DOCUMENT INDEX

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

PUBLIC COPY

<u>Parties</u>:

AGM	AGM Management, LLC
AHL	Athene Holding Ltd.
ALRe	Athene Life Re Ltd.
APH-I	Apollo Principal Holdings I, L.P.
Applicants	Athene Applicants, the Apollo Applicants, the Crestview Applicants, the Reverence Applicants and the Venerable Applicants
Apollo Applicants	AGM, APH-I, A-PHI GP and the Apollo Individual Applicants
Apollo Individual Applicants	Apollo Principal Holdings I, L.P., Apollo Principal Holdings I GP, LLC, Apollo Global Management, LLC, Leon Black, Joshua Harris and Marc Rowan
Athene Applicants	AHL and ALRe
Crestview Applicants	Crestview Indigo III (TE), L.P., Crestview Indigo III Holdings, L.P., Crestview Partners III Management, LLC and the Crestview Individual Applicants
Crestview Individual Applicants	Barry S. Volpert and Thomas S. Murphy, Jr.
Domestic Insurer	Voya Insurance and Annuity Company
Reverence Applicants	Reverence Capital Partners Opportunities Fund II, L.P., Reverence Capital Partners Opportunities Fund II (Cayman), L.P., RCP Opp Fund II GP, L.P., RCP GenPar LP, RCP GenPar HoldCo LLC and the Reverence Individual Applicants
Reverence Individual Applicants	Peter C. Aberg, Milton R. Berlinski and Alexander A. Chulack
Venerable Applicants	Venerable Holdings, Inc. and VA Capital Company LLC

NYEMASTER
NYEMASTER GOODE PC

MARK C. DICKINSON

Direct Number: (515) 283-3166 | Facsimile: (515) 283-3108 | E-Mail: mcd@nyemaster.com
700 Walnut, Suite 1600 | Des Moines, IA 50309-3899 | (515) 283-3100
Attorneys at Law | Offices in Des Moines, Ames and Cedar Rapids
www.nyemaster.com

February 5, 2018

RECEIVED

FEB 5 2018

COMMISSIONER OF INSURANCE
INSURANCE DIVISION OF IOWA

BY HAND DELIVERY

Doug Ommen
Commissioner of Insurance
Iowa Insurance Division
601 Locust Street – 4th Floor
Des Moines, Iowa 50309

Re: Form A Statement Regarding the Acquisition of Control of Voya Insurance and Annuity Company (the "Domestic Insurer") by Venerable Holdings, Inc. and the other Applicants identified therein (collectively, the "Applicants")

Dear Commissioner Ommen:

Enclosed please find the Form A Statement Regarding the Acquisition of Control of the Domestic Insurer, including supporting Exhibits (the "Form A"), seeking your approval under Section 521A.3 of the Iowa Code for the acquisition of control of the Domestic Insurer by the Applicants. We are simultaneously filing our Request for Confidential Treatment with respect to certain Exhibits to the Form A containing non-public information of the Applicants, accompanied by the Exhibits for which confidential treatment is being sought.

Please contact the undersigned or Tom Sullivan of this office in the event you should have any questions regarding the Form A. We look forward to working with your office during the review of this application.

Very truly yours,

Mark C. Dickinson

MCD/jlw
Enclosure

cc: Andrew R. Holland
Sara Africano
Michael Davis

7008543 (#1)

FORM A

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

Voya Insurance and Annuity Company
(the "Domestic Insurer")

RECEIVED

FEB 5 2018

COMMISSIONER OF INSURANCE
INSURANCE DIVISION OF IOWA

By

Venerable Holdings, Inc.
9 West 57th Street, 43rd Floor
New York, New York 10019

and

VA Capital Company LLC
9 West 57th Street, 43rd Floor
New York, New York 10019

and

Apollo Principal Holdings I, L.P.
Two Manhattanville Road
Suite 203
Purchase, New York 10577

and

Apollo Principal Holdings I GP, LLC
Two Manhattanville Road
Suite 203
Purchase, New York 10577

and

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

and

FORM A

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

Voya Insurance and Annuity Company
(the "Domestic Insurer")

By

Venerable Holdings, Inc.
9 West 57th Street, 43rd Floor
New York, New York 10019

and

VA Capital Company LLC
9 West 57th Street, 43rd Floor
New York, New York 10019

and

Apollo Principal Holdings I, L.P.
Two Manhattanville Road
Suite 203
Purchase, New York 10577

and

Apollo Principal Holdings I GP, LLC
Two Manhattanville Road
Suite 203
Purchase, New York 10577

and

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

and

Athene Life Re Ltd.
Chesney House, First Floor
96 Pitts Bay Road
Pembroke, HM08, Bermuda

and

Athene Holding Ltd.
Chesney House, First Floor
96 Pitts Bay Road
Pembroke, HM08, Bermuda

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

and

Crestview Indigo III (TE), L.P.
c/o Crestview Advisors, L.L.C.
667 Madison Ave., 10th Floor
New York, New York 10065

and

Crestview Indigo III Holdings, L.P.
c/o Crestview Advisors, L.L.C.
667 Madison Ave., 10th Floor
New York, New York 10065

and

Crestview Partners III Management, LLC
c/o Crestview Advisors, L.L.C.
667 Madison Ave., 10th Floor
New York, New York 10065

and

Barry S. Volpert and Thomas S. Murphy, Jr.
c/o Crestview Advisors, L.L.C.
667 Madison Ave., 10th Floor
New York, New York 10065

and

Reverence Capital Partners Opportunities Fund II, L.P.
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

and

Reverence Capital Partners Opportunities Fund II (Cayman), L.P.
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

and

RCP Opp Fund II GP, L.P.
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

and

RCP GenPar LP
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

and

RCP GenPar HoldCo LLC
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

and

Peter C. Aberg, Milton R. Berlinski and Alexander A. Chulack
c/o Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022

(collectively referred to herein as the "Applicants")

Filed with the Insurance Division of Iowa

Dated: February 5, 2018

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

Apollo Global Management, LLC
9 West 57th Street, 43rd Floor
New York, New York 10019
Attention: John Suydam, Chief Legal Officer
Telephone: (212) 515-3237
Email: jsuydam@apollolp.com

and

Athene Holding Ltd.
Chesney House, First Floor
96 Pitts Bay Road
Pembroke, HM08, Bermuda
Attention: John Golden, Executive Vice President, Legal
Telephone: (441) 279-8448
Email: jgolden@athene.com

and

Crestview Advisors, L.L.C.
667 Madison Ave., 10th Floor
New York, New York 10065
Attention: Ross A. Oliver
Telephone: (212) 906-0746
Email: roliver@crestview.com

and

Reverence Capital Partners, L.P.
477 Madison Avenue 23rd Floor
New York, New York 10022
Attention: Peter C. Aberg
Telephone: (212) 804-8023
Email: peter.aberg@reverencecapital.com

With copies to:

Sidley Austin LLP
1 S. Dearborn Street
Chicago, Illinois 60603
Attention: Perry J. Shwachman
Telephone: (312) 853-7061
Facsimile: (312) 853-7036
Email: pshwachman@sidley.com

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Attention: Andrew R. Holland
Telephone: (212) 839-5882
Facsimile: (212) 839-5599
Email: aholland@sidley.com

and

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Michael Davis
Telephone: (212) 450-4184
Facsimile: (212) 701-5184
Email: michael.davis@davispolk.com

and

Nyemaster Goode PC
700 Walnut, Suite 1600
Des Moines, Iowa 50309
Attention: Mark C. Dickinson
Telephone: (515) 283-3166
Facsimile: (515) 283-3108
Email: mcd@nyemaster.com

FORM A

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") for the acquisition of control of the Domestic Insurer (the "Proposed Acquisition") by:

(i) Venerable Holdings, Inc., a corporation organized under the laws of the State of Delaware (the "Buyer") and VA Capital Company LLC, a Delaware limited liability company ("Buyer Parent" and, together with Buyer, the "Venerable Applicants");

(ii) Apollo Principal Holdings I, L.P., a Delaware limited partnership ("APH-I"), Apollo Principal Holdings I GP, LLC, a Delaware limited liability company ("APH-I GP"), 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, a Senior Managing Director and a member of the Board of Directors of AGM, and Marc Rowan, a Senior Managing Director and a member of the Board of Directors of AGM (Messrs. Black, Harris and Rowan, collectively, the "Apollo Individual Applicants" and, together with APH-I, APH-I GP and AGM, the "Apollo Applicants");

(iii) Athene Life Re Ltd., a Bermuda reinsurer ("ALRe") and Athene Holding Ltd., a Bermuda exempted company ("AHL" and, together with ALRe, the "Athene Applicants");

(iv) Crestview Indigo III (TE), L.P., a Delaware limited partnership ("Crestview Indigo TE"), Crestview Indigo III Holdings, L.P., a Delaware limited partnership ("Crestview Indigo Holdings"), Crestview Partners III Management, LLC, a Delaware limited liability company ("Crestview Partners"), Barry S. Volpert, Chief Executive Officer of Crestview Partners, and Thomas S. Murphy, Jr., Managing Director of Crestview Partners (Messrs. Volpert and Murphy, collectively, the "Crestview Individual Applicants" and, together with Crestview Indigo TE, Crestview Indigo Holdings and Crestview Partners, the "Crestview Applicants"); and

(v) Reverence Capital Partners Opportunities Fund II, L.P, a Delaware limited partnership ("RCP II Delaware"), Reverence Capital Partners Opportunities Fund II (Cayman), L.P., a Cayman Islands exempted limited partnership ("RCP II Cayman"), RCP Opp Fund II GP, L.P., a Delaware limited partnership ("RCP Fund II GP"), RCP GenPar LP, a Delaware limited partnership ("RCP GenPar LP"), RCP GenPar HoldCo LLC, a Delaware limited liability company ("RCP GenPar HoldCo"), Peter C. Aberg, a Co-Founder and Member of RCP GenPar Holdings, Milton R. Berlinski, a Co-Founder and Member of RCP GenPar Holdings, and Alexander A. Chulack, a Co-Founder and Member of RCP GenPar Holdings (Messrs. Aberg, Berlinski, and Chulack, collectively, the "Reverence Individual

Applicants" and, together with RCP II Delaware, RCP II Cayman, RCP Fund II GP, RCP GenPar LP and RCP GenPar HoldCo, the "Reverence Applicants").

The persons identified in clauses (i)-(v) above are collectively referred to herein as the "Applicants".

As described more fully in Item 1(b) below, the acquisition of control of the Domestic Insurer will result from the proposed acquisition by Buyer of 100% of the issued and outstanding shares of capital stock of the Domestic Insurer from Voya Holdings Inc., a corporation organized under the laws of the State of Connecticut ("VHI") and a wholly-owned subsidiary of Voya Financial, Inc. ("Seller"). Buyer is a newly-formed Delaware corporation and a wholly-owned subsidiary of Buyer Parent. Buyer Parent is a newly-formed Delaware limited liability company that, at the time of the acquisition of the Domestic Insurer, will be jointly controlled by (i) AGM, through an equity investment made by APH-I, (ii) AHL, through an equity investment made by ALRe, (iii) Crestview Partners, through an equity investment made by Crestview Indigo Holdings and Crestview Indigo TE, and (iv) RCP GenPar HoldCo, through an equity investment made by RCP II Delaware and RCP II Cayman. In addition, Seller will subscribe for 9.9% of the membership interests in Buyer Parent at the closing (the "Closing") of the Proposed Acquisition. Buyer proposes to acquire the Domestic Insurer due to the opportunities it sees in managing the Domestic Insurer's variable annuity run-off exposure.

In addition to the equity investments described above, Athene Annuity & Life Assurance Company, an insurance company organized under the laws of the State of Delaware and an indirect wholly-owned subsidiary of AHL ("AADE") and Athene Annuity and Life Company, an Iowa insurance company and indirect wholly-owned subsidiary of AHL ("AAIA"), have each committed to purchase subordinated notes issued by Buyer (the "Subordinated Notes") on the Closing Date (as defined in the Master Transaction Agreement described in Item 1(b) below).

Substantially all of the proceeds of the equity investment in Buyer Parent will be contributed to Buyer and, together with the proceeds of the Subordinated Notes, will be used by Buyer to purchase all of the issued and outstanding shares of capital stock of the Domestic Insurer and to capitalize the Domestic Insurer as described herein. As a result, following the Closing, the Applicants will be controlling persons of the Domestic Insurer through their ownership interests in Buyer Parent.

In addition, upon investing in Buyer Parent on the Closing Date, each of Seller, Buyer Parent, APH-I, ALRe, Crestview Indigo Holdings, Crestview Indigo TE, RCP II Delaware and RCP II Cayman, will enter into an amended and restated limited liability company agreement of Buyer Parent (the "LLC Agreement") (the terms of which are attached as Exhibit A to the Master Transaction Agreement (the "MTA")) that will govern the relationships among each of the parties and set forth the corporate governance of Buyer Parent. Pursuant to the LLC Agreement, each of (i) APH-I, (ii) ALRe, (iii) Crestview Indigo Holdings and Crestview Indigo TE, and (iv) RCP II Delaware and RCP II Cayman, will have the right to appoint one manager to the Buyer Parent board. Additionally, each of (i) APH-I and ALRe, on the one hand, and (ii) Crestview Indigo Holdings, Crestview Indigo TE, RCP II Delaware and RCP II Cayman, on the other hand, will have the right to nominate one independent person to serve as a manager on the Buyer Parent board; provided, however, any such nomination shall be reasonably acceptable to the other parties. Seller will not have the right to appoint or approve managers to serve on the Buyer Parent board and will only be able to attend meetings of the Buyer Parent board as a non-voting observer.

The biographical affidavits attached as Exhibit D, the plan of operations and financial projections attached as Exhibits E-1 and E-2 and the financial statements of the Apollo Individual Applicants, Crestview Individual Applicants and the Reverence Individual Applicants attached as Exhibit H are submitted to the Commissioner in confidence under separate cover and contain information that is not otherwise available to the public. Accordingly, the Applicants respectfully request that such information be afforded confidential treatment and be excepted from disclosure pursuant to all applicable provisions of law, including, but not limited to, Iowa Code Section 505.8, and Iowa Code Sections 22.7(3) and 22.7(6) and Iowa Administrative Code Sections 191.1.3(11)(a) and (c). All such information is provided with the express understanding that the confidentiality of such information will be safeguarded and, as concerns the biographical affidavits and individual financial statements, the executive officers, directors and controlling owners of the Applicants will be protected from any and all unwarranted invasions of personal privacy pursuant to all applicable provisions of law.

ITEM 1. INSURER AND METHOD OF ACQUISITION.

(a) Domestic Insurer

The name and address of the Domestic Insurer to which this Form A relates is:

Voya Insurance and Annuity Company (NAIC #: 80942)
699 Walnut Street, Suite 1350
Des Moines, Iowa 50309

(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 MTA, dated as of December 20, 2017, which is attached hereto as Exhibit A.

As described more fully in Item 5 below, pursuant to the MTA, prior to the Closing Date, the Domestic Insurer will undergo a series of restructuring transactions to (i) recapture the portion of the Domestic Insurer's closed block variable annuity business (the "CBVA Business") currently reinsured to Roaring River II, Inc., an Arizona captive insurance company and indirect wholly-owned subsidiary of Seller ("RRII"), and (ii) cede, commute, assign or novate to certain affiliates of Seller (A) the individual life insurance business and a block of variable annuity business that is not being transferred to Buyer in connection with the Proposed Acquisition (collectively, the "Life and VA Business"), (B) the employee benefits business (the "Employee Benefits Business"), and (C) the retained asset account or "lifelines" business (the "Lifelines Business" and, together with the Life and VA Business and the Employee Benefits Business, the "Excluded Business").

Following the completion of the restructuring transactions, the Domestic Insurer will retain only its CBVA Business and its fixed annuity business (the "FA Business"). The CBVA Business will be retained by the Domestic Insurer following the Closing of the Proposed Acquisition, and the FA Business will be ceded to AADE and ALRe immediately prior to the Closing of the Proposed Acquisition.

In addition to the shares of capital stock of the Domestic Insurer, Buyer will purchase (i) all of the outstanding membership interests in Directed Services LLC, a Delaware limited liability company and SEC registered broker-dealer and an indirect wholly-owned subsidiary of VHI ("DSL"), and (ii) all of the outstanding equity interests in Services Company, a Delaware corporation wholly-owned by Seller and to be formed prior to the Closing for the purpose of transferring certain employees to Buyer (the "Services Company"). DSL serves as the broker-dealer that acts as the principal underwriter of registered variable annuities and receives 12b-1 fees in connection with those variable annuities. The parties have agreed that Seller will transfer the in-scope employees supporting the Domestic Insurer's business to Services Company prior to the Closing Date such that those employees will be transferred to Buyer upon the acquisition by Buyer of Services Company at Closing.

Subject to receipt of required approvals from, and the making of required filings and notices with, governmental and regulatory authorities and other customary closing conditions, the parties desire to close the Proposed Acquisition as soon as possible.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS.

(a) Name and Address of the Non-Individual Applicants

(i) The Venerable Applicants

	Name	Address
Buyer	Venerable Holdings, Inc.	9 West 57th Street, 43rd Floor New York, New York 10019
Buyer Parent	VA Capital Company LLC	9 West 57th Street, 43rd Floor New York, New York 10019

(ii) The Apollo Applicants

	Name	Address
APH-I	Apollo Principal Holdings I, L.P.	Two Manhattanville Road Suite 203 Purchase, New York 10577

APH-I GP	Apollo Principal Holdings I GP, LLC	Two Manhattanville Road Suite 203 Purchase, New York 10577
AGM	Apollo Global Management, LLC	9 West 57th Street, 43rd Floor New York, New York 10019

(iii) The Athene Applicants

	Name	Address
ALRe	Athene Life Re Ltd.	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
AHL	Athene Holding Ltd.	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda

(iv) The Crestview Applicants

	Name	Address
Crestview Indigo TE	Crestview Indigo (TE), L.P.	667 Madison Ave., 10th Floor New York, New York 10065
Crestview Indigo Holdings	Crestview Indigo III Holdings, L.P.	667 Madison Ave., 10th Floor New York, New York 10065
Crestview Partners	Crestview Partners III Management, LLC	667 Madison Ave., 10th Floor New York, New York 10065

(v) The Reverence Applicants

	Name	Address
RCP II Delaware	Reverence Capital Partners Opportunities Fund II, L.P.	477 Madison Avenue 23rd Floor New York, New York 10022

RCP II Cayman	Reverence Capital Partners Opportunities Fund II (Cayman), L.P.	477 Madison Avenue 23rd Floor New York, New York 10022
RCP Fund II GP	RCP Opp Fund II GP, L.P.	477 Madison Avenue 23rd Floor New York, New York 10022
RCP GenPar LP	RCP GenPar LP	477 Madison Avenue 23rd Floor New York, New York 10022
RCP GenPar Holdco	RCP GenPar HoldCo LLC	477 Madison Avenue 23rd Floor New York, New York 10022

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

(i) The Venerable Applicants

Buyer Parent is a newly-formed Delaware limited liability company formed to invest in Buyer, a newly-incorporated Delaware corporation formed for the purpose of acquiring the Domestic Insurer and potentially other closed block variable annuity businesses.

(ii) The Apollo Applicants

AGM is a publicly traded company. AGM and its predecessors and their respective subsidiaries and affiliates (together, "<u>Apollo</u>"), originally founded in 1990, 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, 2017, Apollo had total assets under management of approximately $248.9 billion. Apollo's objective is to achieve superior long-term risk-adjusted returns for its fund investors and shareholders, by following a value-oriented investment approach that focuses on nine core industries in which Apollo has considerable knowledge and experience.

Apollo manages its funds through a partnership structure, which includes APH-I. APH-I GP, as the general partner of APH-I, makes all policy and investment decisions relating to the conduct of APH-I's business, and is responsible for all decisions concerning making, monitoring and disposing of investments.

(iii) The Athene Applicants

AHL is a publicly traded company founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector. AHL, through its subsidiaries, is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs. The products and services offered by AHL include fixed and fixed indexed annuity products, reinsurance services offered to third-party annuity providers, and institutional products, such as pension risk transfer and funding agreements.

AHL conducts a majority of its reinsurance transactions through its subsidiary, ALRe, which was founded in 2009. ALRe is licensed as a Class E insurer carrying on long-term business in Bermuda. As a fixed annuity reinsurer, ALRe partners with life and annuity insurance companies to develop solutions to their capital requirements, enhance their presence in the retirement market and improve their financial results.

(iv) The Crestview Applicants

Crestview Indigo Holdings is a limited partnership formed to invest in Buyer Parent. 100% of the voting interests of Crestview Indigo Holdings are controlled by Crestview Partners, its general partner. The limited partners of Crestview Indigo Holdings are various funds managed by Crestview Advisors, L.L.C. ("Crestview Advisors" and such funds the "Crestview Funds").

Crestview Indigo TE is a limited partnership formed to invest in Buyer Parent. 100% of the voting interests of Indigo TE are controlled by Crestview Partners, its general partner. The limited partner of Crestview Indigo TE is one of the Crestview Funds.

Crestview Partners is the general partner of Crestview Indigo Holdings and Crestview Indigo TE, both of which were formed for the purpose of making an equity investment in Buyer Parent. The sole business of Crestview Partners is the management and control of Crestview Indigo Holdings and Crestview Indigo TE. The members of Crestview Partners, each of whom has a 50% interest in Crestview Partners, are Barry S. Volpert and Thomas S. Murphy Jr., who are also the co-founders of Crestview Advisors, an SEC-registered investment adviser that manages funds with over $7 billion of aggregate capital commitments. Crestview Advisors follows a contrarian, value-oriented investment strategy reflecting its partners' many years of experience investing in challenging and often volatile market conditions. It seeks to generate superior investment performance for the Crestview Funds with a focus on dislocations and investing where Crestview Advisors believes it has a deep understanding of the opportunity.

(v) The Reverence Applicants

RCP II Delaware is a pooled investment vehicle of private equity capital managed by Reverence Capital Partners, L.P. ("Reverence"), a private investment firm focused on thematic investing in leading global, middle-market financial services businesses through control and influence-oriented investments with approximately $938.85 million of assets under management.

Reverence was founded in 2013, by the Reverence Individual Applicants, Milton R. Berlinski, Peter C. Aberg and Alexander A. Chulack, after distinguished careers advising and investing in a broad array of financial services businesses. Over the course of their careers, the Reverence Individual Applicants have been active advisors and investors in the financial services sector, have collectively advised on hundreds of transactions across financial services, and have investment experience of investing billions of dollars on behalf of institutional and high net worth investors.

RCP II Delaware and RCP II Cayman, together with their affiliated funds, make, and intend to make, privately-negotiated equity and equity-related investments in leading middle-market financial services businesses where Reverence can collaborate with management to add value and drive meaningful long-term value creation. Each of RCP II Delaware and RCP II Cayman pursue and will pursue, global investment opportunities and will seek both control and influence-oriented minority positions, where Reverence believes it can add value.

RCP Fund II GP is the sole general partner and control person of each of RCP II Delaware and RCP II Cayman. RCP Fund II GP is a management vehicle established by Reverence to serve as the general partner of the pooled investment vehicles associated with RCP II Delaware and RCP II Cayman and their affiliated funds.

RCP GenPar LP is the sole general partner and control person of RCP Fund II LP. RCP GenPar LP is a management vehicle established by Reverence to serve as the sole general partner of RCP Fund II GP. In addition to the foregoing, RCP GenPar LP serves as the sole general partner and control person of certain limited partnerships that serve as general partner and control person of funds associated with the first pooled investment vehicle of private equity capital managed by Reverence.

RCP GenPar HoldCo is the sole general partner and control person of RCP GenPar LP. RCP GenPar HoldCo is a management vehicle established by Reverence to serve as the general partner of RCP GenPar LP.

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

Organization charts that present the identities of, and inter-relationships among, the Applicants and each of their affiliates that are in the chain of control before and after giving effect to the Proposed Acquisition are attached hereto as <u>Exhibits B-1</u> and <u>B-2</u>, respectively. 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 Insurer. Unless otherwise indicated, the entities identified in the organization charts own or control 100% of the voting securities or membership interests of their respective immediate downstream affiliates identified therein.

As previously discussed, equity interests in Buyer Parent will be directly owned by APH-I, ALRe, Crestview Indigo Holdings, Crestview Indigo TE, RCP II Delaware and RCP II Cayman.

There is no pending court proceeding involving a reorganization or liquidation where any of the Applicants or entities depicted in the organization charts is involved as a debtor.

(i) The Apollo Applicants and the Athene Applicants

APH-I GP controls 100% of the voting interests in APH-I, and APH-I GP is ultimately, through an intermediate holding company, APO Asset Co., LLC, operated and controlled by AGM.

ALRe is a wholly-owned subsidiary of AHL. AGM, its affiliates and/or funds managed by AGM or its affiliates control, and are expected to continue to control, 45% of the total voting power of AHL. In addition, five of the 13 directors of AHL are employees of, or consultants to, Apollo. No other shareholder has a voting interest in AHL that exceeds 9.9% of the voting power of AHL's equity.

AGM is managed, operated and controlled by BRH Holdings GP, Ltd., a Cayman Islands company ("BRH"), and AGM Management, LLC, a Delaware limited liability company ("AGM Management"). BRH owns (i) 53.9% of AGM's voting power (as of January 11, 2018) and (ii) 100% of AGM Management. AGM Management is AGM's manager. BRH, in turn, is equally wholly-owned and controlled by the Apollo Individual Applicants (33.33% each). Other than BRH (which is controlled by the Apollo Individual Applicants), no single person or entity owns or controls more than 10% of AGM's voting securities.

Accordingly, AGM and the Apollo Individual Applicants will be ultimate controlling persons of the holding company system of which the Domestic Insurer will become a member upon completion of the Proposed Acquisition (the "Holding Company System"). The Apollo Applicants note that in a disclaimer letter that has been submitted separately to the Division (the "Disclaimer Letter"), AGM has requested that the Division grant certain disclaimers of control and affiliation with respect to the interests of certain parties related to AGM.

(ii) The Crestview Applicants

As Crestview Partners is the sole general partner of Crestview Indigo Holdings and Crestview Indigo TE, the Crestview Individual Applicants indirectly have control over all of their decisions. Crestview Partners is controlled by the Crestview Individual Applicants. Accordingly, Crestview Partners and the Crestview Individual Applicants will be ultimate controlling persons of the Holding Company System.

(iii) The Reverence Applicants

RCP GenPar HoldCo is a passive investment vehicle controlled and managed by the Reverence Individual Applicants. RCP GenPar HoldCo is the sole general partner of RCP GenPar LP and RCP GenPar LP is the sole general partner of RCP Fund II GP. RCP Fund II GP is the sole general partner of each of RCP II Delaware and RCP II Cayman. Accordingly, RCP GenPar HoldCo and the Reverence Individual Applicants will be ultimately controlling persons of the Holding Company System.

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

(a) Names and Business Addresses

The names and business addresses of the directors and executive officers[1] of the Applicants are set forth in Exhibit C. None of APH-I, Crestview Indigo Holdings, Crestview Indigo TE, RCP GenPar LP, RCP Fund II GP, RCP II Delaware and RCP II Cayman have any

[1] Executive officers for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, and Securities and Exchange Commission Form 10-K reporting.

directors or executive officers. As previously noted, the Crestview Individual Applicants are the sole members of Crestview Partners and the Reverence Individual Applicants are the sole members of RCP GenPar HoldCo.

The names and business addresses of the Apollo Individual Applicants are:

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

The names and business addresses of the Crestview Individual Applicants are:

Name	Business Address
Barry S. Volpert	c/o Crestview Advisors, L.L.C. 667 Madison Ave., 10th Floor New York, New York 10065
Thomas S. Murphy, Jr.	c/o Crestview Advisors, L.L.C. 667 Madison Ave., 10th Floor New York, New York 10065

The names and business addresses of the Reverence Individual Applicants are:

Name	Business Address
Peter C. Aberg	c/o Reverence Capital Partners, L.P., 477 Madison Avenue 23rd Floor New York, New York 10022
Milton R. Berlinski	c/o Reverence Capital Partners, L.P., 477 Madison Avenue 23rd Floor New York, New York 10022

Alexander A. Chulack	c/o Reverence Capital Partners, L.P., 477 Madison Avenue 23rd Floor New York, New York 10022

(b), (c), (d) Background Information Regarding the Directors and Executive Officers and the Individual Applicants

A listing of all directors and executive officers of the Applicants is set forth in Exhibit C. Biographical affidavits of each of these individuals identified in Item 3(a), other than the Outside Directors (as defined below), 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) are attached as Exhibit D.[2] Additionally, the Applicants have engaged an NAIC approved vendor to complete an independent third-party background check with respect to each of the individuals listed on Exhibit C. None of the individuals with respect to whom biographical affidavits are provided, including the Apollo Individual Applicants, the Crestview Individual Applicants and the Reverence Individual Applicants, has been convicted of any crime, other than minor traffic violations, during the past ten years, except as otherwise may be provided in the biographical affidavits.

In addition, in a letter that has been submitted separately to the Division, the Applicants respectfully seek a waiver from the Division of the requirement under Iowa Administrative Code Section 191-6.9 that a majority of directors of an Iowa-domiciled insurance company shall be bona fide residents of the State of Iowa. In order to realize certain efficiencies in the corporate governance structure of the Domestic Insurer following the Proposed Acquisition, the Applicants desire for certain individuals involved in the management of the Applicants to act as directors and officers of the Domestic Insurer.

(i) Apollo Individual Applicants

The Apollo 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 January 11, 2018, the Class B share represented 53.9% 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 Apollo 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 Apollo 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 "AGM Control Condition"),

[2] In the Disclaimer Letter, the Apollo Applicants respectfully seek confirmation that the Outside Directors of AGM will not be considered individuals for whom information is required to be provided under this Item 3 or in the Domestic Insurer's Holding Company Registration Statement on Form B. Additionally, the biographical affidavits for each of the independent directors of AHL and ALRe will be submitted promptly following the filing of this Form A.

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 eight members—the three Apollo Individual Applicants and five independent directors (such independent directors, the "Outside Directors"). 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 independent 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, AGM 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 the Domestic Insurer's Form Bs.

