respectively)	6,728	11,435	14,591
Net (loss) income on available-for-sale securities (from equity method investment)	(225)	343	—
Total Other Comprehensive Income, net of tax	6,503	11,778	14,591
Comprehensive (Loss) Income	**(1,297,696)**	**555,002**	**(80,799)**
Comprehensive Loss (Income) attributable to Non-Controlling Interests	1,032,502	(446,467)	(71,629)
Comprehensive (Loss) Income Attributable to Apollo Global Management, LLC	**$ (265,194)**	**$ 108,535**	**$(152,428)**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011, 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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	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 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
Distributions	—	—	(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)
Net (loss) income	—	—	—	(155,176)	—	—	(155,176)	460,226	(400,440)	(95,390)
Net unrealized gain on interest rate swaps (net of taxes of $1,992 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,748	2,748	—	11,843	14,591
Balance at December 31, 2009	**95,624,541**	**1**	**$ 1,729,593**	**$ (2,029,541)**	**$ —**	**$ (4,088)**	**$ (304,036)**	**$ 1,283,262**	**$ 319,884**	**$ 1,299,110**
Transition adjustment relating to consolidation of variable interest entity	—	—	—	—	—	—	—	411,885	—	411,885
Capital increase related to equity-based compensation	—	—	376,380	—	—	—	376,380	—	735,698	1,112,078
Reclassification of equity-based compensation	—	—	(3,505)	—	—	—	(3,505)	—	—	(3,505)
Repurchase of Class A shares	(7,135)	—	(43)	—	—	—	(43)	—	—	(43)
Purchase of Class A shares	—	—	—	—	—	—	—	(48,768)	—	(48,768)
Capital contributions	—	—	—	—	—	—	—	187	—	187
Cash distributions	—	—	—	—	—	—	—	(160,316)	—	(160,316)
Distributions	—	—	(24,115)	—	—	—	(24,115)	(6,602)	(50,400)	(81,117)
Distributions related to deliveries of Class A shares for RSUs	2,303,826	—	—	(2,876)	—	—	(2,876)	—	—	(2,876)
Non-cash distributions	—	—	—	(18)	—	—	(18)	(590)	—	(608)
Deconsolidation of fund	—	—	—	—	—	—	—	(7,204)	—	(7,204)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(7,014)	—	—	—	(7,014)	7,014	—	—
Satisfaction of liability related to AAA RDUs	—	—	7,594	—	—	—	7,594	—	—	7,594

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CHANGES (CONT'D) IN SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011, 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' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' (Deficit) Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders' Equity
Net income	—	—	—	94,617	11,359	—	105,976	409,356	27,892	543,224
Net income on available-for-sale securities (from equity method investment)	—	—	—	—	—	343	343	—	—	343
Net unrealized gain on interest rate swaps (net of taxes of $1,499 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	2,216	2,216	—	9,219	11,435
Balance at December 31, 2010	**97,921,232**	**1**	**$ 2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Balance at January 1, 2011	**97,921,232**	**1**	**$ 2,078,890**	**$ (1,937,818)**	**$ 11,359**	**$ (1,529)**	**$ 150,902**	**$ 1,888,224**	**$ 1,042,293**	**$ 3,081,419**
Issuance of Class A shares	21,500,000	—	382,488	—	—	—	382,488	—	—	382,488
Dilution impact of issuance of Class A shares	—	—	132,709	—	—	(356)	132,353	—	(127,096)	5,257
Capital increase related to equity-based compensation	—	—	451,543	—	—	—	451,543	—	696,361	1,147,904
Capital contributions	—	—	—	—	—	—	—	—	—	—
Cash distributions	—	—	—	—	—	—	—	(322,225)	—	(322,225)
Distributions	—	—	(115,139)	—	—	—	(115,139)	(27,284)	(199,199)	(341,622)
Distributions related to deliveries of Class A shares for RSUs	4,631,906	—	11,680	(17,081)	—	—	(5,401)	—	—	(5,401)
Repurchase for net settlement of Class A shares	(130,096)	—	—	(2,472)	—	—	(2,472)	—	—	(2,472)
Non-cash distributions	—	—	—	—	—	—	—	(3,176)	—	(3,176)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(6,524)	—	—	—	(6,524)	6,524	—	—
Satisfaction of liability related to AAA RDUs	—	—	3,845	—	—	—	3,845	—	—	3,845
Net (loss) income	—	—	—	(468,826)	202,235	—	(266,591)	(97,296)	(940,312)	(1,304,199)
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(225)	(225)	—	—	(225)
Net unrealized gain on interest rate swaps (net of taxes of $855 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	1,622	1,622	—	5,106	6,728
Balance at December 31, 2011	**123,923,042**	**1**	**$ 2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Cash Flows from Operating Activities:			
Net (loss) income	$(1,304,199)	$ 543,224	$ (95,390)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity-based compensation	1,149,753	1,118,412	1,100,106
Depreciation and amortization	11,132	11,472	11,622
Amortization of intangible assets	15,128	12,777	12,677
Amortization of debt issuance costs	511	44	28
Losses from investment in HFA	5,881	—	—
Non-cash interest income	(2,486)	—	—
Income from equity awards received for directors’ fees	(19)	—	—
Income from equity method investment	(13,923)	(69,812)	(83,113)
Waived management fees	(23,549)	(24,826)	(19,738)
Non-cash compensation expense related to waived management fees	23,549	24,826	19,738
Deferred taxes, net	10,580	71,241	19,059
Gain on business acquisitions and dispositions	(196,193)	(29,741)	—
Impairment of fixed assets	—	3,101	—
Loss related to general partner commitment	—	—	(38,444)
Loss on assets held for sale	—	2,768	—
Loss on disposal of fixed assets	570	831	847
Gain from repurchase of debt	—	—	(36,193)
Other	—	—	(584)
Changes in assets and liabilities:			
Carried interest receivable	998,491	(1,383,219)	(406,769)
Due from affiliates	(30,241)	(11,066)	11,681
Other assets	(7,019)	(7,880)	28,928
Accounts payable and accrued expenses	3,079	(5,052)	(8,189)
Accrued compensation and benefits	(6,128)	24,931	(4,027)
Deferred revenue	(21,934)	(69,949)	(45,279)
Due to affiliates	43,767	(33,529)	(4,284)
Profit sharing payable	(325,229)	503,589	144,460
Other liabilities	5,778	(7,573)	7,267
Apollo Funds related:			
Net realized losses (gains) from investment activities	11,313	(4,931)	—
Net unrealized losses (gains) from investment activities	113,114	(416,584)	(471,907)
Net realized gains on debt	(41,819)	(21,231)	—
Net unrealized losses on debt	19,880	55,040	—
Distributions from investment activities	30,248	58,368	—
Cash transferred in from consolidated funds	6,052	38,033	—
Change in cash held at consolidated variable interest entities	(17,400)	(87,556)	—
Purchases of investments	(1,294,477)	(1,240,842)	(40,000)
Proceeds from sale of investments and liquidating distributions	1,530,194	627,278	5,497
Change in other assets	(7,109)	(8,086)	—
Change in other liabilities	56,526	107,891	—
Net Cash Provided by (Used in) Operating Activities	**743,821**	**(218,051)**	**107,993**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Cash Flows from Investing Activities:			
Purchases of fixed assets	(21,285)	(5,601)	(15,849)
Proceeds from disposals of fixed assets	631	—	—
Cash received from business acquisition and disposition	—	21,624	—
Cash paid for acquisition	—	(1,354)	—
Purchase of investments in HFA (see note 4)	(52,142)	—	—
Investment in Senior Loan Fund (see note 4)	(26,000)	—	—
Acquisition of Gulf Stream (see note 3)	(29,632)	—	—
Cash contributions to equity method investments	(64,226)	(63,459)	(42,522)
Cash distributions from equity method investments	64,844	38,868	42,475
Change in restricted cash	(1,726)	255	(974)
Net Cash Used in Investing Activities	**$ (129,536)**	**$ (9,667)**	**$ (16,870)**
Cash Flows from Financing Activities:			
Issuance of Class A shares	$ 383,990	$ —	$ —
Repurchase of Class A shares	(2,472)	(43)	(3,485)
Principal repayments on debt and repurchase of debt	(1,939)	(182,309)	(55,783)
Debt issuance costs	—	(3,085)	—
Issuance costs	(1,502)	—	—
Distributions related to deliveries of Class A shares for RSUs	(17,081)	(2,876)	—
Distributions to Non-Controlling Interests in consolidated entities	(13,440)	(13,628)	(12,387)
Contributions from Non-Controlling Interests in consolidated entities	—	187	207
Distributions paid	(102,598)	(21,284)	(4,866)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(199,199)	(50,400)	(12,000)
Distributions to Non-Controlling Interests in Apollo Operating Group	—	—	(17,950)
Apollo Funds related:			
Issuance of debt	454,356	1,050,377	—
Principal repayment on term loans	(415,869)	(331,120)	—
Purchase of AAA shares	—	(48,768)	—
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(308,785)	(146,688)	—
Distributions paid to Non-Controlling Interests in consolidated entities	(27,284)	(6,602)	—
Net Cash (Used in) Provided by Financing Activities	**(251,823)**	**243,761**	**(106,264)**
Net Increase (Decrease) in Cash and Cash Equivalents	362,462	16,043	(15,141)
Cash and Cash Equivalents, Beginning of Period	382,269	366,226	381,367
Cash and Cash Equivalents, End of Period	**$ 744,731**	**$ 382,269**	**$ 366,226**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 49,296	$ 38,317	$ 51,850
Interest paid by consolidated variable interest entities	20,892	12,522	—
Income taxes paid	10,732	13,468	6,652
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions on equity method investments	9,847	—	1,802
Non-cash distributions from equity method investments	(703)	—	—
Non-cash sale of assets held-for-sale for repayment of CIT loan	(11,069)	—	—
Non-cash distributions from investing activities	3,176	—	—
Profit interests received in Fund VII	—	—	1,510
Change in accrual for purchase of fixed assets	967	(814)	3,649

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(dollars in thousands, except share data)

	2011	2010	2009
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ —	$ (18)	$ (4,572)
Declared and unpaid distributions	(12,541)	(2,831)	—
Non-cash distributions to Non-Controlling Interests in consolidated entities	(3,176)	(590)	(4,273)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	696,361	735,698	738,431
Non-cash contributions from Non-Controlling Interests in consolidated entities	—	—	4,301
Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	5,106	9,219	11,843
Satisfaction of liability related to AAA RDUs	3,845	(7,594)	(6,618)
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	6,524	7,014	3,799
Net transfer of AAA ownership interest from AGM	(6,524)	(7,014)	(3,799)
Unrealized gain on interest rate swaps	2,477	3,715	4,741
Unrealized (loss) gain on available for sale securities (from equity method investment)	(225)	343	—
Capital increases related to equity-based compensation	451,543	376,380	355,659
Dilution impact of issuance of Class A shares	132,353	—	—
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group	(127,096)	—	—
Non-cash contributions	—	—	105
Deferred tax asset related to interest rate swaps	(855)	(1,499)	(1,993)
Reclassification of equity-based compensation	—	(3,505)	—
Reclass of fixed assets to assets held for sale	—	11,331	—
Tax benefits related to deliveries of Class A shares for RSUs	(11,680)	—	—
Satisfaction of liability related to repayment on CIT loan	11,069	—	—
Net Assets Transferred from Consolidated Funds:			
Cash	6,052	38,033	—
Investments	24,213	—	—
Other assets	609	443	—
Other liabilities	(4,874)	—	—
Net Assets Transferred from Consolidated Variable Interest Entities:			
Cash	68,586	—	—
Investments	2,195,986	1,102,114	—
Other assets	14,039	28,789	—
Debt	(2,046,157)	(706,027)	—
Other liabilities	(31,959)	(12,991)	—
Net Assets of Deconsolidated Variable Interest Entities:			
Investments	—	419,198	—
Other assets	—	5,180	—
Debt	—	(329,836)	—
Other liabilities	—	(87,338)	—

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(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 investment manager whose predecessor was founded in 1990. Its primary business is to raise and invest private equity, capital markets and real estate funds as well as managed accounts, on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment 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***—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***—invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but in which the Company has a controlling financial interest. 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 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 December 31, 2011, the Company owned, through three intermediate holding companies that include 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"), 34.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and the Company's other partners (the "Contributing Partners") indirectly own (through Holdings) Apollo Operating Group units ("AOG Units") that represent 65.9% of the economic interests in the Apollo Operating Group as of December 31, 2011. 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 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.

The Company has historically consolidated Apollo Commodities Trading Fund, L.P. In April 2010, the Company became the sole investor in the master and feeder fund structure of Apollo Metals Trading Fund, L.P. (the "Metals Trading Fund") and Apollo Commodities Trading Fund, L.P., respectively, and began to consolidate the Metals Trading Fund. The Metals Trading Fund and Apollo Commodities Trading Fund were liquidated prior to December 31, 2010.

Initial Public Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. AGM received net proceeds from the initial public offering of approximately $382.5 million, which was used to acquire additional AOG Units. As a result, Holdings ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and the Company's ownership interest increased from 29.3% to 33.5%. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in additional paid in capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (e.g., AP Alternative Assets, L.P., a Guernsey limited partnership that, through AAA Investments L.P., its investment partnership, generally invests alongside certain of the Company's private equity funds and directly in certain of its capital markets funds and in other transactions that the Company sponsors and manages ("AAA") and Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund")). Apollo also consolidates entities that are 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 the Company's 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 determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) 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. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds

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a variable interest is a VIE and (b) 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 the previous and amended consolidation rules, 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 the previous and amended consolidation rules, 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 whether Apollo is 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.

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 VIE's 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 the 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 consolidated financial statements.

The only VIE formed prior to 2010, the adoption date of amended consolidation guidance, was consolidated as of the date of transition resulting in recognition of the assets and liabilities of the consolidated VIE at fair value and recognition of a cumulative effect transition adjustment presented as a component of Non-Controlling Interests in Consolidated Entities in the consolidated statement of changes in shareholders' equity for the year ended December 31, 2010. The transition adjustment is classified as a component of Non-Controlling Interest rather than an adjustment to appropriated partners' capital because the VIE is funded with equity and 100% of the equity ownership of the VIE is held by unconsolidated Apollo funds and one unaffiliated third party. Changes in the fair value of assets and liabilities and the related interest, dividend and other income for this VIE are recorded within Non-Controlling Interests in consolidated entities in the consolidated statement of financial condition and within net gains from investment activities of consolidated VIEs and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income are presented within appropriated partners' capital in the consolidated statement of financial condition as these VIEs are funded solely with debt and within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the consolidated statement of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the consolidated statement of financial condition as of December 31, 2011 and 2010.

Refer to additional disclosures regarding VIEs in note 5. Intercompany transactions and balances, if any, have been eliminated in the consolidation.

Equity Method Investments—For investments in 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 such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations. The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

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 consolidated financial statements. The Non-Controlling Interest relating to Apollo Global Management, LLC primarily includes the 65.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximate 98% ownership interest held by limited partners in AAA as of December 31, 2011. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's consolidated statements of financial condition; net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company's consolidated statements of operations; the primary components of Non-Controlling Interest are separately presented in the Company's consolidated statements of changes in shareholders' equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities; and profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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 in interest-bearing accounts with major financial institutions exceed insured limits.

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

Revenues—Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and capital markets funds;

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(ii) 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; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

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 certain private equity and capital markets portfolio companies, Apollo is generally 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 15. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and 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 statements of operations.

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, and are based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 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. Carried interest receivable is presented separately in the consolidated statements of financial condition. The carried interest income may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, 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 or realized until the end of a fund's life.

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 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.

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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 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 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 statements of operations.

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 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 the 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 organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational 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 Other Income—Apollo recognizes security transactions on the trade date. 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.

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

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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 of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected and the unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements 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. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership 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. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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 when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

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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.

Real Estate Investments—For the CMBS portfolio of Apollo's funds, the estimated fair value is determined by reference to market prices provided by certain dealers who make a market in these financial instruments.

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Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Loans that the funds plan to sell or liquidate in the near term will be treated as loans held-for-sale and will be held at the lower of cost or fair value. For the illiquid investments, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

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 12), 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 12, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $752.2 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 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 convertible notes issued by HFA and 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 elected to separately present interest income in the consolidated statement of operations from other changes in the fair value of the convertible notes issued by HFA. 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 5 for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

Interest Rate Swap Agreements—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 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 (loss) income ("OCI").

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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 statements of operations.

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.

Pending Deal Costs

Pending deal costs consist of certain costs incurred (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) related to private equity and capital markets 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 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 and in the case of leasehold improvements the lesser of the useful life or the term of the lease. 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.

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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.

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 a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method amortization. At June 30, 2011, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

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 statements of financial condition.

Foreign Currency—The Company may, from time to time, hold foreign currency denominated assets and liabilities. 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), net in the consolidated statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss), net in the consolidated statements of operations.

Compensation and Benefits

The components of compensation and benefits have been expanded in the consolidated statements of operations in 2009 and 2010 to conform with the 2011 presentation.

Equity-Based Compensation—Equity-based compensation is 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. Equity-based awards granted to non-employees for services provided to the affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits—Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are accrued over the service period.

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From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying 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, 2011, 2010 and 2009, respectively.

Profit Sharing Expense—Profit sharing expense consists of a portion of carried interest earned in one or more funds allocated to employees and former employees. Profit sharing 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. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and Contributing Partners.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying consolidated financial statements.

Incentive Fee Compensation—Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our capital markets funds, based on performance for the year. Incentive fee compensation expense is recognized on accrual basis as the related carried interest income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income crystallizes.

Other Income (Loss)

Net Gains (Losses) from Investment Activities —Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening balance sheet date and the closing balance sheet date. The consolidated financial statements include the net realized and unrealized gains (losses) of AAA and the investment in HFA discussed in note 4.

Net Gains from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' 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 the consolidated statements of operations.

Comprehensive (Loss) Income—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 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 previously. 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.

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Income Taxes—The Apollo Operating Group and its subsidiaries continue to generally 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 are 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. Federal, state and local corporate 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 has a greater than 50 percent likelihood 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 recognized. The Company's tax positions are reviewed and evaluated 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

Net Income (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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to common Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from a hypothetical conversion of these potential common shares.

Use of Estimates—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the 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 and VIEs. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In April 2011, the FASB amended existing guidance for agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee and the collateral maintenance implementation guidance related to that criterion. The guidance is effective for the first interim or annual period beginning on or after December 15, 2011 and is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued an update which includes amendments that result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Certain of the amendments could change how the fair value measurement guidance is applied including provisions related to highest and best use and valuation premise for nonfinancial assets, application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, premiums or discounts in fair value measurement, fair value of an instrument classified in a reporting entity's shareholders' equity, and additional disclosure requirements about fair value measurements. The update is effective for interim and annual periods beginning after December 15, 2011 for public entities and is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued an update which includes amendments that eliminate the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity and requires entities to report components of other comprehensive income in either (1) a single continuous statement of comprehensive income or (2) two separate but consecutive statements. In a single continuous statement, entities must include the components of net income, a total for net income, the components of OCI, a total for OCI, and a total for comprehensive income. Under the two separate but continuous statements approach, the first statement would include components of net income, consistent with the income statement format used today, and the second statement would include components of OCI. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In December 2011, the FASB issued an amendment to this update deferring changes related to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of this guidance will not have an impact on the Company's consolidated financial statements as the Company presents a separate statement of comprehensive income.

In September 2011, the FASB issued an update which amends the guidance related to testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option to perform a qualitative assessment before calculating the fair value of the reporting unit (i.e., step 1 of the goodwill impairment test). If entities determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not to be less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. The update does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant. The amendments are effective for all entities for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements.

In December 2011, the FASB issued amended guidance which will enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Gulf Stream

On October 24, 2011 (the "Acquisition Date"), the Company completed its previously announced acquisition (the "Acquisition") of 100% of the membership interests of Gulf Stream Asset Management, LLC ("Gulf Stream"), a manager of collateralized loan obligations. The Acquisition was consummated by the Company for total consideration at fair value of approximately $38.3 million.

The transaction broadens Apollo's existing senior credit business by expanding our credit coverage as well as investor relationships and increases the Assets Under Management of Apollo's capital markets.

Consideration exchanged at closing consisted of payment of approximately $29.6 million, of which $6.7 million was used to repay subordinated notes and debt due to the existing shareholder on behalf of Gulf Stream. The Company funded the consideration exchanged at closing from its existing cash resources. Additional consideration of $4.0 million having an acquisition date fair value of $3.9 million will be paid to the former owners of Gulf Stream on the fourteen-month anniversary of the closing date. The Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. The contingent consideration liability has an Acquisition Date fair value of approximately $4.7 million, which was determined based on the present value of the estimated range of undiscounted incentive fee payable cash flows between $0 and approximately $8.7 million using a discount rate of 13.7%.

Tangible assets acquired in the Acquisition consisted of a management fee receivable. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and incentive fees from existing CLOs managed by Gulf Stream. Additionally, as part of the Acquisition, the Company acquired the assets and liabilities of six consolidated CLOs.

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The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the Acquisition Date resulting in a bargain purchase gain of approximately $195.5 million. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with a corresponding amount reflected in appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Receivable, management fees	$ 1,720
Total assets of consolidated CLOs	2,278,612
Intangible Assets:	
Management Contracts	32,400
Fair Value of Assets Acquired	2,312,732
Liabilities assumed:	
Deferred Tax Liability	871
Total liabilities of consolidated CLOs	2,078,117
Fair Value of Liabilities Assumed	2,078,988
Fair Value of Net Assets Acquired	233,744
Less: Fair Value of Consideration Transferred	38,290
Gain on Acquisition	$ 195,454

The Company's rights under all management contracts acquired will be amortized over six years. The management contract valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	December 31, 2011
Management contracts	3.7	$ 32,400
Less: Accumulated amortization		(284)
Net intangible assets		$ 32,116

The results of operations of the acquired business since the Acquisition Date included in the Company's consolidated statements of operations for the period from October 24, 2011 to December 31, 2011 were as follows:

	For the Period from October 24, 2011 to December 31, 2011
Total Revenues	$ 2,107
Net Income Attributable to Non-Controlling Interest	$ 194,852
Net Income Attributable to Apollo Global Management, LLC	$ 473

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Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2011 and 2010, assuming the Gulf Stream acquisition had occurred as of January 1, 2010 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the Acquisition been completed on January 1, 2010, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2011	2010
	(in million, except for share data)	
Total Revenues	$ 174.9	$ 2,115.7
Net (Income) Loss Attributable to Non-Controlling Interest	$ (1,097.1)	$ 652.1
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (468.7)	$ 95.9
Net (Loss) Income per Class A Share:		
Net (Loss) Income per Class A Share—Basic and Diluted	$ (4.18)	$ 0.84
Weighted Average Number of Class A Shares—Basic and Diluted	116,364,110	96,964,769

The 2011 and 2010 supplemental pro forma earnings include an adjustment to exclude $4.9 million and $9.7 million, respectively of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the Acquisition.

Other Acquisitions

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.

CPI

On November 12, 2010, Apollo completed the acquisition of substantially all of the assets of Citi Property Investors ("CPI"), the real estate investment management group of Citigroup Inc. CPI had AUM of approximately $3.6 billion as of December 31, 2010. CPI is an integrated real estate investment platform with investment professionals located in Asia, Europe and North America. As part of the acquisition, Apollo received cash of $15.5 million and acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals. The consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of November 12, 2010. The acquisition was accounted for as a business combination and the Company recorded a $24.1 million gain on acquisition which is included in Other Income (Loss), Net in the accompanying consolidated statements of operations for the year ended December 31, 2010.

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The finite-life intangible assets relate to management contracts associated with the CPI funds. The fair value of the management contracts was estimated to be $8.3 million. The Company also received $15.5 million of cash and recorded a receivable valued at $1.5 million as of December 31, 2010.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed:

Tangible Assets:	
Cash	$ 15,468
Receivables, at fair value	1,500
Intangible Assets:	
Management Contracts	8,300
Total Assets	25,268
Less: Contingent consideration, at fair value	(1,200)
Gain on Acquisition	$ 24,068

The estimated useful life of the management contracts is 2.5 years. The Company is amortizing the management contracts over their estimated useful life using the straight-line method.

	Useful Life in Years	December31, 2011	December 31, 2010
Management contracts	2.5	$ 8,300	$ 8,300
Less: Accumulated amortization of intangibles		(3,761)	(433)
Net identified intangible assets, at fair value		$ 4,539	$ 7,867

Stone Tower

On December 16, 2011, Apollo announced that it has agreed to merge Stone Tower Capital LLC and its related management companies, a leading alternative credit manager with approximately $18 billion of assets under management, into Apollo's capital markets business. The transaction is subject to the satisfaction of certain conditions and is expected to close in April 2012, subject to satisfaction of closing conditions.

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31,	
	2011	2010
Finite-lived intangible assets/management contracts	$ 141,000	$ 108,600
Accumulated amortization	(59,154)	(44,026)
Intangible assets, net	$ 81,846	$ 64,574

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The changes in intangible assets, net consist of the following:

	For the Year Ended December 31,		
	2011	2010	2009
Balance, beginning of year	$ 64,574	$ 69,051	$ 81,728
Amortization expense	(15,128)	(12,777)	(12,677)
Acquisitions	32,400	8,300	—
Balance, end of year	$ 81,846	$ 64,574	$ 69,051

Amortization expense related to intangible assets, including the intangible assets related to acquisitions and the intangible assets as part of the acquisitions of Non-Controlling Interests in the Apollo Operating Group was $15.1 million, $12.8 million and $12.7 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2012	2013	2014	2015	2016	There-After	Total
Amortization of intangible assets	$21,987	$14,842	$9,598	$9,864	$7,120	$18,053	$81,464

4. INVESTMENTS

The following table represents Apollo's investments:

	December 31, 2011	December 31, 2010
Investments, at fair value	$1,552,122	$1,637,091
Other investments	305,343	283,462
Total Investments	$1,857,465	$1,920,553

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Investments at Fair Value

Investments at fair value consist of financial instruments held by AAA, the investment in HFA, Senior Loan Fund, other investments held at fair value and investments of consolidated VIEs as discussed further in note 5. As of December 31, 2011 and 2010, the net assets of the consolidated funds and VIEs were $1,724.2 million and $1,951.6 million, respectively. The following investments, except the investment in HFA and other investments, are presented as a percentage of net assets of the consolidated funds and VIEs:

Investments, at Fair Value—Affiliates	December 31, 2011 Fair Value Private Equity	December 31, 2011 Fair Value Capital Markets	December 31, 2011 Fair Value Total	December 31, 2011 Cost	December 31, 2011 % of Net Assets of Consolidated Funds and VIEs	December 31, 2010 Fair Value Private Equity	December 31, 2010 Fair Value Capital Markets	December 31, 2010 Fair Value Total	December 31, 2010 Cost	December 31, 2010 % of Net Assets of Consolidated Funds and VIEs
Investments, at fair value:										
AAA	$1,480,152	$ —	$ 1,480,152	$1,662,999	85.9%	$1,637,091	$ —	$1,637,091	$1,695,992	83.9%
Investments held by Senior Loan Fund	—	24,213	24,213	24,569	1.4	—	—	—	—	—
HFA	—	46,678	46,678	54,628	N/A	—	—	—	—	—
Other	1,079	—	1,079	2,881	N/A	—	—	—	—	—
Total	$1,481,231	$ 70,891	$1,552,122	$1,745,077	87.3%	$1,637,091	$ —	$1,637,091	$1,695,992	83.9%

Securities

At December 31, 2011 and 2010, 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 and VIEs as of the aforementioned dates:

	December 31, 2011 Instrument Type	December 31, 2011 Cost	December 31, 2011 Fair Value	December 31, 2011 % of Net Assets of Consolidated Funds and VIEs
Apollo Life Re Ltd.	Equity	$ 358,241	$ 430,800	25.0%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	105,889	164,811	9.6
Rexnord Corporation	Equity	37,461	139,100	8.1
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	88,166	86,329	5.0
LeverageSource, L.P.	Equity	139,913	102,834	6.0

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	December 31, 2010			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds and VIEs
Apollo Life Re Ltd.	Equity	$ 201,098	$ 249,900	12.8%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	113,772	160,262	8.2
Momentive Performance Materials Holdings Inc.	Equity	76,007	137,992	7.1
Rexnord Corporation	Equity	37,461	133,700	6.9
LeverageSource, L.P.	Equity	140,743	115,677	5.9
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	102,530	110,029	5.6
Caesars Entertainment Corporation	Equity	176,729	99,000	5.1

AAA Investments owns equity as a private equity co-investment in Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.) and AAA Investments has an ownership interest in LeverageSource, L.P., which owns debt of Caesars Entertainment Corporation. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs and was valued at $102.8 million. In addition to AAA Investments' private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, AAA Investments has an ownership interest in the debt of Momentive. AAA Investments' combined share of these debt and equity investments is valued at $85.9 million and $138.8 million at December 31, 2011 and December 31, 2010, respectively. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs. Furthermore, AAA Investments 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 was valued at $75.2 million and $124.6 million as of December 31, 2011 and 2010, respectively. At December 31, 2010, AAA Investments' combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs. Apollo Strategic Value Offshore Fund, Ltd. (the "Apollo Strategic Value Fund") has an ownership interest in a special purpose vehicle, Apollo VIF/SVF Bradco LLC, which owns interests in Bradco Supply Corporation. AAA Investments' share of this investment is valued at $80.9 million at December 31, 2011.

Apollo Strategic Value Fund 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 Fund, the remainder of AAA Investments' investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Strategic Value 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 current expenses incurred by the Apollo Strategic Value Fund.

Apollo Asia Opportunity Offshore 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

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redemption requested by 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 were initially 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 current expenses incurred or reserves set by the Asia Opportunity Fund. At December 31, 2011 and 2010, the liquidating shares of Asia Opportunity Fund had a fair value of $26.1 million and $45.0 million, respectively.

Apollo Life Re Ltd. is an Apollo-sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., ("Athene"), the parent of Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the life reinsurance sector, Athene Annuity & Life Assurance Company, a recently acquired Delaware-domiciled (formerly South Carolina domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market, Investors Insurance Corporation, a recently acquired Delaware-domiciled stock life insurance company focused on the retirement services market and Athene Life Insurance Company, a recently organized Indiana-domiciled stock life insurance company focused on the institutional guaranteed investment contract ("GIC") backed note and funding agreement markets.

Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Credit Senior Loan Fund, L.P. ("Senior Loan Fund"). As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Senior Loan Fund investment as Level II and Level III investments.

HFA

On March 7, 2011, the Company invested $52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of $50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or "PIK" interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an as "if-converted basis." The Company separately presents interest income in the consolidated statement of operations from other changes in the fair value of the convertible note. For the year ended December 31, 2011 the Company has recorded $2.5 million in PIK interest income included in interest income in the consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ("A$") of A$8.00 (exchange rate of A$1.00 to $0.84 as of December 31, 2011) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the year ended December 31, 2011, the Company recorded an unrealized loss of approximately $5.9 million, related to the convertible note and stock options within net (losses) gains from investment activities in the consolidated statements of operations.

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The Company has classified the instruments associated with the HFA investment as Level III investments.

Net (Losses) Gains from Investment Activities

Net (losses) gains from investment activities in the consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized (losses) gains resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized (losses) gains. Additionally net (losses) gains from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo's net (losses) gains from investment activities for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31, 2011		
	Private Equity	Capital Markets	Total
Change in net unrealized (losses) gains due to changes in fair values	$(123,946)	$ (5,881)	$(129,827)
Net (Losses) Gains from Investment Activities	$(123,946)	$ (5,881)	$(129,827)

	For the Year Ended December 31, 2010		
	Private Equity	Capital Markets	Total
Realized (losses) gains on sales of investments	$ —	$ (2,240)	$ (2,240)
Change in net unrealized gains (losses) due to changes in fair values	370,145	(34)	370,111
Net Gains (Losses) from Investment Activities	$ 370,145	$ (2,274)	$367,871

	For the 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 values	471,873	38,478	510,351
Net Gains from Investment Activities	$ 472,457	$ 38,478	$510,935

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Other Investments

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

The following table presents income from equity method investments for the years ended December 31, 2011, 2010 and 2009:

	For the Years Ended December 31,		
	2011	2010	2009
Investments:			
Private Equity Funds:			
AAA Investments	$ (55)	$ 215	$ 261
Apollo Investment Fund IV, L.P. ("Fund IV")	8	24	17
Apollo Investment Fund V, L.P. ("Fund V")	(9)	39	44
Apollo Investment Fund VI, L.P. ("Fund VI")	2,090	599	1,335
Apollo Investment Fund VII, L.P. ("Fund VII")	10,156	37,499	31,527
Apollo Natural Resources Partners, L.P. ("ANRP")	(141)	—	—
Capital Markets Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	(793)	1,106	1,961
Apollo Value Investment Fund, L.P. ("VIF")	(25)	29	57
Apollo Strategic Value Fund, L.P. ("SVF")	(21)	21	57
Apollo Credit Liquidity Fund, L.P. ("ACLF")	(295)	3,431	13,768
Apollo/Artus Investors 2007-I, L.P. ("Artus")	368	4,895	2,249
Apollo Credit Opportunity Fund I, L.P. ("COF I")	2,410	12,618	16,473
Apollo Credit Opportunity Fund II, L.P. ("COF II")	(737)	3,610	8,294
Apollo European Principal Finance Fund, L.P. ("EPF")	1,729	2,568	330
Apollo Investment Europe II, L.P. ("AIE II")	(308)	1,496	2,937
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	(100)	903	258
Apollo Senior Floating Rate Fund ("AFT")	(16)	—	—
Apollo Residential Mortgage, Inc. ("AMTG")	(80)[(1)]	—	—
Apollo European Credit, L.P. ("AEC")	(10)	—	—
Apollo European Strategic Investment L.P. ("AESI")	21	—	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. ("ARI")	636[(1)]	(390)[(2)]	(743)
AGRE US Real Estate Fund, L.P.	(79)	—	—
CPI Capital Partners NA Fund	98	—	—
CPI Capital Partners Asia Pacific Fund	71	—	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A")	(1,860)	(951)	(3,770)
VC Holdings, L.P. Series C ("Vantium C")	580	1,370	8,072
VC Holdings, L.P. Series D ("Vantium D")	285	730	(14)
Total Income from Equity Method Investments	$ 13,923	$69,812	$ 83,113

(1) Amounts are as of September 30, 2011.
(2) Amounts are as of September 30, 2010.