(A) 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 confidentially under separate cover. 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 a Managing Director, head of the Mergers & Acquisitions Group and co-head of the Corporate Finance Department.

Mr. Black is, *inter alia*, a Co-Chairman of The Museum of Modern Art and a trustee of The Mount Sinai Medical Center and The Asia Society. He is also, *inter alia*, 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. Mr. Black previously served on the boards of, *inter alia*, the general partner of AP Alternative Assets, L.P. ("AAA") and Sirius XM Radio Inc. He graduated summa cum laude from Dartmouth College with a major in Philosophy and History and received an MBA from Harvard Business School.

(B) Joshua Harris

Mr. Harris' 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' 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 confidentially under separate cover. The following is a summary of Mr. Harris' 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 a 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 is a member of the Federal Reserve Bank of New York's Investor Advisory Committee on Financial Markets and the Council of Foreign Relations. He is also a Managing Partner of the Philadelphia 76ers, Managing Member of the New Jersey Devils and a General Partner of the Crystal Palace Football Club. Mr. Harris has previously served on the board of directors of Berry Plastics Group Inc., EP Energy Corporation, EPE Acquisition, LLC, CEVA Logistics, Constellium N.V., and LyondellBasell Industries B.V.

Mr. Harris also serves on the Board of Trustees of Mount Sinai Medical Center, Harvard Business School, the University of Pennsylvania's Wharton School of Business and the United States Olympic Committee. 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 Harvard Business School, where he graduated as a Baker and Loeb Scholar.

(C) 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 confidentially under separate cover. 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 a 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, *inter alia*, the boards of Athene Holding Ltd., Athora Holding Ltd. and Aris Mortgage Holding Company, LLC. He has previously served on the boards of, *inter alia*, the general partner of AAA, AMC Entertainment, Inc., Cablecom GmbH, Caesars Entertainment Operating Co., Caesars Entertainment Corporation, Caesars Acquisition Co., 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., Norwegian Cruise Lines, 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 YRF-Darca and is Chair and a member of the Board of Overseers of the University of Pennsylvania's Wharton School of Business and serves on the boards of directors of Jerusalem Online 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.

(ii) Crestview Individual Applicants

The Crestview Individual Applicants are the sole members and executive officers of Crestview Partners and are consequently able to exercise control over all matters requiring the approval of members of Crestview Partners. As Crestview Partners is the sole general partner of Crestview Indigo Holdings and Crestview Indigo TE, the Crestview Individual Applicants indirectly have control over all of their decisions.

(A) Barry S. Volpert

Mr. Volpert's business address is c/o Crestview Advisors, L.L.C., 667 Madison Ave., 10th Floor, New York, New York 10065. A biographical affidavit of Mr. Volpert setting forth Mr. Volpert'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 confidentially under separate cover. The following is a summary of Mr. Volpert's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Volpert co-founded Crestview Advisors in 2004 and is its Chief Executive Officer as well as a Partner and a Managing Director. He specializes in complex and contrarian investment themes arising out of major dislocations or restructurings. Mr. Volpert retired as a partner of the Goldman Sachs Group, Inc. in 2003, where he spent 18 years as a co-founder and ultimately co-COO of its global private equity business. Among his responsibilities at Goldman Sachs, Mr. Volpert led the international private equity business while based in London for six years, founded the mezzanine fund business, served as a director of Goldman Sachs International and was head of the merchant banking division for Europe.

In connection with his duties at Crestview Advisors, Mr. Volpert is currently a director of NEG Parent LLC and Oxbow Carbon LLC. He also serves as a member of the Dean's Advisory Board at Harvard Law School and an elected council member of the Sagaponack Village Erosion Control District. Mr. Volpert received a J.D., *magna cum laude*, from Harvard Law School, where he was an editor of the Law Review. He received an M.B.A., with high distinction, from Harvard Business School, where he was a Baker Scholar. Mr. Volpert received an A.B., *summa cum laude*, from Amherst College, where he was elected to Phi Beta Kappa.

(B) Thomas S. Murphy, Jr.

Mr. Murphy's business address is c/o Crestview Advisors, L.L.C., 667 Madison Ave., 10th Floor, New York, New York 10065. A biographical affidavit of Mr. Murphy setting forth Mr. Murphy'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 confidentially under separate cover. The following is a summary of Mr. Murphy's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Murphy co-founded Crestview Advisors in 2004 and is a Partner and a Managing Director. Mr. Murphy is also co-head of the industrials strategy at Crestview Advisors. He leads the firm's relationships with many investors and industry leaders and focuses on transaction origination. Mr. Murphy retired from Goldman Sachs in 2003 where he was the co-founder and head of the financial sponsors group. In addition to his investment banking activities, he worked with others to originate and/or manage several of Goldman Sachs' direct private equity and mezzanine capital investments.

In connection with his duties at Crestview Advisors, Mr. Murphy is currently a director of Accuride Group Holdings, Inc. and JR Technology Holdings, LLC and was previously a director of Stackpole International, Key Safety Systems, Inc and FBR & Co. Mr. Murphy has also served on a variety of other private and public companies and currently serves on the board of trustees of The Inner-City Scholarship Fund and the NYU Langone Medical Center. Mr. Murphy received an M.B.A. from Harvard Business School and an A.B. from Princeton University.

(iii) Reverence Individual Applicants

The Reverence Individual Applicants, through their ownership of RCP GenPar HoldCo, are able to exercise control, directly or indirectly, over each of the Reverence Applicants. The Reverence Individual Applicants are the sole members, directors and executive officers of each of the Reverence Applicants that is not an individual and none of such Reverence Applicants has any director or executive officer, other than the Reverence Individual Applicants.

(A) Peter C. Aberg

Mr. Aberg's business address is c/o Reverence Capital Partners, L.P., 477 Madison Avenue, 23rd Floor, New York, New York 10022. A biographical affidavit of Mr. Aberg setting forth Mr. Aberg'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 confidentially under separate cover. The following is a summary of Mr. Aberg's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Aberg is the Co-Founder and Partner of Reverence. Mr. Aberg co-founded Reverence in June 2013 after spending 28 years at Goldman Sachs including 15 years as a Managing Director or Partner focused primarily on the bank, finance company and payments sectors. The majority of Mr. Aberg's career was spent in the Securities Division, applying the asset-level cash flow analytics used in the asset-backed securities business to strategic advisory engagements and structured portfolio investments. He served as a co-head of the Principal Finance Group and FICC Advisory Group in the Securities Division and as co-head of the Specialty Finance practice in the Financial Institutions Group in Investment Banking. He received a B.A. from Yale University in 1981 and an M.B.A. from the University of Pennsylvania's Wharton School of Business in 1983. Mr. Aberg serves on the board of directors for CardWorks and serves an observer on the board of directors for Diamond Resorts.

(B) Milton R. Berlinski

Mr. Berlinski's business address is c/o Reverence Capital Partners, L.P., 477 Madison Avenue, 23rd Floor, New York, New York 10022. A biographical affidavit of Mr. Berlinski setting forth Mr. Berlinski'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 confidentially under separate cover. The following is a summary of Mr. Berlinski's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Berlinski is a Co-Founder and Managing Partner of Reverence. Mr. Berlinski co-founded Reverence in June 2013 after concluding a 26-year career at Goldman Sachs, which he joined in 1986 and where he served as a founding member of the Financial Institutions Group in Investment Banking, focusing on banks, consumer and commercial finance companies, asset management, insurance and capital markets. He also served as Head of Strategy and Corporate Development in the period after Goldman Sachs' IPO, assisting the Executive Office and division leaders to create and execute a strategy to build out Goldman Sachs' global footprint. For the final 10 years of his Goldman Sachs tenure, Mr. Berlinski had global responsibility for coverage of the firm's financial sponsor and hedge fund clients, overseeing a dramatic increase in revenue from the business and working alongside Goldman Sachs' Merchant Banking team on co-investment opportunities in transactions involving the firm's clients. Mr. Berlinski has led or executed over 130 transactions in financial services across all subsectors, including numerous strategic acquisitions by Goldman Sachs itself. Mr. Berlinski was also a member of the Operating Committee and the Compensation Committee during his time at the firm. He received a B.A. in engineering from California State University, Northridge, in 1978 and an M.B.A. from the University of Pennsylvania's Wharton School of Business in 1980. Mr. Berlinski serves on the board of directors for Victory Capital, Kabbage, Russell Investments, and Diamond Resorts.

(C) Alexander A. Chulack

Mr. Chulack's business address is c/o Reverence Capital Partners, L.P., 477 Madison Avenue, 23rd Floor, New York, New York 10022. A biographical affidavit of Mr. Chulack setting forth Mr. Chulack'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 confidentially under separate cover. The following is a summary of Mr. Chulack's employment information, but it is qualified in its entirety by the information contained in the biographical affidavit.

Mr. Chulack is a Co-Founder and Partner of Reverence. Mr. Chulack co-founded Reverence in June 2013 after 8 years at General Atlantic LLC, where he was a Managing Director leading the firm's efforts in the Financial Services sector. He has extensive experience in the sector, with specific expertise working with financial technology, capital markets and asset management businesses, as well as consumer and commercial finance franchises. Mr. Chulack is an observer on the board of Russell Investments and Kabbage, currently serves as a Special Advisor to the CEO of Novus and has also been an active private investor in emerging financial services businesses. Mr. Chulack served on the boards of numerous current and prior General Atlantic portfolio companies, including: GETCO (now KCG Holdings), Sura Asset Management, Oak Hill Advisors and Pierpont Securities. He was also a key contributor to a number of current and prior portfolio companies, including First Republic Bank, BM&F Bovespa, RiskMetrics, NYMEX and others. Prior to joining General Atlantic, Mr. Chulack was an investment banker with Morgan Stanley & Co. and Goldman, Sachs & Co., where he worked with the firm's financial institutions clients and advised the firms on internal strategic matters. He started his career at Lazard Freres & Co. focusing on mergers and acquisitions in financial services. Mr. Chulack received his B.A. in Economics from Amherst College.

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

Buyer and Seller have agreed that Buyer will acquire the Domestic Insurer with a targeted adjusted book value equal to the Required Adjusted Book Value, which will be an amount calculated in accordance with the MTA, and includes (i) an amount of assets determined by reference to an agreed CTE95 model with certain adjustments in specified market conditions, plus (ii) an amount of assets proportional to the reserves in respect of the Domestic Insurer's payout annuities as of the Effective Time (as defined in the MTA).[3] The foregoing amount is calculated as of the Effective Time, taking into account the Restructuring Transactions, as reflected in the financial projections included in Exhibit E-2. As described in more detail below, Buyer is generally obligated to pay to Seller a maximum amount of $600 million as the purchase price only if, and to the extent that, the Domestic Insurer's Estimated Total Adjusted Book Value (as defined in the MTA) exceeds the Estimated Required Adjusted Book Value (as defined in the MTA). If the amount of such excess is between zero and $500 million, Buyer will pay Seller the amount of such excess as the purchase price and will contribute additional funds to the Domestic Insurer as more fully described below. If the Domestic Insurer's Total Adjusted Book Value is less than the Estimated Required Adjusted Book Value, Seller is obligated to contribute cash to the Domestic

[3] The Required Adjusted Book Value would additionally be increased by $80 million if the parties do not receive satisfactory tax opinions with respect to certain federal income tax matters. In such case, Buyer Parent has agreed to call an equivalent amount of additional capital from the investors on a pro rata basis.

Insurer in the amount of such shortfall, but only up to $200 million (subject to certain adjustments), and Buyer will pay $10,000 to Seller and will contribute additional funds to the Domestic Insurer, as more fully described below.

In connection with the Proposed Acquisition, Buyer has agreed to pay to Seller a maximum amount of $600 million (the "Maximum Funding Amount"), which amount will be funded from the sources described in more detail below. The Maximum Funding Amount will be used (i) first, for the purchase by Buyer from Seller or its applicable affiliates at par value of any portion of the total amount of the Domestic Insurer's issued and outstanding surplus notes to the extent in excess of $350 million (expected to be approximately $85 million), (ii) second, to purchase the membership interests of DSL for an amount not to exceed $4 million, and (iii) third, as payment to Seller to the extent the Estimated Total Adjusted Book Value of the Domestic Insurer is greater than the Estimated Required Adjusted Book Value (as defined in the MTA). If the total payments described in the preceding clauses (i)-(iii) are less than $500 million in the aggregate, Buyer will contribute the amount of such difference to the Domestic Insurer such that, immediately following the Closing, the Domestic Insurer will have not less than the minimum capitalization reflected in the financial projections included in Exhibit E-2.

In order to reduce the amount of excess assets held by the Domestic Insurer on the Closing Date, Seller has agreed, subject to the approval of the Commissioner, pursuant to the MTA, to cause the Domestic Insurer to pay a dividend to VHI in an amount equal to the lesser of (i) the excess of the Estimated Total Adjusted Book Value above the Estimated Required Adjusted Book Value, or (ii) such amount that is approved by the Commissioner, if such dividend requires regulatory approval by the Commissioner.

If the Total Adjusted Book Value exceeds the Required Adjusted Book Value above the amount available from the $600 million in funds described above, Seller may purchase a senior note with an aggregate amount equal to such excess from Buyer Parent, up to a maximum of $100 million (the terms of which are set forth in Schedule 2.3(b)(iii) to the MTA, the "Senior Note"), and Buyer will use the proceeds from the issuance of the Senior Note to pay the additional amount in respect of such excess.

If the Estimated Total Adjusted Book value of the Domestic Insurer is less than the Estimated Required Adjusted Book Value, prior to the Closing, Seller will contribute cash to the Domestic Insurer in an amount equal to the difference of such amount up to a maximum of $200 million. As a result of such payment, the Estimated Total Adjusted Book Value will be equal to the Estimated Required Adjusted Book Value at Closing and (i) as described below, the payment to Seller in respect of the Domestic Insurer will be $10,000 and (ii) Buyer will contribute the additional funds to the Domestic Insurer as described above.

Notwithstanding the payments described above, Buyer has agreed to pay Seller a minimum of $10,000 in consideration for the shares in connection with the Closing of the Proposed Acquisition (e.g., when the Estimated Required Adjusted Book Value is equal to the Estimated Total Adjusted Book Value).

Pursuant to the Equity Commitment Letters (copies of which are attached as Exhibit I to the MTA and as Exhibits F-1 and F-2 hereto), each of (i) APH-I, (ii) ALRe, (iii) each of Crestview

Indigo Holdings and Crestview Indigo TE, and (iv) each of RCP II Delaware and RCP II Cayman will purchase equity in Buyer Parent for cash (the "Equity Investments"). Each of (i) APH-I, (ii) each of Crestview Indigo Holdings and Crestview Indigo TE, collectively, and (iii) each of RCP II Delaware and RCP II Cayman, collectively, will purchase an approximate 22.9% membership interest in Buyer Parent. ALRe will purchase membership interests in Buyer Parent such that ALRe will hold an approximate 21.4% interest in Buyer Parent.

Pursuant to a Subscription Agreement entered into between Seller and Buyer Parent (a copy of which is attached as Exhibit M to the MTA) (the "Seller Subscription Agreement"), at Closing, Seller will purchase a 9.9% membership interest in Buyer Parent. Seller will purchase such membership interest for a cash purchase price of approximately $35 million, as may be increased proportionally relative to the Equity Investments provided by each of (i) APH-I, (ii) ALRe, (iii) each of Crestview Indigo Holdings and Crestview Indigo TE, and (iv) each of RCP II Delaware and RCP II Cayman such that, as of the Closing, Seller will hold a 9.9% interest in Buyer Parent.

In addition to the Equity Investments described above, AADE and AAIA have entered into a debt commitment letter (the "Debt Commitment Letter") with Buyer and Buyer Parent (a copy of which is attached as Exhibit F-3 hereto), pursuant to which AADE and AAIA severally, and not jointly, have committed to lend to Buyer up to $180 million in the aggregate in exchange for the Subordinated Notes in Buyer. On the Closing Date, AADE and AAIA are expected to purchase approximately $150 million of Subordinated Notes in the aggregate from Buyer Parent; however, such amount may be increased up to $180 million in the aggregate to the extent additional amounts are required in connection with the payments to be made by Buyer on the Closing Date in connection with the Proposed Acquisition.

The proceeds of the Equity Investments, the Seller Subscription Agreement, the Subordinated Notes, and the Senior Notes, if any, will be used by Buyer to pay the required closing payments due from Buyer to Seller, to contribute capital to the Domestic Insurer at Closing as described in this Form A, and to pay certain transaction expenses incurred by or on behalf of Buyer in connection with the Proposed Acquisition. While the precise amounts funded will be dependent on a number of variables, including the Total Adjusted Book Value of the Domestic Insurer as of the Closing Date and the amount of expenses actually incurred on behalf of the Domestic Insurer prior to the Closing, the source of funds and equity ownership of Buyer Parent are set forth below assuming $500 million and $700 million, respectively, of funding in the aggregate on the Closing Date:

Source	Type	Amount ($500 million in aggregate)	Amount ($700 million in aggregate)	Equity Interest in Buyer Parent[4]
APH-I	Membership Interests in Buyer Parent	$80,000,000	$96,000,000	22.9%
Crestview Indigo Holdings and Crestview Indigo TE	Membership Interests in Buyer Parent	$80,000,000	$96,000,000	22.9%
RCP II Delaware and RCP II Cayman	Membership Interests in Buyer Parent	$80,000,000	$96,000,000	22.9%
ALRe	Membership Interests in Buyer Parent	$75,000,000	$90,000,000	21.4%
Seller	Membership Interests in Buyer Parent	$35,000,000	$42,000,000	9.9%
AADE/AAIA	Subordinate Note issued by Buyer	$150,000,000 (in aggregate)	$180,000,000 (in aggregate)	N/A
Seller	Senior Notes issued by Buyer	$0	$100,000,000[5]	N/A
TOTAL:		$500,000,000	$700,000,000	100%

Additional adjustments may be paid to the extent the actual Required Adjusted Book Value and Total Adjusted Book Value, calculated as of the Closing Date, differ from the estimated amounts calculated prior to the Closing Date, including to the extent adjustments are made to the amounts payable under the FA Business reinsurance agreements described in Item 5(b)(ii) below. Any adjustments will be paid by the Domestic Insurer to Seller (e.g., the Domestic Insurer was actually over-capitalized on the Closing Date based on the estimated amounts) or by Seller to the Domestic Insurer (e.g., the Domestic Insurer was actually under-capitalized on the Closing Date

[4] As further described in Item 8 below, the percentages presented in this chart are subject to change.
[5] As described above, Seller has the option, but is not required, to purchase the Senior Notes. If Seller elects not to purchase the Senior Notes where the total required funding is in excess of $600 million, the closing conditions under the MTA will not be satisfied.

based on the estimated amounts), as applicable, by wire-transfer of immediately available funds. To the extent any such adjustment results from final settlement of amounts due under the FA Business reinsurance agreements, such amount will be settled between the Domestic Insurer and AADE or ALRe, as applicable, pursuant to the terms of the applicable reinsurance agreement.

The surplus notes issued by the Domestic Insurer that are not purchased by Buyer as described above will continue to be held by affiliates of Seller following the Closing of the Proposed Acquisition.

(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 by arm's-length negotiations among the parties to the MTA. The major items considered in determining such amounts 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.

ITEM 5. FUTURE PLANS FOR INSURER.

(a) Introduction

Other than as described above in Item 4 and in this Item 5, the Applicants have no present plans or proposals to: (i) cause the Domestic Insurer to declare an extraordinary dividend; (ii) liquidate the Domestic Insurer; (iii) sell the Domestic Insurer's assets (except for investment transactions and minor asset dispositions in the ordinary course of business) or merge the Domestic Insurer with any person or persons; or (iv) make any other material change in the Domestic Insurer's business operations or corporate structure or management.

During the pendency of this Form A, the Applicants will keep the Division apprised of any changes (including such management changes) to the Applicants' present plans or proposals with respect to the Domestic Insurer, as described herein. From time to time following the Closing of the Proposed Acquisition, the Applicants and the management of the Domestic Insurer may evaluate the business and operations of the Domestic Insurer and make any necessary or desirable changes to such business and operations, subject in each case to obtaining any required regulatory approvals.

The Applicants' present plans or proposals with respect to the future operations of the Domestic Insurer are set forth in greater detail in the plan of operations filed confidentially under separate cover as Exhibit E-1 and four-year financial projections filed confidentially under separate cover as Exhibit E-2. 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) <u>Transactions Proposed to Occur Immediately Prior to or at the Closing of the Proposed Acquisition</u>

(i) Restructuring Transactions

Immediately prior to the Closing, the Domestic Insurer will undergo a series of restructuring transactions in order to transfer the Excluded Business to certain affiliates of Seller and recapture the CBVA Business previously ceded to RRII (the "<u>Restructuring Transactions</u>"). The Restructuring Transactions include:

(i) the unwinding of the current reinsurance and retrocession of the Employee Benefits Business through (A) the recapture of the Employee Benefits Business retroceded by the Domestic Insurer to each of Canada Life Assurance Company and Security Life of Denver International Limited ("<u>SLDI</u>"), an Arizona captive insurance company and indirect wholly-owned subsidiary of Seller, pursuant to a Recapture and Termination Agreement to be entered into on the Closing Date between the Domestic Insurer and each of Canada Life Assurance Company and SLDI (a copy of the forms of which are attached as Exhibits F-1 and F-2 to the MTA) and (B) the recapture by ReliaStar Life Insurance Company, a Minnesota insurance company and indirect wholly-owned subsidiary of Seller ("<u>RLI</u>"), of the Employee Benefits Business ceded to the Domestic Insurer through a Recapture and Termination Agreement to be entered into on the Closing Date between the Domestic Insurer and RLI (a copy of the form of which is attached as Exhibit F-3 to the MTA);

(ii) the transfer of the Domestic Insurer's Life and VA Business and Lifelines Business to RLI pursuant to (A) a Reinsurance Agreement to be entered into on the Closing Date between the Domestic Insurer and RLI (a copy of the form of which is attached as Exhibit U-2 to the MTA) under which RLI will reinsure the Life and VA Business on a coinsurance basis and transfer the Lifelines Business and (B) the execution of an Administrative Services Agreement between the Domestic Insurer and RLI on the Closing Date (a copy of the form of which is attached as Exhibit U-1 to the MTA) pursuant to which RLI will perform all of the administrative and other services necessary to administer the Life and VA Business and Lifelines Business, other than policy administration services for the variable life and variable annuity business which will continue to be provided by the Domestic Insurer;

(iii) the assignment and transfer by the Domestic Insurer to an affiliate of Seller of the excluded liabilities and other assets which are not related to the retained business of the Domestic Insurer, DSL and Services Company pursuant to an Assignment and Assumption Agreement and related Bill of Sale to be entered into on the Closing Date between the Domestic Insurer and Seller and its applicable affiliates (a copy of the forms of which are attached as Exhibits T-1 and T-2 to the MTA);

(iv) the assignment and transfer by Seller, on behalf of itself and certain affiliates, to the Domestic Insurer or one of its affiliates of certain allocated assets, contracts, intellectual property and allocated liabilities related to the CBVA Business and the FA Business pursuant to an Assignment and Assumption Agreement and related

Bill of Sale to be entered into on the Closing Date between the Domestic Insurer and Seller (a copy of the forms of which are attached as Exhibits V-1 and V-2 to the MTA);

(v) the transfer of the Domestic Insurer's owned real property to Security Life Insurance Company of Denver, a Colorado insurance company and wholly-owned subsidiary of Seller ("SLD"), and assignment of its interest in certain leases to Seller;

(vi) the assignment and novation of the Domestic Insurer's right, title and interest in certain stop loss reinsurance agreements with respect to the Life and VA Business entered into by the Domestic Insurer with each of RLI and SLD to an affiliate of RLI and SLD, respectively, and the full and final release of the Domestic Insurer's obligations under such reinsurance agreements pursuant to the Release, Consent and Novation Agreements to be entered into on the Closing Date between the Domestic Insurer and each of RLI and SLD (a copy of the forms of which are attached as Exhibits X-1, X-2 and X-3 to the MTA); and

(vii) the recapture by the Domestic Insurer of the CBVA Business previously ceded to RRII pursuant to a Commutation Agreement to be entered into on the Closing Date by the Domestic Insurer and RRII (a copy of the form of which is attached as Exhibit C to the MTA).

Form Ds seeking the Division's approval with respect to the Domestic Insurer's participation in the various agreements with respect to the Restructuring Transactions are being filed by the Domestic Insurer under separate cover in connection with this Form A to the extent required.

(ii) Fixed Annuity Business Reinsurance

Immediately prior to the Closing of the Proposed Acquisition, the Domestic Insurer will also transfer (i) 80% of the FA Business to ALRe on a modified coinsurance basis pursuant to a Reinsurance Agreement to be entered into on the Closing Date (a copy of the form of which is attached as Exhibit O to the MTA) and pursuant to which the Domestic Insurer will establish a modified coinsurance account which will include certain of the separate account fixed annuity business and (ii) 20% of the FA Business to AADE on a coinsurance basis pursuant to a Reinsurance Agreement to be entered into on the Closing Date (a copy of the form of which is attached as Exhibit E-1 to the MTA), except for certain of the separate account fixed annuity business for which a separate modified coinsurance agreement will be entered into between the Domestic Insurer and AADE (a copy of the form of which is attached as Exhibit E-2 to the MTA). The Domestic Insurer will continue to administer the policies and each of ALRe and AADE will pay the Domestic Insurer an administrative expense fee to cover the cost of providing such administrative services. Form Ds seeking the Division's approval of each of the FA Business reinsurance transactions is being filed simultaneously in connection with this Form A.

In addition, RLI will also enter into reinsurance agreements with each of ALRe and AADE on the Closing Date pursuant to which RLI will cede certain policies in connection with its fixed annuity business with a 80% quota share reinsured to ALRe and a 20% quota share reinsured to AADE. The policies reinsured thereunder will be administered by the Domestic Insurer pursuant to an Administrative Services Agreement to be entered into on the Closing Date between RLI and the Domestic Insurer (a copy of the form of which is attached as Exhibit D to the MTA), other than policy administration services for a small block of fixed annuities which will continue to be provided by RLI. In exchange for a monthly service fee, the Domestic Insurer will provide the administrative and other services necessary to administer the reinsured policies. A Form D seeking the Division's approval of the FA Business reinsurance transactions is being filed simultaneously in connection with this Form A.

(iii) Transition Services

For an interim period following the Closing Date, Voya Services Company ("VSC") will provide certain transition services to Buyer and its affiliates (including the Domestic Insurer) pursuant to a Transition Services Agreement to be entered into by and between VSC and Buyer, the form of which is attached as Exhibit H to the MTA.

(iv) Subordinated Notes

As described above in Item 4(a), pursuant to the Debt Commitment Letter, AADE and AAIA may purchase from Buyer up to $180,000,000 aggregate principal amount of the Subordinated Notes on the Closing Date. The Notes will be unsecured obligations of Buyer and will be subordinate in right of payment to all existing and future liabilities and other obligations of Buyer. A Form D seeking the Division's approval of the related loan agreement is being filed simultaneously in connection with this Form A.

(v) Support Agreement

Seller, Buyer and Buyer Parent will enter into a support agreement with respect to the surplus notes issued by the Domestic Insurer that are not purchased by Buyer (a copy of the terms of which are attached as Exhibit L to the MTA) (the "Support Agreement") pursuant to which, among other things, (i) Buyer Parent will cause the Domestic Insurer to use reasonable best efforts to obtain approval of the Division with respect to the payment of any principal and interest on the surplus notes issued by the Domestic Insurer and (ii) certain proceeds otherwise available for distribution by Buyer must first be used to pay deferred interest on the surplus notes issued by the Domestic Insurer that will continue to be held by Seller following the Proposed Acquisition.

(vi) Pre-Closing Dividend

As described above in Item 4(a), in the event the Estimated Total Adjusted Book Value is greater than the Estimated Required Adjusted Book Value as of the month end prior to the Closing Date, the Domestic Insurer may pay a divided to VHI in an amount equal to the lesser of (i) such excess amount or (ii) the amount approved by the Division. A request for approval of such pre-closing dividend will be filed separately with the Division, to the extent such dividend requires regulatory approval by the Commissioner.

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

(i) CBVA Business Investment Management Agreement

The assets related to the CBVA Business recaptured by the Domestic Insurer will be managed by Voya Investment Management L.L.C. ("VIM"), a Delaware limited liability company pursuant to an investment management agreement under which VIM will perform certain investment management services for the Domestic Insurer with respect to the CBVA Business.

(ii) New Captive Reinsurance

In connection with the Proposed Acquisition, Buyer will form, pursuant to Arizona Revised Statutes Section 20-1098.01, a new Arizona special purpose life reinsurance captive insurance company ("New Captive"). Immediately following the Closing, Buyer will contribute to the Domestic Insurer all of the equity interests held by Buyer in the New Captive such that the New Captive will be a wholly-owned subsidiary of the Domestic Insurer. The Domestic Insurer will then cede, on a funds withheld coinsurance and modified coinsurance basis, the CBVA Business[6] to the New Captive pursuant to a Reinsurance Agreement to be entered into on the Closing Date between the Domestic Insurer and the New Captive (the form of which is attached as Exhibit R to the MTA). Form D filings seeking the Division's approval of the contribution of the equity interests in New Captive from Buyer to the Domestic Insurer and the Reinsurance Agreement between the Domestic Insurer and the New Captive are being filed under separate cover in connection with this Form A.

(iii) Administrative Services Agreements

On the Closing Date, the Domestic Insurer and RLI will enter into two administrative services agreements, including: (i) the RPS Administrative Services Agreement (a copy of the form of which is attached as Exhibit Y to the MTA), pursuant to which VSC will provide certain administrative services with respect to the CBVA Business and FA Business of the Domestic Insurer that is administered on an information technology and computer system that will be retained by RLI following the Closing, and (ii) the Funds Management Administrative Services Agreement (a copy of the form of which is attached hereto as Exhibit G), pursuant to which VSC will provide fund accounting and other administrative services with respect to the separate accounts of the Domestic Insurer pertaining to the variable life insurance policies and annuity contracts of the Domestic Insurer. The Domestic Insurer will also enter into a Retained Business Administrative Services Agreement with SLD, Voya Retirement Insurance and Annuity Company ("VRIAC") and Voya Institutional Trust Company, a trust bank chartered under the laws of the

[6] The Domestic Insurer, the New Captive, AADE and ALRe will enter into reinsurance agreements immediately following the Closing, which will provide for the reinsurance of payout annuities which arise from the CBVA Business following the Closing to AADE and ALRe, respectively. Under these agreements, AADE and ALRe will have the option to either reinsure directly from the New Captive or to cause the payout annuities to be automatically assumed by AADE and ALRe and, upon such assumption, reinsured from the Domestic Insurer pursuant to separate reinsurance agreements entered into directly by the Domestic Insurer and AADE and ALRe. Reinsurance to AADE will be a 20% quota share on a coinsurance basis and reinsurance to ALRe will be a 80% quota share on a modified coinsurance basis.

State of Connecticut and a wholly-owned subsidiary of Seller ("VITC"), (a copy of the form of which is attached as Exhibit G-1 to the MTA) pursuant to which the Domestic Insurer will provide certain administrative services with respect to the investment only products, the fixed annuity business and the closed block variable annuity business of RLI, SLD, VITC and VRIAC that is not being transferred to Buyer in connection with the Proposed Acquisition..

In addition, Buyer will enter into a Retained Business Administrative Services Agreement with ReliaStar Life Insurance Company of New York, an insurance company organized under the laws of the State of New York and an indirect wholly-owned Subsidiary of Seller ("RLINY"), (a copy of the form of which is attached as Exhibit G-2 to the MTA), pursuant to which Buyer will provide certain administrative services with respect to the fixed annuity business and the closed block variable annuity business of RLINY that is not being transferred to Buyer in connection with the Proposed Acquisition.

Form Ds seeking the Division's approval with respect to the Domestic Insurer's participation in the various administrative services agreements to which the Domestic Insurer is a party are being filed by the Domestic Insurer under separate cover in connection with this Form A to the extent required.

(iv) Affiliate Agreements

Immediately following the Closing of the Proposed Acquisition, the Domestic Insurer will become party to certain affiliate agreements between DSL, Services Company, and various service providers affiliated with the Applicants. In addition to the reinsurance agreement with the New Captive, these affiliate agreements include (i) an investment management agreement, (ii) a shared services and cost sharing agreement, and (iii) a tax sharing agreement. The affiliate agreements to which the Domestic Insurer is proposed to become party are being submitted to the Division for its approval through a Form D filed simultaneously with this Form A.

(v) Surplus Note Transfer

As previously discussed in Item 4(a), the outstanding surplus notes issued by the Domestic Insurer will remain as outstanding obligations of the Domestic Insurer following the completion of the Proposed Acquisition; however, Buyer will purchase up to $85 million of the outstanding surplus notes from Seller or its applicable affiliates at par value.

(vi) Employment Agreements

In connection with the Proposed Acquisition, certain employees of the Domestic Insurer and DSL may receive offers of employment in connection with the acquisition of the Domestic Insurer. As further described in the MTA, the transfer of certain employee relationships will occur through the acquisition by Buyer of Services Company. The parties are currently in the process of negotiating employment agreements with certain individuals who are not presently affiliated with the Domestic Insurer. In addition, discussions are ongoing with certain members of the Domestic Insurer's current management and offers of employment may be extended to such individuals to ensure continuity.

(vii) Proposed New Directors and Officers of the Domestic Insurer

Upon the Closing of the Proposed Acquisition, certain members of the Domestic Insurer's Board of Directors and executive officers will be replaced and new directors and executive officers will be selected. A list of the individuals that the Applicants anticipate will constitute the directors and executive officers upon the Closing is as follows:

Name	Title
Patrick Lusk	President and Chief Executive Officer
David Wiland	EVP, Chief Financial Officer and Appointed Actuary
Kenneth Brown	EVP, Chief Operating Officer
Thomas Hanson	EVP, Chief Risk Officer
Timothy Brown	EVP, Chief Legal Officer and Corporate Secretary
Heather Kleis	EVP and Chief Human Resources Officer
Timothy Billow	EVP and Chief Information Officer
Lindsey Bollinger	EVP, Program Management
Greg Smith	SVP, Chief Accounting Officer and Treasurer
Kristi Cooper	VP and Chief Compliance Officer
Valay Shah	Director
Matthew Michelini	Director
Dan Kilpatrick	Director
Peter Aberg	Director
Mark Epley	Independent Director
Howard Shecter	Independent Director
Ned Sadaka	Independent Director

NAIC Biographical Affidavits for the directors and executive officers are attached hereto as Exhibit D. Information is already on file with the Division with respect to Messrs. Lusk and Wiland who currently serve as executive officers of the Domestic Insurer.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED.

The Domestic Insurer is authorized to issue 250,000 shares of common stock and has issued and outstanding 250,000 shares of common stock. Currently, all of the Domestic Insurer's stock is held by VHI. At Closing, Buyer will purchase all 250,000 shares of common stock from VHI and will thereafter own 100% of the voting securities of the Domestic Insurer.

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 MTA.

ITEM 7. OWNERSHIP OF VOTING SECURITIES.

To the knowledge of the Applicants, except pursuant to the MTA, none of the Applicants, their respective affiliates, or any person listed in Item 3, beneficially owns or has the right to acquire beneficial ownership of, voting securities of the Domestic Insurer.

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 MTA. To the knowledge of the Applicants, other than as described in the MTA and as described in Item 5 and this Item 8 of this Form A, there is no contract, arrangement or understanding with respect to any voting securities of the Domestic Insurer in which any of the Applicants, their respective 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.

It is contemplated that AGM and its subsidiaries will offer certain of its employees, including the Apollo Individual Applicants, an opportunity to invest in the ownership of Buyer Parent through APH-I. The terms and size of such offering have not yet been finalized. Any investment by employees would reduce on a dollar-for-dollar basis AGM's investment in Buyer Parent.

Similarly, Reverence and its subsidiaries will offer certain of its employees and limited partners an opportunity to invest in the ownership of Buyer Parent through RCP Indigo Co-Invest L.P., a Cayman Islands exempted limited partnership ("RCP Indigo Co-Invest"). The terms and size of such offering have not yet been finalized; however, any investment by RCP Indigo Co-Invest will reduce on a dollar for dollar basis the equity investment made by RCP II Delaware and RCP II Cayman.

In addition, certain directors and officers of Buyer and Buyer Parent may also directly or indirectly acquire an interest in Buyer Parent in an amount that will be less than 9.99% of Buyer Parent's total membership interests. Any such acquisition by such director and officers will reduce the ownership interests of (i) APH-I, (ii) ALRe, (iii) Crestview Indigo Holding and Crestview Indigo TE, and (iv) RCP II Delaware and RCP II Cayman in Buyer Parent on a pro rata basis.

Once the terms and size of the above described investments have been finalized, the Applicants will furnish to the Commissioner an amended Exhibit B-2 indicating such investment.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES.

To the knowledge of the Applicants, there has been no acquisition, direct or indirect, during the twelve calendar months preceding the filing of this Form A, of any voting securities of the Domestic Insurer that was effected by any of the Applicants, their respective affiliates or any person listed in Item 3.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE.

To the knowledge of the Applicants, none of the Applicants, their respective affiliates, any person listed in Item 3 or any person based upon interviews or at the suggestion of any of the Applicants, their respective affiliates or any person listed in Item 3, has made any recommendation to purchase any voting securities of the Domestic Insurer 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 any of the Applicants, their respective affiliates or any person listed in Item 3, with any broker-dealer as to solicitation of voting securities of the Domestic Insurer 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, EXHIBITS, AND FOUR-YEAR FINANCIAL PROJECTIONS.

(a) Exhibits

All exhibits referenced in this Form A are itemized below:

Exhibit A..Master Transaction Agreement

Exhibit B-1...Organization Charts of the Applicants Prior to the Proposed Acquisition

Exhibit B-2...Organization Charts of the Applicants After the Proposed Acquisition

Exhibit C..Directors and Executive Officers of the Non-Individual Applicants

Exhibit D	NAIC Biographical Affidavits of the Directors and Executive Officers of the Applicants and the Post-Closing Directors and Executive Officers of the Domestic Insurer **(submitted confidentially under separate cover)**
Exhibit E-1	Plan of Operations of the Domestic Insurer **(submitted confidentially under separate cover)**
Exhibit E-2	Four-Year Financial Projections of the Domestic Insurer **(submitted confidentially under separate cover)**
Exhibit F-1	Crestview Equity Commitment Letter
Exhibit F-2	Reverence Equity Commitment Letter
Exhibit F-3	Debt Commitment Letter
Exhibit G	Form of Funds Management Administrative Services Agreement
Exhibit H-1	AGM Form 10-K Annual Reports, including Audited Consolidated Financial Statements of AGM as of December 31, 2012, 2013, 2014, 2015 and 2016
Exhibit H-2	AGM Form 10-Q Quarterly Report, including Unaudited Consolidated Financial Statements of AGM as of September 30, 2017
Exhibit H-3	AHL Form 10-K Annual Report, including Audited Consolidated Financial Statements of AHL as of December 31, 2014, 2015 and 2016 (as revised by the Form 8-K filed on June 13, 2017) and the AHL Audited Consolidated Financial Statements as of December 31, 2013, 2014 and 2015
Exhibit H-4	AHL Form 10-Q Quarterly Report, including Unaudited Consolidated Financial Statements of AHL as of September 30, 2017

Exhibit H-5..ALRe Consolidated Financial Statements as of December 31, 2013, 2014, 2015 and 2016

Exhibit H-6..ALRe Unaudited Statutory Financial Statements as of September 30, 2017

Exhibit H-7..Domestic Insurer Form 10-K Annual Reports, including Consolidated Financial Statements of the Domestic Insurer as of as of December 31, 2015 and 2016

Exhibit I ....Unaudited Financial Statements of the Apollo Individual Applicants, Crestview Individual Applicants, and the Reverence Individual Applicants **(submitted confidentially under separate cover)**

As previously noted, the materials filed as Exhibit D, E-1, E-2 and I are being filed confidentially under separate cover. As further explained in the request for confidential treatment set forth in the cover letter accompanying this Form A and herein, 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 H-1 are AGM's Form 10-K Annual Reports for the last five fiscal years ended December 31 2012, 2013, 2014, 2015 and 2016, which include the audited consolidated annual financial statements of AGM for the periods ending December 31 of each of 2012, 2013, 2014, 2015 and 2016 and which are accompanied by the certificate of an independent public accountant, to the effect that such financial statements present fairly the consolidated financial position of AGM and the results of its operations for the years then ended. Attached as Exhibit H-2 is AGM's Form 10-Q Quarterly Report for the quarter ended September 30, 2017, which includes the unaudited quarterly financial statement of AGM for the period ending September 30, 2017.

Attached as Exhibit H-3 are (i) AHL's Form 10-K Annual Report for the fiscal year ended December 31, 2016, which includes the audited consolidated annual financial statements of AHL for the periods ending December 31 of each of 2014, 2015 and 2016 (as revised by the Form 8-K filed on June 13, 2017), and (ii) the consolidated audited annual financial statements of AHL for the periods ending December 31 of each of 2013, 2014 and 2015, each of which are accompanied by the certificate of an independent public accountant, to the effect that such financial statements present fairly the consolidated financial position of AHL and the results of its operations for the years then ended. Attached as Exhibit H-4 is AHL's Form 10-Q Quarterly Report for the quarter ended September 30, 2017, which includes the unaudited quarterly financial statement of AHL for the period ending September 30, 2017.

Attached as Exhibit H-5 are the audited annual financial statements of ALRe for the periods ending December 31 of each of 2013, 2014, 2015 and 2016, which are the only years for which such audited financial statements are available and which are accompanied by the certificate of an independent public accountant, to the effect that such financial statements present fairly the consolidated financial position of ALRe and the results of its operations for the years then ended. Attached as Exhibit H-6 is the unaudited quarterly statutory financial statement of ALRe for the period ending September 30, 2017.

There is no financial statement with respect to Buyer, Buyer Parent, APH-I or APH-I GP which is produced in the ordinary course of business. Additionally, other than the unaudited financial statements with respect to each of the Crestview Individual Applicants and the Reverence Individual Applicants (as described below), there is no financial statement with respect to the Crestview Applicants or the Reverence Applicants which is produced in the ordinary course of business.

Unaudited financial statements with respect to each of the Apollo Individual Applicants, the Crestview Individual Applicants, and the Reverence Individual Applicants are being filed confidentially under separate cover as Exhibit I. The Applicants respectfully request that (i) any such unaudited financial statements of the Apollo Individual Applicants, Crestview Individual Applicants, and the Reverence 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, to the knowledge of the Applicants, there has been no tender offer for, request or invitation for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of the Domestic Insurer. Except as otherwise set forth herein, the Applicants do not currently intend to cause the Domestic Insurer to enter into any new employment, consulting, advisory or management agreement. Attached as Exhibit H-1 are AGM's Form 10-K Annual Reports for the fiscal years ended December 31, 2016 and December 31, 2015, and attached as Exhibit H-3 is AHL's Form 10-K Annual Report for the fiscal year ended December 31, 2016 (as revised by the Form 8-K filed on June 13, 2017), which is the only Form 10-K Annual Report available for AHL. Attached as Exhibit H-7 are the Domestic Insurer's Form 10-K Annual Reports for the fiscal years ended December 31, 2016 and December 31, 2015. There is no annual report to shareholders available for any of APH-I, APH-I GP, ALRe, the Crestview Applicants or the Reverence Applicants.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the Closing of the Proposed Acquisition occurs.

ITEM 14. SIGNATURE AND CERTIFICATION.

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

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Venerable Holdings, Inc. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

VENERABLE HOLDINGS, INC.

By WB. Kuesel

Name: William Kuesel
Title: Vice President and Assistant Secretary

Attest:

Christopher R Gruszczynski

Name: Christopher R. Gruszczynski
Title: Vice President and Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018, for and on behalf of Venerable Holdings, Inc.; that he is the Vice President and Assistant Secretary of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

WB. Kuesel

Name: William Kuesel

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, VA Capital Company LLC has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

VA CAPITAL COMPANY LLC

By: Apollo Principal Holdings I, L.P.
its manager

By: Apollo Principal Holdings I GP, LLC
its general partner

By: W.B. Kuesel
Name: William Kuesel
Title: Vice President

Attest:
Christopher R Gruszczynski
Name: Christopher R. Gruszczynski
Title: Vice President

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 8, 2018, for and on behalf of VA Capital Company LLC; that he is the Vice President of Apollo Principal Holdings I GP, LLC, which is the general partner of Apollo Principal Holdings I, L.P., which is the manager of VA Capital Company LLC, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

W.B. Kuesel
Name: William Kuesel

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Athene Holding Ltd. has caused this application to be duly signed on its behalf in the City of Pembroke in the Parish of Hamilton in Bermuda on the 5th day of February, 2018.

(SEAL)

ATHENE HOLDING LTD.

By ______________________________
Name: Joe Bellanca
Title: Vice President, Corporate Actuary

Attest:

____
Name: Victoria Hayward
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018, for and on behalf of Athene Holding Ltd.; that he is the Vice President, Corporate Actuary of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____
Name: Joe Bellanca

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Athene Life Re Ltd. has caused this application to be duly signed on its behalf in the City of Pembroke and the State of Bermuda on the 31st day of January, 2018.

(SEAL)

ATHENE LIFE RE LTD.

By ______________________________

Name: Adam Laing

Title: Chief Financial Officer

Attest:

____

Name: Victoria Hayward

Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated 31st January, 2018, for and on behalf of Athene Life Re Ltd.; that he is the Chief Financial Officer of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: Adam Laing

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Apollo Principal Holdings I, L.P. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

APOLLO PRINCIPAL HOLDINGS I, L.P.

By: Apollo Principal Holdings I GP, LLC
its general partner

By W.B. Kuesel
Name: William Kuesel
Title: Vice President

Attest:

Christopher R. Gruszczynski
Name: Christopher R. Gruszczynski
Title: Vice President

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018, for and on behalf of Apollo Principal Holdings I, L.P.; that he is Vice President of Apollo Principal Holdings I GP, LLC, which is the general partner of Apollo Principal Holdings I, L.P., and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

W.B. Kuesel
Name: William Kuesel

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Apollo Principal Holdings I GP, LLC has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

APOLLO PRINCIPAL HOLDINGS I GP, LLC

By W.B. Kuesel
Name: William Kuesel
Title: Vice President

Attest:

Christopher R. Gruszczynski
Name: Christopher R. Gruszczynski
Title: Vice President

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018, for and on behalf of Apollo Principal Holdings I GP, LLC; that he is the Vice President of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

W.B. Kuesel
Name: William Kuesel

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Apollo Global Management, LLC has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 30 day of January, 2018.

(SEAL)

APOLLO GLOBAL MANAGEMENT, LLC

By ______________________

Name: John J. Suydam
Title: Chief Legal Officer

Attest:

____

Name: Christopher R. Gruszczynski
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated ______________________, 2018, for and on behalf of Apollo Global Management, LLC; that he is the Chief Legal Officer of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: John J. Suydam

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Crestview Partners III Management, LLC has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 1st day of February, 2018.

(SEAL)

SHABANA GAJIE
Registration #01GA6261743
Qualified in Queens County
My Commission Expires
May 14, 2020

STATE OF NOTARY PUBLIC NEW YORK

CRESTVIEW PARTNERS III MANAGEMENT, LLC

By [signature]
Name: Thomas S. Murphy, Jr.
Title: Managing Director

Attest:

[signature]
Name: Shabana Gajie
Title: Notary Public

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 1, 2018, for and on behalf of Crestview Partners III Management, LLC; that he is the Managing Director of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

[signature]
Name: Thomas S. Murphy, Jr.

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Crestview Indigo III Holdings, L.P. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 15 day of February, 2018.

(SEAL)

CRESTVIEW INDIGO III HOLDINGS, L.P.

SHABANA GAJIE
Registration #01GA6261743
Qualified in Queens County
My Commission Expires
May 14, 2020

By ______________________

By: Crestview Partners III Management, LLC
Name: Thomas S. Murphy, Jr.
Title: Managing Director

Attest:

____

Name: Shabana Gajie
Title: Notary Public

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 1, 2018, for and on behalf of Crestview Indigo III Holdings, L.P.; that he is the Managing Director of the General Partner of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: Thomas S. Murphy, Jr.

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Crestview Indigo III (TE), L.P. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 15 day of February, 2018.

(SEAL)

SHABANA GAJIE
Registration #01GA6261743
Qualified in Queens County
My Commission Expires
May 14, 2020

STATE OF NEW YORK NOTARY PUBLIC

CRESTVIEW INDIGO III (TE), L.P.

By ______________________

By: Crestview Partners III Management, LLC
Name: Thomas S. Murphy, Jr.
Title: Managing Director

Attest:

____

Name: Shabana Gajie
Title: Notary Public

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 1, 2018, for and on behalf of Crestview Indigo III (TE), L.P.; that he is the Managing Director of the General Partner of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: Thomas S. Murphy, Jr.

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Reverence Capital Partners Opportunities Fund II (Cayman) L.P. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

REVERENCE CAPITAL PARTNERS OPPORTUNITIES FUND II (CAYMAN) L.P.

By: RCP OPP Fund II GP, L.P., its general partner
By: RCP GenPar LP, its general partner
By: RCP GenPar HoldCo LLC, its general partner

By ______________________
Name: Peter Aberg
Title: Member

Attest:

____
Name: David Sloane
Title: Controller

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018, for and on behalf of Reverence Capital Partners Opportunities Fund II (Cayman) L.P.; that he is the Member of such company's general partner, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____
Name: Peter Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Reverence Capital Partners Opportunities Fund II, L.P. has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

REVERENCE CAPITAL PARTNERS OPPORTUNITIES FUND II, L.P.

By: RCP OPP Fund II GP, L.P., its general partner
By: RCP GenPar LP, its general partner
By: RCP GenPar HoldCo LLC, its general partner

By ______________________
Name: Peter Aberg
Title: Member

Attest:

____
Name: David Sloane
Title: Controller

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018, for and on behalf of Reverence Capital Partners Opportunities Fund II, L.P.; that he is the Member of such company's general partner, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____
Name: Peter Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, RCP Opp Fund II GP, LP has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

RCP OPP FUND II GP, LP

By: RCP GenPar LP, its general partner
By: RCP GenPar HoldCo LLC, its general partner

By ______________________
Name: Peter Aberg
Title: Member

Attest:

____
Name: David Sloane
Title: Controller

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018, for and on behalf of RCP Opp Fund II GP, LP; that he is the Manager of such company's general partner, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____
Name: Peter Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, RCP GenPar LP has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

RCP GENPAR LP

By: RCP GenPar HoldCo LLC, its general partner

By ______________________________

Name: Peter Aberg
Title: Member

Attest:

____

Name: David Sloane
Title: Controller

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018, for and on behalf of RCP GenPar LP; that he is the Member of such company's general partner, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: Peter Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, RCP GenPar HoldCo LLC has caused this application to be duly signed on its behalf in the City of New York and the State of New York on the 5th day of February, 2018.

(SEAL)

RCP GENPAR HOLDCO LLC

By ______________________

Name: Peter Aberg
Title: Member

Attest:

____

Name: David Sloane
Title: Controller

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018, for and on behalf of RCP GenPar HoldCo LLC; that he is the Member of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

____

Name: Peter Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Leon Black has signed this application in the City of New York and the State of New York on the 5 day of February, 2018.

Leon Black

Attest:

Name: Melanie Spinelle

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated ____________________, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Leon Black

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Joshua Harris has signed this application in the City of New York and the State of New York on the 5th day of FEBRUARY, 2018.

Joshua Harris

Attest:

Name: WINNIE CHENG

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated FEBRUARY 5th, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Joshua Harris

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Marc Rowan has signed this application in the City of New York and the State of New York on the 5 day of February, 2018.

Marc Rowan

Attest:

Elizabeth

Name:

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Marc Rowan

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Barry S. Volpert has signed this application in the City of New York and the State of New York on the __1__ day of February 2018.

Barry S. Volpert

Attest:

Name: Lindsey King

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February__1__, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Barry S. Volpert

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Thomas S. Murphy, Jr. has signed this application in the City of New York and the State of New York on the 1st day of February 2018.

Thomas S. Murphy, Jr.

Attest:

Name: Shabana Gajie

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 1, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Thomas S. Murphy, Jr.

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Peter C. Aberg has signed this application in the City of New York and the State of New York on the 5th day of February 2018.

Peter C. Aberg

Attest:

Name: David Sloane

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Peter C. Aberg

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Milton R. Berlinski has signed this application in the City of New York and the State of New York on the 5th day of February 2018.

Milton R. Berlinski

Attest:

Name: David Sloane

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Milton R. Berlinski

SIGNATURE

Pursuant to the requirements of Iowa Code Section 521A.3 and Chapter 45 of Title 191 of the Iowa Administrative Code, Alexander A. Chulack has signed this application in the City of New York and the State of New York on the 5th day of February 2018.

Alexander A. Chulack

Attest:

Name: David Sloane

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated February 5th, 2018 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Name: Alexander A. Chulack

Exhibit A

Master Transaction Agreement

Please see attached.

Exhibit B-1

Organization Charts of the Applicants Prior to the Proposed Acquisition

Please see attached.

Exhibit B-2

Organization Chart of the Applicants After the Proposed Acquisition

Please see attached.

Exhibit C

Directors and Executive Officers of the Applicants

See attached.

Exhibit D

NAIC Biographical Affidavits

Submitted confidentially under separate cover.

Exhibit E-1

Plan of Operations of the Domestic Insurer

Submitted confidentially under separate cover.

Exhibit E-2

Four-Year Financial Projects for the Domestic Insurer

Submitted confidentially under separate cover.

Exhibit F-1

Crestview Equity Commitment Letter

Please see attached.

Exhibit F-2

Reverence Equity Commitment Letter

Please see attached.

<u>Exhibit F-3</u>

Debt Commitment Letter

Please see attached.

Exhibit G

Form of Funds Management Administrative Services Agreement

Please see attached.

Exhibit H-1

Form 10-K Annual Reports, including Audited Consolidated Financial Statements of AGM as of December 31, 2012, 2013, 2014, 2015 and 2016

Please see attached.

<u>Exhibit H-2</u>

AGM Form 10-Q Quarterly Report, Including Unaudited Consolidated Financial Statements of AGM as of September 30, 2017

Please see attached.

Exhibit H-3

AHL Form 10-K Annual Report, including Audited Consolidated Financial Statements of AHL as of December 31, 2014, 2015 and 2016 and the AHL Consolidated Financial Statements as of December 31, 2013, 2014 and 2015

Please see attached.

<u>Exhibit H-4</u>

AHL Form 10-Q Quarterly Report, including Unaudited Consolidated Financial Statements of AHL as of September 30, 2017

Please see attached.

Exhibit H-5

ALRe Consolidated Financial Statements as of December 31, 2013, 2014, 2015 and 2016

Please see attached.

Exhibit H-6

ALRe Unaudited Statutory Financial Statements as of September 30, 2017

Please see attached.

Exhibit H-7

Domestic Insurer Form 10-K Annual Reports, including Consolidated Financial Statements of the Domestic Insurer as of as of December 31, 2015 and 2016

Please see attached.

<u>Exhibit I</u>

Unaudited Financial Statements of the Apollo Individual Applicants, Crestview Individual Applicants and the Reverence Individual Applicants

Submitted confidentially under separate cover.

EXECUTION COPY

MASTER TRANSACTION AGREEMENT

BY AND AMONG

VOYA FINANCIAL, INC.,

VA CAPITAL COMPANY LLC

and

ATHENE HOLDING LTD.

DATED AS OF DECEMBER 20, 2017

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<u>EXHIBITS, ANNEXES AND SCHEDULES:</u>

MASTER TRANSACTION AGREEMENT

MASTER TRANSACTION AGREEMENT, dated as of December 20, 2017 (this "Agreement"), by and among Voya Financial, Inc., a corporation organized under the laws of the State of Delaware ("Seller"), VA Capital Company LLC, a Delaware limited liability company ("Buyer Parent"), and Athene Holding Ltd., a Bermuda limited company ("Reinsurer Parent").