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Other investments as of December 31, 2011 and 2010 consisted of the following:

	Equity Held as of			
	December 31, 2011	% of Ownership	December 31, 2010	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 859	0.057%	$ 929	0.056%
Fund IV	15	0.010	48	0.005
Fund V	202	0.014	231	0.013
Fund VI	7,752	0.082	5,860	0.051
Fund VII	139,765	1.318	122,384	1.345
Apollo Natural Resources Partners, L.P.	1,982	2.544	—	—
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	5,051	0.525	5,863	0.537
Apollo Value Investment Fund, L.P.	122	0.081	152	0.085
Apollo Strategic Value Fund, L.P.	123	0.059	144	0.055
Apollo Credit Liquidity Fund, L.P.	14,449	2.465	18,736	2.450
Apollo/Artus Investors 2007-I, L.P.	6,009	6.156	7,143	6.156
Apollo Credit Opportunity Fund I, L.P.	37,806	1.977	41,793	1.949
Apollo Credit Opportunity Fund II, L.P	22,979	1.472	27,415	1.441
Apollo European Principal Finance Fund, L.P.	14,423	1.363	15,352	1.363
Apollo Investment Europe II, L.P.	7,845	2.076	8,154	2.045
Apollo Palmetto Strategic Partnership, L.P.	10,739	1.186	6,403	1.186
Apollo Senior Floating Rate Fund	84	0.034	—	—
Apollo/JH Loan Portfolio, L.P.	100	0.189	—	—
Apollo Residential Mortgage, Inc. (3)	4,000 (1)	1.850 (1)	—	—
Apollo European Credit, L.P.	542	1.053	—	—
Apollo European Strategic Investments L.P.	1,704	1.035	—	—
Real Estate:				
Apollo Commercial Real Estate Finance, Inc. (3)	11,288 (1)	2.730 (1)	9,440 (2)	3.198 (2)
AGRE U.S. Real Estate Fund	5,884	2.065	—	—
CPI Capital Partners NA Fund	564	0.344	—	—
CPI Capital Partners Europe Fund	5	0.001	—	—
CPI Capital Partners Asia Pacific Fund	256	0.039	—	—
Other Equity Method Investments:				
Vantium A /B	359	6.450	2,219	12.240
Vantium C	6,944	2.300	10,135	2.166
Vantium D	1,345	6.300	1,061	6.345
Portfolio Company Holdings	2,147	N/A (4)	—	—
Total Other Investments	$ 305,343		$283,462	

(1) Amounts are as of September 30, 2011.
(2) Amounts are as of September 30, 2010.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, at which point the RSUs are converted to common stock and delivered to the Company.

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(4) Ownership percentages are not presented for these equity method investments in our portfolio companies as we only present for the funds in which we are the general partner.

As of December 31, 2011 and 2010, no single equity method investment held by Apollo exceeded 10% of Apollo's total consolidated assets or income, respectively.

The most recently issued summarized aggregated financial information of the funds and other equity method investments in which Apollo has equity method investments is as follows:

Balance Sheet Information	Private Equity (2) As of December 31, 2011(3)(4)	Private Equity (2) As of December 31, 2010	Capital Markets As of December 31, 2011	Capital Markets As of December 31, 2010	Real Estate As of December 31, 2011(1)	Real Estate As of December 31, 2010(1)
Investments	$22,759,853	$ 24,779,759	$ 10,004,744	$ 9,024,982	$ 1,980,613	$ 550,564
Assets	24,219,637	26,133,909	11,335,170	9,910,587	2,196,460	785,497
Liabilities	686,558	594,954	2,773,163	1,414,244	587,576	483,393
Equity	23,533,079	25,538,955	8,562,007	8,496,343	1,608,884	302,104

(1) Certain real estate amounts are as of September 30, 2011 and 2010.
(2) Amounts include Vantium A, C and D.
(3) Certain equity investment amounts are as of September 30, 2011.
(4) Financial information of certain equity method investments is not available as of December 31, 2011.

Balance Sheet Information	Aggregate Totals as of December 31, 2011	Aggregate Totals as of December 31, 2010
Investments	$ 34,745,210	$ 34,355,305
Assets	37,751,267	36,829,993
Liabilities	4,047,297	2,492,591
Equity	33,703,970	34,337,402

Income Statement Information	Private Equity (2) For the Years Ended December 31, 2011(3)(4)	Private Equity (2) 2010	Private Equity (2) 2009	Capital Markets For the Years Ended December 31, 2011	Capital Markets 2010	Capital Markets 2009	Real Estate For the Years Ended December 31, 2011(1)	Real Estate 2010(1)	Real Estate 2009
Revenues/Investment Income	$1,522,831	$ 610,899	$ 734,480	$852,282	$ 304,332	$ 427,030	$ 46,654	$14,468	$ 660
Expenses	377,985	286,719	233,257	290,843	145,138	114,991	30,350	6,377	2,834
Net Investment Income (Loss)	1,144,846	324,180	501,223	561,439	159,194	312,039	16,304	8,091	(2,174)
Net Realized and Unrealized Gain (Loss)	2,239,373	5,918,694	6,824,737	(537,017)	1,531,056	2,452,273	172,018	(1,058)	—
Net Income (Loss)	$ 3,384,219	$ 6,242,874	$7,325,960	$ 24,422	$1,690,250	$2,764,312	$188,322	$ 7,033	$(2,174)

(1) Certain real estate amounts are as of September 30, 2011 and 2010.

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(2) Amounts include Vantium A, C and D.
(3) Certain equity investment amounts are as of September 30, 2011.
(4) Financial information of certain equity method investments is not available as of December 31, 2011.

Income Statement Information	Aggregate Totals for the Years Ended December 31, 2011	2010	2009
Revenues/Investment Income	$ 2,421,767	$ 929,699	$ 1,162,170
Expenses	699,178	438,234	351,082
Net Investment Income	1,722,589	491,465	811,088
Net Realized and Unrealized Gain	1,874,374	7,448,692	9,277,010
Net Income	$3,596,963	$7,940,157	$10,088,098

Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Assets, at fair value:								
Investment in AAA Investments, L.P.	$ —	$ —	$ —	$ —	$ 1,480,152	$ 1,637,091	$ 1,480,152	$ 1,637,091
Investments held by Senior Loan Fund	—	—	23,757	—	456	—	24,213	—
Investments in HFA and Other	—	—	—	—	47,757	—	47,757	—
Total	$ —	$ —	$ 23,757	$ —	$ 1,528,365	$ 1,637,091	$ 1,552,122	$ 1,637,091

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value:								
Interest rate swap agreements	$ —	$ —	$ 3,843	$ 11,531	$ —	$ —	$ 3,843	$ 11,531
Total	—	$ —	3,843	$ 11,531	—	$ —	3,843	$ 11,531

There were no transfers between Level I, II or III during the year ended December 31, 2011 and 2010 relating to assets and liabilities, at fair value, noted in the tables above, respectively.

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

	For the Year Ended December 31, 2011	2010	2009
Balance, Beginning of Period	$1,637,091	$ 1,324,939	$ 854,442
Purchases	432	375	4,121
Distributions	(33,425)	(58,368)	(5,497)
Change in unrealized (losses) gains, net	(123,946)	370,145	471,873
Balance, End of Period	$ 1,480,152	$1,637,091	$1,324,939

The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2011
Balance, Beginning of Period	$ —
Purchases	57,509
Change in unrealized losses, net	(5,881)
Director fees	(1,802)
Expenses incurred	(2,069)
Balance, End of Period	$ 47,757

The change in unrealized losses, net has been recorded within the caption “Net (losses) gains from investment activities” in the consolidated statements of operations.

The following table summarizes the changes in the Senior Loan Fund, which is measured at fair value and characterized as a Level III investment:

	For the Year Ended December 31, 2011
Balance, Beginning of Period	$ —
Acquisition	456
Purchases	—
Distributions	—
Realized losses (gains)	—
Change in unrealized (losses) gains	—
Balance, End of Period	$ 456

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The following table summarizes the changes in the Metals Trading Fund investment, which was measured at fair value and characterized as a Level III investment:

	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ 40,034
Purchases	—
Distributions	(37,760)(1)
Realized losses	(2,240)
Change in unrealized losses	(34)
Balance, End of Period	$ —

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

The change in unrealized gains (losses) and realized losses have been recorded within the caption “Net gains (losses) from investment activities” in the 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			
	December 31, 2011		December 31, 2010	
		% 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	$ 749,374	44.6%	$ 782,775	42.6%
Discounted cash flow models	643,031	38.4	490,024	26.6
Listed quotes	139,833	8.3	24,232	1.3
Broker quotes	179,621	10.7	504,917	27.5
Other net (liabilities) assets(1)	(33,330)	(2.0)	37,351	2.0
Total Investments	1,678,529	100.0%	1,839,299	100.0%
Other net liabilities(2)	(198,377)		(202,208)	
Total Net Assets	$ 1,480,152		$ 1,637,091	

(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 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, liabilities and general partner interests of AAA Investments and are primarily comprised of $402.5 million and $537.5 million in long-term debt offset by cash and cash equivalents at the

December 31, 2011 and 2010 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

5. VARIABLE INTEREST ENTITIES

The Company consolidates entities that are VIEs for 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 obligations to provide funding to VIEs other than its own capital commitments.

Consolidated Variable Interest Entities

In accordance with the methodology described in note 2, Apollo consolidated four VIEs under the amended consolidation guidance during 2010, an additional VIE during the second quarter of 2011, and six additional VIEs during the fourth quarter of 2011 in connection with its acquisition of Gulf Stream.

One of the consolidated VIEs was formed to purchase loans and bonds in a leveraged structure for the benefit of its limited partners, which included certain Apollo funds that contributed equity to the consolidated VIE. Through its role as general partner of this VIE, it was determined that Apollo had the characteristics of the power to direct the activities that most significantly impact the VIE's economic performance. Additionally, the Apollo funds have involvement with the VIE that have the characteristics of the right to receive benefits from the VIE that could potentially be significant to the VIE. As a group, the Company and its related parties have the characteristics of a controlling financial interest. Apollo determined that it is the party within the related party group that is most closely associated with the VIE and therefore should consolidate it.

The remaining consolidated VIEs including the VIE formed during the second quarter 2011 and the six VIEs consolidated in connection with the acquisition of Gulf Steam were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

One of the consolidated VIEs, which qualified as an asset-backed financing entity, was formed during the fourth quarter of 2010 and the Company determined that it was the primary beneficiary of such VIE. Based on a restructuring of this VIE which occurred later in the fourth quarter of 2010, the Company no longer possessed the power to direct the activities of such VIE resulting in deconsolidation of such VIE in the fourth quarter of 2010.

Apollo holds no equity interest in any of the consolidated VIEs described above. The assets of these consolidated VIEs are not available to creditors of the Company. In addition, the investors in these consolidated

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VIEs have no recourse to the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include 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 December 31, 2011 and 2010:

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Investments, at fair value(1)	$ —	$ —	$3,055,357	$1,172,242	$ 246,609	$ 170,369	$3,301,966	$1,342,611

	Level I		Level II		Level III		Totals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Liabilities, at fair value	$ —	$ —	$ —	$ —	$3,189,837	$1,127,180	$3,189,837	$1,127,180

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. At December 31, 2010, the cost and fair value of the investments of this VIE were $719.5 million and $684.1 million, respectively. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statement of operations.

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. All Level II and III investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are recorded as of the quarterly period in which the transfer occurred.

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 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.

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The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ 170,369	$ —
Acquisition of VIE	335,353	—
Transition adjustment relating to consolidation of VIE	—	1,102,114
Purchases	663,438	840,926
Sale of investments	(273,719)	(125,638)
Net realized gains	980	131
Changes in net unrealized (losses) gains	(7,669)	29,981
Deconsolidation of VIE	—	(20,751)
Transfers out of Level III	(802,533)	(1,663,755)
Transfers into Level III	160,390	7,361
Balance, End of Period	$ 246,609	$ 170,369
Changes in net unrealized (losses) gains included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ (7,253)	$ (3,638)

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

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The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Balance, Beginning of Period	$ 1,127,180	$ —
Acquisition of VIE	2,046,157	—
Transition adjustment relating to consolidation of VIE	—	706,027
Borrowings	454,356	1,050,377
Repayments	(415,869)	(331,120)
Net realized gains on debt	(41,819)	(21,231)
Changes in net unrealized losses from debt	19,880	55,040
Deconsolidation of VIE	—	(329,836)
Elimination of debt attributable to consolidated VIEs	(48)	(2,077)
Balance, End of Period	$ 3,189,837	$ 1,127,180
Changes in net unrealized (gains) losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ (25,347)	$ 16,916

Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the years ended December 31, 2011 and 2010, respectively:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Net unrealized gains from investment activities	$ 10,832	$ 46,406
Net realized (losses) gains from investment activities	(11,313)	7,239
Net (losses) gains from investment activities	(481)	53,645
Net unrealized losses from debt	(19,880)	(55,040)
Net realized gains from debt	41,819	21,231
Net gains (losses) from debt	21,939	(33,809)
Interest and other income	75,004	62,696
Other expenses	(72,261)	(34,326)
Net Gains from Investment Activities of Consolidated VIEs	$ 24,201	$ 48,206

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Investments of Consolidated VIEs

The following table presents a condensed summary of investments of the consolidated VIEs that are included in the consolidated statements of financial condition as of December 31, 2011 and 2010:

	Fair Value as of December 31, 2011	% of Net Assets of Consolidated Funds and VIEs	Fair Value as of December 31, 2010	% of Net Assets of Consolidated Funds and VIEs
Corporate Loans:				
North America				
Chemicals	$ 88,135	5.1%	$ 13,950	0.7%
Communications				
Intelsat Jackson term loan due February 1, 2014	—	—	105,659	5.4
Other	182,127	10.6	221,383	11.3
Total Communications	182,127	10.6	327,042	16.7
Consumer & Retail	413,683	24.0	114,931	5.9
Distribution & Transportation	64,552	3.7	7,794	0.4
Energy	108,300	6.3	25,026	1.3
Financial and Business Services	604,852	35.1	85,713	4.4
Healthcare	476,487	27.6	144,343	7.4
Manufacturing & Industrial	231,746	13.4	200,290	10.3
Media, Cable & Leisure	543,696	31.6	93,798	4.8
Metals & Mining	56,890	3.3	14,025	0.7
Oil & Gas	34,864	2.0	—	—
Packaging & Materials	59,530	3.5	21,066	1.1
Printing and Publishing	45,055	2.6	—	—
Real Estate	42,256	2.4	—	—
Technology	92,027	5.3	34,862	1.8
Other	42,420	2.5	9,539	0.5
Total Corporate Loans—North America (amortized cost $3,151,576 and $1,075,287 as of December 31, 2011 and 2010, respectively)	3,086,620	179.0	1,092,379	56.0
Europe				
Chemicals	24,974	1.4	9,909	0.5
Consumer & Retail	—	—	75,007	3.8
Distribution & Transportation	3,640	0.2	—	—
Financial and Business Services	18,392	1.1	—	—
Healthcare				
Alliance Boots seniors facility B1 due July 5, 2015	—	—	143,105	7.3
Other	10,418	0.6	—	—
Total Healthcare	10,418	0.6	143,105	7.3
Manufacturing & Industrial	—	—	7,696	0.4
Media, Cable & Leisure	21,106	1.2	10,787	0.6
Oil & Gas	13,439	0.8	—	—
Technology	7,659	0.4	—	—
Total Corporate Loans—Europe (amortized cost $ 102,609 and $284,760 as of December 31, 2011 and 2010, respectively)	99,628	5.7	246,504	12.6
Total Corporate Loans (amortized cost $3,254,185 and $1,360,047 as of December 31, 2011 and 2010, respectively)	3,186,248	184.7	1,338,883	68.6
Corporate Bonds:				
North America				
Chemicals	14,473	0.8	—	—
Communications	2,026	0.1	1,564	0.1
Consumer & Retail	6,214	0.4	—	—
Distribution & Transportation	10,373	0.6	4,160	0.2
Energy	5,000	0.3	3,640	0.2
Healthcare	5,028	0.3	—	—
Manufacturing & Industrial	9,977	0.6	—	—
Media, Cable & Leisure	19,010	1.1	3,550	0.2
Oil and Gas	3,143	0.2	—	—
Total Corporate Bonds—North America (amortized cost $ 74,989 and $12,406 as of December 31, 2011 and 2010, respectively)	75,244	4.4	12,914	0.7

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	Fair Value as of December 31, 2011	% of Net Assets of Consolidated Funds and VIEs	Fair Value as of December 31, 2010	% of Net Assets of Consolidated Funds and VIEs
Europe				
Distribution & Transportation	2,767	0.2	—	—
Financial and Business Services	6,965	0.4	1,599	0.1
Total Corporate Bonds—Europe (amortized cost $9,555 and $1,519 as of December 31, 2011 and 2010, respectively)	9,732	0.6	1,599	0.1
Total Corporate Bonds (amortized cost $84,544 and $13,925 as of December 31, 2011 and 2010, respectively)	84,976	5.0	14,513	0.8
Common Stock:				
North America				
Financial and Business Services	226	0.0	—	—
Manufacturing & Industrial	1,648	0.1	—	—
Printing and Publishing	341	0.0	—	—
Real Estate	170	0.0	—	—
Total Common Stock—North America (amortized cost $3,962 and $0 as of December 31, 2011 and 2010, respectively)	2,385	0.1	—	—
Warrants:				
North America				
Media, Cable & Leisure	21	0.0	—	—
Total Warrants—North America (amortized cost $0 and $0 as of December 31, 2011 and 2010, respectively)	21	0.0	—	—
Asset Backed Securities:				
North America				
Financial and Business Services	30,513	1.8	—	—
Total Asset Backed Securities—North America (amortized cost $37,382 and $0 as of December 31, 2011 and 2010, respectively)	30,513	1.8	—	—
Elimination of equity investments attributable to consolidated VIEs	(2,177)	(0.1)	(10,785)	(0.6)
Total Investments, at fair value, of Consolidated VIEs (amortized cost $3,380,073 and $1,373,972 as of December 31, 2011 and 2010, respectively)	$ 3,301,966	191.5%	$ 1,342,611	68.8%

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Senior Secured Notes, Subordinated Note, Term Loans—Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of December 31, 2011 and 2010:

Description	As of December 31, 2011 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Apollo Credit Co-Invest II										
Loans:										
Term A Loan[1]	$ —	$ —	— %	$ 146,502	$ 142,601	0.91%	October 29, 2012	BBA 3 mo. LIBOR (USD) plus 0.50%	— [1]	— [1]
Term B Loan[1]	—	—	—	145,390	111,655	0.91%	June 13, 2013	BBA 3 mo. LIBOR (GBP) plus 0.50%	— [1]	— [1]
Term C Loan[1]	—	—	—	161,984	154,394	0.91%	October 29, 2013	BBA 3 mo. LIBOR (USD) plus 0.50%	— [1]	— [1]
	— [1]	— [1]		453,876	408,650					
ALM Loan Funding 2010-1										
Notes[2][3]										
Senior Secured Class A1 Notes	215,400	215,441	2.04%	215,400	215,400	2.02%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 1.70%	110.0%	137.5%
Senior Secured Class A2 Notes	11,100	10,620	2.60%	11,100	10,767	2.48%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.25%	110.0%	137.5%
Senior Secured Class B Notes	24,700	22,272	2.65%	24,700	22,971	2.52%	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.30%	105.0%	126.4%
Subordinated Notes	70,946	68,385	N/A[4]	70,946	70,376	N/A[4]	May 20, 2020	N/A[4]	N/A	N/A
	322,146	316,718		322,146	319,514					
ALM Loan Funding 2010-3										
Notes[2][3]										
Senior Secured Class A1 Notes	262,000	258,463	2.09%	262,000	261,371	2.22%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 1.70%	110.0%	135.6%
Senior Secured Class A2 Notes	20,500	19,967	2.90%	20,500	19,959	3.05%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 2.5%	110.0%	135.6%
Senior Secured Class B Notes	25,750	24,784	3.40%	25,750	24,426	3.58%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 3.0%	105.0%	124.8%
Senior Secured Class C Notes	14,000	12,547	4.42%	14,000	12,604	4.62%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 4.0%	N/A	120.1%
Secured Class D Notes	10,000	8,714	6.45%	10,000	9,398	6.71%	November 20, 2020	BBA 3 mo LIBOR (USD) plus 6.0%	N/A	117.4%
Subordinated Notes	71,258	68,465	N/A[4]	71,258	71,258	N/A[4]	November 20, 2020	N/A[4]	N/A	N/A
	403,508	392,940		403,508	399,016					

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	As of December 31, 2011			As of December 31, 2010						
Description	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
ALM Loan Funding 2010-4										
Notes[2]										
Senior Secured Notes—A	274,500	270,383	1.67%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 1.24%	[5]	125.1%
Senior Secured Notes—B	58,500	53,528	2.33%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 1.90%	[5]	125.1%
Mezzanine Secured Notes—C	29,812	26,533	3.18%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 2.75%	110.0%	118.0%
Mezzanine Secured Notes—D	20,250	16,605	3.63%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 3.20%	105.0%	113.5%
Junior Secured Note—E	23,625	17,364	4.63%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 4.20%	N/A	107.7%
Junior Secured Notes—F	11,270	8,002	5.93%	—	—	—	July 18, 2022	BBA 3 mo LIBOR (USD) plus 5.50%	N/A	N/A
Subordinated Notes	43,350	38,582	N/A[4]	—	—	N/A[4]	July 18, 2022	N/A[4]	N/A	N/A
	461,307	430,997		—	—					
Gulf Stream—Sextant CLO 2006-1										
Notes[2]										
Class A-1-R Notes	24,613	23,998	0.68%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.28%	120.0%	110.6%
Class A-1-A Notes	196,906	188,045	0.63%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.23%	120.0%	110.6%
Class A-1-B Notes	56,250	50,063	0.75%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.34%	120.0%	110.6%
Class A-2 Notes	26,419	25,098	0.65%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.25%	120.0%	110.6%
Class B Notes	12,000	9,960	0.81%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.40%	120.0%	110.6%

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	As of December 31, 2011			As of December 31, 2010						
Description	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Class C Notes	24,000	18,120	1.11%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 0.70%	N/A	N/A
Class D Notes	28,000	17,640	2.01%	—	—	—	August 21, 2020	BBA 3 mo LIBOR (USD) plus 1.60%	N/A	N/A
Subordinated Notes	28,000	16,240	N/A(4)	—	—	—	August 21, 2020	N/A(4)	N/A	N/A
	396,188	349,164		—	—	—				
Gulf Stream—Sextant CLO 2007-1										
Notes(2)										
Class A-1-R Notes	24,990	23,503	0.66%				June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.28%	120.0%	110.5%
Class A-1-A Notes	280,884	258,413	0.61%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.23%	120.0%	110.5%
Class A-1-B Notes	76,500	63,572	0.72%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.33%	120.0%	110.5%
Class B Notes	17,500	14,175	0.84%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.45%	120.0%	110.5%
Class C Notes	33,750	24,300	1.24%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 0.85%	N/A	N/A
Class D Notes	31,250	19,688	2.79%	—	—	—	June 17, 2021	BBA 3 mo LIBOR (USD) plus 2.40%	N/A	N/A
Subordinated Notes	35,000	21,000	N/A(4)	—	—	—	June 17, 2021	N/A(4)	N/A	N/A
	499,874	424,651		—	—	—				
Gulf Stream—Rashinban CLO 2006-1										
Notes(2)										
Senior Secured Class A-1 Notes	18,992	17,387	0.68%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.27%	120.0%	112.0%
Senior Secured Class A-2 Notes	283,890	252,378	0.65%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.24%	120.0%	112.0%

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Description	As of December 31, 2011 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Senior Secured Class B Notes	12,000	9,816	0.76%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.35%	120.0%	112.0%
Senior Secured Class C Notes	26,000	18,663	1.09%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 0.68%	115.0%	106.3%
Secured Class D Notes	12,000	7,498	1.79%	—	—	—	November 26, 2020	BBA 3 mo LIBOR (USD) plus 1.38%	110.0%	105.5%
Subordinated Notes	46,000	34,500	N/A(4)	—	—	—	November 26, 2020	N/A(4)	N/A	N/A
	398,882	340,242		—	—	—				
Gulf Stream—Compass CLO 2005-2 Notes(2)										
Senior Secured Class A-1 Notes	34,566	31,836	0.69%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.27%	120.0%	110.9%
Senior Secured Class A-2 Notes	345,663	318,280	0.68%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.26%	120.0%	110.9%
Senior Secured Class B Notes	15,000	13,103	0.87%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.45%	120.0%	110.9%
Senior Secured Class C Notes	35,000	26,705	1.22%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 0.80%	112.0%	103.0%
Secured Class D Notes	25,000	17,110	2.62%	—	—	—	January 24, 2020	BBA 3 mo LIBOR (USD) plus 2.20%	110.0%	101.5%
Subordinated Notes	40,000	27,200	N/A(4)	—	—	—	January 24, 2020	N/A(4)		
	495,229	434,234		—	—					

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Description	As of December 31, 2011 Outstanding Principal Balance	As of December 31, 2011 Fair Value	As of December 31, 2011 Weighted Average Interest Rate	As of December 31, 2010 Outstanding Principal Balance	As of December 31, 2010 Fair Value	As of December 31, 2010 Weighted Average Interest Rate	Maturity Date	Interest Rate	Required Interest Coverage Ratio	Over-Collateralization Ratio
Gulf Stream—Compass CLO 2007 Notes[2]										
Class A-1-A Notes	178,080	165,615	0.79%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.38%	120.0%	114.3%
Class A-1-B Notes	45,000	37,908	0.91%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.50%	120.0%	114.3%
Class B Notes	12,000	10,066	1.31%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 0.90%	120.0%	114.3%
Class C Notes	13,125	10,238	2.41%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 2.00%	114.0%	110.7%
Class D Notes	15,000	11,643	3.86%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 3.45%	110.0%	106.0%
Class E Notes	10,462	7,114	6.41%	—	—	—	October 28, 2019	BBA 3 mo LIBOR (USD) plus 6.0%	N/A	103.8%
Subordinated Notes	23,250	16,508	N/A[4]	—	—	—	October 28, 2019	N/A[4]	N/A	N/A
	296,917	259,092		—	—	—				
Gulf Stream—Neptune Finance Notes[2]										
Class A Notes	194,879	182,699	1.02%	—	—	—	April 20, 2020	BBA 3 mo LIBOR (USD) plus 0.62%	120.0%	117.1%
Class B Notes	10,000	9,400	3.66%	—	—	—	April 20, 2020	BBA 3 mo LIBOR (USD) plus 3.25%	120.0%	117.1%
Subordinated Notes	58,471	49,700	N/A[4]	—	—	—	April 20, 2020	N/A[4]	N/A	N/A
	263,350	241,799		—	—	—				
Total notes and loans	$ 3,537,401	$3,189,837		$ 1,179,530	$1,127,180					

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(1) At December 31, 2010, the cost and fair value of the term loans were $453.9 million and $408.7 million, respectively. The term loans were paid down in the first quarter of 2011, with payments totaling $412.1 million, resulting in a gain of $41.8 million. This realized gain was offset by a reversal of unrealized gains of $45.2 million, which result in a net loss on term loans of $3.4 million for the year ended December 31, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the consolidated statements of operations.

(2) 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 note 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 note.

(3) The subordinated notes were issued to an affiliate of the Company. Amount is reduced by approximately $2.1 million due to elimination of equity investment attributable to consolidated VIEs as of December 31, 2011 and 2010, respectively.

(4) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.

(5) The required interest coverage ratio is 100.0% through January 2012 and 120.0% thereafter.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of December 31, 2011, the notes payable are classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments 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.

As of December 31, 2011, the table below presents the maturities for the consolidated debt of the VIEs:

	2012	2013	2014	2015	2016	Thereafter	Total
Secured notes	$—	$—	$—	$—	$—	$3,121,126	$3,121,126
Subordinated notes	—	—	—	—	—	416,275	416,275
Total Obligations as of December 31, 2011	$—	$—	$—	$—	$—	$ 3,537,401	$ 3,537,401

Note: All of the CLOs are past their call date and therefore the collateral manager can call the CLO and liquidate (with the consent of each of the majority of the subordinated notes).

Variable Interest Entities Which 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.

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

	December 31, 2011		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$11,879,948	$ (146,374)	$ 8,753
Capital Markets	3,274,288	(1,095,266)	11,305
Real Estate	2,216,870	(1,751,280)	—
Total	$ 17,371,106(1)	$ (2,992,920)(2)	$ 20,058(3)

(1) Consists of $383,017 in cash, $16,507,142 in investments and $480,947 in receivables.
(2) Represents $2,874,394 in debt and other payables, $86,102 in securities sold, not purchased, and $32,424 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

	December 31, 2010		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 11,593,805	$ (39,625)	$ 13,415
Capital Markets	3,117,013	(824,957)	13,302
Real Estate	1,569,147	(1,263,354)	—
Total	$16,279,965(1)	$(2,127,936)(2)	$ 26,717(3)

(1) Consists of $207,168 in cash, $15,672,604 in investments and $400,193 in receivables.
(2) Represents $2,011,194 in debt and other payables, $21,369 in securities sold, not purchased, and $95,373 in capital withdrawals payable.
(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

At December 31, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At December 31, 2011, the aggregate amount of such investments was $131.8 million. The Company's ownership interest in AAA was 2.45% at December 31, 2011.

At December 31, 2010, AAA Investments, the sole investment of AAA, invested in certain of the Company's unconsolidated VIEs, including LeverageSource, L.P., AutumnLeaf, L.P., Apollo ALS Holdings, L.P., and A.P. Charter Holdings, L.P. At December 31, 2010, the aggregate amount of such investments was $251.5 million. The Company's ownership interest in AAA was 2.81% at December 31, 2010.

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6. CARRIED INTEREST RECEIVABLE

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

	For the Year Ended December 31, 2011	2010
Private equity	$672,952	$1,578,135
Capital markets	195,630	288,938
Total Carried Interest Receivable	$868,582	$1,867,073

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2011 and 2010:

	Private Equity	Capital Markets	Total
Carried Interest Receivable, January 1, 2010	$ 328,246	$ 155,608	$ 483,854
Change in fair value of funds (1)	1,308,030	277,907	1,585,937
Foreign exchange gain	—	1,728	1,728
Fund cash distributions to the Company	(58,141)	(146,305)	(204,446)
Carried interest receivable, December 31, 2010	1,578,135	288,938	1,867,073
Change in fair value of funds (2)	(373,906)	69,424	(304,482)
Foreign exchange loss	—	(1,453)	(1,453)
Fund cash distributions to the Company	(531,277)	(161,279)	(692,556)
Carried Interest Receivable, December 31, 2011	$ 672,952	$ 195,630	$ 868,582

(1) The change in fair value of funds in 2010 includes the carried interest income of $13.1 million associated with recognized realized gains, which was previously reversed due to the estimated general partner obligation attributable to Fund VI.

(2) As of December 31, 2011, the Company recorded a general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million relating to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

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 based on realizations after the end of the relevant fund's fiscal year or fiscal quarter, subject to high watermark provisions. There is currently no carried interest receivable associated with the Company's real estate segment.

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7. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2011	December 31, 2010
Ownership interests in aircraft	15	$ 10,184	$ 10,029
Leasehold improvements	8-10	44,433	31,625
Furniture, fixtures and other equipment	4-10	14,455	11,296
Computer software and hardware	2-4	22,789	21,515
Other	4	506	489
Total fixed assets		92,367	74,954
Less—accumulated depreciation and amortization		(39,684)	(30,258)
Fixed Assets, net		$ 52,683	$ 44,696

In December 2010, the Company committed to a plan to sell its ownership interests in certain aircraft, which occurred in the first half of 2011. Accordingly, in 2010, the Company reclassified the assets to assets held for sale and measured the assets at the lower of cost or fair value less costs to sell. As of December 31, 2010, these assets held for sale had a fair value of $11.3 million and are included in Other Assets in the accompanying consolidated statements of financial condition. As a result of reclassifying the assets to assets held for sale, the Company recognized a loss of $2.8 million during the year ended December 31, 2010 on the assets held for sale, which is included in other income (loss), net in the accompanying consolidated statements of operations.

As part of the plan to liquidate its ownership interest in aircraft, the Company determined that the remaining interests in aircraft were higher than its current fair value. In 2010, the Company recognized an impairment loss of $3.1 million related to its remaining ownership in aircraft. This loss is included in other income (loss), net in the accompanying consolidated statements of operations.

Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was $11.1 million, $11.5 million and $11.6 million, respectively.

8. OTHER ASSETS

Other assets consist of the following:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Tax receivables	$ 10,465	$ 5,479
Prepaid expenses	5,137	7,559
Debt issuance costs	2,624	3,135
Rent deposits	1,482	990
Prepaid rent	1,134	931
Assets held for sale	—	11,331
Other	6,134	5,716
Total Other Assets	$26,976	$35,141

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9. OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2011	December 31, 2010
Deferred rent	$ 14,798	$ 10,318
Deferred payment related to acquisition (note 3)	3,858	—
Interest rate swap agreements	3,843	11,531
Unsettled trades and redemption payable	2,902	—
Deferred taxes	2,774	2,424
Other	4,875	1,422
Total Other Liabilities	$ 33,050	$ 25,695

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 the Company's variable rate debt under the AMH Credit Agreement (discussed in note 12) 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 notional amount are comprised of two components: a $333.0 million portion and a $100.0 million portion. The interest rate swap agreement related to the $333.0 million portion expired in May 2010. The interest rate swap agreement related to the $100.0 million portion expired in November 2010. The interest rate swap agreement related to the $167.0 million notional amount expires in May 2012. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2011 and 2010, the Company has recorded a liability of $3.8 million and $11.5 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.

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10. OTHER INCOME, NET

Other income, net consists of the following:

	For the Year Ended December 31,		
	2011	2010	2009
Insurance proceeds	$ —	$162,500	$ 37,500
Tax receivable agreement adjustment	(137)	7,614	(6,615)
Gain on acquisitions and dispositions	196,193	29,741	—
Loss on assets held for sale	—	(2,768)	—
Impairment of fixed assets	—	(3,101)	—
AMTG offering costs	(8,000)	—	—
ARI reimbursed offering costs	8,000	—	—
Foreign exchange translation	6,169	(3,025)	1,317
Other	3,295	4,071	9,208
Total Other Income, Net	$ 205,520	$195,032	$ 41,410

11. INCOME TAXES

The Company is treated as a partnership for tax purposes and is therefore not subject to U.S. Federal income taxes; however, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal corporate income taxes. In addition, certain subsidiaries of the Company are subject to New York City Unincorporated Business Tax (“NYC UBT”) attributable to the Company’s operations apportioned to New York City and certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate tax return, as well as filing standalone corporate state and local tax returns in California, New York and New York City. The Company’s provision for income taxes is accounted for under the provisions of U.S. GAAP.

The Company’s effective tax rate was approximately (0.92)%, 14.45% and (43.18)% for the years ended December 31, 2011, 2010 and 2009, respectively.

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

	For the Year Ended December 31, 2011	2010	2009
Current:			
Federal income tax	$ (856)	$ (8,051)	$ —
NYC UBT	(6,669)	(7,106)	(5,661)
Foreign income tax	(3,705)	(3,726)	(3,993)
State and local income tax	(274)	(1,542)	—
Subtotal	(11,504)	(20,425)	(9,654)
Deferred:			
Federal income tax	248	(64,633)	(2,666)
Foreign income tax	301	260	(1,045)
State and local income tax provision	(2,457)	(6,282)	(14,398)
NYC and UBT	1,483	(657)	(951)
Subtotal	(425)	(71,312)	(19,060)
Total Income Tax Provision	$(11,929)	$(91,737)	$(28,714)

For the years ended 2011, 2010 and 2009, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $1.4 million, $4.2 million and $7.9 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 statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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

	For the Year Ended December 31, 2011	2010
Deferred Tax Assets:		
Depreciation and amortization	$476,812	$505,485
Revenue recognition	36,732	35,403
Net operating loss carry forward	17,238	265
Equity-based compensation—RSUs and AAA RDUs	37,336	26,689
Other	8,186	3,483
Total Deferred Tax Assets	$576,304	$571,325
Deferred Tax Liabilities:		
Other	$ 2,774	$ 2,424
Total Deferred Tax Liabilities	$ 2,774	$ 2,424

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The Company had a U.S. federal taxable loss of $55.9 million at the end of 2011 of which $19.2 million will be carried back and used against prior year taxable income and $36.7 million will be carried forward and will expire in 2031. The Company has cumulative state tax losses of $60.5 million that will begin to expire in 2027. In addition, the Company has foreign tax credit carryforwards of $5.5 million that will begin to expire in 2020.

The Company has recorded a significant deferred tax asset for the future amortization of tax basis intangibles as a result of the Reorganization. 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 considered the 15-year amortization period of the tax basis intangibles 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 includes the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicates 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 will be realized and that no valuation allowance is needed at December 31, 2011.

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

	For the Year Ended December 31,		
	2011	**2010**	**2009**
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	(24.67)	(24.54)	38.15
Income passed through to Class A holders	(1.28)	(15.93)	46.04
Equity-based compensation—AOG Units	(9.12)	16.49	(146.43)
Foreign income taxes	(0.17)	0.54	(6.98)
State and local income taxes	(0.56)	2.32	(30.74)
Amortization and other accrual adjustments	(0.12)	0.44	22.18
Other	0.00	0.13	(0.40)
Effective Income Tax Rate	(0.92)%	14.45%	(43.18)%

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.

Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined no unrecognized tax benefits for uncertain tax positions were required to be 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.

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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 tax authorities. With few exceptions, as of December 31, 2011, Apollo and its predecessor entities' U.S. federal, state, local and foreign income tax returns for the years 2008 through 2010 are open under the normal statute of limitations and therefore subject to examination. The City of New York is examining certain other subsidiary tax returns for the years 2006 and 2007.

12. DEBT

Debt consists of the following:

	December 31, 2011		December 31, 2010	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH Credit Agreement	$ 728,273	5.39%(1)	$ 728,273	3.78%(1)
CIT secured loan agreement	10,243	3.39%	23,252	3.50%
Total Debt	$738,516	5.35%	$751,525	3.77%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement—On April 20, 2007, Apollo Management Holdings, L.P. ("AMH"), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, 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 from the closing date of the AMH Credit Agreement and $167 million of the debt for five years from the closing date of the AMH Credit Agreement. The interest rate swap agreements related to the $433 million notional amount were comprised of two components: a $333 million portion and a $100 million portion. The interest rate swap agreement related to the $333 million portion expired in May 2010. The interest rate swap agreement related to the $100 million portion expired in November 2010. The interest rate swap agreement related to the $167 million notional amount expires in May 2012. The remaining amount of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for loans with extended maturity, as discussed below, and 1.00% for loans without the extended maturity as of December 31, 2011 and 4.25% for loans with extended maturity and 1.50% for loans without the extended maturity as of December 31, 2010). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loans from

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April 20, 2014 to January 3, 2017 and modified certain other terms of the credit facility. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of term loans by December 31, 2014 and at least $100.0 million aggregate principal amount of term loans (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH loans (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2011 was 4.23% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2011 was 1.48%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $752.2 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2011 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of December 31, 2011 and 2010, the AMH Credit Agreement was guaranteed by, and 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 forth in the AMH Credit Agreement. As of December 31, 2011, 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 and its consolidated subsidiaries were $56.6 million, $46.2 million, $50.1 million, $131.9 million and $(1,014.3) million, respectively. As of December 31, 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 $123.1 million, $24.0 million, $39.0 million, $136.0 million and $(1,126.6) million, respectively.

In accordance with the AMH Credit Agreement as of December 31, 2011, 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 respective subsidiaries were 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.

If AMH's debt to EBITDA ratio (the "Leverage Ratio") as of the end of any fiscal year exceeds the level set forth in the next sentence (the "Excess Sweep Leverage Ratio"), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage 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 is: for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

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In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

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 as necessary to reduce its Leverage 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 (the following specified levels for the specified years, the “Sweep Leverage Ratio”) (i) for 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

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. As of December 31, 2011, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

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 $9.4 million due at the end of the terms in April 2013. At December 31, 2011, the interest rate was 3.45%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreement for $11.3 million with $11.1 million of the proceeds going to CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of December 31, 2011, the carrying value of the remaining CIT secured loan is $10.2 million.

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

As of December 31, 2011, the table below presents the contractual maturities for the AMH Credit Agreement and CIT secured loan agreement:

	2012	2013	2014	2015	2016	Thereafter	Total
AMH Credit Agreement	$—	$ —	$55,000	$50,000	$—	$623,273	$ 728,273
CIT secured loan agreement	698	9,545	—	—	—	—	10,243
Total Obligations as of December 31, 2011	$698	$9,545	$55,000	$50,000	$—	$623,273	$738,516

13. NET (LOSS) INCOME 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. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

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The remaining earnings are allocated to common Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

The table below presents basic and diluted net loss (income) per Class A share using the two-class method for the years ended December 31, 2011, 2010 and 2009:

	Basic and Diluted For the Year Ended December 31, 2011	2010	2009
Numerator:			
Net (loss) income attributable to Apollo Global Management, LLC	$ (468,826)	$ 94,617	$ (155,176)
Distributions declared on Class A shares	(97,758)(1)	(20,453)(2)	(4,866)(3)
Distributions on participating securities	(17,381)	(3,662)	(299)
Earnings allocable to participating securities	—(4)	(10,357)	—(4)
Net (Loss) Income Attributable to Class A Shareholders	$ (583,965)	$ 60,145	$ (160,341)
Denominator:			
Weighted average number of Class A shares outstanding	116,364,110	96,964,769	95,815,500
Net (loss) income per Class A share: Basic and Diluted (5)			
Distributable Earnings	$ 0.84	$ 0.21	$ 0.05
Undistributed (loss) income	(5.02)	0.62	(1.67)
Net (Loss) Income per Class A Share	$ (4.18)	$ 0.83	$ (1.62)

(1) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on Class A shares on May 12, 2011, a $0.24 distribution on Class A shares on August 9, 2011, and a $0.20 distribution on Class A shares on November 3, 2011. As a result, there is an increase in net loss attributable to Class A shareholders presented during the year ended December 31, 2011.

(2) The Company declared a $0.07 distribution on Class A shares on May 27, 2010, August 2, 2010 and November 1, 2010. As a result, there is an increase in net loss attributable to Class A shareholders presented during the year ended December 31, 2010.

(3) The Company declared a $0.05 distribution on Class A shares in January 2009. As a result, there is an increase in net loss attributable to Class A shareholders presented for the year ended December 31, 2009.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(5) For the year ended December 31, 2010, unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. The resulting diluted earnings per share amount was not significantly different from basic earnings per share and therefore, was presented as the same amount. The AOG Units and the share options were determined to be anti-dilutive for the years ended December 31, 2011, 2010 and 2009.

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 Company’s

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2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees during 2010 and 2011 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as “Plan Grants.” For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees in 2010 and 2011 (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 distribution is declared. As of December 31, 2011, approximately 20.2 million vested RSUs and 5.6 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 earnings per share computations using the two-class method. The holder of an RSU 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 RSU 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 fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is 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 distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share currently has a super voting power of 240,000,000 votes.

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The table below presents transactions in Class A shares during the years ended December 31, 2011, 2010, and 2009 and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of AGM Class A Shares Transaction	Number of Shares Issued (Repurchased/ Cancelled) in AGM Class A Shares Transaction (in thousands)	AGM ownership% in AOG before AGM Class A Shares Transaction	AGM ownership% in AOG after AGM Class A Shares Transaction	Holdings ownership% in AOG before AGM Class A Shares Transaction	Holdings ownership% in AOG after AGM Class A Shares Transaction
February 11, 2009	Repurchase	(1,700)	28.9%	28.5%	71.1%	71.5%
March 12, 2010	Issuance	721	28.5%	28.6%	71.5%	71.4%
July 9, 2010	Issuance	1,540	28.6%	29.0%	71.4%	71.0%
July 23, 2010	Issuance	31	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 16, 2010	Net Settlement	(7)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
September 30, 2010	Issuance	11	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 8, 2011	Issuance	2	N/A(1)	N/A(1)	N/A(1)	N/A(1)
March 15, 2011	Issuance	1,548	29.0%	29.3%	71.0%	70.7%
April 4, 2011	Issuance	21,500	29.3%	33.5%	70.7%	66.5%
April 7, 2011	Issuance	750	33.5%	33.7%	66.5%	66.3%
July 11, 2011	Issuance	77	N/A(1)	N/A(1)	N/A(1)	N/A(1)
August 15, 2011	Issuance	1,191	33.7%	33.9%	66.3%	66.1%
October 10, 2011	Issuance	52	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 10, 2011	Issuance	1,011	33.9%	34.1%	66.1%	65.9%
November 22, 2011	Net Settlement	(130)	N/A(1)	N/A(1)	N/A(1)	N/A(1)

(1) Transaction did not have a material impact on ownership.

14. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the years ended December 2011, 2010 and 2009, $1,032.8 million, $1,032.9 million and $1,033.3 million of compensation expense was recognized, 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 December 31, 2011, there was $507.2 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next 18 months.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2011, 2010 and 2009:

	Apollo Operating Group Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2009	154,739,756	$ 23.41
Granted	—	—
Forfeited	—	—
Vested	(43,907,662)	23.53
Balance at December 31, 2009	110,832,094	23.35
Granted	1,404,650	11.96
Forfeited	(1,404,650)	20.00
Vested	(44,089,188)	23.43
Balance at December 31, 2010	66,742,906	$ 23.13
Granted	—	—
Forfeited	—	—
Vested at December 31, 2011	(44,149,696)	23.39
Balance at December 31, 2011	22,593,210	$ 22.64

Units Expected to Vest—As of December 31, 2011, approximately 22,400,000 AOG Units are expected to vest over the next 12 months.

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. All grants after March 29, 2011 consider the public share price of the Company. The fair value of grants was approximately $116.6 million, $120.2 million and $10.0 million in 2011, 2010 and 2009, respectively. For Plan Grants the fair value is based on grant date fair value, and are discounted 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 is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). The actual forfeiture rate was 2.3%, 7.9% and 6.6% for the years ended December 31, 2011, 2010 and 2009, respectively. For the years ended December 31, 2011, 2010 and 2009, $108.2 million $78.9 million and $60.7 million of compensation expense was recognized, respectively.

Delivery of Class A Shares

In 2011 and 2010, the Company delivered Class A Shares for vested RSUs. The Company allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment was $19.6 million and $2.9 million in 2011 and 2010, respectively, and is disclosed in the consolidated statement of changes in shareholders' equity.

The delivery of RSUs does not cause a transfer of amounts in the Consolidated Statement of Changes in Shareholders' Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the

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income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the year ended December 31, 2011, the Company delivered 4.5 million Class A shares in settlement of vested RSUs, which caused the Company's ownership interest in the Apollo Operating Group to increase to 34.1% from 29.0%.

The following table summarizes RSU activity for the years ended December 31, 2011, 2010 and 2009:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2009	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
Granted	12,861,969	9.34	—	12,861,969
Forfeited	(2,578,992)	10.07	—	(2,578,992)
Delivered	—	6.74	(3,227,155)	(3,227,155)
Vested	(6,778,057)	10.40	6,778,057	—
Balance at December 31, 2010	23,442,916	10.25	15,642,921	39,085,837
Granted	8,068,735	14.45	—	8,068,735
Forfeited	(737,372)	12.59	—	(737,372)
Delivered	—	10.12	(5,696,419)	(5,696,419)
Vested	(10,293,506)	11.13	10,293,506	—
Balance at December 31, 2011	20,480,773	$ 11.38	20,240,008	40,720,781 (1)

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

Units Expected to Vest—As of December 31, 2011, approximately 19,300,000 RSUs are expected to vest during the next six years.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011 and 25,000 options were granted on April 9, 2011. The options granted on January 22, 2011 vested and became exercisable with respect to half of the option shares on December 31, 2011 and the other half were due to become exercisable on December 31, 2012. The options granted on April 9, 2011 vested and became exercisable with respect to half of the options shares on December 31, 2011 and the other half vests in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012. For the years ended December 31, 2011 and 2010, $6.9 million and $0.3 million of compensation expense were recognized as a result of option grants, respectively.

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Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2011 and 2010:

Assumptions:	2011(2)	2010
Risk-free interest rate	2.79%	2.34%
Weighted average expected dividend yield	2.25%	2.79%
Expected volatility factor(1)	40.22%	40.00%
Expected life in years	5.72	6.79
Fair value of options per share	$ 8.44	$5.62

(1) The Company determined its expected volatility based on comparable companies using daily stock prices.
(2) Represents weighted average of 2011 grants.

The following table summarizes the share option activity for the year ended December 31, 2011 and 2010:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2010	—	$ —	$ —	—
Granted	5,000,000	8.00	28,100	9.92
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2010	5,000,000	8.00	$ 28,100	9.92
Granted	580,556	9.39	4,896	9.09
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2011	5,580,556	8.14	$32,996	8.93
Exercisable at December 31, 2011	1,123,611	$ 8.36	$ 7,131	8.96

Units Expected to Vest—As of December 31, 2011, approximately 4,200,000 options are expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2011 was $25.8 million and is expected to be recognized over a weighted average period of 4.5 years.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depositary units ("RDUs") following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The 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 AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value considers the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the years ended December 31, 2011, 2010 and 2009, the actual forfeiture rate was 0%, 1.5% and 11.0%, respectively. For the years ended December 31, 2011, 2010 and 2009, $0.5 million, $5.5 million and $5.8 million of compensation expense was recognized, respectively.

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During the years ended December 31, 2011, 2010 and 2009, the Company delivered 389,785, 596,375 and 435,954 RDUs, respectively, to individuals who had vested in these units. The deliveries in 2011, 2010 and 2009 resulted in a reduction of the accrued compensation liability of $3.8 million, $7.6 million and $6.6 million, respectively, and the recognition of a net decrease of additional paid in capital in 2011 of $2.7 million and a net increase in 2010 and 2009 of $0.6 million and $2.8 million, respectively. These amounts are presented in the consolidated statement of changes in shareholders' equity. There was $0.5 million and $4.1 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2011 and 2010, respectively. The following table summarizes RDU activity for the years ended December 31, 2011, 2010 and 2009:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2009	678,649	$ 14.57	446,177	1,124,826
Granted	2,667	1.07	—	2,667
Forfeited	(74,870)	14.23	—	(74,870)
Delivered	—	15.51	(435,954)	(435,954)
Vested	(385,225)	15.65	385,225	—
Balance at December 31, 2009	221,221	12.95	395,448	616,669
Granted	547,974	7.34	—	547,974
Forfeited	(11,816)	13.00	—	(11,816)
Delivered	—	12.73	(596,375)	(596,375)
Vested	(590,712)	9.36	590,712	—
Balance at December 31, 2010	166,667	7.20	389,785	556,452
Granted	90,688	10.30	—	90,688
Forfeited	—	—	—	—
Delivered	—	10.54	(389,785)	(389,785)
Vested	(60,702)	8.69	60,702	—
Balance at December 31, 2011	196,653	$ 8.17	60,702	257,355

Units Expected to Vest—As of December 31, 2011, approximately 185,000 RDUs are expected to vest over the next four years.

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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, 2009	2,302,913
Purchases	43,412
Granted	(2,667)
Forfeited	74,870
Balance at December 31, 2009	2,418,528
Purchases	96,661
Granted	(547,974)
Forfeited	11,816
Balance at December 31, 2010	1,979,031
Purchases	59,494
Granted	(90,688)
Forfeited	—
Balance at December 31, 2011	1,947,837

Restricted Stock and Restricted Stock Unit Awards—Apollo Commercial Real Estate Finance, Inc. ("ARI")

On September 29, 2009, 97,500 and 145,000 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 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 generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units ("ARI RSUs"), respectively, were granted to certain of the Company's employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company's employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI RSUs, respectively, were granted to certain of the Company's employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. On December 28, 2011, the Company issued 45,587 ARI RSUs to certain of the Company's employees. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for certain restrictions. 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 consolidated statements of operations. For the years ended December 31, 2011, 2010 and 2009, $2.9 million, $1.5 million and $0.4 million of management fees and $1.3 million, $0.8 million and $0.2 million of compensation expense were recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 7%, 2% and 0% for the years ended December 31, 2011, 2010 and 2009, respectively.

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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 years ended December 31, 2011, 2010 and 2009:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of RSUs Outstanding
Balance at January 1, 2009	—	—	$ —	—	—
Granted to employees of the Company	145,000	—	18.46	—	—
Granted to the Company	97,500	—	18.48	—	—
Vested awards for employees of the Company	—	—	—	—	—
Balance at December 31, 2009	242,500	—	18.47	—	—
Granted to employees of the Company	—	123,959	16.97	—	123,959
Forfeited by employees of the Company	(118,959)	(5,000)	18.41	—	(5,000)
Vested awards for employees of the Company	(26,039)	(22,709)	17.77	22,709	—
Vested awards for the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2010	65,002	96,250	17.57	22,709	118,959
Granted to employees of the Company	—	203,337	14.34	—	203,337
Granted to the Company	—	156,000	14.85	—	156,000
Forfeited by employees of the Company	—	(30,000)	14.85	—	(30,000)
Vested awards for employees of the Company	—	(50,833)	16.95	50,833	—
Vested awards of the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2011	32,502	374,754	$ 15.12	73,542	448,296

Units Expected to Vest—As of December 31, 2011, approximately 362,000 and 32,502 shares of ARI RSUs and ARI restricted stock, respectively, are expected to vest.

Restricted Stock Unit Awards—Apollo Residential Mortgage, Inc. ("AMTG")

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units ("AMTG RSUs") were granted to the Company and certain of the Company's employees, respectively. On September 26, 2011, 875 AMTG RSUs were granted to certain employees of the Company. The fair value of the Company and employee awards granted was $0.3 million and $0.2 million, respectively. These awards generally vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. The awards granted to the Company are accounted for as investments and deferred revenue in the 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 consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for certain restrictions. For the year ended December 31, 2011, $0.1 million

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of management fees and $0.0 million of compensation expense were recognized in the consolidated statements of operations. The actual forfeiture rate for AMTG RSUs was 0% for the year ended December 31, 2011.

The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the year ended December 31, 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	—	$ —	—	—
Granted to employees of the Company	12,125	16.57	—	12,125
Granted to the Company	18,750	18.20	—	18,750
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(1,008)	16.57	1,008	—
Vested awards of the Company	(1,562)	18.20	1,562	—
Balance at December 31, 2011	28,305	$ 17.56	2,570	30,875

Units Expected to Vest—As of December 31, 2011, approximately 28,000 AMTG RSUs are expected to vest.

Equity-Based Compensation Allocation

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders' Equity attributable to Apollo Global Management, LLC 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 attributable to Apollo Global Management, LLC in the Company's consolidated financial statements.

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2011:

	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	$ 1,032,762	65.9%	$696,361	$ 336,401
RSUs and Share Options	115,142	—	—	115,142
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,320	65.9	870	450
AAA RDUs	529	65.9	349	180
Total Equity-Based Compensation	$1,149,753		$ 697,580	$ 452,173
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,219)	(630)
Capital Increase Related to Equity-Based Compensation			$696,361	$ 451,543

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 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	$1,032,909	71.0%	$735,698	$297,211
RSUs and Share Options	79,169	—	—	79,169
ARI Restricted Stock Awards and ARI RSUs	801	71.0	569	232
AAA RDUs	5,533	71.0	3,930	1,603
Total Equity-Based Compensation	$1,118,412		740,197	378,215
Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs			(4,499)	(1,835)
Capital Increase Related to Equity-Based Compensation			$735,698	$ 376,380

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

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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 Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest 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
ARI Restricted Stock Awards	217	71.5	155	62
AAA RDUs	5,799	71.5	4,146	1,653
Total Equity-Based Compensation	$1,100,106		742,732	357,374
Less AAA RDUs and ARI 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 considering Class A share repurchase during the period.

15. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

The Company typically facilitates the initial payment of 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.

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

	As of December 31, 2011	As of December 31, 2010
Due from Affiliates:		
Due from private equity funds	$ 28,465	$ 52,128
Due from portfolio companies	61,867	42,933
Management and advisory fees receivable from capital markets funds	23,545	19,095
Due from capital markets funds	15,822	13,612
Due from Contributing Partners, employees and former employees	30,353	8,496
Due from real estate funds	13,453	5,887
Other	3,235	2,212
Total Due from Affiliates	$ 176,740	$ 144,363
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 451,743	$ 491,402
Due to private equity funds	86,500	20,890
Due to capital markets funds	18,817	—
Due to real estate funds	1,200	1,200
Dividends payable to employees	12,532	2,832
Other(1)	7,972	1,321
Total Due to Affiliates	$578,764	$517,645

(1) Includes a $4.7 million contingent consideration liability due to former owners of Gulf Stream as discussed in note 3 to the consolidated financial statements.

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 ("TRA") 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. If the Company does not make the required annual payment on a timely basis as outlined in the TRA, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 years.

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In April 2011 and 2010, Apollo made cash payments of $39.8 million and $15.0 million, respectively, in connection with the TRA to the Managing Partners and Contributing Partners resulting from realized tax benefits for the 2010 and 2009 tax years. Included in the 2011 payment was $29.0 thousand and $3.0 thousand of interest paid to the Managing Partners and Contributing Partners, respectively. 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% or $12.1 million of the required payments pursuant to the tax receivable agreement that is attributable to the 2010 fiscal year for a period of four years until April 5, 2014. In addition, Apollo adjusted the remaining liability by $(0.1) million and $7.6 million and recorded a corresponding gain (loss) in other income (loss), net in the consolidated statement of operations during the years ended December 31, 2011 and 2010, respectively, due to changes in projected income estimates and fluctuations in the tax rates.

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 allowed for a maximum allocation of income from Holdings of $22.1 million in 2009 and $117.5 million in 2010. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation beyond such date. The Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

Due from Contributing Partners, Employees and Former Employees

The Company has accrued $22.1 million in receivables at December 31, 2011 from the Contributing Partners and certain employees and former employees of Fund VI for the potential return of carried interest income that would be due if the private equity fund were liquidated at the balance sheet date. In addition, there was a $6.5 million receivable at December 31, 2011 and 2010 from the Contributing Partners and certain employees associated with a credit agreement with Fund VI as described below in 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 and related compensation expense amounted to $23.5 million, $24.8 million and $19.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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Distributions

The table below presents the determination, declaration, and payment of the amount of quarterly distributions which were made at the sole discretion of the Company (in millions, except per share amounts):

Distributions Declaration Date	Distributions per Class A Share Amount	Distributions Payment Date	Distributions to AGM Class A Shareholders	Distributions to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
January 8, 2009	$ 0.05	January 15, 2009	$ 4.9	$ 12.0	$ 16.9	$ 0.3
May 27, 2010	0.07	June 15, 2010	6.7	16.8	23.5	1.0
August 2, 2010	0.07	August 25, 2010	6.9	16.8	23.7	1.4
November 1, 2010	0.07	November 23, 2010	6.9	16.8	23.7	1.3
January 4, 2011	0.17	January 14, 2011	16.6	40.8	57.4	3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8	79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6	87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0	72.8	4.3

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.

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 December 31, 2011, the Company recorded an indemnification liability of $0.8 million.

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 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. At December 31, 2010, the total outstanding loan aggregated $20.5 million, including accrued interest of $1.6 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the consolidated statement of financial condition. During the year ended December 31, 2011, there was $0.9 million interest paid and $0.3 million accrued interest on the outstanding loan obligation. As of December 31, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $1.0 million which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

In addition, assuming Fund VI is liquidated on the balance sheet date, the Company has also accrued a liability to Fund VI of $75.3 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $22.1 million is receivable from Contributing Partners, employees and former employees.

Due to Capital Markets Funds

Similar to the private equity funds, certain capital markets funds allocate carried interest income to the Company. Assuming SOMA liquidated on the balance sheet date, the Company has accrued a liability to SOMA of $18.1 million, in connection with the potential general partner obligation for carried interest income that was previously distributed from SOMA.

Due from Real Estate Funds

In connection with the acquisition of CPI during November 2010, Apollo is contingently obligated to Citigroup Inc. based on a specified percentage of future earnings from the date of acquisition through December 31, 2012. The estimated fair value of the contingent liability was $1.2 million as of December 31, 2011 and 2010, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%.

Regulated Entities

During 2011, the Company formed Apollo Global Securities, LLC ("AGS"), which is a registered broker dealer with the United States Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, or "FINRA", subject to the minimum net capital requirements of the SEC. AGS has continuously operated in excess of these requirements. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services. The Company also has one entity based in London which is subject to the capital requirements of the U.K. Financial Services Authority. This entity has continuously operated in excess of these regulatory capital requirements.

Due to Strategic Investor/Strategic Relationship Agreement

On April 20, 2010, the Company announced that it entered into a strategic relationship agreement with the California Public Employees' Retirement System ("CalPERS"). The 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 a five-year period 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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Underwriting Fee Paid for ARI

During 2009, the Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI's initial public offering on September 29, 2009, ARI's core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate. During the second quarter of 2011, the core earnings had exceeded the hurdle rate and the Company recorded $8.0 million of other income in the consolidated statement of operations.

Interests in Consolidated Entities

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net loss (income) attributable to Non-Controlling Interests consists of the following:

	For the Year Ended December 31,		
	2011	2010	2009
		(in thousands)	
AAA(1)	$ 123,400	$(356,251)	$ (452,408)
Consolidated VIEs(2)	(216,193)	(48,206)	—
Interests in management companies(3)	(12,146)	(16,258)	(7,818)
Net income attributable to Non-Controlling Interests in consolidated entities	(104,939)	(420,715)	(460,226)
Net loss (income) attributable to Non-Controlling Interests in Apollo Operating Group	940,312	(27,892)	400,440
Net loss (income) attributable to Non-Controlling Interests	$ 835,373	$ (448,607)	$ (59,786)

(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, which was approximately 98% during the year ended December 31, 2011 and approximately 97% during the years ended December 31, 2010 and 2009, respectively.

(2) Reflects the Non-Controlling Interests in the net loss (income) of the consolidated VIEs and includes $202.2 million and $11.4 million of gains recorded within appropriated partners' capital related to consolidated VIEs during the years ended December 31, 2011 and 2010, respectively.

(3) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies.

16. 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 December 31, 2011, the maximum exposure relating to these financial guarantees approximated $4.0 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 financial statements.

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As the general partner of Apollo/Artus Investor 2007-I, L.P. ("Artus"), the Company may be obligated for certain 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, 2011, the Company has no current obligations to Artus.

Investment Commitments— As a limited partner, general partner and manager of the Apollo private equity funds, capital markets and real estate funds, Apollo has unfunded capital commitments as of December 31, 2011 and 2010 of $137.9 million and $140.6 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA 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.

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— 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.

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 Apollo'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. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo Global Management, LLC, as a defendant. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint that adds ten additional transactions and expands the scope of the class seeking relief. On September 7, 2011, the Court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. The Court set April 17, 2012, as the deadline for completing all fact discovery. Currently, Apollo 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, ruling that Apollo was released from the only transaction in which it allegedly was involved. While plaintiffs have survived Apollo's motion to dismiss the fourth amended complaint,

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the Court stated in denying the motion that it will consider the statute of limitations (one of the bases for Apollo's motion to dismiss) at the summary judgment stage. Based on the applicable statute of limitations, among other reasons, Apollo believes that plaintiffs' claims lack factual and legal merit. For these reasons, no estimate of possible loss, if any, can be made at this time.

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 our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate 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 ("Arvco") (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 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. Finally, on December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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 effect on our financial statements. Legal actions material to us 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 December 31, 2011, the approximate aggregate minimum future payments required for operating leases were as follows:

	2012	2013	2014	2015	2016	Thereafter	Total
Aggregate minimum future payments	$31,175	$30,657	$30,242	$28,921	$28,871	$92,426	$242,292

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Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $38.3 million, $28.8 million and $35.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Other Long-term Obligations—These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2011, fixed and determinable payments due in connection with these obligations are as follows:

	2012	2013	2014	2015	2016	Thereafter	Total
Other long-term obligations	$10,221	$630	$—	$—	$—	$ —	$10,851

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 December 31, 2011 and that would be reversed approximates $1.3 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income 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 including, but not limited to, 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:

	December 31, 2011
Private Equity Funds:	
Fund VII	$ 651,491
Fund V	246,656
Fund IV	57,104
AAA	22,090
Total Private Equity Funds	$ 977,341
Capital Markets Funds:	
Distressed and Event-Driven Hedge Funds (Value Funds, SOMA, AAOF)	12,625
Mezzanine Funds (AIE II)	20,459
Non-Performing Loan Fund (EPF)	51,463
Senior Credit Funds (COF I/COF II, Gulf Stream)	233,139
Total Capital Market Funds	$ 317,686
Total	$ 1,295,027

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 general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 15, the Company has recorded a general partner obligation to return previously distributed carried interest income of fees of $75.3 million and $18.1 million relating to Fund VI and SOMA as of December 31, 2011, respectively.