WITNESSETH:

WHEREAS, Seller owns 100% of the issued and outstanding shares of common stock of Voya Holdings Inc., a corporation organized under the laws of the State of Connecticut ("VHI"), which owns 100% of the issued and outstanding shares of common stock, par value $10.00 per share (the "Shares"), of Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa (the "Company");

WHEREAS, VHI owns 100% of the issued and outstanding shares of common stock of Voya Retirement Insurance and Annuity Company, an insurance company organized under the laws of the State of Connecticut and an indirect wholly owned Subsidiary (as hereinafter defined) of Seller ("VRIAC"), which is the beneficial and record owner of 100% of the membership interests (the "DSL Interests") of Directed Services LLC, a broker-dealer registered with the SEC (as hereinafter defined) and certain state securities authorities, member of FINRA (as hereinafter defined) and a limited liability company organized under the laws of the State of Delaware ("DSL");

WHEREAS, (a) the Company, DSL and Roaring River II, Inc., a captive insurance company organized under the laws of the State of Arizona and an indirect wholly owned Subsidiary of Seller ("RRII"), are engaged, among other things, in the operation of the CBVA Business (as hereinafter defined), (b) the Company and certain other Subsidiaries of Seller are engaged, among other things, in the operation of the FA Business (as hereinafter defined) and (c) the Company is engaged in certain other businesses and operations; and

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition to Seller's willingness to enter into this Agreement, Reinsurer Parent and Apollo Principal Holdings I, L.P. ("Apollo" and, together with Reinsurer Parent, the "Sponsors") have each entered into a Limited Guarantee attached hereto as Exhibit K (the "Limited Guarantees") for the benefit of Seller, pursuant to which the Sponsors have agreed, subject to the terms and conditions thereof, to guarantee to Seller Buyer Parent's obligations to pay to Seller the Termination Fee and the Recovery Costs (each as hereinafter defined) if and when they become payable in accordance with Article IX;

WHEREAS, the parties hereto desire to enter into this Agreement pursuant to which, on the terms and subject to the conditions set forth herein, at the Closing (as hereinafter defined), among other things:

(a) Seller shall cause the Restructuring Agreements (as hereinafter defined) to be executed by the Company and each of its Affiliates (as hereinafter defined) that is a party thereto and shall effect each of the transfers required to be effected thereunder;

(b) Seller shall cause the Company and RRII to execute the CBVA Recapture Agreement (as hereinafter defined), pursuant to which, upon the terms and subject to the conditions set forth therein, the CBVA Business that is currently reinsured by RRII will be recaptured by the Company;

(c) Athene Annuity & Life Assurance Company, an insurance company organized under the laws of the State of Delaware ("Reinsurer"), shall enter into the FA Business Reinsurance Agreements with each of the Company and ReliaStar Life Insurance Company, an insurance company organized under the laws of the State of Minnesota and an indirect wholly owned Subsidiary of Seller ("RLI"), and shall pay the ceding commissions contemplated thereunder to each of the Company and RLI, as applicable;

(d) The Company shall enter into the RLI Administrative Services Agreement (as hereinafter defined) with RLI, pursuant to which, upon the terms and subject to the conditions set forth therein, the Company will provide to RLI administrative services with respect to the FA Business reinsured under the RLI FA Business Reinsurance Agreement entered into by Reinsurer and RLI;

(e) Seller or an Affiliate of Seller, on the one hand, and Buyer Parent or an Affiliate of Buyer Parent, on the other hand, will enter into the Transition Services Agreement (as hereinafter defined), pursuant to which, upon the terms and subject to the conditions set forth therein, Seller or such Affiliate of Seller will perform certain transition services with respect to the Business (as hereinafter defined) for Buyer Parent and its Affiliates, and Buyer Parent or such Affiliate of Buyer Parent will perform certain transition services for Seller and its Affiliates;

(f) Pursuant to that certain Subscription Agreement attached hereto as Exhibit M and dated as of the date hereof, (the "Subscription Agreement") by and between Seller and Buyer Parent, upon the terms and subject to the conditions set forth therein, (i) Seller shall purchase from Buyer Parent, and Buyer Parent shall issue and sell to Seller, membership or other equity interests of Buyer Parent (the "Buyer Parent Interests") representing 9.99% of the Buyer Parent Interests which will be outstanding at Closing, and (ii) Seller shall pay Buyer Parent an aggregate subscription price equal to $34,965,000 (the "Subscription Amount");

(g) Each of Seller, Buyer Parent and the Investors will enter into a Limited Liability Company Agreement (the "LLC Agreement"), which will contain the terms set forth in the term sheet attached hereto as Exhibit A (the "LLC Agreement Term Sheet");

(h) The Company, on the one hand, and Voya Investment Management, LLC, a Delaware limited liability company ("VIM"), on the other hand, shall enter into an Investment Management Agreement (the "Company Investment Management Agreement"),which will contain the terms set forth in the term sheet attached hereto as Exhibit B-1 (the "Company Investment Management Agreement Term Sheet"), pursuant to which, upon the terms and subject to the conditions set forth therein, VIM shall perform certain investment management services for the Company with respect to the CBVA Business;

(i) The Company or its Affiliate, on the one hand, and VIM, on the other hand, shall enter into a Securities and Management Services Agreement (the "SMS Agreement"), which will contain the terms set forth in in the term sheet attached hereto as Exhibit B-2 (the "SMS Agreement Term Sheet"), pursuant to which, upon the terms and subject to the conditions set forth therein, VIM shall perform certain management services for the Company and its Affiliates, with respect to all of the Company's managed assets under management by VIM, and other agreed upon assets of the Company;

(j) Seller shall cause the other Pre-Sale Transactions (as hereinafter defined) to occur;

(k) Buyer Parent and certain of its Affiliates, as applicable, will enter into the Buyer Affiliate Agreements (as hereinafter defined);

(l) Seller shall cause each of VHI, VRIAC and its applicable Affiliate, as applicable, to sell, transfer and deliver to Venerable Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of Buyer Parent ("Buyer"), and Buyer Parent shall cause Buyer to purchase and acquire from VHI, VRIAC and its applicable Affiliates, as applicable, all of the Shares, the DSL Interests and all of the outstanding equity interests of Services Company (as hereinafter defined);

(m) The Company will enter into the Retained Business Administrative Services Agreement (as hereinafter defined) with each of Security Life Insurance Company of Denver, an insurance company organized under the laws of the State of Colorado and a wholly owned Subsidiary of Seller ("SLD"), VRIAC and Voya Institutional Trust Company, a trust bank chartered under the laws of the State of Connecticut and a wholly owned subsidiary of Seller ("VITC"), pursuant to which and upon the terms and subject to the conditions set forth therein, the Company will provide to each of RLI, SLD, VITC and VRIAC certain administrative services with respect to the Retained FA Business (as hereinafter defined) and the Retained CBVA Business (as hereinafter defined), as applicable;

(n) Buyer will enter into the RLINY Retained Business Administrative Services Agreement with ReliaStar Life Insurance Company of New York, an insurance company organized under the laws of the State of New York and an indirect wholly owned Subsidiary of Seller ("RLINY"), pursuant to which and upon the terms and subject to the conditions set forth therein, RLINY will have the right to receive certain administrative services with respect to its Retained FA Business (as hereinafter defined) and Retained CBVA Business (as hereinafter defined);

(o) The Company will enter into the RPS Administrative Services Agreement with RLI, pursuant to which and upon the terms and subject to the conditions set forth therein, RLI will provide to the Company certain administrative services with respect to a system that will be retained by RLI;

(p) The parties shall cause the Surplus Note Transfer to occur;

(q) Seller and Buyer Parent shall enter into the Support Agreement;

(r) Seller and Athene Annuity and Life Company, an insurance company organized under the laws of the State of Iowa ("AAIA") shall enter into the Earn-Out Agreement, substantially in the form attached hereto as Exhibit N;

(s) Buyer Parent shall cause Buyer to contribute all of the equity interests of a newly formed Arizona captive insurance company (the "New Captive") to the Company and the Company and the New Captive will enter into the Reinsurance Agreement substantially in the form attached hereto as Exhibit R (the "New Captive Reinsurance Agreement");

(t) Reinsurer and Athene Life Re Ltd., a Bermuda reinsurer ("ALRe") shall enter into the Fourth Amendment to Amended and Restated Retrocession Agreement substantially in the form attached hereto as Exhibit P (the "Bermuda Retrocession Agreement"); and

(u) The Parties shall enter into, and shall cause their respective Affiliates to enter into, as applicable, each other Transaction 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 have the respective meanings set forth below:

"Accounting Principles" means the principles, practices and methodologies set forth on Annex A.

"Acquired Companies" means, collectively, the Company, DSL and Services Company.

"Acquired Company Books and Records" means the books and records (whether in hardcopy or digital format and whether stored in network facilities or otherwise) and such other data and materials of or related to any Acquired Company, each in the possession or control of Seller, the applicable Acquired Company or their respective Affiliates, other than the Excluded Business Books and Records.

"Action" means (i) any civil, criminal, regulatory or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case before, or brought by, a Governmental Entity, or (ii) any investigation or written inquiry by a Governmental Entity, other than any examination by a Tax Authority, including a Tax audit.

"Actual Reserves" means the statutory policyholder reserves (excluding, for the avoidance of doubt, any interest maintenance reserves, additional actuarial reserves or asset valuation reserves) as of the Closing Date with respect to the FA Contracts, excluding any reserves with respect to the Non-Qualified FA Contracts, determined in accordance with the Reserve Methodologies.

"Actuarial Reports" means, collectively, (i) the Voya Insurance and Annuity Company Supporting Actuarial Memorandum, dated December 31, 2016, (ii) the actuarial report titled "Actuarial Appraisal of the Closed Block Variable Annuity Business as of December 31, 2016," dated March 22, 2017, and as supplemented by the "Actuarial Appraisal of the Closed Block Variable Annuity Business as of June 30, 2017," dated October 6, 2017, and (iii) the actuarial report titled "Actuarial Appraisal of the Fixed Annuity Business as of June 30, 2017," dated October 4, 2017, each as prepared by Milliman and including any other attachments, opinions, addenda, errata, supplements and modifications thereto.

"Additional Transferring Employee" means each Available Employee that Buyer identifies as an "Additional Transferring Employee" who consents to the transfer of his or her employment to the Services Company.

"Administrative Services Agreements" means (i) the RLI Administrative Services Agreement, (ii) the Retained Business Administrative Services Agreement, (iii) the RLINY Retained Business Administrative Services Agreement, (iv) the Life Business Administrative Services Agreement and (v) the RPS Administrative Services Agreement.

"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, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing. For the avoidance of doubt, unless otherwise specified herein, each Acquired Company shall be deemed an "Affiliate" of Seller (and not Buyer Parent) prior to the Closing, and shall be deemed an "Affiliate" of Buyer Parent (and not Seller) from and after the Closing.

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

"Agent Deferral Plans" means (i) the Retirement Incentive Plan for General Agents and Agents, (ii) the Agent Equity Builder Plan, (iii) the Managing Director Equity Builder Plan, and (iv) The Voya Fixed Annuities Elite Producer Deferred Compensation Plan, each as amended or restated from time to time.

"Allocated Assets" means all of Seller's and its Affiliates' (including the Acquired Companies') right, title and interest in and to the (i) assets, properties, Contracts and rights used exclusively in connection with the Business other than any Excluded Assets, (ii) assets, properties and rights that are identified on Schedule 1.1(a), (iii) Allocated Contracts, and (iv) Allocated Intellectual Property.

"Allocated Contracts" means (i) the Contracts to which Seller or an Affiliate of Seller (including the Acquired Companies) is a party that are used exclusively in connection with the Business (other than any Excluded Assets) or that are listed on Schedule 1.1(b); (ii) any renewals or replacement of those Contracts referred to in the preceding clause (i) that are entered into prior to the Closing in accordance with this Agreement; (iii) any vendor Contracts to which Seller or an Affiliate of Seller (including the Acquired Companies) is a party, to the extent they relate primarily or exclusively to the Business and are entered into between the date hereof and the Closing in accordance with this Agreement (in each case other than any Contract that is a replacement or renewal of a Specified Contract (other than any Contract that is entered into at the request of or with the consent of Buyer Parent and pursuant to which such third party will provide goods or services to any Acquired Company following the Closing)); (iv) each Company Benefit Plan; and (v) the Allocated IP Contracts.

"Allocated Intellectual Property" means all Intellectual Property, including Business Registered Intellectual Property, that (i) is used exclusively in connection with the Business and is not otherwise Excluded Intellectual Property or (ii) is listed on Schedule 1.1(c), including, in each case, the right to sue for and recover damages, assert, settle and/or release any claims or demands and obtain all other remedies and relief at law or equity for any past, present or future infringement, misappropriation or violation with respect thereto.

"Allocated IP Contracts" means Contracts, sublicenses and other agreements under which Seller or any of its Affiliates (including the Acquired Companies) has granted to a third party any license under the Intellectual Property owned by Seller or any of its Affiliates (including the Acquired Companies) or pursuant to which third party Intellectual Property is licensed to Seller or any of its Affiliates (including the Acquired Companies) that are set forth under the heading "Allocated IP Contracts" in the list of Allocated Contracts included in Schedule 1.1(b).

"Allocated Liabilities" means all Liabilities to the extent resulting from or arising out of the Allocated Assets, whether arising prior to, at or following the Closing Date. "Allocated Liabilities" shall not include any Excluded Liabilities.

"Ancillary Excluded Software" means macros, interfaces, dashboards, spreadsheets, utilities, models, reports, tools, configurations, databases, and workflows proprietary to Seller or its Affiliates, each of the foregoing solely to the extent necessary to the operation of the Business as currently conducted, including any of the foregoing designed for use with commercially available third party Software.

"Ancillary Licensed-Back Software" means macros, interfaces, dashboards, spreadsheets, utilities, models, reports, tools, configurations, databases, and workflows included in the Licensed-Back Intellectual Property, each of the foregoing solely to the extent necessary to the operation of the Excluded Business as currently conducted, including any of the foregoing designed for use with commercially available third party Software.

"Anti-Corruption Laws" means the U.S. Foreign Corrupt Practices Act of 1977, as amended, and other similar Applicable Laws that apply to any Acquired Company or the Business.

"Anti-Money Laundering Laws" means Applicable Laws regarding anti-money laundering or terrorism financing that apply to any Acquired Company or the Business.

"Applicable Law" means any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to any Person or such Person's businesses, properties or assets, as may be amended from time to time.

"Asset Identification Protocol" means the asset identification procedures and protocol set forth on Annex C hereto

"Available Employees" means, other than any Qualified Employee, (i) each Census Employee, (ii) each other employee of Seller and its Affiliates who, as of the date hereof, dedicates at least fifty percent (50%) of his or her business time providing services primarily related to the Business, (iii) each other employee of Seller and its Affiliates identified as an "Available Employee" by Seller to Buyer, and (iv) each individual hired (including an internal hire or transfer) following the date hereof and prior to the Closing Date by Seller or any of its Affiliates to replace any individual identified in clauses (i), (ii) or (iii) above.

"Base Ceding Commission" means an amount equal to $400,000,000.

"Benefit Plan" means each Company Benefit Plan and each Seller Benefit Plan.

"Burdensome Condition" means any condition, limitation or qualification imposed by a Governmental Entity on its grant of any consent, authorization, order, approval or exemption that a party seeks to obtain in connection with the transactions contemplated by this Agreement that, individually or together with all such conditions, limitations or qualifications would or would reasonably be expected to (i) with respect to Seller, (A) have a material adverse effect on the business, results of operations or financial condition of Seller and its Subsidiaries, taken as a whole (after giving effect to the transactions contemplated by this Agreement), or (B) require or involve any new keepwell, guarantee or capital infusion by Seller or any of its Subsidiaries of or to any Subsidiary (other than the Company) that has or would reasonably be expected to have a non-*de minimis* adverse economic impact on Seller and its Subsidiaries, taken as a whole, or (ii) with respect to Buyer Parent or Reinsurer Parent, (A) have a material adverse effect on the business, results of operations or financial condition of Buyer Parent and its Subsidiaries, taken as a whole, or any Investor and its Affiliates, taken as a whole, (B) have a material adverse effect on the business, results of operations or financial condition of the Business, (C) require or involve the sale, disposition or separate holding through the establishment of trust, or otherwise, before or after the Closing, of any businesses, operations or assets, or any interests therein, of Buyer Parent, any Investor or any of their respective Affiliates or the Business that (1) has or would reasonably be expected to have a non-*de minimis* adverse economic impact on Buyer Parent and its Subsidiaries (including the Acquired Companies), taken as a whole, or any Investor and its Affiliates, taken as a whole, or (2) has or would reasonably be expected to have a significant and adverse non-economic impact on Buyer Parent and its Subsidiaries (including the Acquired Companies), taken as a whole, or on any Investor and its Affiliates, taken as a whole, (D) require or involve any Investor Support Arrangement for the benefit of the Company or its policyholders, (E) require or involve any modification of the FA Business Reinsurance Agreements, any Buyer

Specified Affiliate Agreement or of Buyer's, Buyer Parent's, Reinsurer Parent's any Investor's or any Investor's Affiliate's existing business plans, including any existing affiliated party arrangements, unrelated to the relevant business plan of Buyer in connection with the acquisition of the Business that (1) has a non-*de minimis* adverse economic impact on Buyer Parent and its Subsidiaries (including the Acquired Companies), taken as a whole, or on any Investor and its Affiliates, taken as a whole, or (2) has a significant and adverse non-economic impact on Buyer Parent and its Subsidiaries (including the Acquired Companies), taken as a whole, or on any Investor and its Affiliates, taken as a whole, or (F) require or involve any material adverse deviation from those key terms of Buyer Parent's business plan set forth on Schedule 1.1(e). For purposes of subclauses (ii)(A), (ii)(C) and (ii)(E) of this definition of Burdensome Condition, (1) Apollo's Affiliates shall only include Apollo Global Management LLC and its Subsidiaries, and (2) Reinsurer Parent's Affiliates shall only include its Subsidiaries.

"Business" means (i) the CBVA Business; (ii) the FA Business operated by the Company; (iii) the FA Business operated by RLI; and (iv) the business of DSL to the extent related to the distribution of the CBVA Contracts and the FA Contracts.

"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.

"Business Employee" means each Qualified Employee, each Select Advantage Employee and each Additional Transferring Employee.

"Business IT Systems" means all information technology and computer systems (including Business Software, information technology and telecommunication hardware and other equipment) in the possession or under the control of the Acquired Companies or, with respect to the Business, Seller or any of its other Affiliates, and relating to the transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data or information, whether or not in electronic format, used in the Business.

"Business Software" means all Software and other products developed (or currently in development), owned or purported by Seller and its Affiliates to be owned by the Acquired Companies or, with respect to the Business, Seller or any of its other Affiliates, that relate exclusively to the Business.

"Buyer Affiliate Agreement" means (i) the New Captive Reinsurance Agreement; (ii) the Bermuda Retrocession Agreement; (iii) the Company FA Business Reinsurance Agreement; (iv) the Alternate Company FA Business Reinsurance Agreement if Reinsurer has exercised its option pursuant to Section 5.31; (v) the investment management agreement between the Company and AAM if Reinsurer has exercised its option pursuant to Section 5.31; (vi) the issuance of subordinated notes of Buyer to AAIA and Reinsurer; and (vii) the shared services and cost sharing agreement between Buyer Parent, Buyer, the Company, DSL, the New Captive and the Services Company, and in the case of clauses (v)-(vii), substantially in the form delivered to Seller prior to the date hereof or containing terms substantially as set forth in the term sheet delivered prior to the date hereof to Seller, as applicable.

"Buyer Designee" means the individual identified by Buyer in a writing to Seller promptly following the date hereof or any replacement of such individual as may be identified by Buyer in a writing to Seller from time to time after the date hereof.

"Buyer Disclosure Schedule" means the disclosure schedule (including any attachments thereto) delivered by Buyer Parent to Seller on the date hereof in connection with, and constituting part of, this Agreement.

"Buyer Party" means Buyer Parent or any Affiliate of Buyer Parent that is a party to any Transaction Agreement.

"Buyer Specified Affiliate Agreements" means (i) the New Captive Reinsurance Agreement; and (ii) the Bermuda Retrocession Agreement.

"CBVA Business" means the business of the Company, RRII and DSL related to the CBVA Contracts, including issuing, underwriting, selling, distributing, marketing, delivering, canceling, reinsuring and administering the CBVA Contracts.

"CBVA Contract" means any group or individual annuity contract or certificate, whether or not registered under the Securities Act, if the value of such contract or certificate, any unit of interest or participation therein, or any investment option available thereunder, either prior or subsequent to annuitization (including Payout Annuities), or both, varies (in whole or in part) according to the investment experience of the separate account in which the contract participates, in each case that were written, issued or assumed by the Company (whether or not reinsured by RRII) prior to January 1, 2011. For clarity, "CBVA Contract" includes any fixed account option available under any annuity contract or certificate included in this definition.

"CBVA Recapture Agreement" means the Commutation Agreement, substantially in the form attached as Exhibit C, that will be entered into at the Closing by the Company and RRII.

"CBVA True-Up Amount" means an amount (which may be positive or negative) equal to (i)(A) the Final Total Adjusted Book Value minus (B) the Estimated Total Adjusted Book Value, plus (ii)(A) the Estimated Required Adjusted Book Value minus (B) the Final Required Adjusted Book Value.

"Census" means the census entitled "Redacted Employee List 12-11-17_DSL designated" provided by Seller to Buyer Parent in folder 3.7.64 of the electronic data room that was established in connection with the transactions contemplated by this Agreement.

"Census Employee" means each individual identified on the Census.

"Closing Assignment and Assumption Agreement" means the Assignment and Assumption Agreement, substantially in the form attached hereto as Exhibit T-1, entered into by Seller and its applicable Affiliates, on the one hand, and the Company, on the other hand, in connection with the Restructuring.

"Closing Bill of Sale" means the Bill of Sale, substantially in the form attached hereto as Exhibit T-2, entered into by Seller and its applicable Affiliates, on the one hand, and the Company, on the other hand, in connection with the Restructuring.

"Closing CTE95 Amount" means the CTE95 Amount as of the Closing Date, calculated in accordance with the CTE95 Model and Calculation Methodologies.

"COBRA" means Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code, and any similar state or local law providing medical coverage for former employees.

"Code" means the Internal Revenue Code of 1986.

"Company Asset Reduction Amount" has the meaning set forth on Schedule 1.1(f).

"Company Benefit Plan" means each Employee Benefit Plan that is sponsored or maintained by any Acquired Company or to which any Acquired Company is a party or pursuant to which any Acquired Company will have any Liability from and after the Closing.

"Company Ceding Commission" means an amount equal to the Total Ceding Commission minus the RLI Ceding Commission.

"Company Ceding Commission True-Up Amount" means an amount (which may be positive or negative) equal to (i) the Final Company Ceding Commission minus (ii) the Estimated Company Ceding Commission.

"Company FA Business Reinsurance Agreement" means collectively, (i) the Reinsurance Agreement, dated as of the Closing Date, by and between the Company and Reinsurer, in the form attached hereto as Exhibit E-1; and (ii) the Modified Coinsurance Agreement (Separate Account FA Business), dated as of the Closing Date, by and between the Company and Reinsurer, in the form attached hereto as Exhibit E-2.

"Company FA Business Reinsurance True-Up Amount" means an amount (which may be positive or negative) equal to (i) the Final Company Transferred Asset Value minus (ii) the Final Company Required Initial Premium.

"Company GAAP Financial Statements" means all of the financial statements of the Company included in the Company SEC Reports publicly available on the internet website of the SEC at least ten (10) Business Days prior to the date of this Agreement, including the notes thereto.

"Company Required Initial Premium" means the initial premium payable to Reinsurer in connection with the Company FA Business Reinsurance Agreement calculated in accordance with Schedule 1.1(g).

"Company Transferred Asset Value" means the aggregate Fair Market Value of the Investment Assets transferred by the Company to Reinsurer at Closing in connection with the Company FA Business Reinsurance Agreement.

"Confidentiality Agreement" means the Confidentiality and Non-Disclosure Agreement dated June 6, 2017, between Reinsurer Parent and Seller.

"Consolidated Returns" means any and all Tax Returns of the Seller Group.

"Contract" means, with respect to any Person, any contract, lease, license, sublicense, commitment, loan or credit agreement, indenture, agreement or other commitment or obligation to which such Person is a party or is otherwise subject or bound, whether written or oral and whether express or implied.

"Copyrights" means copyrightable works (including Software in any form or format), copyrights, whether or not registered and applications for copyright registration.

"Covered Employees" means the Business Employees who are employed by Seller and its Affiliates (including for this purpose only, Service Company) immediately prior to the Closing, but excluding any Business Employees who are receiving payments or benefits pursuant to Seller's (or any of its Affiliates') short or long-term disability plan or policy as of the Closing Date (each such Business Employee being an "Inactive Business Employee").

"Crestview" means Crestview Advisors, L.L.C.

"CTE95 Amount" means, as of any date of determination, an amount equal to (i) the arithmetic mean of the statutory book values of assets required as of such date to satisfy contractholder obligations (or the greatest present value of accumulated deficiencies) as defined in the NAIC C3 Phase II guidelines relating to the CBVA Business (other than any CBVA Contracts with respect to which periodic contract payments are being made as of the applicable date of determination) in the worst 50 of the 1,000 stochastic capital market scenarios determined in accordance with the CTE95 Model and Calculation Methodologies, plus (ii) $107,000,000.

"CTE95 Model" shall have the meaning set forth in the CTE95 Model and Calculation Methodologies.

"CTE95 Model and Calculation Methodologies" means the principles, practices and methodologies set forth on Annex B hereto.

"Designated Employee" means any individual identified on Schedule 1.1(h) and each individual hired (including an internal hire or transfer) with the prior written consent of Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed) following the date hereof and prior to the Closing Date by Seller or any of its Affiliates to replace any individual identified on Schedule 1.1(h) following a termination of such individual's employment with Seller and its Affiliates.

"DSL Net Capital" means, as of any applicable date of determination, the net capital of DSL, calculated in accordance with Rule 15c3-1 under the Exchange Act.

"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 (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA, (ii) a stock bonus, stock purchase, stock option, restricted stock, stock appreciation right or equity or equity-based plan or (iii) any other employment, severance, change of control, retention, deferred-compensation, retirement, welfare-benefit, bonus, incentive, fringe benefit, pension, profit-sharing, thrift, savings, bonus plan, unemployment benefits, sick leave, vacation pay, salary continuation, hospitalization, health, medical, life insurance, compensation, flexible spending account, scholarship, consulting or similar plan, policy, program, agreement or arrangement, in each case, that is sponsored or maintained by Seller or any of its Affiliates to which Seller or any of its Affiliates is a party, to which Seller or any of its Affiliates contributes or is obligated to contribute or with respect to which Seller or any of its Affiliates has any Liability, in each case, for the benefit of a Business Employee (or his or her dependents and beneficiaries).

"Employee Benefit Recapture Agreements" means, collectively (i) the Recapture and Termination Agreement, substantially in the form attached as Exhibit F-1, that will be entered into at the Closing by the Company and The Canada Life Assurance Company; (ii) the Recapture and Termination Agreement, substantially in the form attached as Exhibit F-2, that will be entered into at the Closing by the Company and Security Life of Denver International Limited; and (iii) the Recapture and Termination Agreement, substantially in the form attached as Exhibit F-3, that will be entered into at the Closing by the Company and RLI.

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

"Estimated Company Ceding Commission" means an amount equal to the Estimated Total Ceding Commission minus the RLI Ceding Commission.

"Exchange Act" means the Securities Exchange Act of 1934.

"Excluded Assets" means all of Seller's and its Affiliates' right, title and interest in, to or under the Excluded Business and all of the assets, properties, Contracts and rights that are not Allocated Assets, including those set forth on Schedule 1.1(i).

"Excluded Business" means all business of Seller and each of its Affiliates, including the Acquired Companies prior to the Closing, whether conducted prior to, on or, with respect to Seller and each of its post-Closing Affiliates, after the Closing, other than the Business.

"Excluded Business Books and Records" means the books and records (whether in hardcopy or digital format and whether stored in network facilities or otherwise) of the Acquired Companies to the extent relating to the Excluded Business.

"Excluded Intellectual Property" means any Intellectual Property (including Software, but excluding Trademarks), owned by Seller and its Affiliates as of the date hereof that is not Allocated Intellectual Property, including the Intellectual Property set forth Schedule 1.1(j), except to the extent that such Intellectual Property is, at any time, provided and/or made available to Buyer or any of its Affiliates (including the Acquired Companies) as part of any of the Administrative Services Agreements and/or the Transition Services Agreement.

"Excluded Liabilities" means (i) all Liabilities of any Acquired Company to the extent arising out of or resulting from the Excluded Business (other than Liabilities in respect of the Agent Deferral Plans to the extent reflected in the Final Total Adjusted Book Value); (ii) all

Liabilities arising out of or resulting from the Restructuring (other than Allocated Liabilities assumed by or transferred to an Acquired Company pursuant to any Restructuring Agreement); (iii) all Liabilities arising out of or resulting from any Non-Qualified FA Contracts; and (iv) notwithstanding the preceding clause (ii), any Liability of any Acquired Company (A) arising out of or resulting from the ownership, use or operation of the Owned Real Property or (B) that is undertaken, assumed by or transferred to an Acquired Company pursuant to the Real Property Transfer Agreements referred to in clauses (i) and (ii) of the definition of Real Property Transfer Agreements.

"FA Business" means the business of the Company and RLI related to the FA Contracts, including issuing, underwriting, selling, distributing, marketing, delivering, cancelling, reinsuring and administering the FA Contracts.

"FA Business Reinsurance Agreements" means, collectively, the Company FA Business Reinsurance Agreement and the RLI FA Business Reinsurance Agreement.

"FA Contract" means any annuity contracts, other than CBVA Contracts, including fixed annuities, fixed indexed annuities, single premium immediate annuities (SPIA) and lifetime income annuities, in each case that are written, issued or assumed by the Company or RLI. For clarity, "FA Contract" does not include any fixed account investment option offered under any CBVA Contract.

"Fair Market Value" has the meaning set forth in the RLI FA Business Reinsurance Agreement.

"FHLB Facility" means, that certain Master Transaction Agreement, dated May 1, 2006, together with the Advances, Pledge and Security Agreement, dated March 27, 2009, between the Company, as member and borrower, and the Federal Home Loan Bank of Des Moines, as bank and lender.

"FHLB Loans" means, collectively, all loans and advances made to the Company under the FHLB Facility.

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

"GAAP" means generally accepted accounting principles in the United States.

"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 organization or body (including FINRA) 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.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvement Act of 1976.

"Increased Subscription Amount" means an amount by which Seller's investment in the Buyer Parent Interests will be increased pursuant to the Subscription Agreement such that, after giving effect to the increase in the capitalization of Buyer Parent for (i) Buyer Parent's Transaction Expenses and (ii) the Maximum Excess Capital Amount (if required because the Estimated Total Adjusted Book Value exceeds the Estimated Required Adjusted Book Value by more than the Maximum Buyer Funding Amount), the sum of the Subscription Amount plus the Increased Subscription Amount will result in Seller owning nine and ninety-nine one-hundredths percent (9.99%) of the issued and outstanding Buyer Parent Interests as of immediately after the Closing.

"Insurance Contracts" means: (i) the CBVA Contracts, and (ii) the FA Contracts, in each case, together with all binders, slips, certificates, endorsements and riders thereto issued or entered into that are written by Seller or one of its Affiliates with respect to the Business prior to the Closing. Notwithstanding the foregoing, solely for purposes of Section 3.30, Insurance Contracts means (i) the CBVA Contracts, (ii) the FA Contracts, and (iii) any other insurance or annuity policies and contracts, in each case, together with all binders, slips, certificates, endorsements and riders thereto issued by, entered into, or reinsured by, (x) the Company prior to the Closing or (y) by Seller or one of its Affiliates (other than the Company) to the extent issued or written with respect to the Business prior to the Closing.

"Insurance Regulator" means, with respect to any jurisdiction, the Governmental Entity charged with the supervision of insurance companies in such jurisdiction.

"Intellectual Property" means: (i) Trademarks; (ii) Copyrights; (iii) Internet domain names; (iv) Patents; (v) social media usernames and other digital identifiers; (vi) Trade Secrets; and (vii) all other intellectual property rights, administrative and legal rights arising therefrom and relating thereto throughout the world.

"Intercompany Agreements" means any Contract between an Acquired Company, on the one hand, and Seller or any Affiliate of Seller (other than any Acquired Company), on the other hand.

"Investment Assets" means any interest in any 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.

"Investment Company Act" means the Investment Company Act of 1940.

"Investment Management Agreements" means, collectively, the Company Investment Management Agreement and the SMS Agreement.

"Investor Support Arrangement" means (i) any guarantee, keep-well or capital or surplus maintenance commitment or agreement, (ii) the establishment of, funding or commitment to fund any trust, collateral account or similar account or (iii) a commitment to contribute capital or surplus, in each case by any Investor or any Affiliate of any Investor. An "Investor Support Arrangement" shall not include any arrangement described in the foregoing clauses (i) through

(iii) that Buyer Parent or any of its Subsidiaries may be required to provide without any further obligation by any Investor or any Affiliate of an Investor.

"Investors" means, collectively, the Sponsors and the Other Investors.

"Iowa Insurance Division" means the Insurance Division, Department of Commerce, of the State of Iowa.

"Knowledge" means the actual knowledge after reasonable inquiry of (i) with respect to Seller, those Persons listed in Section 1.1(a) of the Seller Disclosure Schedule, (ii) with respect to Buyer Parent, those Persons listed in Section 1.1(a)(i) of the Buyer Disclosure Schedule and (iii) with respect to Reinsurer Parent, those Persons listed in Section 1.1(a)(ii) in the Buyer Disclosure Schedule.

"Liability" means any liability, damage, expense or obligation of any kind, character or description, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, asserted or unasserted, executory, determined or determinable or otherwise.