Certain private equity and capital markets funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. 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.

One of the Company's subsidiaries, Apollo Global Securities, LLC ("AGS"), provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2011, there were no underwriting commitments outstanding related to such offerings.

In connection with the Gulf Stream acquisition, as discussed in note 3, the Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue.

In connection with the CPI acquisition, as discussed in note 3, the consideration transferred in the acquisition is a contingent consideration in the form of a liability incurred by Apollo to CPI. The liability is an obligation of Apollo to transfer cash to CPI based on a specified percentage of future earnings. The estimated fair value of the contingent liability is $1.2 million as of December 31, 2011.

17. 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 December 31, 2011, there were more than approximately 1,000 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 total 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.

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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 December 31, 2011 and 2010, $738.5 million and $751.5 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively. However, as of December 31, 2011 and 2010, $167.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 9.

18. 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***—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***—primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors 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 exclude 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 December 31, 2011, 2010 and 2009 and for the years ended December 31, 2011, 2010 and 2009, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the "management" business section 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, investment income, profit sharing expense and incentive fee based compensation.

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. Management also believes the components of ENI such 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:

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- 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 expense, such as determining annual discretionary bonuses and stock-based compensation awards 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 income 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 RSUs granted in connection with the 2007 private placement and amortization of AOG Units, income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements.

During the fourth quarter 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, capital markets and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation expense for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the years ended December 31, 2011, 2010 and 2009:

	Impact of Modification on ENI			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2011	$(22,756)	$(32,711)	$ (9,723)	$(65,190)
For the year ended December 31, 2010	(6,525)	(23,449)	(3,975)	(33,949)
For the year ended December 31, 2009	7,226	(8,009)	(1,652)	(2,435)

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The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 66,913	$ 14,699	$ 698	$ 82,310
Management fees from affiliates	263,212	186,700	40,279	490,191
Carried interest (loss) income from affiliates	(449,208)	51,801	—	(397,407)
Total Revenues	(119,083)	253,200	40,977	175,094
Expenses	155,994	250,020	77,179	483,193
Other Income (Loss)	15,041	(5,716)	10,420	19,745
Non-Controlling Interests	—	(12,146)	—	(12,146)
Economic Net Loss	$ (260,036)	$ (14,682)	$(25,782)	$ (300,500)
Total Assets	$1,764,166	$1,123,654	$ 61,970	$2,949,790

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements for the year ended December 31, 2011:

	As of and for the Year Ended December 31, 2011		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 175,094	$ (3,462)(1)	$ 171,632
Expenses	483,193	1,099,257(2)	1,582,450
Other income	19,745	98,803(3)	118,548
Non-Controlling Interests	(12,146)	847,519	835,373
Economic Net Loss	$ (300,500)(4)	N/A	N/A
Total Assets	$2,949,790	$ 5,026,083(5)	$7,975,873

(1) Represents advisory and management fees earned from consolidated VIEs which are eliminated in consolidation.

(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.

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(3) Results from the following:

	For the Year Ended December 31, 2011
Net losses from investment activities	$(123,946)
Net gains from investment activities of consolidated variable interest entities	24,201
Gain from equity method investments	3,094
Gain on acquisition	195,454
Total Consolidation Adjustments	$ 98,803

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2011
Economic Net Loss	$ (300,500)
Income tax provision	(11,929)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	940,312
Non-cash charges related to equity-based compensation (6)	(1,081,581)
Amortization of intangible assets	(15,128)
Net Loss Attributable to Apollo Global Management, LLC	$ (468,826)

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

(6) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to our consolidated financial statements.

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The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2011:

	For the Year Ended December 31, 2011					
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 66,913	$ —	$ 66,913	$ 14,699	$ —	$ 14,699
Management fees from affiliates	263,212	—	263,212	186,700	—	186,700
Carried interest (loss) income from affiliates:						
Unrealized losses(1)	—	(1,019,748)	(1,019,748)	—	(66,852)	(66,852)
Realized gains	—	570,540	570,540	44,540	74,113	118,653
Total Revenues	330,125	(449,208)	(119,083)	245,939	7,261	253,200
Compensation and benefits(2)	156,923	(100,267)	56,656	116,181	38,844	155,025
Other expenses(2)	99,338	—	99,338	94,995	—	94,995
Total Expenses	256,261	(100,267)	155,994	211,176	38,844	250,020
Other Income (Loss)	7,081	7,960	15,041	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	—	—	—	(12,146)	—	(12,146)
Economic Net Income (Loss)	$ 80,945	$ (340,981)	$ (260,036)	$ 20,639	$ (35,321)	$ (14,682)

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income or fees of $75.3 million and $18.1 million with respect to Fund VI and SOMA, respectively, for the year ended December 31, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2011		
		Real Estate	
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ 698	$ —	$ 698
Management fees from affiliates	40,279	—	40,279
Carried interest income from affiliates	—	—	—
Total Revenues	40,977	—	40,977
Compensation and benefits(1)	46,163	1,353	47,516
Other expenses(1)	29,663	—	29,663
Total Expenses	75,826	1,353	77,179
Other Income	9,694	726	10,420
Economic Net Loss	$(25,155)	$ (627)	$(25,782)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	As of and for the Year Ended December 31, 2010			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 60,444	$ 19,338	$ —	$ 79,782
Management fees from affiliates	259,395	160,318	11,383	431,096
Carried interest loss from affiliates	1,321,113	277,907	—	1,599,020
Total Revenues	1,640,952	457,563	11,383	2,109,898
Expenses	767,600	240,341	46,034	1,053,975
Other Income	212,845	41,606	23,231	277,682
Non-Controlling Interests	—	(16,258)	—	(16,258)
Economic Net Income (Loss)	$1,086,197	$ 242,570	$(11,420)	$ 1,317,347
Total Assets	$2,271,564	$1,152,389	$46,415	$ 3,470,368

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands, except share data)

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2010:

	For the Year Ended December 31, 2010		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$2,109,898	$ —	$2,109,898
Expenses	1,053,975	1,103,411(1)	2,157,386
Other income	277,682	404,767(2)	682,449
Non-Controlling Interests	(16,258)	(432,349)	(448,607)
Economic Net Income	$ 1,317,347(3)	N/A	N/A
Total Assets	$ 3,470,368	$ 3,082,004(4)	$6,552,372

(1) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.

(2) Results from the following:

	For the Year Ended December 31, 2010
Net gains from investment activities	$367,871
Net gains from investment activities of consolidated variable interest entities	48,206
Loss from equity method investments	(11,107)
Interest income	20
Other loss	(223)
Total Consolidation Adjustments	$ 404,767

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2010
Economic Net Income	$ 1,317,347
Income tax provision	(91,737)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(27,892)
Non-cash charges related to equity-based compensation (4)	(1,087,943)
Net loss of Metals Trading Fund	(2,380)
Amortization of intangible assets	(12,778)
Net Income Attributable to Apollo Global Management, LLC	$ 94,617

APOLLO GLOBAL MANAGEMENT, LLC
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(4) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2010:

	For the Year Ended December 31, 2010					
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 60,444	$ —	$ 60,444	$ 19,338	$ —	$ 19,338
Management fees from affiliates	259,395	—	259,395	160,318	—	160,318
Carried interest income from affiliates:						
Unrealized gains	—	1,251,526	1,251,526	—	103,918	103,918
Realized gains	—	69,587	69,587	47,385	126,604	173,989
Total Revenues	319,839	1,321,113	1,640,952	227,041	230,522	457,563
Compensation and benefits(1)	150,181	519,669	669,850	103,763	55,698	159,461
Other expenses(1)	97,750	—	97,750	80,880	—	80,880
Total Expenses	247,931	519,669	767,600	184,643	55,698	240,341
Other Income	162,213	50,632	212,845	10,928	30,678	41,606
Non-Controlling Interests	—	—	—	(16,258)	—	(16,258)
Economic Net Income	$ 234,121	$ 852,076	$ 1,086,197	$ 37,068	$205,502	$ 242,570

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
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	For the Year Ended December 31, 2010		
		Real Estate	
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$ —	$ —	$ —
Management fees from affiliates	11,383	—	11,383
Carried interest income from affiliates	—	—	—
Total Revenues	11,383	—	11,383
Compensation and benefits(1)	26,096	—	26,096
Other expenses(1)	19,938	—	19,938
Total Expenses	46,034	—	46,034
Other Income (Loss)	23,622	(391)	23,231
Economic Net Loss	$(11,029)	$(391)	$(11,420)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	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 loss from affiliates	310,871	193,525	—	504,396
Total Revenues	619,991	345,536	1,201	966,728
Expenses	354,101	218,425	26,192	598,718
Other Income	113,924	104,171	300	218,395
Non-Controlling Interests	—	(7,818)	—	(7,818)
Economic Net Income (Loss)	$ 379,814	$ 223,464	$(24,691)	$ 578,587
Assets	$1,062,043	$ 981,390	$ 13,852	$2,057,285

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands, except share data)

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements for the year ended December 31, 2009:

	For the Year Ended December 31, 2009		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$966,728	$ —	$ 966,728
Expenses	598,718	1,107,787(1)	1,706,505
Other income	218,395	454,706(2)	673,101
Non-Controlling Interests	(7,818)	(51,968)	(59,786)
Economic Net Income	$ 578,587(3)	N/A	N/A

(1) Represents the addition of expenses of AAA and expenses related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, and amortization of intangible assets.

(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

(3) The reconciliation of Economic Net Income to Net Loss attributable to Apollo Global Management, LLC reported in the consolidated statements of operations consists of the following:

	For the Year Ended December 31, 2009
Economic Net Loss	$ 578,587
Income tax benefit	(28,714)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	400,440
Non-cash charges related to equity-based compensation (4)	(1,092,812)
Amortization of intangible assets	(12,677)
Net Loss Attributable to Apollo Global Management, LLC	$ (155,176)

(4) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 14 to the consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
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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			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 (loss) income from affiliates:						
Unrealized gains	—	262,890	262,890	—	120,126	120,126
Realized gains	—	47,981	47,981	50,404	22,995	73,399
Total Revenues	309,120	310,871	619,991	202,415	143,121	345,536
Compensation and benefits(1)	130,472	124,048	254,520	91,607	43,500	135,107
Other expenses(1)	99,581	—	99,581	83,318	—	83,318
Total Expenses	230,053	124,048	354,101	174,925	43,500	218,425
Other Income	58,701	55,223	113,924	19,309	84,862	104,171
Non-Controlling Interests	—	—	—	(7,818)	—	(7,818)
Economic Net Income	$137,768	$ 242,046	$ 379,814	$ 38,981	$ 184,483	$ 223,464

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	For the Year Ended December 31, 2009		
	Real Estate		
	Management	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(1)	12,571	—	12,571
Other expenses(1)	13,621	—	13,621
Total Expenses	26,192	—	26,192
Other Income (Loss)	1,043	(743)	300
Economic Net Loss	$ (23,948)	$ (743)	$(24,691)

(1) Pursuant to the modification in the ENI measurement as discussed above, compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding

(dollars in thousands, except share data)

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RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

19. SUBSEQUENT EVENTS

On January 18, 2012, the Company issued 0.3 million Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On February 10, 2012, the Company declared a cash distribution of $0.46 per Class A share, which will be paid on February 29, 2012 to holders of record on February 23, 2012.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Revenues	$ 696,342	$ 308,876	$(1,479,580)	$ 645,994
Expenses	641,581	480,006	(158,100)	618,963
Other Income (Loss)	205,164	70,035	(442,310)	285,659
Income (Loss) Before Provision for Taxes	$259,925	$(101,095)	$(1,763,790)	$ 312,690
Net Income (Loss)	$ 251,105	$ (104,645)	$ (1,743,943)	$ 293,284
Income (Loss) attributable to Apollo Global Management, LLC.	$ 38,156	$ (50,989)	$ (466,926)	$ 10,933
Net Income (Loss) per Class A Share—Basic	0.33	(0.46)	(3.86)	0.05
Net Income (Loss) per Class A Share—Diluted	0.33	(0.46)	(3.86)	0.05

	Three Months Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Revenues	$223,594	$ 79,280	$458,651	$1,348,373
Expenses	428,490	362,110	506,003	860,783
Other Income (Loss)	135,772	(6,585)	210,540	342,722
Income (Loss) Before Provision for Taxes	$ (69,124)	$(289,415)	$ 163,188	$ 830,312
Net (Loss) Income	$ (73,179)	$ (302,142)	$ 132,332	$ 786,213
(Loss) Income Apollo Global Management, LLC.	$ (60,682)	$ (75,124)	$ 24,140	$ 206,283
Net (Loss) Income per Class A Share—Basic	(0.63)	(0.79)	0.23	1.78
Net (Loss) Income per Class A Share—Diluted	(0.63)	(0.79)	0.23	1.77

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

This annual report does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of Apollo’s independent registered public accounting firm due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

No changes in our internal control over financial reporting (as such term is defined in Rules 13a–15(f) and 15d–15(f) under the Securities Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table presents certain information concerning our board of directors and executive officers:

Name	Age	Position(s)
Leon Black	60	Chairman, Chief Executive Officer and Director
Joshua Harris	47	Senior Managing Director and Director
Marc Rowan	49	Senior Managing Director and Director
Henry Silverman(1)	71	Vice Chairman and Director
Marc Spilker	47	President
Gene Donnelly	54	Chief Financial Officer
Barry Giarraputo	48	Chief Accounting Officer and Controller
John Suydam	52	Chief Legal Officer and Chief Compliance Officer
Joseph Azrack	64	Managing Director—Real Estate
James Zelter	49	Managing Director—Capital Markets
Michael Ducey	63	Director
Paul Fribourg	58	Director
A.B. Krongard	75	Director
Pauline Richards	63	Director

(1) On February 24, 2012, Henry Silverman resigned from all of his positions with the Company effective March 15, 2012.

Leon Black. Mr. Black is the Chairman of the board of directors and Chief Executive Officer of Apollo and a Managing Partner of Apollo Management, L.P. In 1990, Mr. Black founded Apollo Management, L.P. and Lion Advisors, L.P. to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts, and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as Managing Director, head of the Mergers & Acquisitions Group and co-head of the Corporate Finance Department. Mr. Black also serves on the boards of directors of Sirius XM Radio Inc. and the general partner of AAA. Mr. Black is a trustee of The Museum of Modern Art, The Mount Sinai Medical Center, The Metropolitan Museum of Art, and The Asia Society. He is also a member of The Council on Foreign Relations and The Partnership for New York City. He is also a member of the boards of directors of FasterCures and the Port Authority Task Force. Mr. Black graduated summa cum laude from Dartmouth College in 1973 with a major in Philosophy and History and received an MBA from Harvard Business School in 1975. Mr. Black has significant experience making and managing private equity investments on behalf of Apollo and has over 33 years experience financing, analyzing and investing in public and private companies. In his prior position with Drexel and in his position at Apollo, Mr. Black is responsible for leading and overseeing teams of professionals. His extensive experience allows Mr. Black to provide insight into various aspects of Apollo's business and is of significant value to the board of directors.

Joshua Harris. Mr. Harris is a Senior Managing Director and a member of the board of directors of Apollo and Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Harris was a member of the Mergers and Acquisitions Group of Drexel Burnham Lambert Incorporated. Mr. Harris currently serves on the boards of directors of Berry Plastics Group Inc., LyondellBasell Industries B.V., CEVA Group plc, Momentive Performance Materials Holdings LLC and the holding company for Alcan Engineered Products. Mr. Harris has previously served on the boards of directors of Verso Paper Corp., Metals USA, Inc., Nalco

Corporation, Allied Waste Industries, Inc., Pacer International, Inc., General Nutrition Centers, Inc., Furniture Brands International Inc., Compass Minerals International, Inc., Alliance Imaging, Inc., NRT Inc., Covalence Specialty Materials Corp., United Agri Products, Inc., Quality Distribution, Inc., Whitmire Distribution Corp. and Noranda Aluminum Holding Corporation. Mr. Harris is actively involved in charitable and political organizations. He also serves on the Corporate Affairs Committee of the Council on Foreign Relations. Mr. Harris serves as Chairman of the Department of Medicine Advisory Board for The Mount Sinai Medical Center and is on the Board of Trustees of the Mount Sinai Medical Center. He is also a member of The Federal Reserve Bank of New York Investors Advisory Committee on Financial Markets and a member of The University of Pennsylvania's Wharton Undergraduate Executive Board and is on the Board of Trustees for The Allen-Stevenson School and the Harvard Business School. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a BS in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar. Mr. Harris has significant experience in making and managing private equity investments on behalf of Apollo and has over 24 years experience in financing, analyzing and investing in public and private companies. Mr. Harris's extensive knowledge of Apollo's business and experience in a variety of senior leadership roles enhance the breadth of experience of the board of directors.

Marc Rowan. Mr. Rowan is a Senior Managing Director and member of the board of directors of Apollo and Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of directors of the general partner of AAA, Athene Holding Ltd, Caesars Entertainment Corporation and Norwegian Cruise Lines. He has previously served on the boards of directors of AMC Entertainment, Inc., Cablecom GmbH, Culligan Water Technologies, Inc., Countrywide Holdings Limited, Furniture Brands International Inc., Mobile Satellite Ventures, LLC, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc. Mr. Rowan is also active in charitable activities. He is a founding member and serves on the executive committee of the Youth Renewal Fund and is a member of the boards of directors of the National Jewish Outreach Program, Inc. and the Undergraduate Executive Board of the University of Pennsylvania's Wharton School of Business. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in Finance. Mr. Rowan has significant experience making and managing private equity investments on behalf of Apollo and has over 26 years experience financing, analyzing and investing in public and private companies. Mr. Rowan's extensive financial background and expertise in private equity investments enhance the breadth of experience of the board of directors.

Henry Silverman. Mr. Silverman joined Apollo in 2009 as Chief Operating Officer and currently serves as a director and Vice Chairman of the board of directors of Apollo and a member of the executive committee of our manager. On February 24, 2012, Henry Silverman resigned as a Director of the Board of Directors of the Company effective March 15, 2012. Mr. Silverman also resigned from his employment at the Company and its subsidiaries, from his membership on the executive committee of the Company's manager and from all other positions he holds at the Company and its subsidiaries, affiliates and portfolio companies, all effective March 15, 2012. From November 2007 through January 2009, Mr. Silverman served as senior advisor to Apollo. Prior to joining Apollo, from July 2006 until November 2007, Mr. Silverman served as Chairman of the Board and the Chief Executive Officer of Realogy Corporation, formerly Cendant Corporation's ("Cendant") real estate division. Mr. Silverman was Chief Executive Officer of Cendant from December 1997 until the completion of Cendant's separation plan in August 2006, as well as chairman of Cendant's board of directors from July 1998 until August 2006. Mr. Silverman served as President of Cendant from December 1997 until October 2004. He was also Chairman of the board of directors, Chairman of the executive committee, and Chief Executive Officer of HFS Incorporated (Cendant's predecessor) from May 1990 until December 1997. Cendant was a "Fortune 100" company and the largest global provider of consumer and business services within the travel and residential real estate sectors prior to its separation into several new companies in late 2006. Mr. Silverman continues to serve as a director and Chairman of the Board of Realogy Corporation, is a director and Chairman of the Board of Apollo Commercial Real Estate Finance, Inc. and serves as a director of the managing general partner of AAA. Mr. Silverman has been involved for many years in numerous philanthropic, public service and social policy initiatives. He is currently on the Board of Commissioners of the Port Authority of New York and New Jersey and is a trustee of the NYU Langone Medical Center. Mr. Silverman is a former trustee of NYU, the University of Pennsylvania, Penn Medicine, the Dance Theatre of Harlem and the Whitney Museum of American Art. Mr. Silverman's philanthropy includes Silverman Hall, the Silverman-Rodin scholars and the Silverman Professor of Law at Penn Law School, and the Silverman Professor of Obstetrics and Gynecology at NYU School of Medicine. Mr. Silverman was awarded the American Heritage Award from the Anti-Defamation League for lifetime achievement in fighting discrimination and was honored for his efforts to promote diversity in the workplace by the Jackie Robinson Foundation and the U.S. Hispanic Chamber of Commerce. Mr. Silverman graduated from Williams College in 1961, and the University of Pennsylvania Law School in 1964, and served as a legal officer in the U.S. Navy Reserve from 1965 to 1972. Mr. Silverman brings to the board of directors expertise as a strategist, management and operations experience, and a perspective on business operations and corporate governance in the public company context. In his prior experience as chief executive officer of Cendant, he gained extensive experience working with complex organizations and analyzing investment opportunities, all of which the company believes enhances the resources available to the board of directors.

Marc Spilker. Mr. Spilker joined Apollo as President in 2010. Mr. Spilker retired from Goldman Sachs in May 2010 following a 20-year career with the firm, where he served most recently as the co-head of Goldman Sachs' Investment Management Division ("IMD") and also as a member of the firm-wide Management Committee. Mr. Spilker joined IMD in 2006 as head of Global Alternative Asset Management and became chief operating officer in 2007. Prior to that, Mr. Spilker was responsible for Goldman Sachs' U.S. Equities Trading and Global Equity Derivatives and was head of Fixed Income, Currency and Commodities in Japan from 1997 to 2000. Mr. Spilker joined Goldman Sachs in 1990 and was named partner in 1996. Mr. Spilker is a member of the University of Pennsylvania's Wharton Undergraduate Executive Board, the Board of Directors of The New 42nd Street, Inc. and co-chairs the RFK Leadership Council at the Robert F. Kennedy Center for Justice & Human Rights. Mr. Spilker graduated with a B.S. in Economics from the Wharton School of the University of Pennsylvania.

Gene Donnelly. Mr. Donnelly joined Apollo in 2010, following a 30-year career with PricewaterhouseCoopers ("PwC"), most recently as PwC's lead client relationship partner for several leading private equity firms. Prior to that role, Mr. Donnelly served as the Global Managing Partner for PwC's advisory and tax practices from 2006 through 2008. During 2000 through 2005, Mr. Donnelly served as Vice Chairman and Chief Financial Officer for PwC's U.S. firm. Previously, Mr. Donnelly served in PwC's global transaction services practice from 1996 through 2000, and he was the leader of that practice from 1997 through 2000. Before joining PwC's transaction services practice, Mr. Donnelly was with PwC's audit practice from 1979 through 1995, and he was appointed as a partner in 1989. Mr. Donnelly graduated summa cum laude with a BS in Accounting from St. Francis College.

Barry Giarraputo. Mr. Giarraputo joined Apollo in 2006. Prior to that time, Mr. Giarraputo was a Senior Managing Director at Bear Stearns & Co. where he served in a variety of finance roles over nine years. Previous to that, Mr. Giarraputo was with the accounting and auditing firm of PricewaterhouseCoopers LLP for 12 years where he was a member of the firm's Audit and Business Services Group and was responsible for a number of capital markets clients including broker-dealers, money-center banks, domestic investment companies and offshore hedge funds and related service providers. Mr. Giarraputo is on the Board of Directors for the Association for Children with Down Syndrome where he also serves as the Treasurer and Chairman of the audit committee. Mr. Giarraputo has also served as an Adjunct Professor of Accounting at Baruch College where he graduated cum laude in 1985 with a BBA in Accountancy.

John Suydam. Mr. Suydam joined Apollo in 2006. From 2002 through 2006, Mr. Suydam was a partner at O'Melveny & Myers LLP, where he served as head of Mergers & Acquisitions and co-head of the Corporate

Department. Prior to that time, Mr. Suydam served as chairman of the law firm O'Sullivan, LLP, which specialized in representing private equity investors. Mr. Suydam serves on the board of directors of the Big Apple Circus and Environmental Solutions Worldwide Inc., and he is also a member of the Department of Medicine Advisory Board of The Mount Sinai Medical Center. Mr. Suydam received his JD from New York University and graduated magna cum laude with a BA in History from the State University of New York at Albany.

Joseph Azrack. Mr. Azrack joined Apollo in 2008. Mr. Azrack is the Managing Director—Real Estate of Apollo and the managing partner of Apollo Global Real Estate Management, L.P. He also currently serves as the President and Chief Executive Officer of ARI and has been a director of ARI since June 2009. Prior to joining Apollo, from 2004 to 2008, Mr. Azrack was President and CEO of CPI where he chaired the firm's Management Committee and Investment Committees, and provided strategic guidance for investment policy and strategy. Mr. Azrack was also a member of the Citigroup Alternative Investments Management Committee and Investment Committee from May 2004 to July 2008, and a member of Citi Infrastructure Investments' Investment Committee from September 2006 to July 2008. Prior to joining CPI, he was Chief Executive and Chairman of AEW Capital Management, L.P. from 1996 to 2003, Founder and President of the AEW Partners Funds from 1988 to 2003, a Director of Curzon Global Partners from 1998 to 2003 and Founder and Chairman of IXIS AEW Europe from 2001 to 2003. Mr. Azrack served with AEW from 1983 to 2003. He was an adjunct professor at Columbia University's Graduate School of Business where he is a member of and from 1993 to 2003 chaired the Real Estate Program Advisory Board. He is also a member of the board of directors and the board of trustees of the Urban Land Institute, as well as a board member of Atrium European Real Estate, Ltd. Mr. Azrack holds an M.B.A. from Columbia University and a B.S. from Villanova University.

James Zelter. Mr. Zelter joined Apollo in 2006. Mr. Zelter is the Managing Director of Apollo's capital markets business, Chief Executive Officer and director of AINV. He also serves as a board member of HFA Holdings Limited, a company publicly traded on the Australian Securities Exchange. Prior to joining Apollo, Mr. Zelter was with Citigroup Inc. and its predecessor companies from 1994 to 2006. From 2003 to 2005, Mr. Zelter was Chief Investment Officer of Citigroup Alternative Investments, and prior to that he was responsible for the firm's Global High Yield franchise. Prior to joining Citigroup in 1994, Mr. Zelter was a High Yield Trader at Goldman, Sachs & Co. Mr. Zelter has significant experience in global credit markets and has overseen the broad expansion in the Apollo capital markets platform. Mr. Zelter is a board member of DUMAC, the investment management company that oversees the Duke Endowment and Duke Foundation. Mr. Zelter has a degree in Economics from Duke University.

Paul Fribourg. Mr. Fribourg has served as an independent director of Apollo and as a member of the conflicts committee of our board of directors since 2011. From 1997 to the present, Mr. Fribourg has served as Chairman and Chief Executive Officer of Continental Grain Company. Prior to 1997, Mr. Fribourg served in a variety of other roles at Continental Grain Company, including Merchandiser, Product Line Manager, Group President and Chief Operating Officer. Mr. Fribourg serves on the boards of directors of Burger King Holdings, Inc., Loews Corporation and The Estee Lauder Companies, Inc. He also serves as a board member of the JPMorgan National Advisory Board, the Rabobank International North American Agribusiness Advisory Board, the Harvard Business School Board of Dean's Advisors, the New York University Mitchell Jacobson Leadership Program in Law and Business Advisory Board, the America-China Society, Endeavor Global Inc. and Teach For America–New York. Mr. Fribourg is also a member of the Council on Foreign Relations, the Brown University Advisory Council on China, the International Business Leaders Advisory Council for The Mayor of Shanghai. Mr. Fribourg graduated magna cum laude from Amherst College and completed the Advanced Management Program at Harvard Business School. Mr. Fribourg's extensive corporate experience enhances the breadth of experience and independence of the board of directors.

A.B. Krongard. Mr. Krongard has served as an independent director of Apollo and as a member of the audit committee of our board of directors since 2011. From 2001 to 2004, Mr. Krongard served as Executive Director of the Central Intelligence Agency. From 1998 to 2001, Mr. Krongard served as Counselor to the Director of Central Intelligence. Prior to 1998, Mr. Krongard served in various capacities at Alex Brown, Incorporated, including serving as Chief Executive Officer beginning in 1991 and assuming additional duties as Chairman of the Board of Directors in 1994. Upon the merger of Alex Brown, Incorporated with Bankers Trust Corporation in 1997, Mr. Krongard served as Vice-Chairman of the Board of Bankers Trust Corporation and served in such capacity until joining the Central Intelligence Agency. Mr. Krongard serves as the Lead Director and audit committee Chairman of Under Armour, Inc. and also serves as a board member of Iridium Communications Inc. Mr. Krongard graduated with honors from Princeton University and received a J.D. from the University of Maryland School of Law, where he also graduated with honors. Mr. Krongard also serves as the Vice-Chair of the Johns Hopkins Health System. Mr. Krongard's comprehensive corporate background contributes to the range of experience of the board of directors.

Pauline Richards. Ms. Richards has served as an independent director of Apollo and as Chairman of the audit committee of our board of directors since 2011. From 2008 to the present, Ms. Richards served as Chief Operating Officer of Armour Reinsurance Group Limited. Prior to 2008, Ms. Richards served as Director of Development of Saltus Grammar School from 2003 to 2008, as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Limited from 2001 to 2003, and as Treasurer of Gulf Stream Financial Limited from 1999 to 2000. Ms. Richards also serves as a member of the Audit and Corporate Governance committees of the board of directors of Butterfield Bank and as a member of the Audit and Compensation committees of the board of directors of Wyndham Worldwide. Ms. Richards also serves as the Chairman of the board of directors of PRIDE (Bermuda), a drug prevention organization. Ms. Richards graduated from Queen's University, Ontario, Canada, with a BA in psychology and has obtained certification as a Certified Management Accountant. Ms. Richards' extensive finance experience and her service on the boards of other public companies adds significant value to the board of directors.

Michael Ducey. Mr. Ducey has served as an independent director of Apollo and a member of the audit committee and as Chairman of the conflicts committee of our board of directors since 2011. Most recently, Mr. Ducey was with Compass Minerals International, Inc., from March 2002 to May 2006, where he served in a variety of roles, including as President, Chief Executive Officer and Director prior to his retirement in May 2006. Prior to joining Compass Minerals International, Inc., Mr. Ducey worked for nearly 30 years at Borden Chemical, Inc., in various management, sales, marketing, planning and commercial development positions, and ultimately as President, Chief Executive Officer and Director. Mr. Ducey is currently a director of and serves as the chairman of the audit committee of Verso Paper Holdings, Inc., and is also the non-executive chairman of the board of directors of TPC Group, Inc and a member of its audit committee. He is also the chairman of the compliance and governance committee and the nominations committee of the board of directors of HaloSource, Inc. From June 2006 to May 2008, Mr. Ducey served on the board of directors of and as a member of the governance and compensation committee of the board of directors of UAP Holdings Corporation. Also, from July 2010 to May 2011, Mr. Ducey was a member of the board of directors and served on the audit committee of Smurfit-Stone Container Corporation. Mr. Ducey graduated from Otterbein University with a degree in Economics and an M.B.A. in finance from the University of Dayton. Mr. Ducey's comprehensive corporate background and his experience serving on various boards and committees add significant value to the board of directors.

Our Manager

Our operating agreement provides that 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.

Decisions by our manager are made by its executive committee, which is composed of our three managing partners, our Vice Chairman and our President, the latter two of which serve as non-voting members. Each managing partner will remain on the executive committee for so long as he is employed by us, provided that Mr. Black, upon his retirement, may at his option remain on the executive committee until his death or disability or any commission of an act that would constitute cause if Mr. Black had still been employed by us. Actions by the executive committee are determined by majority vote of its members, except as to the following matters, as to which Mr. Black will have the right of veto: (i) the designations of directors to our board, or (ii) a sale or other disposition of the Apollo Operating Group and/or its subsidiaries or any portion thereof, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party (other than through an exchange of Apollo Operating Group units and interests in our Class B share for Class A shares, transfers by a founder or a permitted transferee to another permitted transferee, or the issuance of bona fide equity incentives to any of our non-founder employees) that constitutes (x) a direct or indirect sale of a ratable interest (or substantially ratable interest) in each entity that constitutes the Apollo Operating Group or (y) a sale of all or substantially all of the assets of Apollo. Exchanges of Apollo Operating Group units for Class A shares that are not pro rata among our managing partners or in which each managing partner has the option not to participate are not subject to Mr. Black's right of veto.

Subject to limited exceptions described in our operating agreement, our manager may not sell, exchange or otherwise dispose of all or substantially all of our assets and those of our subsidiaries, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the aggregate number of voting shares outstanding; provided, however, that this does not preclude or limit our manager's ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets and those of our subsidiaries (including for the benefit of persons other than us or our subsidiaries, including affiliates of our manager).

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. The agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Board Composition and Limited Powers of Our Board of Directors

For so long as the Apollo control condition is satisfied, our manager shall (i) nominate and elect all directors to our board of directors, (ii) set the number of directors of our board of directors and (iii) fill any vacancies on our board of directors. After the Apollo control condition is no longer satisfied, each of our directors will be elected by the vote of a plurality of our shares entitled to vote, voting as a single class, to serve until his or her successor is duly elected or appointed and qualified or until his or her earlier death, retirement, disqualification, resignation or removal. Our board currently consists of four members. For so long as the Apollo control condition is satisfied, our manager may remove any director, with or without cause, at anytime. After such condition is no longer satisfied, a director or the entire board of directors may be removed by the affirmative vote of holders of 50% or more of the total voting power of our shares.

As noted, so long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities, and our board of directors will have no authority other than that which our manager chooses to delegate to it. In the event that the Apollo control condition is not satisfied, our board of directors will manage all of our operations and activities.

Pursuant to a delegation of authority from our manager, which may be revoked, our board of directors has established and at all times will maintain audit and conflicts committees of the board of directors that have the responsibilities described below under "—Committees of the Board of Directors—Audit Committee" and "—Committees of the Board of Directors—Conflicts Committee."

Where action is required or permitted to be taken by our board of directors or a committee thereof, a majority of the directors or committee members present at any meeting of our board of directors or any committee thereof at which there is a quorum shall be the act of our board or such committee, as the case may be. Our board of directors or any committee thereof may also act by unanimous written consent.

Under the Agreement Among Managing Partners, the vote of a majority of the independent members of our board of directors will decide the following: (i) in the event that a vacancy exists on the executive committee of our managers and the remaining members of the executive committee cannot agree on a replacement, the independent members of our board of directors shall select one of the two nominees to the executive committee of our manager presented to them by the remaining members of such executive committee to fill the vacancy on such executive committee and (ii) in the event that at any time after December 31, 2009, Mr. Black wishes to exercise his ability to cause (x) the direct or indirect sale of a ratable interest (or substantially ratable interest) in each Apollo Operating Group entity, or (y) a sale of all or substantially all of our assets, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party, the affirmative vote of the majority of the independent members of our board of directors shall be required to approve such a transaction. We are not a party to the Agreement Among Managing Partners, and neither we nor our shareholders (other than our Strategic Investors, as described under "Item 13. Certain Relationships and Related Transactions —Lenders Rights Agreement—Amendments to Managing Partner Transfer Restrictions") have any right to enforce the provisions described above. Such provisions can be amended or waived upon agreement of our managing partners at any time.

Committees of the Board of Directors

We have established an audit committee as well as a conflicts committee. Our audit committee has adopted a charter that complies with current federal and NYSE rules relating to corporate governance matters. Our board of directors may from time to time establish other committees of our board of directors.

Audit Committee

The primary purpose of our audit committee is to assist our manager in overseeing and monitoring (i) the quality and integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent registered public accounting firm's qualifications and independence and (iv) the performance of our independent registered public accounting firm.

The current members of our audit committee are Messrs. Ducey, Krongard, Silverman and Ms. Richards, although Mr. Silverman resigned from the audit committee and all of his other positions with Apollo and its affiliates effective March 15, 2012. Ms. Richards currently serves as Chairman of the committee. Each of the members of our audit committee meets the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees and corporate governance. Furthermore, our manager has determined that Ms. Richards is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K. Our audit committee has a charter which is available at the Investor Relations section of our Internet website at www.agm.com.

Conflicts Committee

The current members of our conflicts committee are Messrs. Ducey and Fribourg. Mr. Ducey currently serves as Chairman of the committee. The purpose of the conflicts committee is to review specific matters that our manager believes may involve conflicts of interest. The conflicts committee will determine whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties that we may owe to our shareholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Item 13. Certain Relationships and Related Party Transactions—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics, which applies to, among others, our principal executive officer, principal financial officer and principal accounting officer. A copy of our Code of Business Conduct and

Ethics is available on our Internet website at www.agm.com under the “Investor Relations” section. We intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our Internet website or in an 8-K filing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than ten percent of a registered class of the Company’s equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2011, such persons complied with all such filing requirements, with the exception of late filings, due to administrative oversight, of Form 4 reports filed on January 13, 2012, by Messrs. Donnelley, Giarraputo and Suydam, each of whom reported grants of restricted share units that were granted under our 2007 Omnibus Equity Incentive Plan on December 28, 2011.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Philosophy

Alignment of Interests with Investors and Shareholders. Our principal compensation philosophy is to align the interests of our managing partners, contributing partners, and other senior professionals with those of our Class A shareholders and fund investors. This alignment, which we believe is a key driver of our success, has been achieved principally by our managing partners’ and contributing partners’ direct ownership of equity in our business in the form of Apollo Operating Group units, our contributing partners’ ownership of rights to receive a portion of the management fees and incentive income earned for management of our funds, the direct investment by both our managing partners and our contributing partners in our funds, and our practice of paying annual incentive compensation partly in the form of equity-based grants that are subject to vesting. As a result of this alignment, the compensation of our professionals is closely tied to the performance of our businesses.

Significant Personal Investment. Like our fund investors and Class A shareholders, our managing partners and contributing partners make significant personal investments in our funds (as more fully described under “Item 13. Certain Relationships and Related Party Transactions”), directly or indirectly, and our professionals who receive carried interests in our funds are generally required to invest their own capital in the funds they manage in amounts that are generally proportionate to the size of their participation in incentive income. We believe that this ownership helps to ensure that our professionals have capital at risk and reinforces the linkage between the success of the funds we manage, the success of the company and the compensation paid to our professionals.

Long-Term Performance and Commitment. Most of our professionals have been issued RSUs, which provide rights to receive Class A shares and distributions on those shares. The managing partners’ and contributing partners’ pecuniary interests in Apollo Operating Group units, like the RSUs, are subject to a multi-year vesting schedule. A small number of our professionals, including our vice chairman, also received options to acquire Class A shares that are also subject to vesting. In addition, AAA incentive units held by certain of our professionals are subject to vesting. The vesting requirements for these awards contribute to our professionals’ focus on long-term performance while enhancing retention of these professionals.

Discouragement of Excessive Risk-Taking. Although investments in alternative assets can pose risks, we believe that our compensation program includes significant elements that discourage excessive risk-taking while aligning the compensation of our professionals with our long-term performance. For example, notwithstanding that we accrue compensation for our carried interest programs (described below) as increases in the value of the portfolio investments are recorded in the related funds, we generally make cash payments of carried interest to our employees only after profitable investments have actually been realized. This helps to ensure that our professionals take a long-term view that is consistent with the company's and our shareholders' interests. Moreover, if a fund fails to achieve specified investment returns due to diminished performance of later investments, our carried interest program relating to that fund generally permits, for the benefit of the limited partner investors in that fund, the return of carried interest payments previously made to us, our contributing partners or our other employees. These provisions discourage excessive risk-taking and promote a long-term view that is consistent with the interests of our investors and shareholders. Our general requirement that our professionals invest in the funds we manage further aligns the interests of our professionals, fund investors and Class A shareholders. Finally, the vesting provisions of our RSUs, options, Apollo Operating Group units and AAA incentive units noted above discourage excessive risk-taking because the value of these units is tied directly to the long-term performance of our Class A shares.

Compensation Elements for Named Executive Officers

Consistent with our emphasis on alignment of interests with our fund investors and Class A shareholders, compensation elements tied to the profitability of our different businesses and that of the funds that we manage are the primary means of compensating our five executive officers listed in the tables below, or the "named executive officers." The key elements of the compensation of our named executive officers during fiscal year 2011 are described below. We distinguish among the compensation components applicable to our five named executive officers as appropriate in the below summary. Mr. Black is a member of the group referred to elsewhere in this report as the "managing partners."

Annual Salary. Each of our named executive officers receives an annual salary. After the expiration of the current terms of Mr. Black's employment agreement in July 2012, his compensation will be determined by our manager if the Apollo control condition is then satisfied, or otherwise by our board of directors. The base salaries of our named executive officers are set forth in the Summary Compensation Table below, and those base salaries were set by our managing partners in their judgment after considering the historic compensation levels of the officer, competitive market dynamics, and each officer's level of responsibility and anticipated contributions to our overall success. We did not increase the base salary of any of our named executive officers in 2011.

RSUs; Option Grant. Most of our professionals, including our named executive officers other than Messrs. Black and Silverman, received a Plan Grant (as defined below) of RSUs, either at the time of the Reorganization or in connection with their subsequent commencement of employment. In 2011, a portion of our professionals' compensation (other than for Messrs. Black and Silverman) was also paid in the form of RSUs. We refer to these discretionary annual grants of RSUs as Bonus Grants. Mr. Azrack also received a special grant of RSUs in 2011 consistent with the terms of his employment agreement, and Mr. Donnelly received a special grant of RSUs in 2011. Although he was not granted any RSUs, in 2011 Mr. Silverman received a grant of options to purchase our Class A shares that provided for vesting in two equal annual installments. The RSUs are subject to multi-year vesting and the Class A shares underlying the Plan Grant RSUs are subject to phased issuance over a period that generally extends beyond the vesting schedule. The Plan Grants and Bonus Grants are described below under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan."

Carried Interest. Carried interests with respect to our funds confer rights to receive distributions if a distribution is made to investors following the realization of an investment or receipt of operating profit from an investment by the fund. These rights provide their holders with substantial incentives to attain strong returns in a manner that does not subject their capital investment in the company to excessive risk. Distributions of carried interest generally are subject to contingent repayment if the fund fails to achieve specified investment returns due to diminished performance of later investments. The actual gross amount of carried interest allocations available is a function of the performance of the applicable fund. For these reasons, we believe that carried interest participation aligns the interests of our professionals with those of our Class A shareholders and fund investors.

We currently have two principal types of carried interest programs, dedicated and incentive pool. Messrs. Black, Azrack and Suydam have been awarded rights to participate in a dedicated percentage of the carried interest income earned by the general partners of certain of our funds. Our financial statements characterize the carried interest income allocated to participating professionals in respect of their dedicated interests as compensation, and accruals of this compensation expense (rather than actual distributions paid) are therefore included in the “All Other Compensation” column of the summary compensation table. Participation in dedicated carried interest is subject to vesting, which rewards long-term commitment to the firm and thereby enhances the alignment of participants’ interests with the company.

We adopted the performance based incentive arrangement referred to as the incentive pool in 2011 to further align the overall compensation of our professionals to the realized performance of our business. The incentive pool provides for discretionary compensation based on carried interest realizations earned by us during the year and enhances our capacity to offer competitive compensation opportunities to our professionals. Under this arrangement, Mr. Donnelly, among other of our professionals, was awarded incentive pool compensation based on carried interest realizations we earned during 2011. Allocations to participants in the incentive pool contain both a fixed component ($5,000 in 2011) and a discretionary component, both of which may vary year-to-year, including as a result of our overall realized performance and the contributions and performance of each participant. Our financial statements characterize the carried interest income allocated to participating professionals in respect of incentive pool interests as compensation, and because a participant’s level of participation in the incentive pool is variable from year to year, the “All Other Compensation” column of the summary compensation table includes actual distributions paid from the incentive pool.

Determination of Compensation of Named Executive Officers

Our managing partners make all final determinations regarding named executive officer compensation. Decisions about the variable elements of a named executive officer’s compensation, including participation in our carried interest programs and grants of equity-based awards, are based primarily on our managing partners’ assessment of such named executive officer’s individual performance, operational performance for the department or division in which the officer (other than a managing partner) serves, and the officer’s impact on our overall operating performance and potential to contribute to long-term shareholder value. In evaluating these factors, our managing partners do not utilize quantitative performance targets but rather rely upon their judgment about each named executive officer’s performance to determine an appropriate reward for the current year’s performance. The determinations by our managing partners are ultimately subjective, are not tied to specified annual, qualitative or individual objectives or performance factors, and reflect discussions among the managing partners. Key factors that our managing partners consider in making such determinations include the officer’s type, scope and level of responsibilities and the officer’s overall contributions to our success. Our managing partners also consider each named executive officer’s prior-year compensation, the appropriate balance between incentives for long-term and short-term performance, competitive market dynamics and the compensation paid to the named executive officer’s peers within the company.

Note on Distributions on Apollo Operating Group Units

We note that all of our managing partners and contributing partners, including Mr. Black, beneficially own Apollo Operating Group units. In particular, as of December 31, 2011, the managing partners owned, through their interest in BRH and Holdings, approximately 58% of the total limited partner interests in the Apollo Operating Group. When made, distributions on these units (which are made on both vested and unvested units) are generally in the same amount per unit as distributions made to us in respect of the Apollo Operating Group units we hold. Accordingly, although distributions on Apollo Operating Group units are distributions on equity rather than compensation, they play a central role in aligning our managing partners’ and contributing partners’ interests with those of our Class A shareholders, which is consistent with our compensation philosophy.

Summary Compensation Table

The following summary compensation table sets forth information concerning the compensation earned by, awarded to or paid to our principal executive officer, our principal financial officer, and our three other most highly compensated executive officers for the fiscal year ended December 31, 2011. Managing partners Messrs. Harris and Rowan are not included in the table because their compensation, as tabulated in accordance with applicable rules, does not result in either of them being among the three most highly compensated executive officers after our principal executive and principal financial officers. Our managing partners' earnings derive predominantly from distributions they receive as a result of their indirect ownership of Apollo Operating Group units and their rights under the tax receivable agreement (described elsewhere in this report, including above under "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Cash Distribution Policy"), rather than from compensation, and accordingly are not included in the below tables. The officers named in the table are referred to as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)(4)	Total ($)
Leon Black,	2011	100,000	—	—	—	273,229	373,229
Chairman, Chief	2010	100,000	—	7,391,825	—	1,412,181	8,904,006
Executive Officer and Director	2009	100,000	—	—	—	757,391	857,391
Gene Donnelly,	2011	1,000,000	—	2,049,194	—	1,360,000	4,409,194
Chief Financial Officer	2010	500,000	1,360,000	3,630,000	—	—	5,490,000
and Vice President							
Joseph Azrack,	2011	500,000	—	11,149,657	—	519,750	12,169,407
Managing Director, Real Estate							
Henry Silverman,	2011	7,000,000	—	—	4,727,782	46,384	11,774,166
Vice Chairman and	2010	7,000,000	—	—	—	39,075	7,039,075
Director	2009	6,416,667	—	—	—	583,333	7,000,000
John Suydam,	2011	3,000,000	—	1,555,133	—	(947,921)	3,607,212
Chief Legal Officer and	2010	3,000,000	1,487,500	945,566	—	3,953,300	9,386,366
Chief Compliance Officer	2009	3,000,000	737,500	228,000	—	974,520	4,940,020

(1) Represents cash bonuses earned and/or profits interests received in respect of amounts waived for investment pursuant to the terms of a management fee waiver program.

(2) Represents the aggregate grant date fair value of stock awards granted, as applicable, computed in accordance with FASB ASC Topic 718. See note 14 to our consolidated financial statements included elsewhere in this report for further information concerning the assumptions made in valuing our RSU awards. The amounts shown do not reflect compensation actually received by the named executive officers, but instead represent the aggregate grant date fair value of the awards. Mr. Black's 2010 amount represents an allocation of Apollo Operating Group units to him in accordance with the Agreement Among Managing Partners upon the forfeiture of such Apollo Operating Group units by a retiring contributing partner.

(3) Represents the aggregate grant date fair value of option awards (specifically, Mr. Silverman's options to purchase our Class A shares) granted in 2011, computed in accordance with FASB ASC Topic 718. See note 14 to our consolidated financial statements included elsewhere in this prospectus for further information concerning the assumptions made in valuing our share options. The amount shown does not reflect compensation actually received by Mr. Silverman, but instead represents the aggregate grant date fair value of the award.

(4) Amounts represent, in part, compensation expense recorded by us in the year shown in respect of accrued or realized (without duplication) dedicated carried interest allocations to Messrs. Black and Suydam. For

GAAP reporting purposes, accrued carried interest related to investments is classified as compensation expense for the relevant period, whether or not realized. Accordingly, the amounts include both actual cash distributions and unrealized amounts accrued in respect of the dedicated carried interests of these named executive officers. Compensation expense may also be negative in the event of a reversal of previously allocated carried interest due to negative adjustments in the fair value or amount actually realized on certain portfolio investments. For unrealized investments, the ultimate amount of actual dedicated carried interest distributions that may be generated in connection with fund investments and subsequently distributed to our named executive officers may be more or less than the amounts indicated. Additionally, such amounts are generally subject to vesting conditions and to clawback in certain instances.

For 2011, amounts also represent incentive pool distributions and/or profits interests received in respect of amounts waived for investment pursuant to the terms of a management fee waiver program ($1,360,000 for Mr. Donnelly and $505,000 for Mr. Suydam).

The All Other Compensation column also includes the following amounts for 2011:

(a) Sirius XM Radio stock options having a grant date fair value, computed in accordance with FASB ASC Topic 718, of $70,000, which were granted to Mr. Black by Sirius XM Radio, a portfolio company of one of our funds, for his service as a member of its Board of Directors. Also represents restricted share units having a fair value, computed in accordance with FASB ASC Topic 718, of $519,750, which were granted to Mr. Azrack by ARI, a publicly traded real estate investment trust managed by one of our subsidiaries, in respect of Mr. Azrack's service to ARI.

(b) Costs relating to company-provided cars and drivers for the business and personal use of Messrs. Black, Silverman and Suydam. We provide this benefit because we believe that its cost is outweighed by the convenience, increased efficiency and added security that it offers. The personal use cost was approximately $163,536 for Mr. Black, $39,884 for Mr. Silverman and $19,316 for Mr. Suydam. For Messrs. Black and Silverman, this amount includes both fixed and variable costs, including lease costs, driver compensation, driver meals, fuel, parking, tolls, repairs, maintenance and insurance. For Mr. Suydam, this amount includes the costs to the company associated with his use of a car service.

(c) Tickets to sporting events for Mr. Black's personal use having an aggregate incremental cost (based on the full price of the tickets used) of $31,444.

Except as discussed above in paragraphs (b) and (c) of this footnote 4, no 2011 perquisites or personal benefits individually exceeded the greater of $25,000 or 10% of the total amount of all perquisites and other personal benefits reported for the named executive officer. The cost of excess liability insurance provided to our named executive officers falls below this threshold. None of Messrs. Donnelly or Azrack received perquisites or personal benefits in 2011, except for incidental benefits having an aggregate value of less than $10,000 per individual. Our named executive officers also receive occasional secretarial support with respect to personal matters. We incur no incremental cost for the provision of such additional benefits. Finally, Mr. Black makes business and personal use of various aircraft in which we have fractional interests, and he bears the aggregate incremental cost of his personal usage. Accordingly, no such amount is included in the Summary Compensation Table.

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

In connection with the Reorganization, we entered into an employment, non-competition and non-solicitation agreement with Mr. Black, our chief executive officer and a member of our executive committee. The term of his agreement is the five years concluding July 13, 2012. He has the right to terminate his employment voluntarily at any time, but we may terminate his employment only for cause or by reason of disability.

Mr. Black is entitled during his employment to an annual salary of $100,000 and to participate in our employee benefit plans, as in effect from time to time. He currently participates only in the company's group health plans.

The employment agreement requires Mr. Black to protect the confidential information of Apollo both during and after employment. In addition, until one year after his employment terminates, Mr. Black is required to refrain from soliciting employees under specified circumstances or interfering with our relationships with investors and to refrain from competing with us in a business that involves primarily (*i.e.*, more than 50%) third-party capital, whether or not the termination occurs during the term of the agreement or thereafter. These post-termination covenants survive any termination or expiration of the Agreement Among Managing Partners.

We may terminate Mr. Black's employment during the term of the employment agreement solely for cause or by reason of his disability (as such terms are defined in his employment agreement). If Mr. Black becomes subject to a potential termination for cause or by reason of disability, our manager may appoint an investment professional to perform his functional responsibilities and duties until cause or disability definitively results in his termination or is determined not to have occurred, but the manager may so appoint an investment professional only if Mr. Black is unable to perform his responsibilities and duties or, as a matter of fiduciary duty, should be prohibited from doing so. During any such period, Mr. Black shall continue to serve on the executive committee of our manager unless otherwise prohibited from doing so pursuant to the Agreement Among Managing Partners.

Under his employment agreement, if we terminate Mr. Black's employment for cause or his employment is terminated by reason of death or disability, or if he terminates his employment voluntarily, he will be paid only his accrued but unpaid salary through the date of termination.

Employment, Non-Competition and Non-Solicitation Agreement with Chief Financial Officer

On May 13, 2010, we entered into an employment, non-competition and non-solicitation agreement with Gene Donnelly, our chief financial officer. Under his employment agreement, Mr. Donnelly is entitled to an annual salary of $1,000,000 and to an annual bonus determined by the managing partners in their discretion. Mr. Donnelly's annual target bonus is 170% of his base salary. During his employment, Mr. Donnelly is eligible to participate in our employee benefit plans as in effect from time to time. If his employment is terminated without cause or by Mr. Donnelly for good reason (as defined in the employment agreement), he shall be entitled to cash severance of six months' base salary paid in monthly installments.

The employment agreement requires Mr. Donnelly to protect the confidential information of Apollo both during and after employment. In addition, the agreement provides that during the term and for 12 months after employment, Mr. Donnelly will refrain from soliciting our employees, interfering with our relationships with investors and other business relations, or competing with us in a business that manages or invests in assets substantially similar to Apollo or its affiliates, whether or not the termination occurs during the term of the agreement or thereafter. Mr. Donnelly is required to give us 90 days' notice prior to his resignation for any reason.

Employment, Non-Competition and Non-Solicitation Agreement with Vice Chairman

We entered into an employment, non-competition and non-solicitation agreement with Henry Silverman, effective February 1, 2009. On February 24, 2012, Mr. Silverman resigned from all of his positions with us, effective March 15, 2012. The employment agreement's term would otherwise have ended on December 31, 2012. Under his employment agreement, Mr. Silverman was entitled to an annual salary of $7,000,000. The employment agreement provided that if Apollo terminated Mr. Silverman's employment prior to the last day of the term, he would have been entitled to receive, in a lump sum in cash, the remaining compensation due to him with respect to his services through the end of the term. In connection with Mr. Silverman's resignation, he entered into a separation agreement entitling him to a lesser cash amount as described below under "—Potential Payments upon Termination or Change in Control."

The employment agreement requires Mr. Silverman to protect the confidential information of Apollo both during and after employment. Mr. Silverman is also party to a share option agreement that provides, both during and for a 12-month period after employment, that he will refrain from soliciting our employees or interfering with our relationships with investors and will refrain from competing with us. In connection with Mr. Silverman's resignation we agreed that his noncompetition obligations during such 12-month period will apply only to a specified list of entities. Mr. Silverman's obligations regarding confidentiality, solicitation and competition survive his resignation.

Employment, Non-Competition and Non-Solicitation Agreement with Managing Director—Real Estate

On June 2, 2008, we entered into an employment, non-competition and non-solicitation agreement with Mr. Azrack, our Managing Director—Real Estate. Under his agreement, Mr. Azrack is entitled to participate in management and incentive fees earned (other than carried interest from private equity-type funds) by us from the investment management activities we conduct for pooled investment vehicles that have a primary investment objective to invest in real estate and companies that are primarily engaged in the management, ownership or development of real estate (we refer to these as "real estate funds"), on assets under management less all related expenses. His annual base pay of $500,000 constitutes a draw against these net profits. Mr. Azrack is also entitled to carried interests in private equity-type real estate funds that we manage, which carried interest rights are subject to vesting over a five-year period. During his employment, Mr. Azrack is eligible to participate in our employee benefit plans as in effect from time to time. A portion of Mr. Azrack's annual compensation is subject to payment in the form of RSUs that vest over time.

If Mr. Azrack's employment is terminated without cause or he resigns for good reason, he is entitled to a cash lump sum based on unpaid net profits earned by us from the investment management activities conducted by us for real estate funds (other than private equity-type real estate funds) for such quarterly period up to, and including, his termination date, and he becomes immediately vested in 75% of the aggregate carried interest previously awarded to him in any private equity-type real estate fund that commenced investing prior to such termination.

The agreement entitles Mr. Azrack to additional RSU grants on the last day of any calendar quarter in which the aggregate assets under management of real estate funds, as determined in good faith by our executive committee, reach dollar thresholds set forth in the agreement. Any such additional RSUs shall vest in equal installments over the 12 quarters following the grant date.

Mr. Azrack's agreement requires him to protect our confidential information at all times. It also provides that during Mr. Azrack's service with us, and for six months after his termination without cause or resignation for good reason (12 months after his termination for any other reason), Mr. Azrack will refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to Apollo or its affiliates. On 90 days' notice, Mr. Azrack may resign without good reason and we may terminate his employment without cause.

Awards of Restricted Share Units Under the Equity Plan

On October 23, 2007, we adopted our 2007 Omnibus Equity Incentive Plan. Grants of RSUs under the plan have been made to certain of our named executive officers primarily pursuant to two programs, which we call the "Plan Grants" and the "Bonus Grants." Following the Reorganization, Plan Grants were made to Mr. Suydam and a broad range of our other employees. Plan Grants have also been made to subsequent hires, including Messrs. Azrack and Donnelly. The Plan Grants generally vest over six years (although Mr. Azrack's Plan Grant vests over three and one-half years), with the first installment becoming vested approximately one year after grant and the balance vesting thereafter in equal quarterly installments. As we pay ordinary distributions on our outstanding Class A shares, Plan Grants pay distribution equivalents on vested RSUs. Once vested, the Class A shares underlying Plan Grants generally are issued on fixed dates, with 7.5% of the shares generally issued once each year over a four-year period and the remaining 70% issued in seven equal quarterly installments commencing in the fifth year. The administrator of the 2007 Omnibus Equity Incentive Plan determines when shares issued pursuant to the Plan Grants may be disposed of, except that a participant will generally be permitted to sell shares if necessary to cover taxes. Pursuant to the RSU award agreement provided in connection with his Plan Grant, Mr. Suydam is subject to non-competition restrictions during employment and for up to 21 months after employment termination.

During the restricted period set forth in a participant's award agreement evidencing his Plan Grant (or, for Mr. Donnelly, his employment agreement), the participant will not (i) engage in any business activity in which the company operates, (ii) render any services to any competitive business or (iii) acquire a financial interest in, or become actively involved with, any competitive business (other than as a passive holding of less than a specified percentage of publicly traded companies). In addition, the grant recipient will be subject to non-solicitation, non-hire and non-interference covenants during employment and for up to two years thereafter. Each grant recipient is generally also bound to a non-disparagement covenant with respect to us and the managing partners and to confidentiality restrictions. Any resignation by a grant recipient shall generally require at least 90 days' notice. Any restricted period applicable to the grant recipient will commence after the notice of termination period.

The RSUs advance several goals of our compensation program. The Plan Grants align employee interests with those of our shareholders by making our employees, upon delivery of the underlying Class A shares, shareholders themselves. Because they vest over time, the Plan Grants reward employees for sustained contributions to the company and foster retention. The size of the Plan Grants is determined by the Plan administrator based on the grantee's level of responsibility and contributions to the company. The restrictive covenants contained in the RSU agreements reinforce our culture of fiduciary protection of our investors by requiring RSU holders to abide by the provisions regarding non-competition, confidentiality and other limitations on behavior described in the immediately preceding paragraph.

In 2011 we also awarded special RSU grants to each of Messrs. Donnelly and Azrack. Mr. Azrack's grant was awarded in accordance with the terms of his employment agreement.

The Bonus Grants are also grants of RSUs under the 2007 Omnibus Equity Incentive Plan. However, the Bonus Grants constitute payment of a portion of the annual compensation earned by certain of our professionals, including Messrs. Donnelly and Suydam, subject to the employee's continued service through the vesting dates. Our named executive officers' Bonus Grants differ from their Plan Grants in the following principal ways:

- The RSU Shares underlying Bonus Grants are scheduled to vest in three equal annual installments.
- The RSU Shares underlying Bonus Grants are issued not later than March 15 th of the year after the year after in which they vest.
- Distribution equivalents accrue on Bonus Grant RSUs from the grant date, rather than from the vesting date.
- Bonus Grants do not contain restrictive covenants (however, an individual who has received both a Plan Grant and a Bonus Grant remains subject to the restrictive covenants contained in his or her Plan Grant).

Award of Options Under the Equity Plan

Mr. Silverman is the sole 2011 named executive officer to whom we have granted options to acquire our Class A shares. The options, which were 50% vested on December 31, 2011, were granted to him on January 21, 2011 and were scheduled to be fully vested on December 31, 2012 had his employment continued until such date. The options aligned Mr. Silverman's interests with those of our shareholders by providing him with an interest in respect of our Class A shares and their vesting schedule provided him with an incentive to remain in our employment.

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Grants of Plan-Based Awards

The following table presents information regarding the awards granted to the named executive officers under a plan in 2011. All such awards were granted under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan.

Name	Award	Grant Date	Stock Awards: Number of Shares of Stock or Units(1)	Option Awards: Number of Shares of Stock Underlying Options(2)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)(3)
Leon Black	—	—	—	—	—	—
Gene Donnelly	Bonus Grant RSUs	December 28, 2011	27,575	—	—	301,119
	Special RSU Grant	October 14, 2011	110,000	—	—	1,017,500
	Bonus Grant RSUs	March 15, 2011	42,500			730,575
Joseph Azrack	Bonus Grant RSUs	March 15, 2011	140,156	—	—	2,409,282
	Special RSU Grant	February 15, 2011	612,500	—	—	8,740,375
Henry Silverman	Options to acquire Class A shares	January 21, 2011	—	555,556	$ 9.00	4,727,782
John Suydam	Bonus Grant RSUs	December 28, 2011	41,565	—	—	453,890
	Bonus Grant RSUs	March 15, 2011	64,063	—	—	1,101,243

(1) Represents the aggregate number of RSUs covering our Class A shares (for March 15, 2011 Bonus Grants, one third vested at December 31, 2011; for December 28, 2011 Bonus Grants, none vested in 2011). For a discussion of these grants, please see the discussion above under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan." While we historically awarded Bonus Grants in March of the year following the year in which the services were primarily performed (as we did in March 2011 for the Bonus Grants relating primarily to service in 2010), in December 2011 we awarded Bonus Grants in respect of services performed primarily in 2011. For this reason the Bonus Grant values shown above reflect compensation for both 2010 and 2011. We note that the vesting schedule applicable to the December 2011 Bonus Grants is identical (vesting in three equal annual installments on December 31st of 2012, 2013 and 2014) to what it would have been had the grants not been made until March 2012. One third of Mr. Donnelly's special RSU grant vests on September 30, 2012 and the balance vests in eight equal quarterly installments thereafter. Mr. Azrack's special RSU grant vests in equal quarterly installments over the 12 quarters that began March 31, 2011.

(2) Represents the aggregate number of options to purchase our Class A shares (50% of which vested on December 31, 2011). For a discussion of this grant, please see the discussion above under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table —Award of Options Under the Equity Plan."

(3) Represents the aggregate grant date fair value of the RSUs (and, where applicable, options) granted in 2011, computed in accordance with ASC Topic 718. The amount shown does not reflect compensation actually received, but instead represents the aggregate grant date fair value of the award.

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Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding the outstanding unvested equity awards made by us to each of our named executive officers on or prior to December 31, 2011.

		Option Awards				Stock Awards	
Name	Source of Award	Number of Shares Underlying Unexercised Options (# Exercisable)	Number of Shares Underlying Unexercised Options (# Unexercisable)	Option Exercise Price ($/ Share)	Option Expiration Date	Number of Unearned Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Leon Black	Apollo Operating Group Units					15,576,264(1)	193,301,436(10)
Gene Donnelly	2007 Omnibus Equity Incentive Plan					360,000(2)	4,467,600(11)
						110,000(3)	1,365,100(11)
						28,334(4)	351,625(11)
						27,575(5)	342,206(11)
Joseph Azrack	2007 Omnibus Equity Incentive Plan					77,861(6)	966,255(11)
						408,333(7)	5,067,413(11)
						62,500(8)	775,625(11)
						93,438(4)	1,159,566(11)
Henry Silverman	2007 Omnibus Equity Incentive Plan	277,778	277,778	9.00	January 21, 2021(12)	—	—
John Suydam	2007 Omnibus Equity Incentive Plan					286,459(9)	3,554,956(11)
						28,473(8)	353,350(11)
						42,709(4)	530,019(11)
						41,565(5)	515,822(11)

(1) Vest in equal monthly installments over the 12 months beginning January 1, 2012.
(2) Plan Grant RSUs that vest in 18 equal quarterly installments beginning March 31, 2012.
(3) RSUs of which one third (36,666) vest on September 30, 2012, with the balance vesting in eight equal quarterly installments beginning December 31, 2012.
(4) RSUs that vest in equal annual installments on December 31 of each of 2012 and 2013.
(5) RSUs that vest in equal annual installments on December 31 of each of 2012, 2013 and 2014.
(6) Plan Grant RSUs that vest on March 31, 2012.
(7) RSUs that vest in eight equal quarterly installments beginning March 31, 2012.
(8) RSUs that vest on December 31, 2012.
(9) Plan Grant RSUs that vest in six equal quarterly installments beginning March 31, 2012.
(10) Amounts calculated by multiplying the number of unvested Apollo Operating Group units held by the named executive officer by the closing price of $12.41 per Class A share on December 31, 2011.
(11) Amounts calculated by multiplying the number of unvested RSUs held by the named executive officer by the closing price of $12.41 per Class A share on December 31, 2011. The amounts shown for the unvested Plan Grant RSUs, and Mr. Azrack's footnote (7) grant, do not reflect the discount that would be applied to such RSUs in light of the fact that the holders thereof are not entitled to receive distribution equivalents.
(12) In connection with his March 2012 resignation from employment, Mr. Silverman exercised his 277,778 options that had vested on December 31, 2011 and forfeited his 277,778 unvested options.