"Licensed-Back Intellectual Property" means any Intellectual Property (including Software, but excluding Trademarks) included in the Allocated Intellectual Property and owned by an Acquired Company as of the Closing Date and used by Seller or any of its Affiliates in any Excluded Business during the twelve (12) months immediately preceding the date hereof, except to the extent that such Allocated Intellectual Property is, at any time, provided and/or made available to Seller or any of its Affiliates as part of any of the Administrative Services Agreements and/or the Transition Services Agreement.

"Liens" means pledges, hypothecations, mortgages, deeds of trust, liens, charges, encumbrances, imperfections of title, claims or security interests of any kind.

"Life Business Administrative Services Agreement" means the Administrative Services Agreement (Retained Business), dated as of the Closing Date, by and between the Company and RLI, substantially in the form attached hereto as Exhibit U-1.

"Life Business Reinsurance Agreement" means the Reinsurance Agreement, dated as of the Closing Date, by and between the Company and RLI, substantially in the form attached hereto as Exhibit U-2.

"Life Business Reinsurance True-Up Amount" means an amount (which may be positive or negative) equal to (i) the Final Life Business Transferred Asset Value minus (ii) the Final Life Business Required Initial Premium.

"Life Business Required Initial Premium" means the initial premium payable to RLI in connection with the Life Business Reinsurance Agreement calculated in accordance with Schedule 1.1(k).

"Life Business Transferred Asset Value" means the aggregate Fair Market Value of the Investment Assets transferred by the Company to RLI in connection with the Life Business Reinsurance Agreement.

"Market Value Adjustment Amount" means an amount determined in accordance with Schedule 2.3(a).

"Material Adverse Effect" means any material adverse effect on (i) the financial condition, business, assets (when compared to liabilities) or results of operations of the Business or the Acquired Companies (after giving effect to the Pre-Sale Transactions), taken as a whole, or (ii) the ability of Seller to consummate timely any of the transactions contemplated by this Agreement and the other Transaction Agreements, but excluding, in the case of clause (i) of this definition only, any change, event, development or effect (each, an "Effect") to the extent resulting from or arising out of: (A) general political, economic or securities, currency, capital, credit or financial market conditions (including changes in interest rates and changes in equity prices); (B) any occurrence or condition generally affecting participants in the United States life insurance or annuity industry; (C) any change or proposed change in GAAP, SAP or Applicable Law, or the interpretation or enforcement thereof; (D) natural or man-made catastrophe events, hostilities, acts of war or terrorism, or any escalation or worsening thereof; (E) any pandemic or similar outbreak; (F) the negotiation, execution and delivery of, or compliance with the terms of, or the taking of any action required by, this Agreement or the other Transaction Agreements, the failure to take any action prohibited by this Agreement or the other Transaction Agreements, or the public announcement of, or consummation of, any of the transactions contemplated hereby or thereby (including the effect thereof on the relationships (contractual or otherwise) of the Acquired Companies and their Affiliates with policyholders, clients, customers, employees, suppliers, vendors, service providers, members or Governmental Entities) (provided, that this clause (G) shall not apply (1) to any representation or warranty contained in this Agreement to the extent that it expressly purports to address the consequences resulting from the negotiation, execution, delivery, performance, consummation or public announcement of this Agreement, the other Transaction Agreements or the transactions contemplated hereby or thereby or (2) to the condition set forth in Section 6.2(a) to the extent related to the truth or accuracy of any such representation or warranty); (H) the identity of or facts related to Buyer Parent, Reinsurer Parent or their respective Affiliates or the effect of any action taken by Buyer Parent, Reinsurer Parent or their respective Affiliates, or taken by Seller or any of its Affiliates at the written request of Buyer Parent or Reinsurer Parent, or with the prior written consent of Buyer Parent or Reinsurer Parent; (I) any downgrade or threatened downgrade in the rating assigned to the Company by any rating agency (provided, that this clause (J) shall not exclude the underlying causes of any such downgrade or threatened downgrade from being considered in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur); or (K) any failure of the Business or an Acquired Company (after giving effect to the Pre-Sale Transactions) to meet any financial projections or targets (provided, that this clause (K) shall not exclude the underlying causes of any such failure from being considered in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur); provided, that, notwithstanding the foregoing, with respect to clauses (A), (B), (C), (D) and (E) 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 Business or an Acquired Company (after giving effect to the Pre-Sale Transactions) as compared to other participants in the United States life insurance or annuity industry.

"Maximum Buyer Funding Amount" means an amount equal to \$500,000,000 minus the amount of the Surplus Note Purchase Price, plus the Tax Event Amount.

"Maximum Excess Capital Amount" means an amount equal to the lesser of (i) \$100,000,000 minus the DSL Closing Payment and (ii) the amount by which the Estimated Total Adjusted Book Value is greater than the sum of the Estimated Required Adjusted Book Value plus the Maximum Buyer Funding Amount.

"Milliman" means Milliman, Inc.

"Minimum DSL Net Capital Amount" means, as of the Effective Time, an amount equal to the greatest of (a) 120% of the DSL's required minimum net capital, (b) 10% of DSL's aggregate indebtedness, with each of (a) and (b) calculated in accordance with Rule 15c3-1 under the Exchange Act based on the amount of excess net capital and deductions reported in the then most recently filed Form X-17A-5, and (c) the minimum amount of DSL Net Capital required by FINRA to be held by DSL as of the Effective Time (calculated without regard to any capital required to fund any activities of DSL after the Closing other than the continuation of the activities it conducted with respect to the Business prior to the Closing Date).

"Open Source Software" means any Software that is licensed or distributed pursuant to: (i) any license that is a license now or in the future approved by the Open Source Initiative and listed at http://www.opensource.org/licenses, which licenses include all versions of the GNU General Public License (GPL), the GNU Lesser General Public License (LGPL), the GNU Affero GPL, the MIT license, the Eclipse Public License, the Common Public License, the CDDL, the Mozilla Public License (MPL), the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), and the Sun Industry Standards License (SISL); (ii) any license to Software that is considered "free software" or "open source software" (as each term is defined by the Open Source Foundation or the Free Software Foundation); or (iii) any license that requires that any portion of such Software or any derivative work of such Software be either (A) licensed for the purpose of making modifications or derivative works, or (B) redistributable at no charge.

"Other Investors" means, collectively, Crestview, or its applicable Affiliate, Reverence, or its applicable Affiliate, and any other investors (other than Seller, Buyer, Reinsurer Parent or any of their respective Affiliates) that will acquire equity securities of Buyer Parent or any of its Subsidiaries prior to, at or immediately after the Closing.

"Patents" means patents and applications for patents (including any and all provisionals, divisionals, continuations, continuations-in-part, extensions and reissues thereof).

"Payout Annuities" means CBVA Contracts with respect to which periodic contract payments are being made as of the applicable date of determination.

"Payout Asset Ratio" means 1.035.

"Permitted Lien" means, with respect to any asset, any: (i) unfiled carriers', mechanics', materialmens' or similar Lien with respect to amounts not yet due and payable or that are being contested in good faith through appropriate proceedings; (ii) Lien that is specifically disclosed in Section 1.1(e) of the Seller Disclosure Schedule or Section 1.1(c) of the Buyer Disclosure Schedule, as applicable; (iii) Lien related to deposits required by any Insurance Regulator; (iv) Lien for Taxes, governmental assessments or other governmental charges which are not yet due and payable or due and payable but not delinquent or that is 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 Acquired Company, for which adequate reserves are contained on the financial statements of the Acquired Companies; (v) non-exclusive licenses of Intellectual Property granted to customers, vendors, distributors, resellers and agents in the ordinary course of business pursuant to forms of agreements that have been provided to Buyer Parent; (vi) Lien on personal property arising under a conditional sales Contract or equipment lease with a third party; and (vii) Lien or other imperfection of title on tangible property that does not materially detract from the current value or materially interfere with the current use of such property.

"Permitted Transaction" means, in any single transaction or series of related transactions, by any Person or group of Persons, (a) a merger, reorganization, share exchange, amalgamation, business combination, consolidation or similar transaction involving Seller or any of its Subsidiaries (other than the Acquired Companies), (b) any purchase of or tender or exchange offer for all or any portion of Seller's or any of its Subsidiary's (other than the Acquired Companies') equity securities, or (c) any purchase of all or any portion of the Excluded Assets or the Excluded Business, in each case, that would not materially impair Seller's ability to consummate the transactions contemplated by this Agreement and the other Transaction Agreements.

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

"Personal Data" has the same meaning as "personal data," "personal information," or other analogous terms under Privacy Requirements, including information that allows the identification of a natural person or any data that, if it were subject to unauthorized access, would require notification under Privacy Requirements to the data subject.

"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 Dividend" means a cash dividend or other distribution declared and lawfully paid by the Company to VHI at the Closing in an aggregate amount equal to the lesser of (i) the excess of the Estimated Total Adjusted Book Value (determined prior to the declaration of the Pre-Closing Dividend) over the Estimated Required Adjusted Book Value and (ii) the aggregate amount approved by the Iowa Insurance Division.

"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 day on which the Closing occurs.

"Privacy Requirements" means the provisions of the following that set forth privacy or data security requirements that apply to collection, processing, storage, disclosure, disposal or other handling of Personal Data: (i) Applicable Laws, including local, state, federal, and international privacy, data protection, information security, or related laws relating to the collection, processing, storage, disclosure, disposal, or other handling of Personal Data, including but not limited to the Financial Services Modernization Act of 1999, 15 U.S.C. §§ 6801-6809; Fair Credit Reporting Act, 15 U.S.C. § 1681, et seq.; Telephone Consumer Protection Act, 47 U.S.C. § 227; the Health Insurance Portability & Accountability Act of 1996, 42 U.S.C. § 1320d et seq., and Subtitle D of the Health Information Technology for Economic and Clinical Health Act of 2009, 42 U.S.C. § 17921, et seq.; the New York Department of Financial Service's Cybersecurity Requirements for Financial Services Companies 23 NYCRR Part 500; (ii) Contracts that impose requirements relating to the collection, processing, storage, disclosure, disposal or other handling of Personal Data; and (iii) applicable industry standards, such as the Payment Card Industry Data Security Standards, that impose requirements on the collection, processing, storage, disclosure, disposal or other handling of Personal Data.

"Producer" means any broker, insurance producer, agent, general agent, managing general agent, master broker agency, broker general agency, financial specialist or other Person, including any employee of Seller or its Affiliates, responsible for writing, marketing, producing, selling, soliciting or servicing Insurance Contracts prior to the Closing.

"Product Tax Law Rules" means (i) Applicable Laws of the United States specifying the requirements for the Insurance Contracts to qualify for certain Tax treatment (including the monitoring of the Insurance Contracts for qualification for such Tax treatment) and (ii) the Tax reporting, withholding and disclosure rules applicable to the Insurance Contracts in the United States. For the avoidance of doubt, "Product Tax Law Rules" include Sections 72, 101, 817, 7702, 7702A and 7702B of the Code and the Treasury Regulations promulgated thereunder and all Tax reporting, withholding, and disclosure rules applicable to the Insurance Contracts under Applicable Law.

"Prohibited Person" means (i) a Person that is listed in the annex to, or is otherwise designated pursuant to, Executive Order No. 13224, (ii) a Person owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the annex to, or is otherwise designated pursuant to, Executive Order No. 13224, (iii) a U.S. person who is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (iv) a Person who commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224 or (v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets control at its official website, http://www.treas.gov/ofac/t11sdn.pdf or at any replacement website or at any other official publication of such list. For purposes of this definition, "Executive Order No. 13224" means the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism," and "Anti-Terrorism Law" means any Law relating to terrorism or money-laundering, including Executive Order No. 13224 and the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as amended from time to time.

"Qualified Employee" means each Designated Employee and each employee of Seller and its Affiliates identified by Seller to serve in a role identified on Schedule 1.1(l) (each, a "Qualified Role") and consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed), and each employee identified by Seller to replace any such individual and consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed).

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

"Real Property Transfer Agreements" means (i) an appropriate agreement or instrument pursuant to which the Company will, at the Closing, transfer the Owned Real Property to SLD, (ii) one or more assignment agreements pursuant to which the Company will, at the Closing, assign any and all of its interest in and to certain of the Leases to Seller or its applicable Affiliates and (iii) one or more sub-lease(s) (in form and substance, in such locations and on such terms and conditions as are reasonably acceptable to Buyer Parent, but which shall, in any event, include space located at 699 Walnut Street, Des Moines, Iowa and 1475 Dunwoody Drive, West Chester, Pennsylvania) pursuant which the Company will sub-lease certain portions of the Leased Real Property from Seller or its applicable Affiliates, in each case in connection with the Restructuring and in the form agreed by the parties prior to the Closing pursuant to Section 5.28.

"Reference Closing Statement" means the statement set forth on Schedule 1.1(m), which is attached for illustrative purposes only.

"Reference Reserves" means an amount equal to $18,146,391,800.

"Reinsurer Party" means Reinsurer Parent or any controlled Affiliate of Reinsurer Parent that is a party to any Transaction Agreement.

"Release, Consent and Novation Agreements" means (i) the Release, Consent and Novation Agreement (2011 Stop Loss Reinsurance Agreement), substantially in the form attached as Exhibit X-1, that will be entered into at the Closing by the Company, SLD and an Affiliate of SLD; (ii) the Release, Consent and Novation Agreement (2012 Stop Loss Reinsurance Agreement), substantially in the form attached as Exhibit X-2, that will be entered into at the Closing by the Company, RLI and an Affiliate of RLI; and (iii) the Release, Consent and Novation Agreement (2014 Stop Loss Reinsurance Agreement), substantially in the form attached as Exhibit X-3, that will be entered into at the Closing by the Company, SLD and an Affiliate of SLD.

"Remaining Surplus Note Amount" means the aggregate principal amount of the Surplus Notes that remain outstanding as of the Closing Date prior to giving effect to the Surplus Note Transfer.

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

"Required Adjusted Book Value" means an amount equal to (i) the Required CBVA Closing Assets (CTE95 in excess of account value), plus (ii) the Required Payout Closing Assets, minus (iii) the Company's general account statutory reserves, net of CARVM allowances, as of the Closing Date in respect of the CBVA Contracts (excluding general account reserves in respect of fixed investment options under CBVA Contracts), plus (iv) $350,000,000 of the Remaining Surplus Note Amount, plus (v) the Tax Event Amount.

"Required CBVA Closing Assets" means an amount equal to (i) the CTE95 Amount as of the Closing Date plus (ii) the Market Value Adjustment Amount.

"Required Payout Closing Assets" means an amount equal to (i) the Company's statutory reserves for the Payout Annuities as of the Closing Date calculated in accordance with the Reserve Methodologies multiplied by (ii) the Payout Asset Ratio.

"Reserve Methodologies" means SAP, applied in a manner consistent with the application of SAP by the Company or RLI, as applicable, in the preparation of the Statutory Statements as of June 30, 2017, as modified by, and in accordance with, the Agreed Accounting Principles.

"Reserves" means the reserves (including reserves established under Applicable Law or otherwise for payment of benefits, losses, claims, expenses and similar purposes (including claims litigation)) maintained by the Company, RRII or RLI with respect to the Insurance Contracts.

"Resolution Process" means, with respect to any condition, limitation or qualification that if imposed by a Governmental Entity in connection with any permit, order, consent, approval or authorization relating to the consummation of the transactions contemplated by the Transaction Agreements would result in a Burdensome Condition, a process by which Seller, Buyer Parent and Reinsurer Parent (will meet in order to: (i) exchange and review their respective views as to such condition, limitation or qualification; (ii) discuss in good faith potential approaches that would avoid such condition, limitation or qualification or mitigate its impact; and (iii) negotiate in good faith to agree to modify the terms of this Agreement or the other Transaction Agreements, on mutually acceptable terms and on an equitable basis, in a way that would substantially eliminate any such condition, limitation or qualification or sufficiently mitigate its adverse effect so that it would no longer constitute a Burdensome Condition hereunder.

"Restructuring Agreements" means (i) the Employee Benefit Recapture Agreements; (ii) the Life Business Reinsurance Agreement, (iii) the Life Business Administrative Services Agreement, (iv) the Restructuring Assignment and Assumption Agreement, (v) the Restructuring Bill of Sale, (vi) the Closing Assignment and Assumption Agreement, (vii) the Closing Bill of Sale, (viii) the Real Property Transfer Agreements and (ix) the Release, Consent and Novation Agreements.

"Restructuring Assignment and Assumption Agreement" means the Assignment and Assumption Agreement, substantially in the form attached hereto as Exhibit V-1, entered into by the Company, on the one hand, and Seller and its applicable Affiliates, on the other hand, in connection with the Restructuring.

"Restructuring Bill of Sale" means the Bill of Sale, substantially in the form attached hereto as Exhibit V-2, entered into by the Company, on the one hand, and Seller and its applicable Affiliates, on the other hand, in connection with the Restructuring.

"Retained Business Administrative Services Agreement" means the Administrative Services Agreement, dated as of the Closing Date, among the Company, on the one hand, and RLI, SLD, VRIAC and VITC, on the other hand, substantially in the form attached as Exhibit G-1.

"Retained CBVA Business" means the business of SLD, RLI, RLINY and VRIAC related to the Retained CBVA Contracts, including issuing, underwriting, selling, distributing, marketing, delivering, cancelling, reinsuring and administering the Retained CBVA Contracts.

"Retained CBVA Contracts" means any group or individual annuity contract or certificate, whether or not registered under the Securities Act, if the value of such contract or certificate, any unit of interest or participation therein, or any investment option available thereunder, either prior or subsequent to annuitization (including Payout Annuities), or both, varies (in whole or in part) according to the investment experience of the separate account in which the contract participates, in each case that were written or issued by SLD, RLI, RLINY or VRIAC prior to January 1, 2011. For clarity, "Retained CBVA Contract" includes any fixed account option available under any annuity contract or certificate included in this definition.

"Retained FA Business" means the business of SLD, RLINY and VRIAC related to the Retained FA Contracts, including issuing, underwriting, selling, distributing, marketing, delivering, cancelling, reinsuring and administering the Retained FA Contracts.

"Retained FA Contracts" means any fixed annuities, fixed indexed annuities, single premium immediate annuities (SPIA) and lifetime income annuities contracts, in each case that are written by SLD, RLINY or VRIAC. For clarity, FA Contract does not include any fixed account investment option offered under any Retained CBVA Contract.

"Reverence" means Reverence Capital Partners, L.P.

"RLI Administrative Services Agreement" means the Administrative Services Agreement (Ceded Business), dated as of the Closing Date, by and between RLI and the Company, substantially in the form attached hereto as Exhibit D.

"RLI Ceding Commission" means negative thirteen million dollars (-$13,000,000). For the avoidance of doubt, the RLI Ceding Commission shall not be subject to adjustment pursuant to Section 2.4.

"RLI FA Business Books and Records" means the books and records (whether in hardcopy or digital format and whether stored in network facilities or otherwise) of or related to the FA Business operated by RLI in the possession or control of Seller, RLI or their Affiliates.

"RLI FA Business Reinsurance Agreement" means collectively, (i) the Reinsurance Agreement, dated as of the Closing Date, by and between RLI and Reinsurer, substantially in the form attached hereto as Exhibit E-3 and (ii) the Modified Coinsurance Agreement, dated as of the

Closing Date, by and between RLI and Reinsurer, substantially in the form attached hereto as Exhibit E-4.

"RLI FA Business Reinsurance True-Up Amount" means an amount (which may be positive or negative) equal to (i) the Final RLI Transferred Asset Value minus (ii) the Final RLI Required Initial Premium.

"RLI Required Initial Premium" means the initial premium payable to Reinsurer in connection with the RLI FA Business Reinsurance Agreement calculated in accordance with Schedule 1.1(n).

"RLINY Retained Business Administrative Services Agreement" means the Administrative Services Agreement (Retained Business), dated as of the Closing Date, by and between RLINY and the Buyer, substantially in the form attached hereto as Exhibit G-2.

"RLI Transferred Asset Value" means the aggregate Fair Market Value of the Investment Assets transferred by RLI to Reinsurer in connection with the RLI FA Business Reinsurance Agreement.

"RPS Administrative Services Agreement" means the Administrative Services Agreement, dated as of the Closing Date, by and between RLI and the Company, substantially in the form attached hereto as Exhibit Y.

"RRII Trust Excess Amount" means the amount, if any, by which the aggregate statutory book value (calculated using SAP applicable to the Company) of the remaining Trust Assets after giving effect to the consummation of the CBVA Recapture in the manner contemplated by the first sentence of the last paragraph of Section 2.1 exceeds the Target Trust Amount.

"RRII Trust Shortfall Amount" means the amount, if any, by which the aggregate statutory book value (calculated using SAP applicable to the Company) of the remaining Trust Assets after giving effect to the consummation of the CBVA Recapture in the manner contemplated by the first sentence of the last paragraph of Section 2.1 would be less than the Target Trust Amount.

"Sanctioned Person" means at any time any Person: (i) listed on any Sanctions-related list of specially designated or blocked persons, (ii) resident in or organized under the laws of a country or territory that is the subject of comprehensive restrictive Sanctions (including, as of the date of this Agreement, Cuba, Iran, North Korea, Syria, and the Crimea region), or (iii) majority-owned (in the aggregate) or controlled by any of the foregoing.

"Sanctions" means those economic or financial sanctions or trade embargoes imposed, administered, or enforced from time to time by the U.S. government (including by the U.S. Treasury, Office of Foreign Assets Control or the U.S. Department of State), the European Union and implemented by its member states, the United Nations Security Council, and Her Majesty's Treasury of the United Kingdom.

"SAP" means, as to any regulated insurance company, the statutory accounting practices prescribed or permitted by the Insurance Regulator in the jurisdiction in which such company is domiciled.

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

"Securities Act" means the Securities Act of 1933.

"Select Advantage Employee" means each employee of Seller and its Affiliates identified by Seller to serve in a role identified on Schedule 1.1(o) and consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed), and each employee identified by Seller to replace any such individual and consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed).

"Seller Benefit Plan" means each Employee Benefit Plan that is sponsored or maintained by Seller or any of its Affiliates (other than the Acquired Companies), to which Seller or any of its Affiliates (other than the Acquired Companies) is a party, to which Seller or any of its Affiliates contributes or is obligated to contribute or with respect to which Seller or any of its Affiliates has any Liability, in each case, for the benefit of a Covered Employee (or his or her dependents and beneficiaries), but excluding any Company Benefit Plan.

"Seller Deferred Compensation Plan Accruals" means the amount accrued pursuant to the Seller Deferred Compensation Plans in respect of Covered Employees through and including the Closing Date. The amount accrued pursuant to any Seller Deferred Compensation Plan that is not an account balance plan shall be determined as of the Closing Date based on the actuarial assumptions historically and customarily used by Seller and its Affiliates to assess liability under such plan reflecting current economic conditions and in accordance with GAAP.

"Seller Deferred Compensation Plans" means the Voya Supplemental Executive Retirement Plan and the Voya Deferred Compensation Savings Plan, as the same have been amended or restated from time to time.

"Seller Disclosure Schedule" means the disclosure schedule (including any attachments thereto) delivered by Seller to Buyer on the date hereof in connection with this Agreement.

"Seller 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), 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 any Acquired Company or any direct or indirect predecessor of any Acquired Company, on the one hand, and Seller or any of its Affiliates (other than any Acquired Company), on the other hand.

"Seller Party" means Seller or any Affiliate of Seller that is a party to any Transaction Agreement.

"Separation and Migration Costs" means (i) all out-of-pocket consent costs associated with obtaining any consents, approvals or waivers in accordance with Section 5.4(c),

(ii) all out-of-pocket fees, costs and expenses incurred in connection with obtaining a New Contract pursuant to Section 5.14 (but not ongoing or increased costs under any such New Contracts) after the Closing and (iii) the out-of-pocket fees, costs and expenses set forth on Schedule 1.1(p) and (iv) the other costs and expenses incurred in connection with (A) the separation and migration of the assets, infrastructure and data from Seller and its Affiliates (other than the Acquired Companies) to the Acquired Companies and (B) the actions reasonably necessary for the Company to operate the Business immediately after the Closing substantially in the manner in which it is being conducted as of the date hereof; provided that the internal costs and expenses incurred by Seller and its Affiliates for the time spent by their employees based on the matters contemplated by this definition shall be the costs determined in accordance with the methodology set forth on Schedule 1.1(p); provided, further, that "Separation and Migration Costs" shall not include any fees, costs or expenses incurred in connection with the transfer of the Excluded Business from any Acquired Company to Seller or any of its Subsidiaries (other than any Acquired Company) (other than fees, costs or expenses incurred in connection with the separation of systems, data and information of the Excluded Business that is commingled with the systems, data and information of the Business).

"Software" means all computer software (including web sites, HTML code, firmware and other software embedded in hardware devices), data files, object codes, source codes, APIs, tools, user interfaces, databases, and related documentation and materials.

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

"Subsidiary" of any Person at the time in question 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 at such time owned directly or indirectly by such first Person.

"Support Agreement" means the surplus note support agreement having the terms set forth on Exhibit L.

"Surplus Note Purchase Price" means the sum of the aggregate principal amount of the Surplus Notes contemplated to be included in the Surplus Note Transfer plus accrued but unpaid interest thereon through the Closing Date.

"Surplus Note Transfer" means the sale by Seller or its applicable Affiliates to Buyer, and the purchase by Buyer from Seller or its applicable Affiliates, of all of the aggregate principal amount of the Surplus Notes issued by the Company and identified in clauses (iii) and (iv) of the definition of "Surplus Notes," at par (plus accrued but unpaid interest thereon) to the extent that they are part of the Remaining Surplus Note Amount and cause the Remaining Surplus Note Amount to exceed $350,000,000. The Surplus Notes to be included in the Surplus Note Transfer will first be the Surplus Notes identified in clause (iv) of the definition of "Surplus Notes" until fully transferred, followed by the Surplus Notes identified in clause (iii) of the definition thereof.

"Surplus Notes" means, collectively, (i) the 6.257% Surplus Note with aggregate principal amount of $175,000,000, issued by ING USA Annuity and Life Insurance Company to RLI on December 29, 2004, (ii) the 6.257% Surplus Note with aggregate principal amount of $175,000,000, issued by ING USA Annuity and Life Insurance Company to ING Life Insurance and Annuity Company on December 29, 2004, (iii) the 6.257% Surplus Note with aggregate principal amount of $50,000,000, issued by ING USA Annuity and Life Insurance Company to Security Life of Denver International Ltd. on December 29, 2004, and (iv) the 7.979% Surplus Note with aggregate principal amount of $35,000,000 issued by Golden American Life Insurance Company to First Columbine Life Insurance Company.

"Target Trust Amount" means an amount equal to (a) $639,892,000 plus (b) the aggregate statutory book value (determined in accordance with SAP applicable to the Company) of any capital contributions or other transfers or additions to the Trust Assets from Seller or any of its Subsidiaries between June 30, 2017 and the Closing Date minus (c) the aggregate statutory book value (determined in accordance with SAP applicable to the Company) of any amounts released from the Trust Assets to Seller or any of its Subsidiaries between June 30, 2017 and the Closing Date.

"Tax" (and, with correlative meaning, "Taxes") means: (i) any and all federal, state, local, or foreign income, premium, property (real or personal), sales, excise, employment, payroll, withholding on amounts paid to or by any Person, gross receipts, license, severance, stamp, occupation, windfall profits, environmental, customs, duties, governmental fee or other like assessment, 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) above 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, as a result of any obligation under any agreement or arrangement (including any Tax Sharing Arrangement), as a result of being a transferee or successor, or by Contract (other than any ordinary course commercial Contract the primary subject of which is not Taxes or any lending arrangement).

"Tax Authority" means any Governmental Entity having jurisdiction over the assessment, determination, collection or other imposition of any Taxes.

"Tax Event Amount" means an amount equal to (i) if no Tax Event has occurred, $0.00, and (ii) if a Tax Event has occurred, $80,000,000.00.

"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 Sharing Arrangement" means any written or unwritten agreement or arrangement, the primary subject matter of which is providing for the allocation or payment of Tax liabilities or for Tax benefits between or among members of any group of corporations that files, will file, or has filed Tax Returns on a combined, consolidated or unitary basis.

"Total Adjusted Book Value" means the amount set forth on "Total Adjusted Book Value" in the Reference Closing Statement, the Estimated Closing Statement, the Subject Closing Statement or the Final Closing Statement, as applicable as the context requires, which, for the avoidance of doubt, will be determined and calculated in accordance with the Accounting Principles after giving effect to the Pre-Sale Transactions and the Remaining Surplus Note Amount minus the sum of (i) the aggregate principal amount of the Surplus Notes contemplated to be included in the Surplus Note Transfer and (ii) fifty percent (50%) of the absolute value of the Company's closed-block ISP gross negative interest maintenance reserve.

"Total Ceding Commission" means an amount equal to the sum of (x) the product of (i) (A) the Actual Reserves, divided by (B) the Reference Reserves, multiplied by (ii) the Base Ceding Commission minus $67,500,000, plus (y) $67,500,000.

"Trade Secrets" means trade secrets, inventions (whether or not patentable), processes, formulae, models, know-how, ideas, schematics, algorithms, research and development, databases, customer lists and confidential information.

"Trademarks" means trademarks, tradenames, trade dress, logos, service marks or other indicia of origin, all common law rights therein, registrations and applications for trademark registration thereof and any goodwill associated therewith.

"Transaction Agreements" means this Agreement, the Restructuring Agreements, the CBVA Recapture Agreement, the FA Business Reinsurance Agreements, the Administrative Services Agreements, the Subscription Agreement, the LLC Agreement, the Investment Management Agreements, the Transition Services Agreement, the Limited Guarantees, the Financing Commitments, the Earn-Out Agreement, the Support Agreement and the Buyer Affiliate Agreements.

"Transaction Expenses" means, without duplication, all Liabilities (except for any Taxes, including Conveyance Taxes) incurred by any party hereto or any of its Affiliates 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 (including indemnification obligations and payments), 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, but excluding any Separation and Migration Costs.

"Transition Services Agreement" means the transition services agreement, dated as of the Closing Date, by and between Voya Services Company and Buyer, substantially in the form attached as Exhibit H.

"Treasury Regulations" means all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Trust Assets" means the Investment Assets (including all currency swaps, interest rate swaps and other hedging or similar arrangements) held in the credit for reinsurance trust with respect to which the Company is the beneficiary or the funds withheld account, in each case, established under the Reinsurance Contract between the Company, as cedant, and RRII, as reinsurer.

"User Data" means any Personal Data collected or obtained by or on behalf of any Acquired Company or, with respect to the Business, Seller or any of its Affiliates.

"Willful Breach" means, with respect to any breaches or failures to perform any of the covenants or other agreements contained in this Agreement, an act or failure to act undertaken by the breaching party with actual knowledge that such party's act or failure to act would, or would reasonably be expected to, result in or constitute a breach of this Agreement.

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

Term	Section
AAIA	Recitals
AAM	Recitals
Acquisition Proposal	5.19
Actuarial Data	3.17(a)
Additional FA Contracts	5.21
Adjustment Report	2.4(d)(iv)
ALRe	Recitals
Alternate Company FA Reinsurance Agreement	5.31
Alternate FA Business Reinsurance Agreements	5.31
Alternate RLI FA Reinsurance Agreement	5.31
Agreement	Preamble
Apollo	Recitals
Apollo Equity Commitment Letter	4.1(h)(i)
Associated Persons	3.11(a)
Athene Equity Commitment Letter	4.1(h)(i)
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ARTICLE II
CLOSING

SECTION 2.1 Closing Date Transactions. 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:

(a) Seller shall cause the Restructuring Agreements to be executed by the Company and each of its Affiliates that is a party thereto and shall effect each of the transfers and assignments required to be effected thereunder (including the transfer of the Allocated Assets, free and clear of all Liens other than Permitted Liens, and the Allocated Contracts, with any such transfers being done in accordance with the Asset Identification Protocol, and the transfer of the Excluded Assets out of the Company);

(b) Seller shall cause the Company and RRII to enter into the CBVA Recapture Agreement and consummate the transactions contemplated thereby (the "CBVA Recapture"), including the transfer of CBVA Allocated Investment Assets and Payout Annuity Allocated Investment Assets into the Company, with any such transfers being done in accordance with the Asset Identification Protocol;

(c) (i) Reinsurer shall, and Seller shall cause the Company and RLI, as applicable, to, (A) enter into the FA Business Reinsurance Agreements and (B)) the RLI Administrative Services Agreement, (ii) the Company shall transfer to Reinsurer Investment Assets selected in accordance with the Asset Identification Protocol that have an aggregate Estimated Company Transferred Asset Value equal to the Estimated Company Required Initial Premium, (iii) RLI shall transfer to Reinsurer Investment Assets selected in accordance with the Asset Identification Protocol that have an aggregate Estimated RLI Transferred Asset Value equal to the Estimated RLI Required Initial Premium, (iv) Reinsurer shall pay the Estimated Company Ceding Commission to the Company and (v) Seller shall cause RLI to pay to Reinsurer the absolute value of the amount of the RLI Ceding Commission, as applicable, and the parties shall otherwise cause the transactions contemplated thereby to be consummated;

(d) Seller shall cause the FHLB Loans to be repaid, and any Liens related thereto to be terminated, discharged and released in full;

(e) Seller shall cause the Company to pay the Pre-Closing Dividend, if any, to Seller;

(f) Seller shall cause the actions contemplated by Section 5.6 (Related Party Agreements; Intercompany Obligations) and Section 5.25 (Hedging Arrangements) to occur;

(g) Seller, Buyer and Buyer Parent shall enter into the Support Agreement;

(h) Pursuant to the Subscription Agreement (i) Seller shall pay to Buyer Parent the Subscription Amount and the Increased Subscription Amount, if any, and (ii) Seller shall subscribe for and purchase from Buyer Parent, and Buyer Parent shall issue and sell to Seller, the Buyer Parent Interests;

(i) Seller, Buyer Parent and the Investors shall enter into the LLC Agreement;

(j) Buyer Parent and its applicable Affiliates shall enter into the Buyer Affiliate Agreements;

(k) Seller shall, or shall cause its applicable Affiliate to, sell, transfer and deliver to Buyer, and Buyer Parent shall cause Buyer to purchase and acquire from Seller or its applicable Affiliate, free and clear of all Liens, all of the outstanding equity interests of Services Company;

(l) Seller shall cause VRIAC to sell, transfer and deliver to Buyer, and Buyer Parent shall cause Buyer to purchase and acquire from VRIAC, free and clear of all Liens, all of the DSL Interests;

(m) Seller shall cause VHI to sell, transfer and deliver to Buyer, and Buyer Parent shall cause Buyer to purchase and acquire from VHI, free and clear of all Liens, all of the Shares;

(n) Seller shall cause VIM, on the one hand, and Buyer Parent shall cause the Company, on the other hand, to enter into the Investment Management Agreements;

(o) Reinsurer Parent shall cause AAIA to and Seller shall enter into the Earn-Out Agreement;

(p) Seller shall cause the Surplus Note Transfer to occur;

(q) the Company and the New Captive shall enter into the New Captive Reinsurance Agreement;

(r) Buyer Parent shall cause the Company, and Seller shall cause each of RLI, SLD, VITC and VRIAC, as applicable, to enter into the Retained Business Administrative Services

Agreements, and the parties shall otherwise cause the transactions contemplated thereby to be consummated; and

(s) Buyer Parent shall cause Buyer, and Seller shall cause RLINY, to enter into the RLINY Retained Business Administrative Services Agreement, and the parties shall otherwise cause the transactions contemplated thereby to be consummated.

Each transaction set forth in this Section 2.1 will be consummated on the same day immediately after the preceding transaction and will 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. The transactions contemplated by paragraphs (a) and (b) of this Section 2.1 are collectively referred to as the "Restructuring" and the Restructuring, together with the transactions contemplated by paragraphs (c), (d), (e), (f) and (g) of this Section 2.1 are collectively referred to as the "Pre-Sale Transactions."

The CBVA Recapture will be effected on a basis in which the assets required to be transferred or released from the credit for reinsurance trust and the funds withheld account to the Company will equal the reserves and other insurance liabilities being assumed or recaptured by the Company; provided that in no event will Seller or any of its Affiliates (including RRII) be required to fund any required transfer under the CBVA Recapture Agreement using any assets other than the Trust Assets or any amounts released from the Trust Assets between June 30, 2017 and the Closing Date.

SECTION 2.2 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, at 10:00 a.m., New York City time, on (i) the first Business Day of the month immediately following the month in which all the 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 (including the conditions in Section 6.2(d) and Section 6.3(d)), but subject to the satisfaction or waiver of such conditions at the Closing) in accordance with this Agreement (the "Condition Satisfaction") or (ii) if the Condition Satisfaction occurs less than two (2) Business Days prior to the first Business Day of such month and the parties do not have prior notice that the Condition Satisfaction is reasonably likely to occur during such period, then the Closing shall take place on the first Business Day of the second month immediately following the month in which the Condition Satisfaction occurs, in each case unless another date, time or place is agreed to in writing by the parties hereto. The day on which the Closing occurs is referred to herein as the "Closing Date." The Closing shall, for purposes of preparing the Estimated Closing Statement, the Subject Closing Statement and the Final Closing Statement, and calculating all amounts required to be calculated therefrom, be deemed effective as of 11:59:59 p.m. on the last calendar day of the month preceding the month in which the Closing occurs, and such date and time are herein referred to as the "Effective Time."

SECTION 2.3 Purchase and Sale of the Shares.

(a) No later than eight (8) and no sooner than ten (10) days prior to the anticipated Closing Date, Seller shall deliver to Buyer Parent a statement (the "Estimated Closing

Statement") setting forth: (i) an estimated balance sheet of the Company as of the Effective Time prepared in accordance with the Accounting Principles after giving effect to the Pre-Sale Transactions and showing Seller's good faith estimate of the Total Adjusted Book Value as of the Effective Time (the "Estimated Total Adjusted Book Value") and an estimated balance sheet of DSL as of the Effective Time prepared in accordance with the Accounting Principles and showing Seller's good faith calculation of the DSL Net Capital (the "Estimated DSL Net Capital") as of the Effective Time; (ii) Seller's calculations of the Required CBVA Closing Assets (the "Estimated Required CBVA Closing Assets"), the Required Payout Closing Assets (the "Estimated Required Payout Closing Assets") and the Required Adjusted Book Value (the "Estimated Required Adjusted Book Value"); (iii) Seller's good faith estimate of the Total Ceding Commission (the "Estimated Total Ceding Commission"); and (iv) Seller's good faith estimate of the Company Required Initial Premium (the "Estimated Company Required Initial Premium"), the Company Transferred Asset Value (the "Estimated Company Transferred Asset Value"), the RLI Required Initial Premium (the "Estimated RLI Required Initial Premium"), the RLI Transferred Asset Value (the "Estimated RLI Transferred Asset Value"), the Life Business Required Initial Premium (the "Estimated Life Business Required Initial Premium") and the Life Business Transferred Asset Value (the "Estimated Life Business Transferred Asset Value"). The Estimated Closing Statement will be prepared in good faith in accordance with the Accounting Principles and the CTE95 Model and Calculation Methodologies, and will be in the same format as the Reference Closing Statement. For purposes of calculating the Estimated Required Adjusted Book Value, (i) the CTE95 Amount shall be equal to the amount set forth on Seller's Interim CTE95 Report delivered in the same month in which the Estimated Closing Statement is delivered and (ii) the Market Value Adjustment Amount shall be determined as of the Business Day preceding the date of delivery of the Estimated Closing Statement. During the seven (7) days immediately following the delivery of the Estimated Closing Statement, Seller and Buyer Parent shall cooperate and seek in good faith to correct any errors or mistakes in the preparation of and any inaccuracies of any items reflected in the Estimated Closing Statement, and, if applicable, the Estimated Closing Statement as revised (i) to include the Estimated Company Ceding Commission and (ii) pursuant to such discussions between Seller and Buyer Parent shall thereafter be deemed the Estimated Closing Statement for all purposes hereunder; provided, however, that if Buyer Parent and Seller do not reach agreement with respect to any such corrections during such seven (7) day period for any reason, then the Estimated Closing Statement delivered by Seller pursuant to the first sentence of this Section 2.3(a) (as adjusted for the RLI Ceding Commission) shall be the Estimated Closing Statement for all purposes hereunder and in no event shall any such disagreements prevent or delay the Closing.

(b) At the Closing:

(i) if the Estimated Total Adjusted Book Value is equal to the Estimated Required Adjusted Book Value, neither Buyer nor Seller shall be required to pay the other party any additional amount at the Closing in respect of the purchase and sale of the Shares and all of the outstanding equity interests of Services Company contemplated by this Agreement, other than the minimum payment contemplated by the proviso at the end of this Section 2.3(b);

(ii) if the Estimated Total Adjusted Book Value is greater than the Estimated Required Adjusted Book Value, Buyer Parent shall cause Buyer to pay to Seller or an Affiliate of Seller (as designated by Seller), by wire transfer of immediately available funds to such account or accounts of Seller or its Affiliates as Seller may designate in writing at least two Business Days prior to the Closing Date, an amount equal to such excess; provided, that (A) if the sum of such amount plus the DSL Closing Payment is in excess of the Maximum Buyer Funding Amount, Buyer Parent shall cause Buyer to pay an amount equal to the sum of (1) the Maximum Buyer Funding Amount, plus (2) the Maximum Excess Capital Amount and (B) if the Maximum Excess Capital Amount is the amount calculated pursuant to clause (i) of the definition thereof because such amount is less than the amount calculated pursuant to clause (ii) of the definition thereof, then Seller may, at its option and in its sole discretion, cause Buyer Parent to issue to Seller a senior note on the terms set forth on Schedule 2.3(b)(iii) in an aggregate principal amount equal to the excess of the amount calculated pursuant to clause (ii) of the definition of Maximum Excess Capital Amount over the amount calculated pursuant to clause (i) of the definition thereof; provided, further, that the amount of such senior note shall not exceed $100,000,000; and

(iii) if the Estimated Total Adjusted Book Value is less than the Estimated Required Adjusted Book Value, Seller shall, or shall cause one or more of its Affiliates to, contribute to the Company cash in an amount equal to such shortfall; provided that in no event shall such contribution exceed an amount, which may not be less than zero, equal to (A) $200,000,000 plus (B) the Company Asset Reduction Amount plus (C) the RRII Trust Excess Amount, if any, minus (D) the RRII Trust Shortfall Amount, if any, plus (E) the Tax Event Amount (collectively, the "Maximum Seller Contribution");

provided, however, that Buyer shall be required to pay a minimum of $10,000 to Seller pursuant to this Section 2.3(b).

(c) At the Closing, Buyer Parent shall cause Buyer to pay to Seller or an Affiliate of Seller (as designated by Seller), by wire transfer of immediately available funds to such account or accounts of Seller or its Affiliates as Seller may designate in writing at least two Business Days prior to the Closing Date, as the initial purchase price for the DSL Interests, an amount equal to the lowest of (A) $4,000,000, (B) the Minimum DSL Net Capital Amount and (C) the Estimated DSL Net Capital (the "DSL Closing Payment").

(d) At the Closing, Buyer Parent shall cause Buyer to pay to Seller or one or more Affiliates of Seller (as designated by Seller) an aggregate amount equal to the Surplus Note Purchase Price.

SECTION 2.4 Post-Closing Adjustment.

(a) The Final Total Adjusted Book Value, the Final Required Adjusted Book Value, the Final DSL Net Capital, the Final Company Ceding Commission, the Final Company Required Initial Premium, the Final Company Transferred Asset Value, the Final RLI Required Initial Premium and the Final RLI Transferred Asset Value shall be determined as set forth in subsections (c) and (d) of this Section 2.4. "Final Settlement Amount" means an amount equal to

(i) the CBVA True-Up Amount plus (ii) the Company Ceding Commission True-Up Amount plus (iii) the Company FA Business Reinsurance True-Up Amount.

(i) If the Final Settlement Amount is a positive number, Buyer Parent shall cause the Company to pay to Seller or its designee, within five (5) Business Days after the final determination of the Final Settlement Amount, an amount equal to the Final Settlement Amount.

(ii) If the Final Settlement Amount is a negative number, Seller shall pay to the Company or its designee, within five (5) Business Days after the final determination of the Final Settlement Amount, an amount equal to the absolute value of the Final Settlement Amount.

(iii)

(1) If the Final DSL Net Capital is greater than or equal to the DSL Closing Payment, no payment shall be due from Buyer Parent to Seller or its Affiliates at such time and any such excess shall be paid in accordance with Section 5.33(c).

(2) If the Final DSL Net Capital is less than the DSL Closing Payment, Seller shall pay, or shall cause an Affiliate to pay, to the Company or its designee, within five (5) Business Days after the final determination of the Final DSL Net Capital, an amount equal to such shortfall.

(iv) If the RLI FA Business Reinsurance True-Up Amount is a positive number, Reinsurer shall pay to RLI, within five (5) Business Days after the final determination of the RLI FA Business Reinsurance True-Up Amount, an amount equal to the RLI FA Business Reinsurance True-Up Amount. If the RLI FA Business Reinsurance True-Up Amount is a negative number, RLI shall pay to Reinsurer, within five (5) Business Days after the final determination of the RLI FA Business Reinsurance True-Up Amount, an amount equal to the absolute value of the RLI FA Business Reinsurance True-Up Amount.

(v) If the Life Business Reinsurance True-Up Amount is a positive number, RLI shall pay to the Company, within five (5) Business Days after the final determination of the Life Business Reinsurance True-Up Amount, an amount equal to the Life Business Reinsurance True-Up Amount. If the Life Business Reinsurance True-Up Amount is a negative number, the Company shall pay to RLI, within five (5) Business Days after the final determination of the Life Business Reinsurance True-Up Amount, an amount equal to the absolute value of the Life Business Reinsurance True-Up Amount.

Any payment required to be made by any Person pursuant to this Section 2.4(a) will be made by wire transfer of immediately available funds.

(b) Within thirty (30) days following the Closing Date, Seller shall prepare and deliver to Buyer Parent a report (the "Closing Date CTE95 Report") setting forth Milliman's calculation of the Closing CTE95 Amount. Buyer Parent and Seller shall, and Seller shall cause Milliman to, each cooperate with each other in the preparation and review of the Closing Date CTE95 Report.

(c) No later than one hundred eighty (180) days after the Closing Date, Buyer Parent shall cause Buyer to deliver to Seller a statement (the "Subject Closing Statement") setting forth: (i) a balance sheet of the Company as of the Closing Date prepared in accordance with the Accounting Principles after giving effect to the Pre-Sale Transactions and showing Buyer Parent's calculation of the Total Adjusted Book Value as of the Effective Time and an estimated balance sheet of DSL as of the Closing Date prepared in accordance with the Accounting Principles and showing Seller's calculation of the DSL Net Capital as of the Effective Time; (ii) Buyer Parent's calculations of the Required Adjusted Book Value, the Required CBVA Closing Assets, which shall be based on the Closing Date CTE95 Report, and Required Payout Annuity Closing Assets, and (iii) Buyer Parent's calculations of the Company Ceding Commission, the Company Required Initial Premium, the Company Transferred Asset Value, the RLI Required Initial Premium, the RLI Transferred Asset Value, the Life Business Required Initial Premium and the Life Business Transferred Asset Value. The Subject Closing Statement will be prepared in good faith in accordance with the Accounting Principles and the CTE95 Model and Calculation Methodologies and will be in the same format as the Reference Closing Statement. In connection with Buyer Parent's preparation of the Subject Closing Statement, Seller shall provide Buyer Parent and its Representatives with such access to the employees and Representatives (including Milliman) of Seller and its Affiliates and to such documentation, records and other information of Seller or any of its Affiliates as Buyer Parent or any of its Representatives may reasonably request; provided, that such access does not unreasonably interfere with the conduct of the business of Seller or its Affiliates; provided, further, that the independent accountants of Seller will not be obligated to make any work papers available to Buyer Parent, unless and until Buyer Parent has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants.

(d) Seller shall have sixty (60) days after the date on which the Subject Closing Statement is delivered to it to review the Subject Closing Statement and the calculations set forth therein (the "Review Period"). In furtherance of such review, Buyer Parent and the Company shall provide Seller and its Representatives with such access to the employees and Representatives of Buyer Parent and the Company and to such documentation, records and other information of Buyer Parent or the Company 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 Parent or the Company; provided, further, that the independent accountants of Buyer Parent and the Company will not be obligated to make any work papers available to Seller, unless and until Seller has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants.

(i) If Seller disagrees with the Subject Closing Statement (including any amount or computation set forth therein) in any respect and on any basis, Seller may, on or prior to the last day of the Review Period, deliver a notice to Buyer Parent 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 or amount, Seller's position as to the correct amount or computation that should have been included in the Subject Closing Statement.

(ii) If no Dispute Notice is received by Buyer Parent with respect to any matter in the Subject Closing Statement on or prior to the last day of the Review Period, the amount or computation with respect to such matters as set forth in the Subject Closing Statement shall be deemed accepted by Seller, whereupon the amount or computation of such matter or matters shall be final and binding on the parties.

(iii) For a period of thirty (30) days beginning on the date that Buyer Parent receives a Dispute Notice, if any, Buyer Parent 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 thirty (30) day period, Buyer Parent and Seller shall jointly engage (A) an accounting firm of national reputation or any other Person, as mutually agreed by the parties hereto (the "Independent Accounting Firm"), to make a determination with respect to all matters in dispute, other than with respect to the calculation of the Closing CTE95 Amount, or (B) with respect to the calculation of the Closing CTE95 Amount, an actuarial firm of national reputation (the "Independent Actuary"); provided, that, if such firm is unwilling or unable to serve, unless otherwise agreed by the parties, such dispute shall be resolved in accordance with Section 10.7.

(iv) Buyer Parent and Seller will direct the Independent Accounting Firm or the Independent Actuary, as applicable, to render a determination within thirty (30) days after its retention, and Buyer Parent, Seller and their respective employees and Representatives will cooperate with the Independent Accounting Firm and the Independent Actuary, as applicable, during its engagement. Buyer Parent, on the one hand, and Seller, on the other hand, shall promptly (and in any event within ten (10) Business Days) after the Independent Accounting Firm's or the Independent Actuary's engagement, as applicable, each submit to the Independent Accounting Firm or Independent Actuary their respective computations of the disputed items or amounts identified in the Dispute Notice and information, arguments and support for their respective positions, and shall concurrently deliver a copy of such materials to the other party. Each party shall then be given an opportunity to supplement the information, arguments and support included in its initial submission with one additional submission to respond to any arguments or positions taken by the other party in such other party's initial submission, which supplemental information shall be submitted to the Independent Accounting Firm or Independent Actuary, as applicable, (with a copy thereof to the other party) within five (5) Business Days after the first date on which both parties have submitted their respective initial submissions to the Independent Accounting Firm or Independent Actuary, as applicable. The Independent Accounting Firm or Independent Actuary, as applicable, 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 or Independent Actuary, as applicable. The Independent Accounting Firm or Independent Actuary, as applicable, shall determine, based solely on the materials so presented by the parties 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 Parent and Seller (each, an "Adjustment Report") in which the Independent Accounting Firm or Independent Actuary, as applicable, 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 Subject Closing Statement solely as to the disputed items or amounts set forth in the Dispute Notice and shall determine the appropriate Total Adjusted Book Value, Closing CTE95 Amount, Required Adjusted Book Value, DSL Net Capital, Company Ceding Commission, Company Required Initial Premium, Company Transferred Asset Value, RLI Required Initial Premium, RLI Transferred Asset Value, Life Business Required Initial Premium and Life Business Transferred Asset Value on that basis.

(v) The Adjustment Report shall set forth, in reasonable detail, the Independent Accounting Firm's or Independent Actuary's, as applicable, 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 Subject Closing Statement, together with supporting calculations. In resolving any disputed item or amount, the Independent Accounting Firm and the Independent Actuary (A) shall be bound to the principles of this Section 2.4 and the terms of this Agreement, including whether the Subject Closing Statement was prepared in accordance with the Accounting Principles or the CTE95 Model and Calculation Methodologies, as applicable, (B) shall limit its review to matters specifically set forth in the Dispute Notice and (C) shall not assign a value to any matter higher than the highest value for such matter claimed by either party or less than the lowest value for such matter claimed by either party.

(vi) All fees and expenses relating to the work of the Independent Accounting Firm and the Independent Actuary shall be paid by the party (that is, Buyer Parent or Seller) whose position with respect to the matter in dispute is furthest from the Independent Accounting Firm's or Independent Actuary's, as applicable, final determination. Each Adjustment Report, absent fraud or manifest error, shall be expert determinations under New York law governing expert determination and appraisal proceedings. Any claim, dispute or controversy arising out of or relating to the final determinations of the Independent Accounting Firm or the Independent Actuary, including enforcement of such final determinations, shall be resolved in accordance with Section 10.7.

(vii) The final form of the Closing Statement as finally determined pursuant to this Section 2.4 is referred to herein as the "Final Closing Statement," the Total Adjusted Book Value calculated therefrom is referred to as the "Final Total Adjusted Book Value," the Required Adjusted Book Value calculated therefrom is referred to as the "Final Required Adjusted Book Value," the DSL Capital calculated therefrom is referred to as the "Final DSL Net Capital" the Company Ceding Commission calculated therefrom is referred to as the "Final Company Ceding Commission," the Company Required Initial Premium calculated therefrom is referred to as the "Final Company Required Initial Premium," the Company Transferred Asset Value calculated therefrom is referred to as the "Final Company Transferred Asset Value"), the RLI Required Initial Premium calculated therefrom is referred to as the "Final RLI Required Initial Premium"), the RLI Transferred Asset Value calculated therefrom is referred to as the "Final RLI Transferred Asset Value"), the Life Business Required Initial Premium calculated therefrom is referred to as the "Final Life Business Required Initial Premium") and the Life Business Transferred Asset Value calculated therefrom is referred to as the "Final Life Business Transferred Asset Value"). Notwithstanding anything to the contrary contained in this Agreement, (i) the provisions of this Section 2.4 represent the sole and exclusive method for determining the Final Total Adjusted Book Value, the Final Required Adjusted Book Value, the Final DSL Net Capital, the Final Company Ceding Commission, the Final Company Required Initial Premium, the Final Company Transferred Asset Value, the Final RLI Required Initial Premium, the Final RLI Transferred Asset Value, the Final Life Business Required Initial Premium and the Final Life Business Transferred Asset Value and (ii) the RLI Ceding Commission shall not be subject to adjustment.

(e) Notwithstanding anything to the contrary in this Agreement, and for the avoidance of doubt, the Final Total Adjusted Book Value shall be further adjusted as necessary for, and shall in all cases take into account and be calculated after giving effect to, the Final Company Ceding Commission, the Company FA Business Reinsurance True-Up and the Life Business Reinsurance True-Up Amount.

SECTION 2.5 Closing Deliveries.

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

(i) certificates representing the Shares, duly endorsed in blank or accompanied by sufficient instruments of transfer to Buyer;

(ii) certificates representing the DSL Interests, duly endorsed in blank or accompanied by sufficient instruments of transfer to Buyer;

(iii) certificates representing all of the outstanding equity interests of Services Company, duly endorsed in blank or accompanied by sufficient instruments of transfer to Buyer;

(iv) a certificate of Seller, duly executed by an authorized officer 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) to Buyer Parent;

(v) counterparts of each Transaction Agreement other than this Agreement to which a Seller Party is a party, duly executed by such Seller Party, to Buyer Parent and Reinsurer, as applicable;

(vi) a certificate, in compliance with Treasury Regulation § 1.1445-2(b)(2), certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code to Buyer;

(vii) the Acquired Company Books and Records (other than the Acquired Company Books and Records in possession of the Acquired Companies at Closing) to Buyer Parent;

(viii) the Subscription Amount plus the Increased Subscription Amount for the Buyer Parent Interests to Buyer Parent;

(ix) evidence of the consummation of the transactions contemplated by the Pre-Sale Transactions;

(x) evidence of the repayment of the FHLB Loans and termination, discharge and release in full of all Liens related thereto to Buyer Parent;

(xi) the written resignations of the directors, officers and managers of the Acquired Companies that are not Covered Employees, effective as of the Closing, except as requested by Buyer Parent not less than five (5) Business Days prior to the Closing to Buyer; and

(xii) such other agreements, documents, instruments or certificates as contemplated by this Agreement or the other Transaction Agreements to be executed and delivered by Seller, any Seller Party or any Acquired Company on the Closing Date to Buyer Parent.

(b) Buyer Parent's Closing Deliveries. At the Closing, Buyer Parent shall cause Buyer to make the payment, if any, contemplated by Section 2.3 and Buyer Parent shall deliver to Seller:

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

(ii) counterparts of each Transaction Agreement other than this Agreement to which a Buyer Party is a party, duly executed by such Buyer Party.

(c) Reinsurer Parent's Closing Deliveries. At the Closing, Reinsurer Parent shall, deliver or cause to be delivered to Seller:

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

(ii) counterparts of each Transaction Agreement other than this Agreement to which a Reinsurer Party is a party, duly executed by such Reinsurer Party.

SECTION 2.6 Tax Matters.

(a) Each of Seller and Buyer Parent agrees that, for U.S. federal income tax purposes, the purchase price paid for the Shares and the DSL Interests as contemplated by this Article II will be allocated: (i) first to the DSL Interests and the equity interests in Services Company, up to the amount of the net book carrying value of DSL's assets less its liabilities (if any) plus the replacement cost of the employees of Services Company (as set forth in the Purchase Price Allocation), (ii) second to any Surplus Notes transferred as part of the Surplus Note Transfer, an amount equal to the Surplus Note Purchase Price, and (iii) then any remaining amount will be allocated to the Shares (including the $10,000 minimum payment described in the proviso to Section 2.3). The amount allocated to the DSL Interests and the equity interests in Services Company shall be further allocated among the assets of DSL and Services Company as required by Section 1060 of the Code, but in no event shall the amount allocated to intangible assets of Services Company exceed the replacement costs of the employees of Services Company. Within 30 days after completion of the Post-Closing Adjustments as described in Section 2.4, Buyer Parent shall deliver to Seller a schedule setting forth a calculation of such allocation. The parties shall negotiate in good faith to resolve any disagreements with respect to such allocation. If Seller and Buyer Parent cannot resolve such disagreement, the disagreement shall be resolved by the Independent Accounting Firm, the costs of which shall be shared equally between the parties. The calculation, as finalized, shall be the Purchase Price Allocation. Seller shall and Buyer Parent shall file all Tax Returns in a manner consistent with the Purchase Price Allocation.

(b) Buyer Parent shall not withhold any amounts in respect of Taxes from payments made pursuant to Sections 2.3 or 2.4 hereof, unless required by Applicable Law or a Tax Authority. Buyer Parent shall use reasonable best efforts to provide Seller with ten (10) days prior written notice of its intent to so withhold, and the parties shall use reasonable best efforts to reduce or eliminate such withholding. Buyer Parent acknowledges and agrees that, provided that Seller has delivered or caused to be delivered to Buyer a certificate, in compliance with Treasury Regulation § 1.1445-2(b)(2), certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code, Buyer Parent is not aware of any requirement to withhold any amounts in respect of Taxes from such payments as of the date hereof.

(c) In each case, for federal, state, and applicable local income Tax purposes, each party shall be treated as if it paid its attributable portion of any netted payment made pursuant to Section 2.3 or Section 2.4.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to and as qualified by the matters (x) disclosed in the Company SEC Reports filed with the SEC on or prior to the date of this Agreement (but only if the applicability of any fact or item disclosed therein to the Business or the Acquired Companies (after giving effect to the Pre-Sale Transactions) is reasonably apparent on its face, and in all cases excluding any disclosures set forth in the section entitled "Risk Factors" or in any other section to the extent they are forward-looking statements or cautionary, predictive or otherwise forward-looking in nature), or (y) set forth in the Seller Disclosure Schedule, Seller represents and warrants to Buyer Parent and Reinsurer Parent as of the date of this Agreement and as of the Closing Date as follows; 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:

SECTION 3.1 Organization, Standing and Corporate Power.