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Option Exercises and Stock Vested

The following table presents information regarding the number of outstanding initially unvested RSUs made to our named executive officers that vested during 2011. No vested options were exercised in 2011. The amounts shown below do not reflect compensation actually received by the named executive officers, but instead are calculations of the number of RSUs or Apollo Operating Group units that vested during 2011 based on the closing price of our Class A shares on the date of vesting.

		Stock Awards(3)	
Name	Type of Award	Number of Shares Acquired on Vesting	Value Realized on Vesting ($)
Leon Black	Apollo Operating Group Units	15,576,264	215,471,652(1)
Gene Donnelly	RSUs	154,166	1,652,800(2)
Joseph Azrack	RSUs	624,827	8,812,394(2)
Henry Silverman	Options to Acquire Class A Shares	—	—
John Suydam	RSUs	274,132	3,793,948(2)

(1) Amounts calculated by multiplying the number of Apollo Operating Group units beneficially held by the named executive officer that vested on each month-end vesting date in 2011 by the closing price per Class A share on that date.

(2) Amounts calculated by multiplying the number of RSUs held by the named executive officer that vested on each applicable quarter-end or year-end vesting date in 2011 by the closing price per Class A share on that date. Class A shares underlying these vested RSUs are issued to the named executive officer in accordance with the schedules described above under "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan."

(3) No options to purchase Class A shares were exercised by any named executive officer in 2011.

Potential Payments upon Termination or Change in Control

None of the named executive officers is entitled to payment or other benefits in connection with a change in control.

Mr. Black's employment agreement does not provide for severance or other payments or benefits in connection with an employment termination. Pursuant to the Agreement Among Managing Partners, Mr. Black vests in his interest in Apollo Operating Group units in 72 equal monthly installments. For purposes of these vesting provisions, Mr. Black is credited for his employment with us since January 1, 2007. Upon a termination for cause, 50% of his then-unvested Pecuniary Interest in Apollo Operating Group units will vest. Upon a termination as a result of his death or disability, 100% of his interest shall vest. We may not terminate Mr. Black except for cause or by reason of disability (as such terms are defined in his employment agreement).

Upon Mr. Donnelly's termination of employment without cause or by Mr. Donnelly for good reason (as such terms are defined in his employment agreement), his employment agreement entitles him to cash severance of six months' base salary, paid in monthly installments.

If Mr. Azrack's employment is terminated without cause or he resigns for good reason, he is entitled to a cash lump sum based on unpaid net profits earned by us from the real estate business for such quarterly period up to, and including, his termination date, and he becomes immediately vested in 75% of the aggregate carried interest previously awarded to him in any private equity-type pooled investment vehicle that has a primary investment objective to invest in real estate and companies that are primarily engaged in the management, ownership or development of real estate, if it commenced investing prior to such termination.

Had Mr. Silverman's employment been terminated by us, under his employment agreement he would have been entitled to payment of his salary through December 31, 2013, and if such termination had been without cause, to accelerated vesting of all of his unvested options. However, on February 24, 2012, Mr. Silverman resigned his employment with us effective March 15, 2012 and in connection with that resignation entered into a separation agreement entitling him to a payment of $916,667 on March 5, 2012, a payment of $1,500,000 one year later, and no additional option vesting.

Our named executive officers' post-employment obligations, and their entitlements upon employment termination, are described above in the discussion of employment, non-competition and non-solicitation agreements and the discussion titled, "Awards of Restricted Share Units Under the Equity Plan," in each case in the section, "—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table." The named executive officers' obligations during and after employment were considered by the managing partners in determining appropriate post-employment payments and benefits for the named executive officers.

The following table lists the estimated amounts that would have been payable to each of our named executive officers in connection with a termination that occurred on the last day of our last completed fiscal year and the value of any additional equity that would vest upon such termination (where indicated, this table also shows the actual amount that became payable to Mr. Silverman in connection with his resignation from employment effective March 15, 2012). When listing the potential payments to named executive officers under the plans and agreements described above, we have assumed that the applicable triggering event occurred on December 31, 2011 and that the price per share of our common stock was $12.41, which is equal to the closing price on such date. For purposes of this table, RSU and option acceleration values are based on the $12.41 closing price.

Name	Reason for Employment Termination	Estimated Value of Cash Payments (Base Salary and Annual Bonus Amounts) ($)	Estimated Value of Equity Acceleration ($)
Leon Black	Cause; executive's resignation	—	96,650,718(4)
	Death, disability	—	193,301,436(4)
Gene Donnelly	Without cause; by executive for good reason	500,000(1)	3,087,453(5)
	Death, disability	—	3,087,453(5)
Joseph Azrack	Without cause; by executive for good reason	—	6,033,668(5)
	Death, disability	—	3,016,834(5)
Henry Silverman	By the Company	7,000,000(2)	3,447,225(5)
	Disability	7,000,000(2)	1,723,613(5)
	Death	—	1,723,613(5)
	Actual resignation effective March 15, 2012	2,416,667(3)	—
John Suydam	Without cause; by executive for good reason; death, disability	—	2,035,389(5)

(1) This amount would have been payable to Mr. Donnelly had his employment been terminated by the company without cause (and other than by reason of death or disability) or for good reason on December 31, 2011.

(2) This amount would have been payable to Mr. Silverman had his employment been terminated by the company on December 31, 2011.

(3) This amount became payable to Mr. Silverman in connection with his actual resignation from employment effective March 15, 2012.

(4) This amount represents the additional equity vesting that Mr. Black would have received had his employment terminated in the circumstances described in the column, "Reason for Employment

Termination," on December 31, 2011, based on the closing price of a Class A share on such date. In the event of Mr. Black's termination by reason of death or disability, his pecuniary interest in Apollo Operating Group units would vest in full. Pursuant to his employment agreement, Mr. Black's employment is not subject to termination by the company without cause.

(5) This amount represents the additional equity vesting that the named executive officer would have received had his employment terminated in the circumstances described in the column, "Reason for Employment Termination," on December 31, 2011, based on the closing price of a Class A share on such date. Please see our Outstanding Equity Awards at Fiscal Year-End table for information regarding the named executive officer's unvested equity holdings as of December 31, 2011.

Director Compensation

We do not pay additional remuneration to our employees, including Messrs. Black and Silverman, for their service on our board of directors. The 2011 compensation of Messrs. Black and Silverman is set forth above on the Summary Compensation Table. Mr. Silverman has resigned from our board of directors effective March 15, 2012.

Each independent director receives (1) an annual director fee of $100,000, (2) an additional annual director fee of $25,000 if he or she a member of the audit committee, (3) an additional annual director fee of $10,000 if he or she is a member of the conflicts committee, (4) an additional annual director fee of $25,000 if he or she serves as the chairperson of the audit committee, and (5) an additional annual director fee of $15,000 if he or she serves as the chairperson of the conflicts committee. In addition, each independent director was granted 18,543 RSUs on June 30, 2011 pursuant to our 2007 Omnibus Equity Incentive Plan. These RSUs vest in equal annual installments over three years, subject to the director's continued service.

The following table provides the compensation for our independent directors during the year ended December 31, 2011:

Name	Fees Earned or Paid in Cash	Stock Awards (2)	Total
Michael Ducey	$ 108,065(1)	$ 291,681	$399,746
Paul Fribourg	$ 83,091	$ 291,681	$ 374,772
A. B. Krongard	$ 94,422	$ 291,681	$ 386,103
Pauline Richards	$ 113,306	$ 291,681	$ 404,987

(1) Includes $24,247 paid to Mr. Ducey for observing our board meetings from the date he was identified for appointment as a director until the date his appointment became effective.

(2) Represents the aggregate grant date fair value of the 18,543 RSUs granted to each of the independent directors during the year ended December 31, 2011, calculated in accordance with ASC Topic 718. All 18,543 RSUs granted to each independent director remained outstanding on December 31, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our Class A shares as of March 7, 2012 by (i) each person known to us to beneficially own more than 5% of voting Class A shares of Apollo Global Management, LLC, (ii) each of our directors, (iii) each of our named executive officers and (iv) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each person named in the table below has sole voting and investment power with respect to all of the Class A shares and interests in our Class B share shown as beneficially owned by such person, except as otherwise set forth in the

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notes to the table and pursuant to applicable community property laws. Unless otherwise indicated, the address of each person named in the table is c/o Apollo Global Management, LLC, 9 West 57th Street, New York, NY 10019.

In respect of our Class A shares, the table set forth below assumes the exchange by Holdings of all Apollo Operating Group units for our Class A shares with respect to which the person listed below has the right to direct such exchange pursuant to the exchange agreement described under "Item 13. Certain Relationships and Related Party Transactions—Exchange Agreement," and the distribution of such shares to such person as a limited partner of Holdings.

	Class A Shares Beneficially Owned			Class B Share Beneficially Owned		
	Number of Shares	Percent(1)	Total Percentage of Voting Power(2)	Number of Shares	Percent	Total Percentage of Voting Power(2)
Leon Black(3)(4)	92,727,166	42.3%	78.4%	1	100%	78.4%
Joshua Harris(3)(4)	59,008,262	31.8%	78.4%	1	100	78.4%
Marc Rowan(3)(4)	59,008,262	31.8%	78.4%	1	100	78.4%
Henry Silverman(5)	313,002	*	*	—	—	—
Pauline Richards	—	—	—	—	—	—
Alvin Bernard Krongard	250,000	*	*	—	—	—
Michael Ducey	—	—	—	—	—	—
Paul Fribourg	19,000	*	*	—	—	—
Gene Donnelly(6)	338,060	*	*	—	—	—
Joseph Azrack(7)	1,183,154	*	*	—	—	—
John Suydam(8)	1,050,269	*	*	—	—	—
All directors and executive officers as a group (fourteen persons)	218,795,948	63.8%	70.7%	1	100	78.4%
BRH(4)	—	—	—	1	100	78.4%
AP Professional Holdings, L.P.(9)	240,000,000	65.5%	78.4%	—	—	—
5% Stockholders:						
Ivy Investment Management(10)	13,470,850	10.7%	4.4%	—	—	—
Fidelity Management Research Company(11)	7,887,871	6.2%	2.6%			

* Represents less than 1%.

(1) The percentage of beneficial ownership of our Class A shares is based on voting and non-voting Class A shares outstanding.

(2) The total percentage of voting power is based on voting Class A shares and the Class B share, in each case immediately after this offering.

(3) Does not include any Class A shares owned by Holdings with respect to which this individual, as one of the three owners of all of the interests in BRH, the general partner of Holdings, or as a party to the Agreement Among Managing Partners described under "Item 13. Certain Relationships and Related Party Transactions—Agreement Among Managing Partners" or the Managing Partner Shareholders Agreement described under "Item 13. Certain Relationships and Related Party Transactions—Managing Partner Shareholders Agreement," may be deemed to have shared voting or dispositive power. Each of these individuals disclaim any beneficial ownership of these shares, except to the extent of their pecuniary interest therein.

(4) BRH, the holder of the Class B share, is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. Pursuant to the Agreement Among Managing Partners, the Class B share is to be voted and disposed by BRH based on the determination of at least two of the three managing partners; as such, they share voting and dispositive power with respect to the Class B share.

(5) On February 24, 2012, Henry Silverman resigned as a Director of the Board of Directors of the Company effective March 15, 2012. Mr. Silverman also resigned from his employment at the Company and its subsidiaries, from him membership on the executive committee of the Company's manager and from all other positions he holds at the Company and its subsidiaries, affiliates and portfolio companies, all effective March 15, 2012.

(6) Includes 122,500 restricted share units covering Class A shares which have vested or with respect to which Mr. Donnelly has the right to acquire beneficial ownership within 60 days of March 7, 2012.

(7) Includes 970,833 restricted share units covering Class A shares which have vested or with respect to which Mr. Azrack has the right to acquire beneficial ownership within 60 days of March 7, 2012.

(8) Includes 735,423 restricted share units covering Class A shares which have vested or with respect to which Mr. Suydam has the right to acquire beneficial ownership within 60 days of March 7, 2012.

(9) Assumes that no Class A shares are distributed to the limited partners of Holdings. The general partner of AP Professional Holdings, L.P. is BRH, which is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. BRH is also the general partner of BRH Holdings, L.P., the limited partnership through which Messrs. Black, Harris and Rowan hold their limited partnership interests in AP Professional Holdings, L.P. Each of these individuals disclaim any beneficial ownership of these Class A shares, except to the extent of their pecuniary interest therein.

(10) Reflects units beneficially owned by Waddell & Reed Financial, Inc. and its subsidiary Ivy Investment Management Company based on the Schedule 13G filed by such entities as joint reporting persons on February 14, 2012. The address of Waddell & Reed Financial, Inc. is 6300 Lamar Avenue, Overland Park, KS 66202.

(11) Reflects units beneficially owned by Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR LLC, based on the Schedule 13G filed by FMR LLC and Edward C. Johnson 3d as joint reporting persons on February 14, 2012. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity and its funds, each has sole power to dispose of the 7,887,871 shares owned by the Fidelity funds. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds' Boards of Trustees.

Securities Authorized for Issuance under Equity Incentive Plans

The following table sets forth information concerning the awards that may be issued under the Company's Omnibus Equity Incentive Plan as of December 31, 2011.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	46,301,337	$ 8.14	41,900,162
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	46,301,337	$ 8.14	41,900,162

(1) Reflects the aggregate number of options and RSUs granted under the Company's 2007 Omnibus Equity Incentive Plan and outstanding as of December 31, 2011.

(2) The Class A shares reserved under the Equity Plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and Apollo Operating Group

units exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. The number of shares reserved under the Equity Plan is also subject to adjustment in the event of a share split, share dividend, or other change in our capitalization. Generally, employee shares that are forfeited, canceled, surrendered or exchanged from awards under the Equity Plan will be available for future awards. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register Class A shares under the Company's 2007 Omnibus Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, Class A shares registered under such registration statement will be available for sale in the open market.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreement Among Managing Partners

Our managing partners have entered into the Agreement Among Managing Partners, which provides that each managing partner's Pecuniary Interest (as defined below) in the Apollo Operating Group units that he holds indirectly through Holdings shall be subject to vesting. The managing partners own Holdings in accordance with their respective sharing percentages, or "Sharing Percentages," as set forth in the Agreement Among Managing Partners. For the purposes of the Agreement Among Managing Partners, "Pecuniary Interest" means, with respect to each managing partner, the number of Apollo Operating Group units that would be distributable to such managing partner assuming that Holdings was liquidated and its assets distributed in accordance with its governing agreements.

Pursuant to the Agreement Among Managing Partners, each of Messrs. Harris and Rowan will vest in their interest in the Apollo Operating Group units in 60 equal monthly installments, and Mr. Black will vest 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. Upon a termination for cause, 50% of such managing partner's unvested Pecuniary Interest in Apollo Operating Group units shall vest. Upon a termination as a result of death or disability (as defined in the Agreement Among Managing Partners) of Messrs. Rowan or Harris, vesting will be calculated using a 60-month vesting schedule and 50% of such managing partner's unvested interest shall also vest. Upon a termination as a result of death or disability of Mr. Black, 100% of his interest shall vest. Upon a termination as a result of resignation or retirement, a fraction of such managing partner's unvested interest shall vest, the numerator of which is the number of months that have elapsed since January 1, 2007 and the denominator of which is 60 (in the case of Messrs. Harris and Rowan) or 72 (in the case of Mr. Black). We may not terminate a managing partner except for cause or by reason of disability.

Upon a managing partner's resignation or termination for any reason, the Pecuniary Interest held by such managing partner that has not vested shall be forfeited as of the applicable Forfeiture Date (as defined below) and the remaining Pecuniary Interest held by such managing partner shall no longer be subject to vesting. None of such interests, or the "Forfeited Interests," shall return to or benefit us or the Apollo Operating Group. Forfeited Interests will be allocated within Holdings for the benefit of the managing partners, or the "continuing managing partners," who continue to be employed as of the applicable Forfeiture Date, pro rata based upon their relative Sharing Percentages.

For the purposes of the Agreement Among Managing Partners, "Forfeiture Date" means, as to the Forfeited Interests to be forfeited within Holdings for the benefit of the continuing managing partners, the date which is the earlier of (i) the date that is six months after the applicable date of termination of employment and (ii) the date on or after such termination date that is six months after the date of the latest publicly reported disposition (or deemed disposition subject to Section 16 of the Exchange Act) of equity securities of Apollo by any of the continuing managing partners.

The transfer by a managing partner of any portion of his Pecuniary Interest to a permitted transferee will in no way affect any of his obligations under the Agreement Among Managing Partners (nor will such transfer in any way affect the vesting of such Pecuniary Interest in Apollo Operating Group units); provided, that all permitted transferees are required to sign a joinder to the Agreement Among Managing Partners in order to bind such permitted transferee to the forfeiture provisions in the Agreement Among Managing Partners.

The managing partners' respective Pecuniary Interests in certain funds, or the "Heritage Funds," within the Apollo Operating Group are not held in accordance with the managing partners' respective Sharing Percentages. Instead, each managing partner's Pecuniary Interest in such Heritage Funds is held in accordance with the historic ownership arrangements among the managing partners, and the managing partners continue to share the operating income in such Heritage Funds in accordance with their historic ownership arrangement with respect to such Heritage Funds.

The Agreement Among Managing Partners may be amended and the terms and conditions of the Agreement Among Managing Partners 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 "—Lenders Rights Agreement—Amendments to Managing Partner Transfer Restrictions") and the Apollo Operating Group have no ability to enforce any provision thereof or to prevent the managing partners from amending the Agreement Among Managing Partners or waiving any forfeiture obligation.

Managing Partner Shareholders Agreement

We have entered into the Managing Partner Shareholders Agreement with our managing partners. The Managing Partner Shareholders Agreement provides the managing partners with certain rights with respect to the approval of certain matters and the designation of nominees to serve on our board of directors, as well as registration rights for our securities that they own.

Board Representation

The Managing Partner Shareholders Agreement requires our board of directors, so long as the Apollo control condition is satisfied, to nominate individuals designated by our manager such that our manager will have a majority of the designees on our board.

Transfer Restrictions

No managing partner may, nor shall any of such managing partner's permitted transferees, directly or indirectly, voluntarily effect cumulative transfers of Equity Interests, representing more than: (i) 0.0% of his Equity Interests at any time prior to the second anniversary of our IPO (the "registration effectiveness date"), (ii) 7.5% of his Equity Interests at any time on or after the second anniversary and prior to the third anniversary of the registration effectiveness date; (iii) 15% of his Equity Interests at any time on or after the third anniversary and prior to the fourth anniversary of the registration effectiveness date; (iv) 22.5% of his Equity Interests at any time on or after the fourth anniversary and prior to the fifth anniversary of the registration effectiveness date; (v) 30% of his Equity Interests at any time on or after the fifth anniversary and prior to the sixth anniversary of the registration effectiveness date; and (vi) 100% of his Equity Interests at any time on or after the sixth anniversary of the registration effectiveness date, other than, in each case, with respect to transfers (a) from one founder to another founder, (b) to a permitted transferee of such managing partner, or (c) in connection with a sale by one or more of our managing partners in one or a related series of transactions resulting in the managing partners owning or controlling, directly or indirectly, less than 50.1% of the economic or voting interests in us or the Apollo Operating Group, or any other person exercising control over us or the Apollo Operating Group by contract, which would include a transfer of control of our manager.

The percentages referenced in the preceding paragraph will apply to the aggregate amount of Equity Interests held by each managing partner (and his permitted transferees) as of July 13, 2007 and adjusted for any additional Equity Interests received by such managing partner upon the forfeiture of Equity Interests by another managing partner. Any Equity Interests received by a managing partner pursuant to the forfeiture provisions of the Agreement Among Managing Partners (described above) will remain subject to the foregoing restrictions in the receiving managing partner's hands; provided, that each managing partner shall be permitted to sell without regard to the foregoing restrictions such number of forfeitable interests received by him as are required to pay taxes payable as a result of the receipt of such interests, calculated based on the maximum combined U.S. Federal, New York State and New York City tax rate applicable to individuals; and, provided further, that each managing partner who is not required to pay taxes in the applicable fiscal quarter in which he receives Equity Interests as a result of being in the U.S. Federal income tax "safe harbor" will not effect any such sales prior to the six-month anniversary of the applicable termination date which gave rise to the receipt of such Equity Interests. After six years, each managing partner and his permitted transferees may transfer all of the Equity Interests of such managing partner to any person or entity in accordance with Rule 144, in a registered public offering or in a transaction exempt from the registration requirements of the Securities Act. The above transfer restrictions will lapse with respect to a managing partner if such managing partner dies or becomes disabled.

A "permitted transferee" means, with respect to each managing partner and his permitted transferees, (i) such managing partner's spouse, (ii) a lineal descendant of such managing partner's parents (or any such descendant's spouse), (iii) a charitable institution controlled by such managing partner, (iv) a trustee of a trust (whether inter vivos or testamentary), the current beneficiaries and presumptive remaindermen of which are one or more of such managing partner and persons described in clauses (i) through (iii) above, (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 partner and persons described in clauses (i) through (iv) above, (vi) an individual mandated under a qualified domestic relations order, (vii) a legal or personal representative of such managing partner in the event of his death or disability, (viii) any other managing partner with respect to transactions contemplated by the Managing Partner Shareholder Agreement, and (ix) any other managing partner who is then employed by Apollo or any of its affiliates or any permitted transferee of such managing partner in respect of any transaction not contemplated by the Managing Partner Shareholders Agreement, in each case that agrees in writing to be bound by these transfer restrictions.

Any waiver of the above transfer restrictions may only occur with our consent. As our managing partners control the management of our company, however, they have discretion to cause us to grant one or more such waivers. Accordingly, the above transfer restrictions might not be effective in preventing our managing partners from selling or transferring their Equity Interests.

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 obligations 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. Pursuant to the Managing Partner Shareholders Agreement, we agreed to 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 Fund IV, Fund V and Fund VI (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 other investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions with respect to Fund IV, Fund V and Fund VI, 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 distribution to which that general partner obligation related.

Registration Rights

Pursuant to the Managing Partner Shareholders Agreement, we have granted Holdings, an entity through which our managing partners and contributing partners own their Apollo Operating Group units, and its permitted transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our Class A shares held or acquired by them. Under the Managing Partner Shareholders Agreement, the registration rights holders (i) will have "demand" registration rights, exercisable two years after the registration effectiveness date, but unlimited in number thereafter, which require us to register under the Securities Act the Class A shares that they hold or acquire, (ii) may require us to make available registration statements permitting sales of Class A shares they hold or acquire into the market from time to time over an extended period and (iii) have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other registration rights holders or initiated by us. We have agreed to indemnify each registration rights holders and certain related parties against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which they sell our shares, unless such liability arose from such holder's misstatement or omission, and each registration rights holder has agreed to indemnify us against all losses caused by his misstatements or omissions.

Roll-Up Agreements

Pursuant to the Roll-Up Agreements, the contributing partners received interests in Holdings, which we refer to as "Holdings Units," in exchange for their contribution of assets to the Apollo Operating Group. The Holdings Units received by our contributing partners and any units into which they are exchanged will generally vest over six years in equal monthly installments with additional vesting (i) on death, disability, a termination without cause or a resignation by the contributing partner for good reason, (ii) with consent of BRH, which is controlled by our managing partners, and (iii) in connection with certain other transactions involving sales of interests in us and with transfers by our managing partners in connection with their registration rights to the extent that our contributing partners do not have sufficient vested securities to otherwise allow them to participate pro rata. Holdings Units are subject to a lock-up until two years after the registration effectiveness date. Thereafter, 7.5% of the Holding Units will become tradable on each of the second, third, fourth and fifth anniversaries of the registration effectiveness date, with the remaining Holding Units becoming tradable on the sixth anniversary of the registration effectiveness date or upon subsequent vesting. A Holdings Unit that is forfeited will revert to the managing partners. Our contributing partners have the ability to direct Holdings to exercise Holdings' registration rights described above under "—Managing Partner Shareholders Agreement—Registration Rights."

Our contributing partners are subject to a noncompetition provision for the applicable period of time as follows: (i) if the contributing partner is still providing services as a partner to us on the fifth anniversary of the date of his Roll-Up Agreement, the first anniversary of the date of termination of his service as a partner to us, or (ii) if the contributing partner is terminated for any reason such that he is no longer providing services to us prior to the fifth anniversary of the date of his Roll-Up Agreement, the earlier to occur of (A) the second anniversary of such date of termination and (B) the sixth anniversary of the date of his Roll-Up Agreement. During that period, our contributing partners will be prohibited from (i) engaging in any business activity that we operate in, (ii) rendering any services to any alternative asset management business (other than that of us or our affiliates) that involves primarily (i.e., more than 50%) third-party capital or (iii) acquiring a financial interest in, or becoming actively involved with, any competitive business (other than as a passive holding of a specified percentage of publicly traded companies). In addition, our contributing partners are subject to nonsolicitation, nonhire and noninterference covenants during employment and for two years thereafter. Our contributing partners are also bound to a nondisparagement covenant with respect to us and our contributing partners and to confidentiality restrictions. Any resignation by any of our contributing partners shall require ninety days' notice. Any restricted period applicable to a contributing partner will commence after the ninety day notice of termination period.

Exchange Agreement

We have entered into an exchange agreement with Holdings under which, 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 (or certain transferees thereof) has the right to cause Holdings to exchange the Apollo Operating Group units that he owns through Holdings for our Class A shares and 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 distribute the net proceeds of such sale to such managing partner or contributing partner. Under the exchange agreement, 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.

We may, from time to time, at the discretion of our manager, provide the opportunity for Holdings and any other holders of Apollo Operating Group units at such time to sell Apollo Operating Group units to us, provided that the aggregate amount of designated quarterly dates for exchanges and such opportunities for the sale of such units may not exceed four. We will use an independent, third-party valuation expert for purposes of determining the purchase price of any such purchases of Apollo Operating Group units.

Tax Receivable Agreement

With respect to any exchange by a managing partner or contributing partner of Apollo Operating Group units (together with the corresponding interest in our Class B share) that he owns through Holdings for our Class A shares in a taxable transaction, each of Apollo Management Holdings, L.P. and the Apollo Operating Group entities controlled by Apollo Management Holdings, L.P. has made an election under Section 754 of the Internal Revenue Code, which may result in an adjustment to the tax basis of a portion of the assets owned by the Apollo Operating Group at the time of the exchange. The taxable exchanges may result in increases in the tax depreciation and amortization deductions from depreciable and amortizable assets, as well as an increase in the tax basis of other assets, of the Apollo Operating Group that otherwise would not have been available. A portion of these increases in tax depreciation and amortization deductions, as well as the increase in the tax basis of such other assets, will reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. Additionally, our acquisition of Apollo Operating Group units from the managing partners or contributing partners, such as our acquisition of Apollo Operating Group units from the managing partners in the Strategic Investors Transaction, may result in increases in tax deductions and tax basis that reduces 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 our managing partners and contributing partners that provides for the payment by APO Corp. to an exchanging or selling managing partner or contributing partner of 85% of the amount of actual cash savings, if any, in U.S. Federal, state, local and foreign income tax 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, and certain other tax benefits, including imputed interest expense, related to entering into the tax receivable agreement. APO Corp. expects to benefit from the remaining 15% of actual cash savings, if any, in income tax that it realizes. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that APO Corp. would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the applicable Apollo Operating Group entity as a result of the transaction and had APO Corp. not entered into the tax receivable agreement. The tax savings achieved may not ensure that we have sufficient cash available to pay our tax liability or generate additional distributions to our investors. Also, we may need to incur additional debt to repay the tax receivable agreement if our cash flows are not met. The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless APO Corp. exercises the right to terminate the tax receivable agreement by paying an amount based on the present value of payments remaining to be made under the agreement with respect to units that have been exchanged or sold and units which have not yet been exchanged or sold. Such present value will be determined based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions that would have arisen from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. No payments will be made if a managing partner or contributing partner elects to exchange his or her Apollo Operating Group units in a tax-free transaction. 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, each will become subject to a tax receivable agreement with substantially similar terms. In connection with the amendment of the AMH partnership agreement in April 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 are attributable to the 2010 fiscal year for a period of four years. For more information about the amendment to the AMH partnership agreement and tax receivable agreement, see "—Special Allocation of AMH Income" below.

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 we claim as a result of such increase 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, our managing partners and contributing partners would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to it (although 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 APO Corp.'s actual cash tax savings. In general, estimating the amount of payments that may be made to our managing partners and contributing partners under the tax receivable agreement is by its nature, imprecise, in the absence of an actual transaction, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis and the amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including:

- the timing of the transactions—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of the Apollo Operating Group entities at the time of the transaction;
- the price of our Class A shares at the time of the transaction—the increase in any tax deductions, as well as tax basis increase in other assets, of the Apollo Operating Group entities, is directly proportional to the price of the Class A shares at the time of the transaction;
- the taxability of exchanges—if an exchange is not taxable for any reason, increased deductions will not be available; and
- the amount and timing of our income—APO Corp. will be required to pay 85% of the tax savings as and when realized, if any. If APO Corp. does not have taxable income, it is not required to make payments under the tax receivable agreement for that taxable year because no tax savings were actually realized.

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. As noted above, no payments will be made if a managing partner or contributing partner elects to exchange his or her Apollo Operating Group units in a tax-free transaction.

Strategic Investors Transaction

On July 13, 2007, we sold securities to the Strategic Investors in return for a total investment of $1.2 billion. Through our intermediate holding companies, we used all of the proceeds from the issuance of such 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 million. The Strategic Investors hold non-voting Class A shares, which represented 48.4% of our issued and outstanding Class A shares and 16.5% of the economic interest in the Apollo Operating Group, in each case as of December 31, 2011.

As all of their holdings in us are non-voting, neither of the Strategic Investors has any means for exerting control over our company.

Strategic Relationship Agreement

On April 20, 2010, we announced a new strategic relationship agreement with CalPERS, whereby we agreed to reduce management fees and other fees charged to CalPERS on funds we manage, or in the future will manage, solely for CalPERS by $125 million over a five-year period 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.

Lenders Rights Agreement

In connection with the Strategic Investors Transaction, we entered into a shareholders agreement, or the "Lenders Rights Agreement," with the Strategic Investors.

Transfer Restrictions

Except in connection with the drag-along covenants provided for in the Lenders Rights Agreement, prior to the second anniversary of the registration effectiveness date, each Strategic Investor may not transfer its rights, other than to an "Investor Permitted Transferee," as defined below, without the prior written consent of our managing partners.

Following the registration effectiveness date, each Strategic Investor may transfer its non-voting Class A shares up to the percentages set forth below during the relevant periods identified:

Period	Maximum Cumulative Amount
Registration Effectiveness Date—2nd anniversary of the Registration Effectiveness Date	0%
2nd—3rd anniversary of Registration Effectiveness Date	25%
3rd—4th anniversary of Registration Effectiveness Date	50%
4th—5th anniversary of Registration Effectiveness Date	75%
6th anniversary of Registration Effectiveness Date (and thereafter)	100%

Notwithstanding the foregoing, at no time following the registration effectiveness date may a Strategic Investor make a transfer representing 2% or more of our total Class A shares to any one person or group of related persons.

An "Investor Permitted Transferee" shall include any entity controlled by, controlling or under common control with a Strategic Investor, or certain of its affiliates so long as such entity continues to be an affiliate of the Strategic Investor at all times following such transfer.

Registration Rights

Pursuant to the Lenders Rights Agreement, following the second anniversary of the registration effectiveness date, each Strategic Investor shall be afforded four demand registrations with respect to non-voting Class A shares, covering offerings of at least 2.5% of our total equity ownership and customary piggyback registration rights. All cut-backs between the Strategic Investors, and Holdings (or its members) in any such demand registration shall be pro rata based upon the number of shares available for sale at such time (regardless of which party exercises a demand).

Amendments to Managing Partner Transfer Restrictions

Each Strategic Investor has a consent right with respect to any amendment or waiver of any transfer restrictions that apply to our managing partners.

Our Operating Agreement and Apollo Operating Group Limited Partnership Agreements

Please see the section entitled "Description of Shares—Operating Agreement" for a description of our Operating Agreement.

Pursuant to the partnership agreements of the Apollo Operating Group partnerships, the wholly-owned subsidiaries of Apollo Global Management, LLC that are the general partners of those partnerships have the right to determine when distributions will be made to the partners of the Apollo Operating Group and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Apollo Operating Group pro rata in accordance with their respective partnership interests.

The partnership agreements of the Apollo Operating Group partnerships also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to Apollo Global Management, LLC (such as expenses incurred in connection with the Private Offering Transactions), will be borne by the Apollo Operating Group; provided that obligations incurred under the tax receivable agreement by Apollo Global Management, LLC and its wholly-owned subsidiaries (which currently consist of our three intermediate holding companies, APO Corp., APO (FC), LLC and APO Asset Co., 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 shall be borne solely by Apollo Global Management, LLC and its wholly-owned subsidiaries.

Special Allocation of AMH Income

AMH's partnership agreement was amended to provide that 100% of AMH's 2009 taxable income in excess of the amount of its distribution to Holdings in September 2009 and 100% of AMH's 2010 taxable income will be specially allocated to APO Corp. (the "Special Allocation"). The amendments to AMH's partnership agreement also provided that APO Corp. will be entitled to receive a priority distribution equal to the total amount of income specially allocated to APO Corp. pursuant to the Special Allocation (the "Special Distribution"). The initial payments of the Special Distribution were sufficient to allow APO Corp. to make TRA Payments (as defined below) with respect to the 2009 and 2010 fiscal years, including deferred payments. The balance of the Special Distribution will be payable only upon a liquidation or deemed liquidation of AMH. The AMH partnership agreement was also amended to provide that the Special Allocation and Special Distribution may be effectively reversed, in whole or in part, upon a "book-up event," as described below.

As a result of the Special Allocation, a portion of APO Corp.'s required payments to each of the managing partners and contributing partners pursuant to the tax receivable agreement (the "TRA Payments") that were generated by amortization deductions accrued by APO Corp. through the period covered by the Special Allocation will be accelerated. The number of future periods from which these TRA Payments will be accelerated depends on the amount of taxable income generated by APO Corp. in those future periods. In addition, each of the managing partners agreed to defer 25% of the TRA Payments payable to him that are attributable to the 2010 fiscal year for a period of four years. The cash that would otherwise be paid to the managing partners will be retained by AMH for use in the Apollo business. For more information about the tax receivable agreement, see "Tax Receivable Agreement" above.

The entire amount of the Special Allocation was effectively reversed in 2011 as a result of a "book-up event" in AMH for tax purposes. As a result of this book-up event, Holdings was specially allocated a larger portion of AMH's book income appreciation (and, will ultimately, be specially allocated AMH taxable income) in an amount equal to the amount of the reduced income allocation it received under the 2009 and 2010 Special Allocation.

Fee Waiver 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. This election allows certain executive officers and other professionals 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 the participating individuals.

Employment Agreements

Please see the section entitled "Item 11. Executive Compensation—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table" for a description of the employment agreements of our named executive officers who have employment agreements.

Aircraft

In the normal course of business, our personnel have made use of aircraft owned as personal assets by Messrs. Black and Rowan. Messrs. Black and Rowan paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us for the business use of these aircraft by Messrs. Black and Rowan and other of our personnel is made at market rates, which totaled $1,016,400 and $2,695,095 for 2011 for Mr. Black and Mr. Rowan, respectively. In addition, Mr. Harris makes business and personal use of various aircraft in which we have fractional interests, and pays the aggregate incremental cost of his personal usage. The total amount paid by Mr. Harris for this personal usage was $439,477 for 2011. The transactions described herein are not material to the consolidated financial statements.

Investments In Apollo Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles that they control) directly in our funds, and in general, such investments are not subject to management fees, and in certain instances, may not be subject to carried interest. The opportunity to invest in our
funds is available to all of the senior Apollo professionals and to certain of our employees whom we have

determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. From our inception through December 31, 2011, our professionals have committed or invested approximately $1.0 billion of their own capital to our funds.

The amount invested in our investment funds by our directors and executive officers (and their estate planning vehicles) during 2011 was $15,607,681, $18,168,188, $4,242,055, $4,073,240, $1,255,585, $1,171,603, and $686,503, for Messrs Black, Rowan, Harris, Zelter, Suydam, Silverman and Giarraputo, respectively. The amount of distributions, including profits and return of capital to our directors and executive officers (and their estate planning vehicles) during 2011 was $42,879,349, $35,118,160, $10,479,355, $11,723,481, $4,924,397, $1,512,040 and $795,788, for Messrs Black, Rowan, Harris, Silverman, Zelter, Suydam and Giarraputo, respectively.

Sub-Advisory Arrangements and Separately Managed Accounts

From time to time, we may enter into sub-advisory arrangements with, or establish separately managed accounts for, our directors and executive officers or vehicles they manage. Such arrangements would be approved in advance in accordance with our policy regarding transactions with related persons. In addition, any such sub-advisory arrangement or separately managed account would be entered into with, or advised by, an Apollo entity serving as investment adviser registered under the Investment Advisers Act of 1940, and any fee arrangements, if applicable would be on an arms-length basis.

Indemnification of Directors, Officers and Others

Under our operating agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our manager; any departing manager; any person who is or was an affiliate of our manager or any departing manager; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, our manager or any departing manager or any affiliate of us or our subsidiaries, our manager or any departing manager; any person who is or was serving at the request of our manager or any departing manager or any affiliate of our manager or any departing manager as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our manager. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our operating agreement.

We have entered into indemnification agreements with each of our directors, executive officers and certain of our employees which set forth the obligations described above.

We have also agreed to indemnify each of our managing partners and certain contributing partners against certain amounts that they are required to pay in connection with a general partner obligation for the return of previously made carried interest distributions in respect of Fund IV, Fund V and Fund VI. See the above description of the Indemnity provisions of the Managing Partners Shareholders Agreement.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors has adopted a written statement of policy regarding transactions with related persons, which we refer to as our “related person policy.” Our related person policy requires that a “related person” (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our Chief Legal Officer any “related person transaction” (defined as any transaction that is reportable by us under Item 404(a) of

Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Our Chief Legal Officer will then promptly communicate that information to our manager. No related person transaction will be consummated without the approval or ratification of the executive committee of our manager or any committee of our board of directors consisting exclusively of disinterested directors. It is our policy that persons interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Director Independence

Because more than fifty percent of our voting power is controlled by Holdings, we are considered a "controlled company" as defined in the listing standards of the NYSE. Accordingly, we have decided to avail ourselves of the controlled company exception from certain of the NYSE governance rules. This exception exempts us from 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.

At such time that we are no longer deemed a controlled company, the board of directors will become comprised of a majority of independent directors in accordance with the applicable standards set forth by the SEC and the NYSE for determining director independence. Presently, in applying such standards, the board of directors has determined that four of its members, namely Messrs. Fribourg, Krongard, Ducey and Ms. Richards, are each independent.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2011 and 2010:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit fees	$ 6,692(1)	$ 4,660(1)
Audit fees for Apollo fund entities	13,612(2)	10,028(2)
Audit-related fees	896(3)(4)	2,249(3)
Tax fees	1,505(5)	1,527(5)
Tax fees for Apollo fund entities	5,205(2)	3,206(2)
Other fees	140(6)	336 (6)(7)

(1) Audit Fees consisted of fees for (a) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services attendant to, or required by, statute or regulation; (b) reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q.
(2) Audit and Tax Fees for Apollo fund entities consisted of services to investment funds managed by Apollo in its capacity as the general partner.
(3) Audit-Related Fees consisted of comfort letters, consents and other services related to SEC and other regulatory filings.
(4) Includes audit-related fees for Apollo fund entities of $0.1 million for the year ended December 31, 2011.
(5) Tax Fees consisted of fees for services rendered for tax compliance and tax planning and advisory services.
(6) Consisted of certain agreed upon procedures.
(7) Includes other fees of $0.3 million for the year ended December 31, 2010.

Our audit committee charter requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax and Other categories above were approved by the audit committee.

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PART IV

ITEM 15. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Certificate of Formation of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
3.2	Amended and Restated Limited Liability Company Agreement of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
4.1	Specimen Certificate evidencing the Registrant's Class A shares (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.1	Amended and Restated Limited Liability Company Operating Agreement of AGM Management, LLC dated as of July 10, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.2	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings I, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.3	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings II, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.4	Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings III, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.5	Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IV, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.6	Registration Rights Agreement, dated as of August 8, 2007, by and among Apollo Global Management, LLC, Goldman Sachs & Co., J.P. Morgan Securities Inc. and Credit Suisse Securities (USA) LLC (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.7	Investor Rights Agreement, dated as of August 8, 2007, by and among Apollo Global Management, LLC, AGM Management, LLC and Credit Suisse Securities (USA) LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.8	Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.9	Agreement Among Principals, dated as of July 13, 2007, by and among Leon D. Black, Marc J. Rowan, Joshua J. Harris, Black Family Partners, L.P., MJR Foundation LLC, AP Professional Holdings, L.P. and BRH Holdings, L.P. (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.10	Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

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Exhibit Number	Exhibit Description
10.11	Exchange Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, 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 Management Holdings, L.P. and the Apollo Principal Holders (as defined therein), from time to time party thereto (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.12	Tax Receivable Agreement, dated as of July 13, 2007, by and among APO Corp., Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Management Holdings, L.P. and each Holder defined therein (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.13	Credit Agreement dated as of April 20, 2007 among Apollo Management Holdings, L.P., as borrower, 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. and AAA Holdings, L.P., as guarantors, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.14	Employment Agreement with Leon D. Black (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.15	Employment Agreement with Marc J. Rowan (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.16	Employment Agreement with Joshua J. Harris (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.17	Employment Agreement with Barry Giarraputo (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
*10.18	Employment Agreement with Joseph F. Azrack.
10.19	Employment Agreement with Henry Silverman (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.20	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings V, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.21	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VI, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.22	Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings VII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.23	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VIII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.24	Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IX, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

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Exhibit Number	Exhibit Description
10.25	Third Amended and Restated Limited Partnership Agreement of Apollo Management Holdings, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.26	Settlement Agreement, dated December 14, 2008, by and among Huntsman Corporation, Jon M. Huntsman, Peter R. Huntsman, Hexion Specialty Chemicals, Inc., Hexion LLC, Nimbus Merger Sub, Inc., Craig O. Morrison, Leon Black, Joshua J. Harris and Apollo Global Management, LLC and certain of its affiliates (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.27	First Amendment and Joinder, dated as of August 18, 2009, to the Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.28	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.29	Employment Agreement with James Zelter (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.30	Roll-Up Agreement with James Zelter (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.31	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Plan Grants) (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.32	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Bonus Grants) (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.33	Form of Lock-up Agreement (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.34	Apollo Management Companies AAA Unit Plan (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.35	Employment Agreement with Marc Spilker (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.36	First Amendment and Joinder, dated as of April 14, 2010, to the Tax Receivable Agreement (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.37	Employment Agreement with Gene Donnelly (incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.38	First Amendment, dated as of May 16, 2007, to the Credit Agreement, dated as of April 20, 2007, among Apollo Management Holdings, L.P., as borrower, the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties party thereto (incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

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Exhibit Number	Exhibit Description
10.39	Second Amendment, dated as of December 20, 2010, to the Credit Agreement, dated as of April 20, 2007, as amended by the First Amendment thereto dated as of May 16, 2007, among Apollo Management Holdings, L.P., as borrower, the lenders party thereto from time to time JPMorgan Chase Bank as administrative agent and the other parties party thereto (incorporated by reference to Exhibit 10.39 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.40	Non-Qualified Share Option Agreement pursuant to the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan with Marc Spilker dated December 2, 2010 (incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.41	Non-Qualified Share Option Agreement pursuant to the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan with Henry Silverman dated January 21, 2011 (incorporated by reference to Exhibit 10.41 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.42	Form of Independent Director Engagement Letter (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-Q for the quarter period ended March 31, 2011 (File No. 001-35107)).
*10.43	Separation Agreement with Henry Silverman.
*21.1	Subsidiaries of Apollo Global Management, LLC.
*23.1	Consent of Deloitte & Touche LLP.
*31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
*31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
*32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
*32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
†*101.INS	XBRL Instance Document
†*101.SCH	XBRL Taxonomy Extension Scheme Document
†*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
†*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Apollo Global Management, LLC
(Registrant)

March 9, 2012

By: /s/ Gene Donnelly
Name: Gene Donnelly
Title: Chief Financial Officer
(principal financial officer)

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

Name	Title	Date
/s/ Leon Black Leon Black	Chairman and Chief Executive Officer and Director (principal executive officer)	March 9, 2012
/s/ Gene Donnelly Gene Donnelly	Chief Financial Officer (principal financial officer)	March 9, 2012
/s/ Barry Giarraputo Barry Giarraputo	Chief Accounting Officer (principal accounting officer)	March 9, 2012
/s/ Joshua Harris Joshua Harris	Senior Managing Director and Director	March 9, 2012
/s/ Marc Rowan Marc Rowan	Senior Managing Director and Director	March 9, 2012
/s/ Michael Ducey Michael Ducey	Director	March 9, 2012
/s/ Paul Fribourg Paul Fribourg	Director	March 9, 2012
/s/ AB Krongard AB Krongard	Director	March 9, 2012
/s/ Pauline Richards Pauline Richards	Director	March 9, 2012

Exhibit 10.18

EXECUTION
CONFIDENTIAL

APOLLO GLOBAL REAL ESTATE MANAGEMENT, L.P.
9 West 57th Street
New York, NV 10019

June 2, 2008

Mr. Joseph F. Azrack
19 Bedford Road
Lincoln, MA 01773

Dear Joe:

We are pleased to confirm and agree to the following terms in connection with your service as a partner of Apollo Global Real Estate Management, LP. (the "**Company**"). As used herein, "**Affiliate**" shall have the same meaning applied to it in paragraph (d) of Exhibit B to the attached Annex A.

- **Position**. You will serve as Managing Partner of the Real Estate Business (as defined below) of Apollo Management Holdings, L.P. and its Affiliated investment management companies (collectively, "**Apollo**"). Your period of service to the Company shall begin on a date to be mutually agreed but not later than July 8, 2008 (the actual date that your service with the Company commences, the " **Start Date**"). You will report to the Executive Committee of Apollo (the members of which are currently Leon D. Black, Marc J. Rowan and Joshua J. Harris). The parties acknowledge that, as of the date hereof, there is no precise definition of the Real Estate Business of Apollo and that you are being hired to organize, develop and oversee that business and its integration with Apollo's private equity and capital markets businesses. However, the parties agree that the " **Real Estate Business**" will refer to the investment management activities to be conducted by Apollo and its Affiliates for newly formed or acquired pooled investment vehicles (whether structured as private equity, hedge or other types of funds) that have a primary investment objective to invest in real estate and companies that are primarily engaged in the management, ownership or development of real estate (each, a " **Real Estate Fund** ") (it being acknowledged that no such pooled investment vehicles are managed by Apollo today). As the Managing Partner of the Real Estate Business, you will be a member of the senior management team of Apollo Global Management, LLC ("**AGM**") (sometimes informally referred to as the management group of AGM) and the Chairman of the Investment Committee for the Real Estate Business. AGM has received and accepted in principle (with the understanding that such discussion outline is non-binding and that flexibility will be needed in developing and operating the Real Estate Business) a discussion outline prepared by you that describes the time, staffing, working capital and seed investment capital you believe to be necessary to build the Real Estate Business, with an initial focus on the United States and Europe but with a long term view to expand the business into Asia. We both understand the challenges and opportunities in this business plan and will work together to access our internal assets (including internal funding where appropriate and relationships with Apollo limited partners) as appropriate to provide for the success of this endeavor.
- **Compensation**. You will be entitled to base pay ("**Base Pay**") at the annual rate of $500,000 during your period of service as a partner, which Base Pay shall accrue day to day and be paid in accordance with the Company's normal payroll practices applicable to similarly situated executives (which, for purposes of this letter agreement, will mean the most senior managing partners of Apollo and its Affiliates other than the partners who serve on the Executive Committee), as a draw against the Net Profit to which you are entitled pursuant to the next section. For services provided during each of 2008 and 2009, you will receive total cash compensation (including Base Pay, management and incentive fee and carry distributions and all other cash payments) equal to the greater of (i) $4,500,000 per year (the " **Guaranteed Compensation**"), provided your service is not terminated before the conclusion of either such period by you without "**Good Reason**" (as defined in the award agreement evidencing the Plan Grant described below and attached hereto as Annex A), by reason of your death or " **Disability**," or by the Company for "**Cause**" (as such terms are defined in the Plan (as defined below)), and (ii) the amount determined under the section entitled "Net Profit" below for such period; *provided*, *however*, that for services provided in 2008 the Guaranteed Compensation shall be reduced by the compensation you receive from your existing employer for services provided in 2008. To the extent that by mutual agreement you undertake investment management responsibilities outside the Real Estate Business, you and the Company will discuss in good faith your appropriate remuneration for such activities.

- **Net Profit**.
  - From and after the Start Date, you will be entitled to 12.5% of the management and incentive fees earned (other than from carry from private equity-type funds, which is provided for in the next paragraph) by Apollo and its Affiliates from the Real Estate Business on assets under management less all expenses attributable or allocated in good faith to the Real Estate Business, such as office expenses, compensation expenses, allocable overhead and returns of previous operating deficits (the " **Net Profit**"). Your right to participate in Net Profits will terminate as provided below in the section entitled, "Notice Entitlement." Operating deficits arise when revenues from the Real Estate Business in any fiscal year are less than the total expenses. An operating deficit for any fiscal year (other than fiscal years 2008 and 2009) will be allocated as an expense equally over the next three fiscal years, along with a rate of interest payable to Apollo based on Apollo's cost of capital. For hedge funds or other "evergreen" funds, you shall receive distributions at the same time as distributions are made to the other participants in such income (generally within 45 days after each quarterly period) except that the installment for the fourth quarter and annual period will be paid to you no later than April 15th of the year after the applicable fiscal year.
  - In the case of the carried interest allocable to a private equity-type Real Estate Fund, you will receive 12.5% of the points of carry in each such fund and your rights to such carry shall be subject to monthly vesting at the rate of l/60th per month over five years from the time such points are allocated (which allocations shall occur as of the closing of the applicable Real Estate Fund's first capital call for an investment). Upon your termination of employment without Cause or for Good Reason you shall be immediately vested in 75% of the aggregate carry previously awarded to you in any private equity-type Real Estate Fund that has commenced investing prior to such termination. Notwithstanding anything to the contrary contained herein or otherwise, you shall retain any such carry rights that have vested as of your service termination date and you shall receive distributions thereon, including in connection with dispositions or other liquidity events applicable to the investments made by such funds with respect to your vested carried interest. Generally, an additional 27.5% of the points of carry in each fund will be allocated to the balance of the Real Estate Business team, and such carry will be subject to the same additional vesting as your carry upon a team member's termination without Cause. In addition, the balance of the Real Estate Business team will receive allocations of equity interests in AGM in a manner consistent with the culture and economics of AGM. Such allocations of carry, and the allocations of equity rights in AGM, to the balance of the Real Estate Business team, shall be made by the Executive Committee in light of your recommendations as Managing Partner and in consultation with you. Apollo anticipates that the above-stated carry points, when combined with grants under the Plan currently anticipated to be made, consistent with Apollo's culture and practices, to the Real Estate Business team, shall provide the Real Estate Business team with interests that would reasonably be expected to have an aggregate economic value equivalent to approximately 50% or more of the total carry points.

- If Apollo acquires an existing investment management business that provides investment management services to funds with a primary investment objective in the real estate area during your service with the Company, the applicable percentage (12.5%) of the Net Profit you are entitled to receive with respect to such business shall be determined based on 12.5% of the Net Profit generated for Apollo by such business on any net increase, and after an appropriate return on investment to Apollo based on Apollo's cost of capital, (a) for hedge funds and other evergreen funds, in such acquired business's assets under management from and after the acquisition date (with all Net Profit being deemed to be generated evenly across all assets under management), and (b) for private equity-type funds, in committed but undeployed capital.

- **Plan Grant**. On the last day of the calendar quarter that includes the Start Date, you shall be granted, subject to the approval of the committee that administers the Plan, restricted share units ("**RSUs**") covering 950,000 Class A shares of AGM (the "**Plan Grant**") under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (the "**Plan**"). The committee that administers the Plan shall permit you to transfer the Plan Grant to a family trust within the meaning of Rule 701(c)(3) of the Securities Act. Each RSU shall be granted pursuant to the Plan and shall be subject to the terms and conditions of the RSU award agreement in the form of Annex A attached hereto, which terms and conditions are no less favorable, taken as a whole, than the terms and conditions applicable to those set forth in the RSU agreements of similarly situated executives, except that vesting of these units shall occur over a period of three and one half (3 1/2) years, with the first installment to vest on the anniversary of the grant date and the balance vesting in 10 equal quarterly installments thereafter. In addition to the Plan Grant, subject to the approval of the committee that administers the Plan, you shall be granted the additional RSUs (the "**Additional RSUs**") shown below on the last day of the calendar quarter in which the corresponding level of assets under management of the Real Estate Funds, as determined in good faith by the Executive Committee, is first attained:

Number of Additional RSUs	Aggregate assets under management of the Real Estate Funds	
612,500	$	2,500,000,000
204,166	$	3,333,333,333
204,167	$	4,166,666,667
204,167	$	5,000,000,000

The Additional RSUs will be granted pursuant to the Plan and shall be subject to the terms and conditions of the RSU award agreement in the form of Annex A attached hereto, except that vesting shall be in equal quarterly installments over the 12 quarters following the date of grant. Assets under management will be measured based on capital (whether committed or funded) on which management fees are paid.

- **Incentive Program**. A portion of your total cash compensation each calendar year or portion thereof (beginning January 1, 2009) will be deferred and payable pursuant to an incentive compensation program adopted by the Executive Committee prior to the beginning of such calendar year (the "**Incentive Program**"). Any amounts payable under the Incentive Program will be subject to three year vesting in equal annual installments, commencing on the last day of the year following the year in which the services were performed, which vesting shall be contingent on your continued service as a partner or employee on each vesting date. For services performed in 2009, the amount of compensation to be subject to the Incentive Program shall be as follows:

    - No part of the first $250,000 of your compensation;

- 10% of compensation from $250,000 to $500,000;
- 20% of compensation from $500,000 to $1,000,000
- 25% of compensation from $1,000,000 to $2,000,000; and
- 30% of compensation in excess of $2,000,000;

provided, *however*, that (x) the Guaranteed Compensation (or an amount of Net Profit distributions received in lieu thereof) shall not be subject to the Incentive Program, and (y) all amounts in excess of the amount specified in clause (x) shall be subject to the Incentive Program until your compensation reaches a level that all amounts that would have been subject to the Incentive Program had clause (x) not applied to you have become subject to the Incentive Program, and thereafter the bulleted formula shall apply without modification by this proviso.

- **Notice Entitlement**. On written notice to you, the Company may terminate your service as a partner (which, in any case, will also terminate your employment, if you are then an employee) with or without Cause, it being understood that such a termination shall not be a breach by the Company or any of its Affiliates of their agreements hereunder or otherwise. The period of notice that we will give you to terminate your service as a partner without Cause is 90 days. The Company may terminate your service as a partner for Cause without notice. The minimum period of notice that you are required to give us to terminate your service as a partner without Good Reason is 90 days. We reserve the right to require you to not be in Apollo's offices and/or not to undertake all or any of your duties and/or not to contact Apollo clients, colleagues or advisors during all or part of any period of notice of your termination of service. Should we exercise this right, your terms and conditions of service and duties of fidelity and confidentiality to us remain in full force and effect. During any such period, you remain a service provider to the Company with a duty of fidelity to the Company and should not be employed or engaged in any other business. Notwithstanding anything to the contrary contained herein or in any plan, agreement or arrangement between you and Apollo, in the event that your service as a partner or employee with the Company or any of its Affiliates is terminated by the Company or any of its Affiliates without Cause or by you for Good Reason at any time after the Start Date and before January 1,2010, the Company will pay you, in cash in quarterly installments through December 31, 2009 and subject to the effectiveness and irrevocability of a general release of claims executed by you (in the form of Annex B hereto), the balance of the unpaid Guaranteed Compensation (if any). In addition, notwithstanding anything to the contrary contained herein or in any plan, agreement or arrangement between you and Apollo, if at any time after the Start Date your service as a partner or employee with the Company or any of its Affiliates is terminated by the Company or any of its Affiliates without Cause or by you for Good Reason, on the next quarterly distribution date following the termination date, to the extent not duplicative of any payment of Guaranteed Compensation, you will be paid an amount in cash in a lump sum equal to 12.5% of the unpaid Net Profit earned by Apollo from the Real Estate Business (if any) for such quarterly period up to and including your termination date (Net Profit (*i.e*., carry) distributions on private equity-type vehicles will continue to be made on your vested points in the ordinary course after your termination of service).
- **Payment in lieu of notice**. Subject to the "Compliance" section below, we reserve the right to pay you in lieu of notice on a termination without Cause.
- **Benefit Plans**. You will be entitled to participate in the various group health, disability and life insurance plans and other benefit programs as may generally be offered to similarly situated executives from time to time, provided that your available paid vacation will not be less than four (4) weeks in each calendar year (subject to the Company's vacation policy as in effect from time to time regarding any limits on the ability to carry forward to a subsequent year accrued but unused vacation).

In addition, you will be entitled to prompt reimbursement of (i) your legal fees reasonably incurred in connection with the preparation and negotiation of this letter agreement, and (ii) all business expenses reasonably incurred by you in the course of your service with the Company in accordance with the Company's policies in respect of such matters (including that any amount so incurred shall be reimbursed by not later than the end of the calendar year following the year incurred; expenses eligible for reimbursement in any calendar year will not effect the expenses that are eligible for reimbursement in any other calendar year and will not be subject to liquidation or exchange for any other benefit).

- **Office Location**. Your primary office location shall be in New York. You may maintain a personal office for yourself in Boston but shall not spend more than six (6) days per month working out of such office. The Company will reimburse you for reasonable out-of-pocket expenses incurred in connection with the maintenance of such office in an amount not to exceed $10,000 per month, consistent with Apollo's policies regarding expense reimbursements as in effect from time to time.
- **Coinvestments**. You will be offered coinvestment opportunities in Apollo funds generally offered to similarly situated executives. During your service with the Company, following the first closing of a substantial investment by a third party in a Real Estate Fund, you will be obligated to invest your pro rata portion (12.5%) of the capital required of the general partner and its Affiliates for such Real Estate Fund (but shall not be obligated to invest more than $2,000,000 in all Real Estate Funds in any twelve month period). You will be entitled to participate in any management fee waiver program established with respect to any Real Estate Fund. You will also be provided opportunities to invest in private equity and capital markets funds managed by Apollo and its Affiliates on terms offered to similarly situated executives generally.
- **Compliance**. The Company is subject to and has various compliance procedures in place. You understand that your continued service will be subject to, among other things, your adherence to the Company's policies and procedures and other applicable compliance manuals, copies of which will be separately made available to you.
- **Restrictive Covenants**. You acknowledge and agree that you shall be bound by the confidentiality and restrictive covenant provisions contained in the award agreement evidencing the Plan Grant described above and attached hereto as Annex A and that your engagement by the Company is conditioned on your agreement to be bound thereby.
- **Confidentiality**. You will maintain the confidentiality of this letter agreement (and any related understandings, including your compensation arrangements and amounts) at all times and will not discuss such matters with any person other than your spouse, accountant, financial and tax advisors or attorney, except that you may make such disclosure (i) to the extent necessary with respect to any litigation, arbitration or mediation involving this letter agreement, or (ii) when disclosure is required by law or by any court or arbitrator with apparent jurisdiction to order you to disclose or make accessible any information.
- **Indemnification**. During the term of your service with the Company and its Affiliates and thereafter, the Company agrees to, and agrees to cause Apollo Management Holdings, L.P. to, indemnify and hold you and your heirs and representatives harmless, to the same extent applicable to similarly situated executives, against any and all damages, claims, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding, or threatened claim or proceeding, against you that arises out of or relates to your service as an officer, director, partner or employee, as the case may be, of the Company, any of its Affiliates or other entity at the request of the Company or any of its Affiliates. During the term of your service and thereafter, the Company also shall provide, and shall cause Apollo Management Holdings, L.P. to provide, you with coverage under its directors' and officers' liability policy(s) to the same extent as similarly situated executives.

- **Choice of Law; Forum; Waiver of Jury Trial.** This letter agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without regard to any conflicts of laws principles thereof that would give effect to the laws of another jurisdiction), and the parties submit to the exclusive jurisdiction of the federal and state courts of New York, New York (Borough **of** Manhattan) in relation to any dispute arising in connection herewith. **TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, YOU AND WE HEREBY WAIVE, AND COVENANT THAT YOU AND WE WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS LETTER AGREEMENT OR ANY MATTERS CONTEMPLATED HEREBY, WHETHER NOW OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND AGREE THAT ANY OF THE COMPANY OR ANY OF ITS AFFILIATES OR YOU MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE COMPANY AND ITS AFFILIATES, ON THE ONE HAND, AND YOU, ON THE OTHER HAND, IRREVOCABLY TO WAIVE THE RIGHT TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN SUCH PARTIES RELATING TO THIS LETTER AGREEMENT, THE PLAN OR ANY AWARD AGREEMENT, AND THAT ANY SUCH PROCEEDING WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.**
- **Assurances**. You represent that the written limitations furnished by you to the Company with respect to your prior employer constitute all limitations on your post-employment activities imposed by your prior employer and, to your knowledge, will not preclude you, after the Start Date, from joining the Company and satisfactorily and effectively performing the services contemplated thereby. You represent to the Company and its Affiliates that, to your knowledge, as of the Start Date there shall be no other obligations or restrictions that would keep you from joining the Company and performing the services contemplated hereby. You represent to the Company that you possess any licenses or certifications necessary for you to perform such services. You represent that you will honor all obligations concerning confidentiality and nonsolicitation that you have to your prior employer, and that you will not take to the Company any confidential information or trade secrets of your prior employer, nor use or disclose any confidential information or trade secrets of your prior employer while employed at the Company.
- **Section 409A**. The payments to you in connection with your termination of employment or service pursuant to this letter agreement are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (" **Section 409A**"), to the maximum extent possible, under either the separation pay exemption pursuant to Treasury Regulation § 1.409A-1(b)(9)(iii) or as a short-term deferral pursuant to Treasury Regulation § 1.409A-1(b)(4), and for purposes of the separation pay exemption, any post-employment installment paid to you shall be considered a separate payment. Notwithstanding any other provision in this Agreement, if on the date of your separation from service, within the meaning of Section 409A (the "**Separation Date**"), you are a "specified employee," as defined in Section 409A, then to the extent any amount payable under this letter agreement constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A, that under the terms of this letter agreement would be payable prior to the six-month anniversary of the Separation Date, such payment shall be delayed until the earlier to occur of (A) the six-month anniversary of the Separation Date or (B) the date of your death. For purposes of determining the timing of payments to you following termination of employment or service, all references to such termination shall mean the Separation Date.

- **Miscellaneous**. This letter agreement may not be modified, amended or waived unless in a writing signed by the undersigned parties. Any notice required hereunder shall be made in writing, as applicable, to the Company in care of its general counsel at his principal office location or to you at your principal office location or home address most recently on file with the Company, such notice to be deemed effective on the earlier of receipt or two days after it is issued. This letter agreement may not be assigned by the parties other than as expressly provided herein. This letter agreement may be executed through the use of separate signature pages or in any number of counterparts, including via facsimile or pdf, with the same effect as if the parties executing such counterparts had executed one counterpart.

[*Continues on next page*]

The effectiveness of these terms is subject to your execution and return of this letter agreement on or before June 2, 2008. This letter agreement (including Annex A attached hereto) constitutes the entire agreement between the parties in relation to its subject matter and supersedes any previous agreement or understanding between the parties relating thereto, all of which are hereby cancelled, and you confirm that in signing this letter agreement you have not relied on any warranty, representation, assurance or promise of any kind whatsoever other than as are expressly set out in this letter agreement or in the plans and documents referenced herein.

Sincerely,

/s/ John J. Suydam
John J. Suydam
Vice President

Agreed and Accepted:

/s/ Joseph F. Azrack
Joseph F. Azrack

Date: June 2, 2008

Exhibit 10.43

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (the "Separation Agreement") is made as of February 24, 2012 (the "Execution Date") by and among APOLLO MANAGEMENT, L.P., a Delaware limited partnership, APOLLO MANAGEMENT HOLDINGS, L.P., a Delaware limited partnership (together with Apollo Global Management, LLC and each of their respective subsidiaries and affiliates, "Apollo"), and HENRY R. SILVERMAN ("Silverman") (individually each a "Party" and collectively the "Parties").

1. Silverman hereby resigns, effective March 15, 2012 (the "Separation Date"), from the Board of Directors of Apollo Global Management, LLC ("AGM") and from any and all positions he holds at Apollo, including, without limitation, those listed in Exhibit A. As of the Separation Date he will not be employed by or affiliated with Apollo in any capacity. Silverman will execute promptly upon request by Apollo any additional documents necessary to effectuate the provisions of this Paragraph 1.

2. Provided that no ADEA Revocation has occurred during the ADEA Revocation Period (as both terms are defined below), Apollo shall pay Silverman $2,416,667, subject to tax withholding at minimum applicable rates, in the following manner:

a. $916,667 in a single payment within two business days following the expiration of the ADEA Revocation Period (the "Payment Date"); and

b. $1,500,000 in a single payment on the first anniversary of the Payment Date, not subject to counterclaim or offset.