(a) Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company is an insurance company duly incorporated, validly existing and in good standing under the laws of the State of Iowa. DSL is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Each other Seller Party is a corporation or other legal entity duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated or organized. Each Acquired Company and, with respect to the Business, Seller and its Affiliates, 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, except 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. Each Acquired Company and, with respect to the Business, Seller and its Affiliates, 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, 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, individually or in the aggregate, to have a Material Adverse Effect.

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

(c) None of the Acquired Companies (i) is the subject of any supervision, conservation, rehabilitation, liquidation, receivership, insolvency, bankruptcy or other proceeding or (ii) since December 31, 2014, has received any written notice from any Governmental Entity or other Person threatening to seek to initiate any such proceeding.

SECTION 3.2 Capital Structure. The issued and outstanding capital stock of the Company as of the date hereof consists of 250,000 shares, $10.00 par value per share, which constitute the Shares. Except as set forth in this Section 3.2, no shares of capital stock or other equity interests of the Acquired Companies are issued, reserved for issuance or outstanding. All outstanding shares of capital stock or other equity interests of the Acquired Companies were duly authorized and validly issued and are fully paid and non-assessable, and were not issued in violation of any preemptive or subscription rights, Applicable Law, Contract or any of the Acquired Companies' Organizational Documents. VHI is the record and beneficial owner of all of the Shares, free and clear of all Liens. VRIAC is the record and beneficial owner of 100% of the DSL Interests, free and clear of all Liens. Assuming Buyer has the requisite power and authority to be the lawful owner of the Shares and the DSL Interests, upon delivery of and payment for the Shares and the DSL Interests at the Closing as herein provided, good and valid title to the Shares and the DSL Interests will pass to Buyer, free and clear of all Liens. There are no restrictions upon the voting or transfer of any of the Shares or the DSL Interests pursuant to the Organizational Documents of the Acquired Companies or any other Contract to which Seller or an Acquired Company is a party. Except as set forth in Section 3.2 of the Seller Disclosure Schedule, there are no securities, options, calls, puts, tag alongs, drag alongs, warrants, rights, capital appreciation rights, phantom stock plans, securities with participation rights or features, or similar commitments or agreements, contingent or otherwise, which obligate Seller, the Acquired Companies or any of their Affiliates to issue, sell, repurchase, redeem (or establish a sinking fund with respect to redemption), or otherwise acquire or deliver shares of capital stock or other equity interests of any Acquired Company. There are no bonds, debentures, notes or other indebtedness of any of the Acquired Companies having voting rights (or convertible into securities having voting rights). Seller or one of its Affiliates has good and valid title to, or has valid leases, licenses or rights to use the Allocated Assets (other than Allocated Intellectual Property, which is the subject of Section 3.21(a)), in each case, free and clear of all Liens (other than Permitted Liens).

SECTION 3.3 Subsidiaries. Neither of the Acquired Companies owns, directly or indirectly, any shares of the capital stock of, or other voting or equity interest in, any Person, except for Investment Assets held in the ordinary course of business not exceeding five percent (5%) of the voting securities of any such single Person.

SECTION 3.4 Authority. Each Seller Party has the requisite corporate power and authority to enter into the Transaction Agreements to which it is or will be a party and to consummate the transactions contemplated thereby. The execution and delivery by each Seller Party of the Transaction Agreements to which it is or will be a party and the consummation by each Seller Party of the transactions contemplated thereby have been and, with respect to the Transaction Agreements to be executed and delivered at Closing, will be, duly authorized by all necessary corporate or other entity action on the part of such Seller Party. Each of the Transaction Agreements to which a Seller Party is or will be a party have been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be, duly executed and delivered by such Seller Party and, assuming the Transaction Agreements constitute the valid and binding agreements of the other parties thereto (other than the Seller Parties), constitute valid and binding obligations of such Seller Party, enforceable against such Seller Party 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 3.5 Noncontravention; Consents.

(a) Except as disclosed in Section 3.5(a) of the Seller Disclosure Schedule, the execution and delivery of the Transaction Agreements by each Seller Party that is or will be a party thereto, and the consummation of the transactions contemplated thereby by such Seller Party, do not and will not (i) conflict with any of the provisions of the Organizational Documents of any of the Seller Parties, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation 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 any Lien (other than a Permitted Lien) on any property or asset of any Acquired Company or, with respect to the Business, Seller or any of its Affiliates, or any acceleration of remedies, penalty or change in the terms under, or require the consent of any third party under, any Material Contract or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law, which, in the case of clauses (ii) and (iii) above, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity (each, a "Governmental Approval") is required by or with respect to any Seller Party, any Acquired Company or, with respect to the Business, Seller or any of its Affiliates, in connection with the execution and delivery of the Transaction Agreements by the Seller Parties, or the consummation by the Seller Parties of any of the transactions contemplated thereby, except for the Governmental Approvals that are set forth in Section 3.5(b) of the Seller Disclosure Schedule.

SECTION 3.6 Financial Statements; SEC Reports.

(a) Seller has previously provided to Buyer Parent true, complete and correct copies of the following financial statements (collectively, the "Financial Statements"): (i) the audited annual statutory financial statements of the Company and RLI as of and for the year ended December 31, 2016, in each case as filed with the Insurance Regulator of the jurisdiction of domicile of the Company or RLI, and the unaudited interim statutory financial statements of the Company and RLI as of and for the six-month period ending June 30, 2017 and the nine-month period ending September 30, 2017 (collectively, the "Statutory Statements"), (ii) the audited annual financial statements of RRII as of and for the year ended December 31, 2016 and the unaudited interim financial statements of RRII as of and for the six-month period ending June 30, 2017 and the nine-month period ending September 30, 2017, (iii)(A) the Company GAAP Financial Statements, and (B) the audited annual financial statements of DSL as of and for the year ended December 31, 2016 and the unaudited interim financial statements of DSL as of and for the six-month period ending June 30, 2017 and the nine-month period ending September 30, 2017 in each case as filed with FINRA and the SEC pursuant to Rule 17a-5 of the Exchange Act (collectively, and together with the Company GAAP Financial Statements, the "GAAP Financial

Statements”). Except as set forth in Section 3.6(a) of the Seller Disclosure Schedule, each of the Financial Statements (A) were derived from and are consistent with the accounting records of the Company, RRII and DSL, respectively, (B) were prepared in accordance with SAP, in the case of the Company Statutory Statements, and with GAAP, in the case of the GAAP Financial Statements, in accordance with GAAP (modified as described in the notes thereto, and referred to herein as “Modified GAAP”), in the case of the Financial Statements of RRII, each applied on a consistent basis during the periods presented and (C) except as set forth in Section 3.6(a) of the Seller Disclosure Schedule, fairly present in all material respects in accordance with SAP, Modified GAAP or GAAP, as applicable, the financial position of each of the Acquired Companies and RRII, as applicable, at their respective dates and the results of operations, changes in surplus and cash flows of the Acquired Companies and RRII, as applicable, at and for the periods indicated, subject, in the case of the unaudited financial statements referenced above, to normal recurring year-end adjustments. All assets that are reflected as admitted assets on the Statutory Statements, to the extent applicable, comply in all material respects with all Applicable Laws applicable to admitted assets. No material deficiency has been asserted by any Governmental Entity with respect to any of the Financial Statements other than any such item that has been cured or otherwise resolved to the satisfaction of such Governmental Entity.

(b) Seller has previously provided to Buyer Parent true, complete and correct copies of the audited annual statutory financial statements of each of the Separate Accounts as of and for the year ended December 31, 2016 (the “Separate Account Annual Statements”), in each case, as filed with the Insurance Regulator of the jurisdiction of domicile of the Company, together with the exhibits, schedules and notes thereto and any affirmations and certifications filed therewith. The Separate Account Annual Statements have been prepared in accordance with SAP applied on a consistent basis during the periods presented, and fairly present, in all material respects, the statutory financial position and results of operation of such Separate Accounts at their respective dates and at and for the periods indicated.

(c) Section 3.6(c) of the Seller Disclosure Schedule sets forth a true, complete and correct list of all accounting practices used by each of the Company, RRII and, solely with respect to the FA Contracts, RLI, in connection with their respective Financial Statements that depart from the National Association of Insurance Commissioners’ Accounting Practices and Procedures Manual (each such departure, a “Permitted or Prescribed Accounting Practice”), if any. All such Permitted or Prescribed Accounting Practices have been approved by the applicable Insurance Regulators in writing at or prior to the time used by the applicable company in connection with the applicable Financial Statement.

(d) The Company has timely filed or furnished all required forms, reports, statements, schedules, registration statements and other documents required to be filed or furnished by the Company with or to the SEC since December 31, 2014 (the documents referred to in this Section 3.6(d), the “Company SEC Reports”). As of its filing or furnishing date, each Company SEC Report complied, in all material respects, with the requirements of the Securities Act and the Exchange Act applicable thereto.

(e) As of the date hereof, the aggregate principal amount of the Surplus Notes is $435,000,000 and the amount of accrued but unpaid interest thereon is $12,293,779.

(f) As of the date hereof, the aggregate outstanding principal amount of the FHLB Loans is $600,000,000 and the amount of accrued but unpaid interest thereon is $1,222,035.

SECTION 3.7 No Undisclosed Liabilities. None of the Acquired Companies or RRII has any Liability that is required to be reflected in a balance sheet (or notes thereto) of an Acquired Company or RRII prepared in accordance with GAAP, SAP or Modified GAAP, as applicable, except (i) those Liabilities provided for or disclosed in the Financial Statements or in the notes thereto, (ii) Liabilities disclosed in Section 3.7 of the Seller Disclosure Schedule, (iii) Liabilities incurred in the ordinary course of business since December 31, 2016, (iv) Liabilities incurred in connection with the transactions contemplated by the Transaction Agreements, and (v) other Liabilities that, individually or in the aggregate, would not reasonably be expected to be material to the Business or the Acquired Companies, taken as a whole.

SECTION 3.8 Absence of Certain Changes or Events. Except as disclosed in Section 3.8 of the Seller Disclosure Schedule, from December 31, 2016 through the date hereof, (i) the Business has been conducted in the ordinary course, and (ii) there has not been any Effect having, or that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Without limiting the generality of the foregoing, from December 31, 2016 through the date hereof, the Acquired Companies have not, and, with respect to the Business, Seller and its Affiliates, have not, except as set forth in Section 3.8 of the Seller Disclosure Schedule, taken any action or failed to take any action that would have or has resulted in a breach of clause (ii), (iii), (iv), (v), (viii), (ix), (x), (xi), (xiv), (xv), (xviii) or (xix) (with respect to the foregoing clauses) of Section 5.1(a), in each case had Section 5.1(a) been in effect since December 31, 2016.

SECTION 3.9 Employees and Benefit Plans.

(a) Section 3.9(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of all material Employee Benefit Plans as of the date hereof. There are no Company Benefit Plans. With respect to each material Employee Benefit Plan, Seller has delivered or made available to Buyer Parent true, complete and correct copies of (i) all material plan documents, and (ii) the most recent favorable determination, advisory or opinion letter from the IRS with respect to each such Employee Benefit Plan intended to qualify under Section 401(a) of the Code.

(b) Except as disclosed on Section 3.9(b) of the Seller Disclosure Schedule, there are no material claims or disputes pending or, to the Knowledge of Seller, threatened with respect to any Employee Benefit Plan which relates to a Business Employee (or his or her dependents or beneficiaries), other than claims for benefits in the ordinary course of business. Each Agent Deferral Plan has been operated in all material respects in accordance with its terms and Applicable Law.

(c) No Acquired Company has contributed to, or had an obligation to contribute to, a multiemployer plan within the meaning of Section 3(37) of ERISA. No Acquired Company or any other entity, trade or business (whether or not incorporated) that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included either Acquired Company, or that is, or was at the relevant time, a member of the same "controlled group" as either Acquired Company pursuant to Section 4001(a)(14) of ERISA (each such entity being an "ERISA Affiliate") has at any time within the last six years incurred any Liability under Title IV of ERISA (other than with respect to the payment of premiums to the Pension Benefit Guaranty Corporation), Section 302 of ERISA or Sections 412 or 430 of the Code (other than with respect to the payment of minimum funding contributions in the normal course), in each case, including as a result of participation in, or an obligation to contribute to, a multiemployer plan (but excluding ordinary contributions thereto), or with respect to a violation of the continuation of coverage requirements under COBRA or withdrawn at any time from any multiemployer plan, or incurred or had any "withdrawal liability" under Section 4201 of ERISA which remains unsatisfied, and no event or condition exists that could reasonably be expected to result in any such Liability to either Acquired Company or any ERISA Affiliate.

(d) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code is subject to a favorable determination, opinion or advisory letter by the IRS and, to the Knowledge of Seller, no event has occurred and no condition exists that would reasonably be expected adversely to affect the qualification of any such Employee Benefit Plan.

(e) Except as disclosed in Section 3.9(e) of the Seller Disclosure Schedule, each Employee Benefit Plan (but only with respect to Business Employees) and each other arrangement to which an Acquired Company is a party or has Liability, in each case, that is a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been administered, operated and maintained in all respects according to the requirements of Section 409A of the Code. No Acquired Company has any obligation to make a "gross-up" or similar payment in respect of any Taxes that may become payable under Section 409A of the Code.

(f) Except as disclosed in Section 3.9(f) of the Seller Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in combination with another event) will or can reasonably be expected to result in, cause the accelerated vesting, funding or delivery of, increase the amount or value of, any payment or benefit to any Business Employee or consultant. Without limiting the generality of the foregoing, no amount paid or payable (whether in cash, in property, or in the form of benefits) to a Business Employee by any Acquired Company, Seller or any of their respective Affiliates in connection with the transactions contemplated hereby will be an "excess parachute payment" within the meaning of Section 280G of the Code. No Acquired Company has any obligation to make a "gross-up" or similar payment in respect of any Taxes that may become payable under Section 4999 of the Code.

(g) Each of the Acquired Companies is in compliance, in all material respects, with all Applicable Laws regarding employment, labor and wage and hour matters. With respect to the Business Employees and all current or former employees of the Acquired Companies, no labor organization or group of employees has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation 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 material strikes, work stoppages, slowdowns, lockouts, arbitrations or grievances, or other material labor disputes, pending or, to the Knowledge of Seller, threatened against or involving any Business Employees or any of the Acquired Companies, or, with respect to the Business.

(h) To the Knowledge of Seller, the Census Employees and Designated Employees include substantially all of the employees of Seller and its Affiliates who, as of the date hereof, dedicate at least fifty percent (50%) of his or her business time providing services primarily related to the Business.

SECTION 3.10 Taxes. Except as disclosed in Section 3.10 of the Seller Disclosure Schedule, and except as required by a change in Applicable Law between the date of this Agreement and the Closing Date:

(a) All income, premium and material other Taxes (whether or not shown on any Tax Return) for which any Acquired Company may be liable have been timely paid.

(b) All income, premium and material other Tax Returns required to be filed by or filed on behalf of any Acquired Company 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 Authority in all jurisdictions in which such Tax Returns are required to be filed.

(c) All Tax Returns referred to in clause (b) are complete and accurate in all material respects and disclose all material Taxes required to be paid by or with respect to the Acquired Companies for the periods covered thereby.

(d) The Company is, and has been since the Company's acquisition by the Seller Group, 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. Since the Company's acquisition by the Seller Group, the Tax reserves of the Company 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. All reinsurance Contracts entered into by the Company are insurance contracts for purposes of the Code and are not subject to recharacterization under Section 845 of the Code. DSL has been properly treated as disregarded as an entity separate from its owner for U.S. federal and applicable state and local income tax purposes for at least five years prior to the Closing Date.

(e) No extension of time within which to file any Tax Return referred to in clause (b) above is in effect. No waiver of any statute of limitations relating to Taxes for which any Acquired Company or any Subsidiary may be liable is in effect, and no written request for such a waiver is outstanding.

(f) Each Acquired Company 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.

(g) Since January 1, 2012, no claim has been made by a Tax Authority in a jurisdiction where any Acquired Company has never paid Taxes or filed Tax Returns asserting that any Acquired Company is or may be subject to Taxes assessed by such jurisdiction.

(h) Since January 1, 2012, no material deficiencies for any Taxes have been proposed, asserted or assessed in writing against or with respect to the income or assets of any Acquired Company, and there is no other action, suit, investigation or audit pending or proposed or threatened with respect to Taxes for which any Acquired Company may be liable. No agreement, 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 Acquired Company other than any agreement, waiver or other document or arrangement relating solely to Consolidated Returns.

(i) No Acquired Company is a party to any Tax Sharing Arrangement pursuant to which it will have any obligation to make any payments (x) on the Closing Date or (y) after the Closing.

(j) No Acquired Company has any Liability for the Taxes of any Person under Treasury Regulation § 1.1502-6 or any similar provision of state, local or foreign law, (other than arising from periods prior to the date the Seller Group acquired such Acquired Company) or Liability for another member of a Seller Group as successor or transferee, or pursuant to Contract, the primary subject of which is Taxes.

(k) There are no material Liens for Taxes as a result of any unpaid Taxes upon the assets of any Acquired Company except for Taxes not yet due and payable.

(l) During the past three (3) years, no Acquired Company has been a "distributing corporation" or a "controlled corporation" within the meaning of Section 355(a)(1)(A) of the Code.

(m) There are no Tax rulings, requests for rulings, or closing agreements relating to Taxes for which any Acquired Company may be liable that could affect any Acquired Company's liability for Taxes for any taxable period ending after the Closing Date. No Acquired Company will be required to include or accelerate the recognition of any item in income, or exclude or defer any deduction or other tax benefit, in each case in any taxable period (or portion thereof) after Closing, as a result of Section 807 of the Code, any change in method of accounting, closing agreement, intercompany transaction, instalment sale, election under Section 108(i) of the Code, or the receipt of any prepaid amount, in each case prior to Closing.

(n) Each Acquired Company has been a member of a Seller Group since October 24, 1997 or the date of its formation (if later).

(o) No Acquired Company has participated in any "listed transaction" within the meaning of Treasury Regulation § 1.6011-4(b)(2) since the acquisition of such Acquired Company by the Seller Group, and, with respect to each transaction that occurred after the acquisition of an Acquired Company by the Seller Group in which such Acquired Company has participated that is a "reportable transaction" within the meaning of Treasury Regulation § 1.6011-4(b)(1), such participation has been properly disclosed on IRS Form 8886 (Reportable Transaction Disclosure Statement) and on any corresponding form required under state, local or other law.

(p) There has been no "transfer" (as defined in Treasury Regulation §1.1502-36(f)) of the Shares (for the avoidance of doubt, other than in connection with or arising from (directly or indirectly) any of the transactions contemplated by this Agreement) by any member of the Seller Group.

(q) Section 3.10(q) of the Seller Disclosure Schedule sets forth an accurate description of the amount of deferred losses from hedges of liabilities that are being taken into account under the agreed upon mark and spread method of accounting and the year in which they will be reflected in taxable income. Losses arising from such hedges are not subject to limitation or disallowance under Section 382 or 383 of the Code as of the date hereof.

SECTION 3.11 Compliance with Applicable Laws.

(a) Except as disclosed in Section 3.11(a) of the Seller Disclosure Schedule, each of the Acquired Companies and, with respect to the Business, Seller and its Affiliates, is, and at all times since December 31, 2014 has been, and the Business is and at all times since December 31, 2014 has been conducted, in compliance with all Applicable Laws, except as would not, individually or in the aggregate, reasonably be expected to be material to the Business or the Acquired Companies, taken as a whole. Except as disclosed in Section 3.11(a) of the Seller Disclosure Schedule, none of the Acquired Companies nor, with respect to the Business, Seller or any of its Affiliates, and, to the Knowledge of Seller, none of their respective "associated persons," as such term is defined in the Exchange Act and the rules and Bylaws of FINRA ("Associated Persons") has, at any time since December 31, 2014, 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 such party or the Business to comply in any material respect with, any Applicable Laws.

(b) Each Acquired Company and, with respect to the Business, Seller and its Affiliates, owns, holds or possesses all permits, licenses, approvals, authorizations, consents, qualifications and registrations (collectively, "Permits") that are necessary to entitle it to own or lease, operate and use its assets or properties and to carry on and conduct the Business as conducted on the date hereof, 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. The Acquired Companies and, with respect to the Business, Seller and its Affiliates, are each in material compliance with all of the terms and requirements of each such Permit. To the Knowledge of Seller, with respect to the Permits, none of the Acquired Companies nor, with respect to the Business, Seller or any of its Affiliates has, at any time since December 31, 2014, 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. Except as set forth on Section 3.11(b) of the Seller Disclosure Schedule, none of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, 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. The Company owns, holds or possesses all Permits necessary for it to perform fully its obligations under the Transition Services Agreement and the Administrative Services Agreements.

(c) Each Acquired Company and, with respect to the Business, Seller and its Affiliates, has filed all material reports, statements, documents, registrations, filings or submissions required to be filed with any Governmental Entity since December 31, 2014, and all such material reports, statements, documents, registrations, filings and submissions were in compliance in all material respects 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.

(d) To the Knowledge of Seller, none of the Acquired Companies or, with respect to the Business, Seller or its Affiliates, are relying on any exemption from or deferral of any Applicable Law or Permit that would not be available to Buyer Parent or the Acquired Companies as a result of the consummation of the transactions contemplated by the Transaction Agreements.

(e) None of the Acquired Companies or, with respect to the Business, Seller or its Affiliates, or any director, officer, employee, agent or representative thereof (in each case acting on behalf of the Acquired Companies or the Business): (i) has provided, promised, or authorized the provision of any contribution, gift, entertainment, or other thing of value to any government official or candidate for political office, or any other Person, to influence official action or to secure an improper advantage, or to encourage the recipient to breach a duty of good faith or loyalty or the policies of his/her employer, in violation of any Anti-Corruption Law, or otherwise has violated any Anti-Corruption Law; (ii) is a Sanctioned Person; (iii) has transacted any business with any Sanctioned Person or otherwise in violation of Sanctions; or (iv) has violated any Anti-Money Laundering Law.

(f) The Acquired Companies and, Seller and its Affiliates, with respect to the Business, have in place procedures designed to prevent their respective directors, officers, employees, agents, and representatives from undertaking any activity, practice, or conduct relating to the business of the Company or any Company Subsidiary that would constitute an offense under the Anti-Corruption Laws, Sanctions, or Anti-Money Laundering Laws.

(g) None of the Acquired Companies or, with respect to the Business, Seller or its Affiliates has (i) received any written correspondence, (ii) conducted an internal investigation, (iii) provided any voluntary disclosure, or (iv) been the subject of any investigation, inquiry or enforcement proceedings (of which the Company or any Company Subsidiary has received notification) by any Governmental Entity relating to an offense under or alleged violation of any of the Anti-Corruption Laws, Sanctions, or Anti-Money Laundering Laws.

SECTION 3.12 Litigation.

(a) Except as disclosed in Section 3.12(a) of the Seller Disclosure Schedule, and excluding those Actions relating to ordinary course claims under policies or contracts of insurance or annuities written by the Company or, with respect to the Business, Seller or any of its Affiliates, which involve claims that are within policy limits, there is no Action with respect to which any Acquired Company or, with respect to the Business, Seller or any of its Affiliates, has been served with notice, or any other Action that is pending or, to the Knowledge of Seller, threatened against any Acquired Company or, with respect to the Business, Seller or any of its Affiliates, or any of their respective assets, properties or businesses, except for any such Action with respect to which certification as a class has not been granted and is not being sought and individually (or in the aggregate with all other Actions resulting from, arising out of or based upon the same or substantially similar facts or circumstances) (A) would not reasonably be expected to result in any loss to an Acquired Company of $1,000,000 or more in excess of the related reserve therefor set forth on the Financial Statements and on Section 3.12(a) of the Seller Disclosure Schedule and (B) would not reasonably be expected to have the effect of preventing any of the transactions contemplated by any Transaction Agreement, to the extent Seller or any of its Affiliates (including the Acquired Companies) is or will be a party thereto.

(b) Except (x) as disclosed in Section 3.12(b) of the Seller Disclosure Schedule, (y) for Governmental Orders issued after the date hereof in connection with the transactions contemplated by this Agreement or any other Transaction Agreement and (z) for limitations imposed by Applicable Law that are applicable to the Acquired Companies' industries generally, none of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, is party or subject to any Governmental Order applicable to any of the Business or the Acquired Companies or any of their respective assets, properties or businesses, in each case other than any such items that (i) are not, individually or in the aggregate, materially adverse to any of the Acquired Companies or the Business, taken as a whole, or to any Acquired Company individually and (ii) to the Knowledge of Seller, that would not result in, and that would not reasonably be expected to result in, a loss to an Acquired Company or the Business of $2,000,000 or more and does not enjoin and would not reasonably be expected to have the effect of preventing any of the transactions contemplated by the Transaction Agreements. Section 3.12(b) of the Seller Disclosure Schedule includes each Governmental Order that (i) prohibits or restricts the payment of shareholder dividends or other shareholder distributions by any Acquired Company or (ii) requires the maintenance of any employees or Associated Persons or physical location or (iii) requires the maintenance of any Acquired Company's or, with respect to the Business, Seller's or any of its Affiliates', surplus at any particular level.

SECTION 3.13 Material Contracts.

(a) Section 3.13(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of each Material Contract that was entered into prior to the date hereof and that has not been terminated or otherwise expired in accordance with its terms as of the date hereof. The term "Material Contract" means all of the following types of Contracts to which an Acquired Company is a party, to which Seller or any of its Affiliates (other than the Acquired Companies) is a party to the extent relating to the Business or that is an Allocated Contract (other than any insurance or annuity Contract, or ceded or assumed reinsurance Contract):

(i) Contracts containing any provision or covenant limiting in a material respect the ability of an Acquired Company to engage in any line of business, to compete with any Person or to do business in any geographic area, or provide for exclusivity or any similar requirement in favor of any Person other than an Acquired Company, in each case except for Contracts and agreements that limit the ability of an Acquired Company to solicit the employment of or hire individuals employed by other Persons;

(ii) 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 Acquired Company or the direct or indirect guarantee, capital maintenance or keep-well by any Acquired Company of any obligation for borrowed money of any Person or any other Liability of an Acquired Company in respect of indebtedness for borrowed money of any Person (other than an Acquired Company);

(iii) agency, broker, selling, marketing or similar Contracts between any of the Acquired Companies or Seller or any of its Affiliates, on the one hand, and any Producer of the Company or RLI, as applicable, who (A) was responsible for placing two percent (2%) or more of the aggregate gross written premium of the FA Business for the twelve (12) month period ended June 30, 2017 or (B) wrote CBVA Contracts that as of December 31, 2016, had an aggregate account value in excess of $500,000 (each such Producer, a "Material Producer").

(iv) any joint venture or partnership Contract binding on any Acquired Company, in each case except for Investment Assets;

(v) any collective bargaining agreement to which an Acquired Company is a party;

(vi) any Contract under which an Acquired Company has any ongoing material obligations for the acquisition or disposition by an Acquired 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;

(vii) any Contract or agreement that provides for the imposition of any Lien, other than a Permitted Lien, on any Allocated Assets;

(viii) any Contracts with any Person set forth on Section 3.13(a)(viii) of the Seller Disclosure Schedule;

(ix) any Intercompany Agreement or Affiliate Agreement;

(x) any Contract that provides for any obligation of an Acquired Company to loan or contribute funds to, or to make investments in, another Person;

(xi) any Contract pursuant to which any Third Party provides third party administration or claims administration services with respect to the administration of any Insurance Contracts, or investment management services in connection with the Business;

(xii) any master ISDA agreements under which an Acquired Company has outstanding derivatives (including schedules and confirmations thereunder);

(xiii) any Contract that requires any Acquired Company to maintain a minimum rating issued by a credit rating agency that would give rise to any violation, breach or default by any of the Acquired Companies thereunder, or that would permit any modification, acceleration or termination thereof, in the event of any ratings downgrade or withdrawal of, any of the Acquired Companies;

(xiv) any Contract providing for (A) the use of a mutual fund organization's mutual funds as investment options or (B) the payment to any Acquired Company or, with respect to the Business, Seller or any of its Affiliates of distribution service fees, administrative service fees, shareholder service fees or other payments relating to the offering of such mutual funds as investment options for the Business;

(xv) any other Allocated Contract that is not listed on Schedule 1.1(b) and requires or is reasonably likely to require payments in aggregate to or from an Acquired Company, or with respect to the Business, Seller or any of its Affiliates, in excess of $1,000,000 annually or $5,000,000 in the aggregate over the term of the Contract after the Closing and that is not terminable upon notice of ninety (90) or fewer calendar days without penalty or premium;

(xvi) any and all Contracts involving the purchase, sale, transfer, assignment, lease or sublease of any Real Property (including the Leases) or any Contract entered into by an Acquired Company involving the lease, license, sublease or acquisition of any real property;

(xvii) any Allocated IP Contracts (other than (A) shrink wrap or off-the-shelf Contracts for Software licensed on a non-exclusive basis under standard terms with annual fees of less than $1,000,000, and (B) non-exclusive licenses granted to customers, vendors, distributors, resellers and agents in the ordinary course of business); and

(xviii) any Contract that obligates an Acquired Company to enter into any of the foregoing.

(b) Except as set forth in Section 3.13(b) of the Seller Disclosure Schedule, each of the Material Contracts constitutes a valid and binding obligation of an Acquired Company, Seller or its applicable Affiliates, as applicable, and, to the Knowledge of Seller, each other party thereto, enforceable against such Acquired Company, or Seller or its applicable Affiliates, as applicable, 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. None of the Acquired Companies, Seller or its applicable Affiliates, has received written, or to the Knowledge of Seller, oral, notice of cancellation or non-renewal of any Material Contract the cancellation or non-renewal of which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There exists no material breach or event of default with respect to any Material Contract on the part of any Acquired Company, Seller or its applicable Affiliates, or, to the Knowledge of Seller, any other party thereto.