3. Provided that no ADEA Revocation has occurred during the ADEA Revocation Period (as both terms are defined below), within five business days following expiration of the ADEA Revocation Period, Silverman shall exercise an option (the "Option") to purchase up to 277,778 shares of AGM subject to the terms of the Non-Qualified Share Option Agreement by and between AGM and Silverman dated January 21, 2011 (the "Share Option Agreement"), which was made pursuant to and incorporates the terms of the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (the "Equity Incentive Plan," and together with the Share Option Agreement, the "Incentive Compensation Plans"). Further, (i) the Administrator (as defined in the Incentive Compensation Plans) shall permit Silverman to utilize, and Silverman shall utilize, the exercise method provided for in Paragraph 8 of the Share Option Agreement and Section 7(e)(i) of the Equity Incentive Plan, pursuant to which the number of shares issuable upon exercise is reduced by an amount closest to but without exceeding the aggregate exercise price; and (ii) the Administrator shall reduce the number of shares to be issued upon exercise of the Option to satisfy applicable withholding obligations with respect to the Option at the minimum applicable rate, as provided for in Paragraph 14 of the Share Option Agreement. An example of the calculation of such reduction in shares is attached as Exhibit B solely for the purpose of illustration. Following Silverman's exercise of the Option, AGM shall deliver the resulting number of shares as directed by Silverman. Any and all other rights Silverman has or may have had under the Incentive Compensation Plans, including, without limitation, any rights to purchase Option Shares that would have become vested on December 31, 2012 if Silverman's employment had ended after such date, are hereby extinguished.

4. The Parties agree that Silverman's employment agreement with Apollo, dated February 1, 2009 (the " Employment Agreement"), shall be terminated as of the Execution Date, provided, however, that such termination shall not limit, alter, modify or otherwise affect Silverman's obligations pursuant to the restrictive covenants contained in Annex A to the Employment Agreement.

5. For the avoidance of doubt, Silverman acknowledges that nothing in this Agreement (except for the provisions of Paragraph 6 below), nor the fact of (i) Silverman's resignations from his positions with Apollo, or (ii) the termination of the Employment Agreement, shall limit, alter, modify or otherwise affect:

a. Silverman's obligations not to disclose confidential information concerning any Apollo entities, including, without limitation, the obligations set forth in the restrictive covenants contained or incorporated in the Employment Agreement or the Share Option Agreement;

b. Silverman's obligations of non-competition and non-solicitation in respect of Apollo, including, without limitation, the obligations set forth in the restrictive covenants contained or incorporated in the Employment Agreement or the Share Option Agreement, as modified by the provisions of Paragraph 6 of this Agreement;

c. Silverman's obligations of non-disparagement in respect of Apollo, including, without limitation, the obligations set forth in the restrictive covenants contained or incorporated in the Share Option Agreement; and

d. Silverman's obligations under Apollo's Code of Ethics and any other Apollo policies or procedures;

provided, however, that nothing in this Paragraph 5 is intended to or shall prevent Silverman from making truthful statements regarding the Releasees (as defined below) in connection with legal or regulatory proceedings or otherwise as required by law, including in connection with any proceeding before the U.S. Securities and Exchange Commission.

6. The Parties agree that the definitions of Competitive Business and Investment Fund in paragraph 2 of the Restrictive Covenants contained in Annex A to the Employment Agreement and the definition of Competing Business in paragraph (g)(i) of the Restrictive Covenants contained in Exhibit A to the Share Option Agreement shall be limited to the list of entities set out in a letter dated February 24, 2012 from Apollo Management, L.P. and Apollo Management Holdings, L.P. to Silverman (the "Side Letter"), and all subsidiaries and affiliates of those entities. This Paragraph 6 shall not affect any obligations of Silverman other than the obligations not to compete with Apollo.

7. In consideration of the benefits provided for in this Agreement, Silverman voluntarily, knowingly and willingly releases and forever discharges each of the entities that compose Apollo and each such entity's respective subsidiaries, divisions, affiliates, portfolio companies, parents, managers, successors and assigns (including, without limitation, any fund or investment vehicle affiliated in any way with Apollo) (collectively, the " Apollo Entities"), together with the officers, directors, partners, investors, shareholders, members, employees, agents, attorneys, fiduciaries and administrators of any Apollo Entity (collectively, the "Releasees") from any and all actions, causes of action, suits, claims, demands, obligations, complaints or rights of any nature whatsoever (collectively "Claims") that Silverman now has or ever had against the Releasees, whether or not now known to Silverman, other than any cause of action to enforce the terms or remedy a breach of this Agreement. This release includes, but is not limited to, any Claim relating in any way to Silverman's employment or contractual relationships with Apollo or any of the other Releasees or the termination thereof, the Employment Agreement, the Share Option Agreement, and the Equity Incentive Plan; any Claim relating in any way to any contract (express or implied, written or oral) or the commission of any tort or breach of duty; and any Claims under any federal, state or local statute or regulation, including, without limitation, the Rehabilitation Act of 1973 (including Section 504 thereof), the Age Discrimination in Employment Act of 1967 ("ADEA"), the National Labor Relations Act, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act, the Securities Act of 1933, and the Securities Exchange Act of 1934, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, the New York City Human Rights Law, and the Employee Retirement Income Security Act of 1974, all as amended. This release also includes, but is not limited to, any Claims based upon the right to the payment of wages, bonuses, vacation, pension benefits, 401(k) plan benefits, stock or options benefits or any other employee benefits, or any other rights arising under federal, state or local laws prohibiting discrimination and/or harassment on the basis of race, color, age, religion, sexual orientation, religious creed, sex, national origin, ancestry, alienage, citizenship, nationality, mental or physical disability, denial of family and medical care leave, medical condition (including cancer and genetic characteristics), marital status, military status, gender identity, harassment or any other basis prohibited by law. Notwithstanding any of the foregoing, nothing in this Paragraph 7 is intended to or shall release any Claims Silverman now has against the Releasees that arise solely from investments in Apollo Entities made by Silverman or by a trust or other entity whose investment decisions Silverman controls.

8. Except for the portion of the release contained in Paragraph 7 that concerns Claims under the ADEA (the " ADEA Release "), the terms of Paragraph 7 shall automatically become immediately effective upon Silverman's execution of this Agreement. Upon the expiration of the ADEA Revocation Period (defined below), the terms of the ADEA Release shall automatically become effective as of the date Silverman executes this Agreement. The ADEA Revocation Period begins upon Silverman's execution of this Agreement. Silverman acknowledges that, solely with respect to the ADEA Release but not with respect to any other portion of the release contained in Paragraph 7, Silverman has been offered but declined a period of time of at least 21 days to consider whether to sign this Agreement, which he has waived, and Apollo agrees that he may cancel the ADEA Release but not any other portion of the release contained in Paragraph 7 at any time during the seven days following the date on which this

Agreement has been signed by each Party (the "ADEA Revocation Period"). In order to cancel or revoke the ADEA Release, Silverman must deliver to the Chief Legal Officer of AGM written notice stating that he is canceling or revoking the ADEA Release prior to the end of the ADEA Revocation Period (an "ADEA Revocation").

9. In the event of an ADEA Revocation, this Separation Agreement shall be immediately terminated and cancelled in its entirety and all of its provisions will be void.

10. Silverman covenants, warrants and agrees that (a) he has full authority to resolve and forever release all Claims released pursuant to Paragraph 7, and (b) he has not assigned or otherwise transferred any such Claims.

11. In consideration of the benefits set forth in this Agreement, Apollo voluntarily, knowingly and willingly releases and forever discharges Silverman from any and all Claims of any nature whatsoever that Apollo now has against Silverman, whether or not now known to Apollo, other than any Claim to enforce the terms or remedy a breach of this Agreement. This release includes, but is not limited to, any Claims relating in any way to Silverman's employment relationship with Apollo. Notwithstanding any of the foregoing, nothing in this Paragraph 11 is intended to or shall release any Claims whatsoever that Apollo now has or may have in the future against Silverman that arise solely from investments in Apollo Entities made by Silverman or by a trust or other entity whose investment decisions Silverman controls.

12. The Parties agree and acknowledge that nothing in this Agreement or the Side Letter shall limit, alter, modify or otherwise affect the rights and obligations of indemnification or contribution of Silverman or Apollo, existing as of the Execution Date, in respect of any Claim or other dispute, controversy, litigation, action, arbitration, investigation or other proceeding related to Silverman's employment with and service to Apollo, brought or initiated by any person, regulatory body or other entity other than Silverman or Apollo, including, without limitation, any such rights under AGM's Amended and Restated Limited Liability Company Agreement.

13. Silverman agrees to cooperate in good faith and comply with and respond to requests from or inquiries by Apollo for assistance and information in connection with any matters or issues relating to or encompassed within (i) the duties and responsibilities encompassed in Silverman's positions at Apollo, and (ii) any lawsuit, arbitration, investigation or other proceeding or dispute in which Apollo is or may become involved that may relate to Silverman or his duties with Apollo or as to which Silverman has relevant knowledge or information. Such cooperation and assistance shall include, without limitation, consulting with Apollo's officers, directors, employees, legal counsel, accountants and other agents, advisors or representatives, appearing as a witness, submitting to depositions, providing documents, testimony and interviews, and otherwise cooperating and assisting Apollo in its defense or prosecution of any Claim or other dispute, controversy, litigation, action, arbitration, investigation or other proceeding, or otherwise defending its position with respect to any matter. Silverman further agrees that if he is subpoenaed to appear in any civil or criminal litigation, or by any governmental authority, to testify on any matter relating in whole or in part to Apollo or his employment or affiliation with Apollo or any of its affiliates, Silverman will deliver a copy of

the subpoena to the Chief Legal Officer of AGM, by e-mail, within two business days of receiving such subpoena. Apollo shall bear or reimburse Silverman for all reasonable expenses incurred in connection with Silverman's compliance with his obligations under this Paragraph 13.

14. Silverman and the Apollo Entities shall not make any disparaging statements about each other, provided, however, that nothing in this Agreement shall prohibit (i) any of the Apollo Entities from responding to a request for a reference or other information concerning Silverman's employment solely by providing Silverman's dates of employment and titles at Apollo and its affiliates; and (ii) either Silverman or any of the Apollo Entities from making truthful statements regarding any of the Apollo Entities or Silverman, respectively, in communications with the U.S. Securities and Exchange Commission (the "SEC") or other governmental or regulatory bodies or in connection with legal or regulatory proceedings or otherwise as required by law, including in connection with any proceeding before the SEC or other governmental or regulatory body. The provisions of this Paragraph 14 apply in addition to Silverman's continuing obligations of non-disparagement in respect of Apollo set forth in the Restrictive Covenants contained in the Share Option Agreement.

15. On the Execution Date, AGM shall file a Form 8-K with the SEC in the form attached as Exhibit C, and shall distribute to all AGM employees a communication in the form attached as Exhibit D.

16. The Parties each deny and in no way admit any liability to each other, except as described herein. This Agreement shall not be considered an admission of any fact, issue of law or liability by any Party for any purpose, nor shall anything in this Agreement constitute or be construed to be an admission, suggestion, or implication that any Party acted in any way improperly, or bears any liability to any Party.

17. Each Party shall bear its own legal and other costs incurred in connection with this Agreement.

18. This Agreement and the Side Letter constitute the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersede any prior or contemporaneous oral or written agreements, proposed agreements, negotiations, or discussions with respect to the subject matter hereof.

19. This Agreement may not be altered, modified, amended, or terminated, unless by writing executed by all the Parties, nor any of its provisions waived, unless in writing by the Party granting such waiver.

20. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to any choice of law or conflict of law provision or rules. Any action related to or arising from this Agreement shall be brought exclusively in the federal or state courts located in New York County, New York. The Parties irrevocably submit to the jurisdiction of such courts for the purpose of any such action, proceeding or judgment and waive any defense based on the location, venue or jurisdiction of such courts. **TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT**

CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY ACTION IN WHOLE OR IN PART ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY MATTERS CONTEMPLATED HEREBY (INCLUDING, BUT NOT LIMITED TO, ANY ACTION ARISING OUT OF OR RELATED TO THE EMPLOYMENT AGREEMENT, THE EQUITY INCENTIVE PLAN OR THE SHARE OPTION AGREEMENT), WHETHER NOW OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND AGREE THAT SILVERMAN OR ANY OF THE APOLLO ENTITIES MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG SILVERMAN, ON THE ONE HAND, AND APOLLO, ON THE OTHER HAND, IRREVOCABLY TO WAIVE THE RIGHT TO TRIAL BY JURY, AND THAT ANY SUCH PROCEEDING WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

21. If any provision, term or clause of this Agreement is declared illegal, unenforceable or ineffective in a legal forum, that provision, term or clause shall be deemed severable, such that all other provisions, terms and clauses of this Agreement shall remain valid and binding upon all of the Parties.

22. Silverman acknowledges that he has consulted counsel and that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever. This Agreement has been reviewed and negotiated by the Parties' respective counsel, and its construction shall not be subject to any presumptions against its drafter.

23. This Agreement may be executed in counterparts, each of which when taken together shall be deemed one and the same document.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, the Parties hereto affix their signatures.

HENRY SILVERMAN

Dated 2/24/12

By: /s/ Henry Silverman
Henry Silverman

APOLLO MANAGEMENT, L.P.

Dated 2/24/12

By: Apollo Management GP, LLC,
its general partner

By: /s/ John J. Suydam
John J. Suydam
Vice President

APOLLO MANAGEMENT HOLDINGS, L.P.

Dated 2/24/12

By: Apollo Management Holdings GP, LLC,
its general partner

By: /s/ John J. Suydam
John J. Suydam
Vice President

Exhibit 21.1

LIST OF SUBSIDIARIES

The following are subsidiaries of Apollo Global Management, LLC as of March 6, 2012 and the jurisdictions in which they are organized.

Entity Name	Jurisdiction of Organization
Apollo Capital Management IV, Inc.	Delaware
Apollo Advisors IV, L.P.	Delaware
Apollo Capital Management V, Inc.	Delaware
Apollo Advisors V, L.P.	Delaware
Apollo Principal Holdings I, L.P.	Delaware
Apollo Capital Management VI, LLC	Delaware
Apollo Advisors VI, L.P.	Delaware
APO Asset Co., LLC	Delaware
Apollo Principal Holdings I GP, LLC	Delaware
Apollo Principal Holdings III GP, Ltd.	Cayman Islands
Apollo Advisors V (EH), LLC	Anguilla
Apollo Advisors V (EH Cayman), L.P.	Cayman Islands
Apollo Principal Holdings III, L.P.	Cayman Islands
Apollo Advisors VI (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VI (EH), L.P.	Cayman Islands
AAA Guernsey Limited	Guernsey
Apollo Alternative Assets, L.P.	Cayman Islands
AAA MIP Limited	Guernsey
AAA Associates, L.P.	Guernsey
APO Corp.	Delaware
Apollo SVF Capital Management, LLC	Delaware
Apollo SVF Advisors, L.P.	Delaware
Apollo SVF Administration, LLC	Delaware
Apollo SOMA Capital Management, LLC	Delaware
Apollo SOMA Advisors, L.P.	Delaware
Apollo Principal Holdings II GP, LLC	Delaware
Apollo Asia Capital Management, LLC	Delaware
Apollo Asia Advisors, L.P.	Delaware
Apollo Asia Administration, LLC	Delaware
Apollo Value Capital Management, LLC	Delaware

Entity Name	Jurisdiction of Organization
Apollo Value Advisors, L.P.	Delaware
Apollo Value Administration, LLC	Delaware
Apollo Principal Holdings II, L.P.	Delaware
Apollo Principal Holdings IV, L.P.	Cayman Islands
Apollo EPF Capital Management, Limited	Cayman Islands
Apollo EPF Advisors, L.P.	Cayman Islands
Apollo EPF Administration, Limited	Cayman Islands
Apollo Management Holdings, L.P.	Delaware
Apollo Management, L.P.	Delaware
AIF III Management, LLC	Delaware
Apollo Management III, L.P.	Delaware
AIF V Management, LLC	Delaware
Apollo Management V, L.P.	Delaware
AIF VI Management, LLC	Delaware
Apollo Management VI, L.P.	Delaware
Apollo Management IV, L.P.	Delaware
Apollo International Management, L.P.	Delaware
Apollo Alternative Assets GP Limited	Cayman Islands
Apollo Management International LLP	UK
Apollo Management Advisors GmbH	Germany
AMI (Holdings), LLC	Delaware
AAA Holdings GP Limited	Guernsey
AAA Holdings, L.P.	Guernsey
Apollo International Management GP, LLC	Delaware
Apollo Capital Management GP, LLC	Delaware
AEM GP, LLC	Delaware
Apollo Europe Management, L.P.	Delaware
ACC Management, LLC	Delaware
Apollo Investment Management, L.P.	Delaware
Apollo SVF Management GP, LLC	Delaware
Apollo SVF Management, L.P.	Delaware
Apollo Value Management GP, LLC	Delaware
Apollo Value Management, L.P.	Delaware
Apollo Asia Management GP, LLC	Delaware
Apollo Asia Management, L.P.	Delaware

Entity Name	Jurisdiction of Organization
Apollo Management Singapore Pte Ltd	Singapore
Apollo EPF Management GP, LLC	Delaware
Apollo EPF Management, L.P.	Delaware
Apollo Capital Management, L.P.	Delaware
Apollo Principal Holdings IV GP, Ltd.	Cayman Islands
Apollo Management Holdings GP, LLC	Delaware
Apollo Management VII, L.P.	Delaware
AIF VII Management, LLC	Delaware
Apollo Advisors VII, L.P.	Delaware
Apollo Capital Management VII, LLC	Delaware
Apollo Credit Liquidity Management, L.P.	Delaware
Apollo Credit Liquidity Management GP, LLC	Delaware
Apollo Credit Liquidity Capital Management, LLC	Delaware
Apollo Credit Liquidity Investor, LLC	Delaware
Apollo Credit Liquidity Advisors, L.P.	Delaware
Apollo Investment Consulting LLC	Delaware
Apollo Life Asset Ltd	Cayman Islands
Apollo Management GP, LLC	Delaware
AP Transport	Delaware
AP Alternative Assets, L.P.	Guernsey
Apollo Management (UK), L.L.C.	Delaware
Apollo Investment Administration, LLC	Maryland
A/A Capital Management, LLC	Delaware
A/A Investor I, LLC	Delaware
Apollo/Artus Management, LLC	Delaware
Apollo Fund Administration VII, LLC	Delaware
Apollo Management (UK) VI, LLC	Delaware
Apollo COF Investor, LLC	Delaware
Apollo Credit Opportunity Management, LLC	Delaware
Apollo Co-Investors VII (D), L.P.	Delaware
Apollo EPF Co-Investors (B), L.P.	Cayman Islands
Apollo Management (AOP) VII, LLC	Delaware
Apollo Co-Investors Manager, LLC	Delaware
Apollo Commodities Management GP, LLC	Delaware
Apollo Commodities Management, L.P.	Delaware

Entity Name	Jurisdiction of Organization
Apollo Commodities Partners Fund Administration, LLC	Delaware
Apollo Fund Administration IV, L.L.C.	Delaware
Apollo Fund Administration V, L.L.C.	Delaware
Apollo Fund Administration VI, LLC	Delaware
VC GP, LLC	Delaware
Apollo Management (Germany) VI, LLC	Delaware
Apollo Advisors VII (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VII (EH), L.P.	Cayman Islands
Apollo Co-Investors VII (EH-D), LP	Anguilla
Apollo Verwaltungs V GmbH	Germany
Apollo AIE II Co-Investors (B), L.P.	Cayman Islands
Apollo Credit Co-Invest II GP, LLC	Delaware
Apollo Europe Advisors, L.P.	Cayman Islands
Apollo Europe Capital Management, Ltd	Cayman Islands
LeverageSource Management, LLC	Delaware
AMI (Luxembourg) S.a.r.l.	Luxembourg
Apollo Principal Holdings V, L.P.	Delaware
Apollo Principal Holdings VI, L.P.	Delaware
Apollo Principal Holdings VII, L.P.	Cayman Islands
Apollo Principal Holdings V GP, LLC	Delaware
Apollo Principal Holdings VI GP, LLC	Delaware
ACC Advisors D, LLC	Delaware
Apollo Principal Holdings VII GP, Ltd.	Cayman Islands
ACC Advisors C, LLC	Delaware
APO (FC), LLC	Anguilla
ACC Advisors A/B, LLC	Delaware
Apollo Master Fund Feeder Management, LLC	Delaware
Apollo Palmetto Management, LLC	Delaware
Apollo Master Fund Feeder Advisors, L.P.	Delaware
Apollo Palmetto Advisors, L.P.	Delaware
Apollo Master Fund Administration, LLC	Delaware
Apollo Global Real Estate Management GP, LLC	Delaware
Apollo Global Real Estate Management, L.P.	Delaware
Apollo Advisors VI (APO FC-GP), LLC	Anguilla
Apollo Advisors VII (APO FC-GP), LLC	Anguilla

Entity Name	Jurisdiction of Organization
Apollo Advisors VI (APO DC-GP), LLC	Delaware
Apollo Advisors VII (APO DC-GP), LLC	Delaware
Apollo Anguilla B LLC	Anguilla
Apollo Advisors VI (APO DC), L.P.	Delaware
Apollo Advisors VII (APO DC), L.P.	Delaware
Apollo Advisors VI (APO FC), L.P.	Cayman Islands
Apollo Advisors VII (APO FC), L.P.	Cayman Islands
VC GP C, LLC	Delaware
APH I (SUB I), Ltd	Cayman Islands
APH III (SUB I), Ltd	Cayman Islands
Apollo Strategic Advisors, L.P.	Cayman Islands
Apollo SOMA II Advisors, L.P.	Cayman Islands
Apollo Strategic Management GP, LLC	Delaware
Apollo Strategic Management, L.P.	Delaware
Apollo Strategic Capital Management, LLC	Delaware
Ohio Haverly Finance Company GP, LLC	Delaware
Ohio Haverly Finance Company, L.P.	Delaware
AGM India Advisors Private Limited	India
Apollo Principal Holdings VIII GP, Ltd.	Cayman Islands
Apollo Principal Holdings VIII, L.P.	Cayman Islands
Apollo Principal Holdings IX GP, Ltd.	Cayman Islands
Apollo Principal Holdings IX, L.P.	Cayman Islands
Blue Bird GP, Ltd.	Cayman Islands
Green Bird GP, Ltd.	Cayman Islands
Red Bird GP, Ltd.	Cayman Islands
August Global Management, LLC	Florida
ACREFI Management, LLC	Delaware
New York Haverly Finance Company GP, LLC	Delaware
Apollo COF I Capital Management, LLC	Delaware
Apollo Credit Opportunity Advisors I, L.P.	Delaware
Apollo COF II Capital Management, LLC	Delaware
Apollo Credit Opportunity Advisors II, L.P.	Delaware
Apollo Co-Investors VI (D), L.P.	Delaware
Apollo Co-Investors VI (DC-D), L.P.	Delaware
Apollo Co-Investors VI (EH-D), LP	Anguilla

Entity Name	Jurisdiction of Organization
Apollo Co-Investors VI (FC-D), LP	Anguilla
Athene Asset Management, LLC	Delaware
Apollo Credit Opportunity CM Executive Carry I, L.P.	Delaware
Apollo Credit Opportunity CM Executive Carry II, L.P.	Delaware
Apollo Credit Liquidity CM Executive Carry, L.P.	Delaware
Apollo Laminates Agent, LLC	Delaware
Apollo Management Asia Pacific Limited	Hong Kong
Apollo ALS Holdings II GP, LLC	Delaware
Apollo Resolution Servicing GP, LLC	Delaware
Apollo Resolution Servicing, L.P.	Delaware
AGRE CMBS Management LLC	Delaware
AGRE CMBS GP LLC	Delaware
Apollo Co-Investors VII (FC-D), L.P.	Anguilla
Apollo Co-Investors VII (DC-D), L.P.	Delaware
Apollo Credit Management (CLO), LLC	Delaware
Apollo Global Securities, LLC	Delaware
Apollo Advisors (Mauritius) Ltd.	Mauritius
AAA Life Re Carry, L.P.	Cayman Islands
AGRE Asia Pacific Management, LLC	Delaware
AGRE NA Management, LLC	Delaware
AGRE Europe Management, LLC	Delaware
AGRE -DCB, LLC	Delaware
Apollo Parallel Partners Administration, LLC	Delaware
Apollo Credit Capital Management, LLC	Delaware
Apollo Credit Advisors I, LLC	Delaware
Apollo Credit Management (Senior Loans), LLC	Delaware
Apollo Asian Infrastructure Management, LLC	Delaware
Apollo CKE GP, LLC	Delaware
ALM Loan Funding 2010-1, LLC	Delaware
AGRE NA Legacy Management, LLC	Delaware
AGRE Europe Legacy Management, LLC	Delaware
AGRE Asia Pacific Legacy Management, LLC	Delaware
AGRE GP Holdings, LLC	Delaware
Apollo Gaucho GenPar, Ltd	Cayman Islands
Apollo Credit Advisors II, LLC	Delaware

Entity Name	Jurisdiction of Organization
AP TSL Funding, LLC	Delaware
AGRE -E Legacy Management, LLC	Delaware
Financial Credit I Capital Management, LLC	Delaware
Financial Credit Investment I Manager, LLC	Delaware
AGRE CMBS GP II LLC	Delaware
AGRE CMBS Management II LLC	Delaware
Financial Credit Investment Advisors I, L.P.	Cayman Islands
APH HFA Holdings, L.P.	Cayman Islands
APH HFA Holdings GP, Ltd	Cayman Islands
AGRE -E2 Legacy Management, LLC	Delaware
AP AOP VII Transfer Holdco, LLC	Delaware
ALM Loan Funding 2010-3, Ltd.	Cayman Islands
Apollo Credit Management, LLC	Delaware
Apollo Credit Capital Management, LLC	Delaware
Apollo India Credit Opportunity Management, LLC	Delaware
AGRE U.S. Real Estate Advisors, L.P.	Delaware
AGRE U.S. Real Estate Advisors GP, LLC	Delaware
Apollo AGRE USREF Co-Investors (B), LLC	Delaware
CPI Capital Partners Asia Pacific GP Ltd.	Cayman Islands
CPI Asia G-Fdr General Partner GmbH	Germany
CPI Capital Partners Asia Pacific MLP II Ltd.	Cayman Islands
CPI Capital Partners Europe GP Ltd.	Cayman Islands
CPI European Fund GP LLC	Delaware
CPI European Carried Interest, L.P.	Delaware
CPI CCP EU-T Scots GP Ltd.	Scotland
CPI NA GP LLC	Delaware
CPI NA Fund GP LP	Delaware
CPI NA Cayman Fund GP, L.P.	Cayman Islands
CPI NA WT Fund GP LP	Delaware
Apollo Administration GP Ltd.	Cayman Islands
Apollo Achilles Co-Invest GP, LLC	Anguilla
Apollo Palmetto HFA Advisors, L.P.	Delaware
Apollo Credit Co-Invest II, L.P.	Delaware
ARM Manager, LLC	Delaware
Stanhope Life Advisors, L.P.	Cayman Islands

Entity Name	Jurisdiction of Organization
AION Capital Management Limited	Mauritius
Greenhouse Holdings, Ltd.	Cayman Islands
Apollo ALST GenPar, Ltd.	Cayman Islands
Apollo Palmetto Athene Advisors, L.P.	Delaware
Apollo ANRP Co-Investors (D), L.P.	Delaware
Apollo Co-Investors VII (NR DC-D), L.P.	Delaware
Apollo Co-Investors VII (NR D), L.P.	Delaware
Apollo Co-Investors VII (NR FC-D), LP	Anguilla
Apollo Co-Investors (NR EH-D), LP	Anguilla
ALM IV, Ltd.	Cayman Islands
APH Holdings, L.P.	Cayman Islands
APH Holdings (DC), L.P.	Cayman Islands
APH Holdings (FC), L.P.	Cayman Islands
Apollo Longevity, LLC	Delaware
Apollo ANRP Capital Management, LLC	Delaware
Apollo ANRP Advisors, L.P.	Delaware
Apollo ALST Voteco, LLC	Delaware
AGRE CRE Debt Manager, LLC	Delaware
Apollo GSS GP Limited	Channel Islands
Apollo ANRP Advisors (IH-GP), LLC	Anguilla
Apollo ANRP Advisors (IH), L.P.	Cayman Islands
Apollo ANRP Co-Investors (IH-D), LP	Anguilla
AGRE Debt Fund I GP, Ltd.	Cayman Islands
Apollo APC Capital Management, LLC	Anguilla
Apollo APC Advisors, L.P.	Cayman Islands
Apollo European Senior Debt Advisors, LLC	Delaware
Apollo European Strategic Advisors, LLC	Delaware
Apollo European Strategic Advisors, L.P.	Cayman Islands
Apollo European Strategic Management, LLC	Delaware
Apollo European Strategic Management, L.P.	Delaware
Apollo Credit Management (European Senior Debt), LLC	Delaware
Apollo European Senior Debt Management, LLC	Delaware
Apollo Credit Advisors III, LLC	Delaware
Apollo EPF Advisors II, L.P.	Cayman Islands
Apollo EPF Management II GP, LLC	Delaware

Entity Name	Jurisdiction of Organization
Apollo EPF Management II, L.P.	Delaware
Apollo VII TXU Administration, LLC	Delaware
Apollo APC Management, L.P.	Delaware
Apollo APC Management GP, LLC	Delaware
Apollo EPF Co-Investors (D), L.P.	Cayman Islands
Apollo Executive Carry VII (NR), L.P.	Delaware
Apollo Executive Carry VII (NR APO DC), L.P.	Cayman Islands
Apollo Executive Carry VII (NR APO FC), L.P.	Delaware
Apollo Executive Carry VII (NR EH), L.P.	Cayman Islands
Apollo European Credit Advisors, L.P.	Cayman Islands
Apollo European Credit Advisors, LLC	Delaware
Apollo European Credit Management, L.P.	Delaware
Apollo European Credit Management, LLC	Delaware
GSAM Apollo Holdings, LLC	Delaware
Gulf Stream - Compass CLO 2007, Ltd.	Cayman Islands
Gulf Stream - Compass CLO 2005-II, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2007-I, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2006-I, Ltd.	Cayman Islands
Gulf Stream - Rashinban CLO 2006-I, Ltd.	Cayman Islands
Neptune Finance CCS, Ltd.	Cayman Islands
Apollo Senior Loan Fund Co-Investors (D), L.P.	Delaware
Apollo European Strategic Co-Investors, LLC	Delaware
ST Holdings GP, LLC	Delaware
ST Management Holdings, LLC	Delaware
ST Merger Subsidiary, LLC	Delaware
Apollo Credit Senior Loan Fund, L.P.	Delaware
Apollo Athlon GenPar, Ltd.	Cayman Islands
2012 CMBS GP LLC	Delaware
2012 CMBS Management LLC	Delaware
Apollo SPN Capital Management, LLC	Anguilla
Apollo SPN Advisors, L.P.	Cayman Islands
Apollo SPN Management, LLC	Delaware
Apollo SPN Co-Investors (D), L.P.	Anguilla
Apollo SPN Capital Management (APO FC-GP), LLC	Anguilla
Apollo SPN Advisors (APO FC), L.P.	Cayman Islands

Entity Name	Jurisdiction of Organization
Apollo SPN Co-Investors (FC-D), L.P.	Anguilla
Apollo SPN Capital Management (APO DC-GP), LLC	Anguilla
Apollo SPN Advisors (APO DC), L.P.	Cayman Islands
Apollo SPN Co-Investors (DC-D), L.P.	Anguilla
Apollo AGRE Prime Co-Investors (D), LLC	Anguilla
Apollo European Credit Co-Investors, LLC	Delaware
Gulf Stream Asset Management, LLC	North Carolina
Apollo Centre Street Management, LLC	Delaware
Apollo Centre Street Advisors (APO DC-GP), LLC	Delaware
Apollo Centre Street Advisors (APO DC), LLC	Delaware
Apollo Centre Street Co-Investors (DC-D), L.P.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-173161) on Form S-8 of our report dated March 8, 2012 relating to the consolidated financial statements of Apollo Global Management, LLC and subsidiaries appearing in this Annual Report on Form 10-K of Apollo Global Management, LLC for the year ended December 31, 2011.

/s/ Deloitte & Touche

New York, New York
March 8, 2012

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Leon Black, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2011 of Apollo Global Management, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 9, 2012

/s/ Leon Black

Leon Black
Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Gene Donnelly, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2011 of Apollo Global Management, LLC

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 9, 2012

/s/ Gene Donnelly

Gene Donnelly
Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Apollo Global Management, LLC (the "Company") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leon Black, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 9, 2012

/s/ Leon Black
Leon Black
Chief Executive Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

**Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Apollo Global Management, LLC (the "Company") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gene Donnelly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 9, 2012

/s/ Gene Donnelly
Gene Donnelly
Chief Financial Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.