SECTION 3.14 Insurance Regulatory Matters. Seller has provided to Buyer Parent true, complete and correct (i) copies of all material reports and registrations (including registrations as a member of an insurance holding company system) and any supplements or amendments thereto filed since December 31, 2014 by the Company or, with respect to the Business, any Affiliate of Seller, with any Insurance Regulator, (ii) copies of all financial examination, market conduct examination and other examination reports of all Insurance Regulators with respect to the Company or the Business issued since December 31, 2014, or draft or incomplete reports with respect to any such examinations that are incomplete or ongoing, and (iii) copies of all other material written correspondence, filings or submissions, received from an Insurance Regulator, or delivered to or made with an Insurance Regulator, by the Company or Seller or its Affiliates, in each case, with respect to an Acquired Company or the Business since December 31, 2014. The Company is not deemed "commercially domiciled" under the Applicable Laws of any jurisdiction and is not otherwise treated as domiciled in a jurisdiction other than the State of Iowa. Except as set forth in Section 3.14 of the Seller Disclosure Schedule, neither the Company nor any of the Business is, as of the date hereof, subject to any pending financial, market conduct or other examination by an Insurance Regulator.

SECTION 3.15 Insurance Contracts.

(a) To the extent required under Applicable Law, all policy forms and rates on which in force Insurance Contracts were issued, and all endorsements, riders, applications, marketing materials, brochures, illustrations and certificates pertaining thereto, are on forms approved by the applicable Insurance Regulator or which have been filed and not objected to by such Insurance Regulator within the period provided for objection and all such policy forms and rates comply in all material respects with Applicable Law, in each case except as would not reasonably be expected to result in a material violation of Applicable Law by, or a material fine on, the Company, Seller or any of its Affiliates. No material deficiencies have been asserted by any Governmental Entity with respect to any such filings which have not been cured or otherwise resolved.

(b) Since December 31, 2014, all benefits due and payable, or required to be credited, by or on behalf of the Company or any Affiliate of Seller, on Insurance Contracts, as applicable, in force on such dates have in all material respects been paid or credited, as the case may be, in accordance with the terms of such Insurance Contracts under which they arose, and such payments or credits were not materially delinquent, except for such claims for which the Company or any Affiliate of Seller, as applicable, believed there was a reasonable basis to contest payment.

(c) Since December 31, 2014, the Insurance Contracts have been marketed, sold, issued and administered in compliance, in all material respects, with Applicable Law.

(d) As of the date hereof, there are no material unpaid claims or assessments made against the Company or, with respect to the Business, Seller or any of its Affiliates, by any state insurance guaranty associations or similar organizations in connection with such association's insurance guaranty fund.

(e) Since December 31, 2014, each Insurance Contract that is a security has been (i) offered and sold, and all purchase payments under such Insurance Contracts have been received, pursuant to an effective registration statement under the Securities Act or (ii) offered and sold in reasonable reliance upon an applicable exemption from the registration and prospectus delivery requirements of the Securities Act.

(f) Since December 31, 2014, each private placement memorandum, prospectus, offering document, sales brochure, sales literature or advertising material, as amended or supplemented, relating to any Insurance Contract or any Separate Account, as of their respective mailing dates or dates of use, complied in all material respects with Applicable Law, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to be material to the Business or the Acquired Companies, taken as a whole. Since December 31, 2014, all advertising or marketing materials relating to any Insurance Contract that were required to be filed with FINRA or any other Governmental Entity have been timely filed therewith, except for any failure to file as would not, individually or in the aggregate, reasonably be expected to be material to the Business or the Acquired Companies, taken as a whole.

SECTION 3.16 Reinsurance.

(a) Section 3.16(a)(i) of the Seller Disclosure Schedule sets forth a true, complete and correct list of each reinsurance agreement to which the Company is a party which is in force as of the date hereof, other than any such agreement under which the Company has gross ceded reserves (calculated in accordance with SAP) of $5,000,000 or less as of December 31, 2016 (the "Reinsurance Contracts"). Seller has provided to Buyer Parent a true, complete and correct copy of each Reinsurance Contract. After giving effect to the Pre-Sale Transactions, the Company will not be a party to any reinsurance agreement pursuant to which it reinsures liabilities other than the agreements listed on Section 3.16(a)(ii) of the Seller Disclosure Schedule.

(b) Each of the Reinsurance Contracts constitutes a valid and binding obligation of the Company and, to the Knowledge of Seller, each other party thereto, enforceable against the 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. Except as set forth in Section 3.16(b) of the Seller Disclosure Schedule, the Company has not received written, or to the Knowledge of Seller oral, notice of early termination of any such Reinsurance Contract. All reinsurance premiums due under any such Reinsurance Contracts have been paid in full or were adequately accrued or reserved for by the Company.

(c) Except as set forth in Section 3.16(c) of the Seller Disclosure Schedule, (i) since December 31, 2014, neither the Company nor, with respect to the Business, Seller or any of its Affiliates have received any written, or to the Knowledge of Seller oral, notice from any reinsurer party to a Reinsurance Contract that any amount of reinsurance ceded by the Company pursuant to such Reinsurance Contract 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 the Company pursuant to such Reinsurance Contract, (b) there exists no material breach or event of default with respect to any Reinsurance Contract on the part of the Company or, to the Knowledge of Seller, any other party thereto, and (c) there are no pending or, to the Knowledge of Seller, threatened, Actions with respect to any Reinsurance Contract.

(d) Except as set forth on Section 3.16(d) of the Seller Disclosure Schedule, none of the Reinsurance Contracts is or, to the Knowledge of Seller, 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.

(e) Section 3.16(e) of the Seller 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 cedant under any Reinsurance Contract.

SECTION 3.17 Actuarial Reports and Data.

(a) Seller has provided to Buyer Parent a true, complete and correct copy of each of the Actuarial Reports. Milliman has not issued to Seller or any of its Affiliates any new report or errata with respect to the Actuarial Reports, nor has it notified Seller or any of its Affiliates in writing, or to the Knowledge of Seller, orally, that any of the Actuarial Reports are inaccurate in any material respect. The factual information and data furnished by Seller and each of its Affiliates, including the Company, RRII and RLI, to Milliman in connection with the preparation of the Actuarial Reports and the seriatim data, sensitivity runs, memoranda and other actuarial information and data with respect to the Insurance Contracts (the "Actuarial Data") provided to Buyer Parent by Seller or Milliman listed in Section 3.17(a) of the Seller Disclosure Schedule (i) was obtained from the books and records of the Company, RRII, RLI and any other Affiliate of Seller, as applicable, (ii) was generated from the same underlying sources and systems that were utilized by Seller and its applicable Affiliates to prepare the Financial Statements, (iii) was based upon an inventory of in force Insurance Contracts that was accurate in all material respects at the time of preparation, and (iv) was accurate in all material respects as of the date so provided.

(b) The Reserves, except as otherwise noted in such Statutory Statements and notes thereto, (i) were computed in all material respects in accordance with generally accepted actuarial standards consistently applied and were fairly stated, in all material respects, in accordance with sound actuarial provisions in effect as of the date of such Statutory Statements, (ii) were based 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, and (iii) satisfied the requirements of all Applicable Law in all material respects and (iv) included provisions for all reserves and related actuarial items which ought to be established, in each case, as required to be certified by the actuaries of the applicable insurance company pursuant to Applicable Law.

SECTION 3.18 Producers.

(a) Except as set forth in Section 3.18(a) of the Seller Disclosure Schedule, to the Knowledge of Seller, since December 31, 2014, each Producer, at any time that it wrote, produced, sold, solicited or serviced any Insurance Contracts, was duly licensed, authorized and appointed (for the type of business written, sold or produced by such Producer) in the particular jurisdiction in which such Producer wrote, produced, sold or solicited such business and, to the Knowledge of Seller, since December 31, 2014, no such Producer violated any term or provision of Applicable Law in any material respect relating to the writing, sale, solicitation or production of business for the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, in each case except as would not, individually or in the aggregate, be materially adverse to the Acquired Companies taken as a whole.

(b) No Material Producer has notified an Acquired Company, or, with respect to the Business, Seller or any of its Affiliates in writing of its intent to terminate its relationship with any of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates.

(c) None of the Acquired Companies, or with respect to the Business, Seller or any of its Affiliates, has made a filing with any Governmental Entity seeking a consent under 18 USC §1033(e)(2) with respect to any Producer.

(d) Except as set forth on Section 3.18(d) of the Seller Disclosure Schedule, no Producer nor any Affiliate of any Producer has any right (i) to receive any payment based on the profitability or financial performance of any of the Insurance Contracts or (ii) that requires the Company or RLI to reinsure or otherwise transfer the economic benefits of the Insurance Contracts (or any portion thereof) to any Person.

SECTION 3.19 Environmental Matters. There are no pending or, to the Knowledge of Seller, threatened Actions against any of the Acquired Companies that seek to impose, or that are reasonably likely to result in, any material Liability or material obligation of any of the Acquired Companies under, or that alleges a material violation of, any Applicable Law concerning worker health and safety, pollution or the protection of the environment or human health (as it relates to the environment), or relating to the use, treatment, generation, storage, transport, disposal or release of hazardous substances (collectively, "Environmental Law"), and no Acquired Company is subject to any agreement, order, judgment, decree, letter or memorandum by or with any Governmental Entity or third party imposing any material Liability or material obligation on such entity pursuant to Environmental Law. Each Acquired Company is and has been for the last five (5) years in material compliance with all Environmental Laws, and each Acquired Company possesses all Permits required pursuant to Environmental Law to own or lease, operate and use its properties and to carry on and conduct its business as conducted on the date hereof, and each Acquired Company is and has been for the last five (5) years in material compliance with all such Permits. There has been no release or threatened release of, and there is not present any hazardous substances in, on, under, or at any Owned Real Property, or, to Seller's Knowledge, any Leased Real Property or real property previously owned, leased or operated by any Acquired Company, or Investment Assets, in each case, in quantities or under conditions that would reasonably be expected to result in material Liability to or require remediation by any Acquired Company under Environmental Laws.

SECTION 3.20 Real Property.

(a) Section 3.20(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of each parcel of Real Property owned by the Acquired Companies (collectively, "Owned Real Property"). None of the Acquired Companies is obligated or bound by any options, obligations or rights of first refusal or contractual rights to sell, lease or acquire any Owned Real Property. Except as set forth in Section 3.20(a) of the Seller Disclosure Schedule, each Acquired Company, as applicable, has (i) good and marketable fee simple title to all of the Owned Real Property, free and clear of all Liens other than Permitted Liens and other Liens set forth in Section 3.20(a) of the Seller Disclosure Schedule.

(b) Section 3.20(b) of the Seller Disclosure Schedule sets forth a true, complete and correct list of each lease, sublease, license or similar occupancy agreement (each a "Lease") under which an Acquired Company is lessee, sublessee, licensee or occupant of, any Real Property owned by any third Person ("Leased Real Property"). Each Acquired Company or, with respect to the Business, Seller or any of its Affiliates, as applicable, has the right to use all the Leased Real Property for the full term of each such Lease. Such applicable Acquired Company, or, with respect to the Business, Seller or any of its Affiliates, has valid leasehold interests in all of 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. None of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, has assigned, transferred or pledged any interest in any of the Leases.

(c) 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 Seller, no such condemnation or other taking is threatened or contemplated. To the Knowledge of Seller, and except as set forth on Section 3.20(c) of the Seller Disclosure Schedule, there are no Contracts or other agreements granting to any Person the right of use or occupancy of any portion of the Real Property. To the Knowledge of Seller, all buildings, structures, facilities and improvements located on the 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. To the Knowledge of Seller, the Improvements are in all material respects (i) in good operating condition and repair (ordinary wear and tear excepted) and (ii) suitable and adequate for continued use in the manner in which they are presently being used. True, complete and correct copies of the Leases and the most recent title policies or commitments (and underlying documents), surveys, appraisals, subordination, non-disturbance and attornment agreements (SNDAs) and estoppels with respect to the Real Property in the possession of the Acquired Companies, or, with respect to the Business, Seller or its Affiliates, as applicable, have been provided to Buyer Parent.

SECTION 3.21 Intellectual Property.

(a) Each Acquired Company and, with respect to the Business, Seller and its Affiliates, as applicable, is the sole and exclusive owner of all right, title and interest in, free and clear of all Liens other than Permitted Liens, or has the valid and enforceable right to use all

Allocated Intellectual Property used in or held for use in the operation of its business as presently conducted.

(b) Section 3.21(b) of the Seller Disclosure Schedule sets forth, as of the date hereof, a true, complete and correct list of all Intellectual Property that has been issued or registered or is subject to an application for registration, including all registered Trademarks and all applications for Trademarks, all registered Copyrights and all applications for Copyrights, Patents and pending applications for Patents, and all Internet domain names owned by the Acquired Companies and, with respect to the Business, Seller and any of its Affiliates (the "Business Registered Intellectual Property Rights"). For each such item of Business Registered Intellectual Property Rights, Section 3.21(b) of the Seller Disclosure Schedule includes, where applicable, (A) the current owner or registrant (in the case of Internet domain names), (B) the jurisdiction where the application, registration or issuance is filed, (C) the application, registration and issue number and (D) the application, registration and issue date. Each item of the Business Registered Intellectual Property Rights, except as set forth in Section 3.21(b) of the Seller Disclosure Schedule, is subsisting and enforceable, and to the Knowledge of Seller, valid. All required filings and fees related to the material Business Registered Intellectual Property Rights have been timely paid with the applicable Governmental Entity or registrar.

(c) Except as disclosed in Section 3.21(c) of the Seller Disclosure Schedule and since December 31, 2014, the conduct of each of the Acquired Companies and, with respect to the Business, Seller and any of its Affiliates, does not infringe upon, misappropriate, dilute or otherwise violate and has not infringed upon, misappropriated, diluted or otherwise violated, any Intellectual Property rights of a 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 Acquired Companies or the Business, taken as a whole. There are no Actions pending, settled since December 31, 2014, or, to the Knowledge of Seller, threatened (including any demands or invitations to license Intellectual Property of a third party) alleging that the conduct of an Acquired Company or, with respect to the Business, Seller or any of its Affiliates, has infringed, misappropriated or otherwise violated any Intellectual Property rights owned by third parties. Notwithstanding anything to the contrary in this Agreement, this Section 3.21(c) constitutes the sole representation and warranty of Seller under this Agreement with respect to any actual or alleged infringement, misappropriation or other violation of any Intellectual Property.

(d) To the Knowledge of Seller, no third party has infringed upon, misappropriated, diluted or otherwise violated any material Allocated Intellectual Property that is owned or purported to be owned by any Acquired Company or, with respect to the Business, Seller or any of its Affiliates. There are no Actions, whether settled since December 31, 2014, pending or, to the Knowledge of Seller, threatened against any third party alleging infringement, misappropriation, dilution or other violation of any Allocated Intellectual Property that is owned or purported to be owned by any Acquired Company or, with respect to the Business, Seller or any of its Affiliates.

(e) The Acquired Companies and, with respect to the Business, Seller and its Affiliates, have taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary and confidential information (including Trade Secrets) pertaining to the Business, including maintaining policies requiring all employees, consultants and independent contractors to agree to preserve the proprietary and confidential information of the Business.

(f) All employees, independent contractors and consultants who contributed to the discovery, creation or development of any Allocated Intellectual Property used in the conduct of the business of the Acquired Companies transferred all rights and interest in such Allocated Intellectual Property to Seller or one of its Affiliates pursuant to enforceable written agreements, the work-for-hire doctrine or other conveyance of rights. No such employee, independent contractor or consultant has any right, license, claim or interest whatsoever in or with respect to any Allocated Intellectual Property.

(g) Except as disclosed in Section 3.21(g) of the Seller Disclosure Schedule, each of the Acquired Companies and, with respect to the Business, Seller and its Affiliates, (i) provides privacy policies in compliance with Privacy Requirements; (ii) is in compliance with all applicable privacy policies, terms of use and Privacy Requirements, 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; and (iii) has implemented and maintains a written information security program and includes reasonable administrative, technical and physical safeguards to protect against reasonably anticipated threats or hazards to the privacy, security, integrity and confidentiality of User Data and Business IT Systems in compliance with applicable Privacy Requirements.

(h) Except as disclosed in Section 3.21(h) of the Seller Disclosure Schedule, since December 31, 2014, none of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, has experienced (i) to the Knowledge of Seller, any loss, misuse, damage, unauthorized access, unauthorized disclosure or unauthorized use of any User Data, except such loss, misuse, damage, unauthorized access, disclosure or use would not, individually or in the aggregate, reasonably be expected to be materially adverse to the Acquired Companies, taken as a whole, or (ii) any other event that any Acquired Company, or with respect to the Business, Seller or any of its Affiliates required a data breach notice to any Person or Governmental Entity under Privacy Requirements. Neither (A) the execution, delivery, or performance of this Agreement, the other Transaction Agreements or any of the other agreements, instruments, or documents contemplated hereby, nor (B) the consummation of any of the transactions contemplated hereby or thereby, nor (C) Buyer's possession or use of the User Data in the same manner as the applicable Acquired Companies and, with respect to the Business, Seller and its Affiliates, possessed or used prior to the Closing will result in any violation of Privacy Policies, terms of use, or any Privacy Requirements.

(i) The Acquired Companies and, with respect to the Business, Seller and its Affiliates, as applicable, possess all source code and other sufficient documentation and materials necessary to compile, maintain, implement and operate the Business Software. Except as set forth on Section 3.21(i) of the Seller Disclosure Schedule none of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, has disclosed, delivered or otherwise provided, any source code for any Business Software to any Person.

(j) Except as disclosed in Section 3.21(j) of the Seller Disclosure Schedule, none of the Acquired Companies or, with respect to the Business, Seller or its Affiliates has (i) received any written correspondence, (ii) conducted an internal investigation, or (iii) provided any voluntary disclosure relating to an offense under or alleged possible violation of any of the Privacy Requirements.

(k) None of Seller or its Affiliates has distributed or used any Open Source Software in a manner that: (i) requires Seller or its Affiliates to disclose to any third party the source code of any Business Software; (ii) requires Seller or its Affiliates to distribute or make available any Business Software without charge; or (iii) requires that users have the right to decompile, disassemble or otherwise reverse engineer any Business Software, and the transactions contemplated by this Agreement will not trigger any requirement described in clause (i), (ii) or (iii) above; except, in each of the foregoing cases, other than with respect to the Open Source Software itself.

(l) The material Business IT Systems are in good working condition to effectively perform all information technology operations necessary to conduct the Business. Each of the Acquired Companies and, with respect to the Business, Seller and its Affiliates, have in place a commercially reasonable disaster recovery program. None of the Acquired Companies or, with respect to the Business, Seller or any Affiliates has experienced any material unplanned outage of all or any portion of the material Business IT Systems since December 31, 2014.

(m) Neither the execution, delivery nor performance of this Agreement or any other Transaction Agreement, nor the consummation of any of the transactions contemplated by this Agreement (including the transfer of any User Data) or any such other agreement entered into in connection herewith or therewith will, with or without notice or lapse of time, result in, or give any other Person the right or option to cause or declare: (i) a loss of, or encumbrance on, any Allocated Intellectual Property; or (ii) the grant, assignment or transfer to any other Person of any license or other right or interest under, to or in any of the Allocated Intellectual Property.

(n) Except for the Seller Trademarks and the Intellectual Property rights of the Excluded Business and taking into account the rights granted to Buyer under the Transition Services Agreement and the license set forth in Section 5.7(c) herein, the sale and transfer of the Allocated Intellectual Property and Allocated IP Contracts pursuant to this Agreement will convey or otherwise grant to Buyer all the Business Registered Intellectual Property Rights owned by or licensed to Seller and any of its Affiliates and primarily used in the current conduct of the Business.

SECTION 3.22 Sufficiency of Assets. Except as set forth in Section 3.22 of the Seller Disclosure Schedule, and subject to the receipt of all Governmental Approvals and consents of third parties set forth in Section 3.5 of the Seller Disclosure Schedule, the assets, rights, properties and services of the Acquired Companies (after giving effect to the Restructuring) and the assets, rights, properties and services transferred or made available to Buyer Parent and its Affiliates pursuant to this Agreement and the other Transaction Agreements (but without regard to any right of Buyer Parent or its Affiliates (including the Acquired Companies) to obtain thereunder any omitted or additional services following the Closing) will, as of the Closing, comprise assets, Permits, rights, properties and services that are sufficient to permit Buyer (i) to operate the CBVA Business and administer the FA Business and the Retained Businesses immediately following the Closing Date in substantially the same manner as the CBVA Business is being operated, and the FA Business and Retained Businesses are being administered, as of the date hereof and (ii) to permit Buyer and the Acquired Companies, as applicable, to perform their respective obligations under the Administrative Services Agreements and the Transition Services Agreement. For the avoidance of doubt, this Section 3.22 does not address any employee matters, which are addressed in Section 3.9, any Permit needed to write new policies or annuity Contracts after the Closing Date or any matters relating to the capital required to be held by Buyer or any of its Affiliates (including the Company) or Reinsurer after the Closing Date.

SECTION 3.23 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 Agreements based upon arrangements made by or on behalf of Seller or any Affiliate.

SECTION 3.24 Separate Accounts; ERISA Compliance of Accounts.

(a) Section 3.24(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of all separate accounts established by the Company or, with respect to the Business, any applicable Affiliates of Seller (collectively, the "Separate Accounts") as of the date hereof, including an indication of whether each such Separate Account is (i) registered under the Investment Company Act (and, if applicable, the Investment Company Act registration file number applicable to such Separate Account), (ii) associated with an Insurance Contract that has been offered to a contractholder that is or is deemed to constitute the assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA or a "plan" within the meaning of Section 4975 of the Code (collectively, "ERISA Separate Accounts"), or (iii) neither (i) nor (ii). No later than five (5) Business Days prior to the Closing Date, Seller shall deliver an updated copy of such Schedule, including all Separate Accounts established following the date hereof to the fifth (5th) Business Day prior to the Closing Date, and on each Business Day thereafter, Seller shall deliver to Buyer Parent an update of such Schedule, if necessary, showing any Separate Accounts established between the fifth (5th) Business Day prior to the Closing Date and the Closing Date.

(b) None of the Acquired Companies, or with respect to the Business, Seller or any of its Affiliates, has engaged in any violation of any fiduciary duty under ERISA or any non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code with respect to the ERISA Separate Accounts, in each case, that individually or in the aggregate, have had, or would reasonably be expected to have, a material Liability to any Acquired Company. None of the assets of any general account of any Acquired Company are treated as plan assets for any purpose of Title I of ERISA or Section 4975 of the Code by reason of the application of any Applicable Law. None of the Acquired Companies, or, with respect to the Business, Seller or any of its Affiliates, have provided investment advice for a fee in respect of any Insurance Contract held by any contractholder that is subject to Title I of ERISA or a "plan" within the meaning of Section 4975 of the Code or exercised any management or discretionary authority that would render it a fiduciary under Title I of ERISA or Section 4975 of the Code with respect to such Insurance Contracts. No payment received by an Acquired Company or, with respect to the Business, Seller or any of its Affiliates in respect of any Insurance Contract held by any contractholder that is subject to Title I of ERISA or a "plan" within the meaning of Section 4975 of the Code that is from a third party unaffiliated with an Acquired Company, Seller or any of its

Affiliates (i.e., in respect of any Registered Separate Account, including 12b-1 fees, revenue sharing, commissions etc.) has resulted or would reasonably be expected to result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. From and including June 9, 2017, none of the Acquired Companies or, with respect to the Business, Seller or any of its Affiliates, have provided any "investment advice" within the meaning of 29 CFR 2510.3-21(a) with respect to any Insurance Contract held by any contractholder that is subject to Title I of ERISA or Section 4975 of the Code other than with respect to the provision of such investment advice that is subject to an exception or otherwise not considered "investment advice" under 29 CFR 2510.3-21(a).

(c) Each Separate Account is, and has been, (i) duly and validly established and maintained in all material respects under Applicable Law and (ii) since December 31, 2014, operated in compliance with Applicable Law (including the conditions of any applicable exemptions obtained from provisions of the Investment Company Act), except, in each case, as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business, taken as a whole.

(d) Each Separate Account either (i) is registered as a unit investment trust or an open-end management investment company under the Investment Company Act (each, a "Registered Separate Account"), (ii) is not an investment company within the meaning of the Investment Company Act, or (iii) is not registered as an investment company in reasonable reliance upon the exclusion from the definition of an investment company in Section 3(c)(1), 3(c)(7) or 3(c)(11) of the Investment Company Act and, except as is provided on Section 3.24(a) of the Seller Disclosure Schedule, is not subject to Title I of ERISA or Section 4975 of the Code. The registration of each Separate Account registered under the Investment Company Act is in full force and effect.

(e) Except as set forth in Section 3.24(e) of the Seller Disclosure Schedule, neither Seller nor any of its Affiliates has received written notice of any examinations, investigations, reviews, inspections or formal or informal inquiries of the Separate Accounts, including periodic regulatory examinations of the Separate Accounts' affairs and condition, civil investigative demands and market conduct examinations, by any Governmental Entity that have been conducted, or are pending or, to the Knowledge of Seller, threatened in writing, since December 31, 2014 through the date hereof.

(f) (i) Each Separate Account currently is and has been since December 31, 2014 in compliance with its investment objectives, investment policies and restrictions (as they may be amended from time to time) and other contract terms; (ii) the value of the net assets of each Separate Account has been determined and is being determined using portfolio valuation methods that comply with the methods described in its offering or plan documents and (iii) each Acquired Company, Seller and Affiliate of Seller that has provided investment advisory services to any Separate Account has done so in compliance with such Separate Account's investment objectives, investment policies and restrictions (as they may be amended from time to time) and other contract terms, except, in each case, as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole.

(g) Each Registered Separate Account has written policies and procedures adopted pursuant to Rule 38a-1 under the Investment Company Act that are reasonably designed to prevent material violations of the United States Federal Securities Laws, as such term is defined in Rule 38a-1(e)(1) under the Investment Company Act. Since December 31, 2014, there have been no Material Compliance Matters (as such term is defined in Rule 38a-1 under the Investment Company Act) that are materially adverse to any Registered Separate Account, as such term is defined in Rule 38a-1(e)(2) under the Investment Company Act, other than those which have been reported as required by Rule 38a-1(a)(4)(iii)(B), if any, and satisfactorily remedied or are in the process of being remedied and those that would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole.

SECTION 3.25 Broker-Dealer.

(a) DSL is and has been, since the commencement of its engagement in activities for which registration as a broker-dealer is or was required under the Exchange Act (such activities, the "Broker-Dealer Activities"), duly registered as a broker-dealer under the Exchange Act, applicable state securities law, and the rules of FINRA ("FINRA Rules"). DSL is a member firm of FINRA, in good standing. DSL is not a member of any other self-regulatory organization. DSL is duly registered, licensed and qualified as a broker-dealer in all jurisdictions where such registration, licensing or qualification is so required. Neither the Company nor, solely with respect to the FA Business, RLI have been at any time since December 31, 2014 or are currently required to be registered, licensed or qualified as a broker or a dealer under the Exchange Act, FINRA Rules or any other Applicable Laws. DSL is in compliance in all material respects with all Applicable Laws requiring registration, licensing or qualification as a broker-dealer, and is in compliance with all Applicable Laws concerning its operations as a broker-dealer, except as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole. Since December 31, 2014, DSL has filed all regulatory reports, schedules, forms, registrations and other documents, including Form BD and filings pursuant to FINRA Rule 4530 and SEC Rules 17a-5 and 17a-11, as applicable, together with any material amendments required to be made with respect thereto, that it was required to file with any applicable Governmental Entities on its own behalf or on behalf of any of its "associated persons", as such term is defined in the Exchange Act and the rules and Bylaws of FINRA (the "Associated Persons") (collectively, the "BD Regulatory Filings"), and has paid all fees and assessments due and payable in connection therewith, except in each case, as would not reasonably be expected to be individually or in the aggregate, materially adverse to the Business taken as a whole. Since December 31, 2014, the information contained in DSL's BD Regulatory Filings, including the information contained in DSL's Form BD as most recently filed with the SEC, was true, complete and correct in all material respects at the time of filing, and DSL has made all material amendments to such BD Regulatory Filings as it is required to make under any Applicable Law. Seller has provided to Buyer Parent prior to the date hereof a true, complete and correct copy of DSL's membership agreement with FINRA, and DSL is operating in compliance with the terms and conditions of such membership agreement except, as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole, and no Action is pending with FINRA to amend such membership agreement.

(b) Except as set forth in Section 3.25(b) of the Seller Disclosure Schedule, neither DSL, Seller nor any of Seller's Affiliates or, to the Knowledge of Seller, any of DSL's officers, directors, security holders, employees or Associated Persons has received written notice of any Action, audit, sweep letter, examination or other inquiry (including by the SEC, FINRA, the Department of Labor or any other Governmental Entity) pending or, to the Knowledge of Seller threatened in writing, against DSL or against or involving any officer, director, security holder, employee or Associated Persons of DSL, as the case may be. Neither DSL nor, to the Knowledge of Seller, any Associated Person thereof 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 DSL or any Associated Person thereof becoming ineligible to act in such capacity. Neither DSL nor, to the Knowledge of Seller, any of its directors, officers, employees or Associated Persons is or has been adjudged or is under current investigation or Action, whether preliminary or otherwise, for "statutory disqualification" as defined in Section 3(a)(39) of the Exchange Act or is subject to any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E) of the former National Association of Securities Dealers, Inc., and, to the Knowledge of Seller, none of such directors, officers, employees or Associated Persons is subject to heightened supervision under the rules, regulations, ordinances or by-laws of any Governmental Entity. Neither DSL nor, to the Knowledge of Seller, any Affiliate or Associated Person is subject to a disqualification under Rule 262 of Regulation A under the Securities or Rule 506(d) of Regulation D under the Securities Act, or any similar disqualification provisions under Regulation E under the Securities Act, except as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole.

(c) Except as disclosed in any Form BD or Form U-4 filed by DSL prior to the date of this Agreement, neither DSL nor, to the Knowledge of Seller, any of its directors, officers, employees or Associated Persons is subject to any order or Action 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. Neither DSL nor, to the Knowledge of Seller, any of its directors, officers, employees or Associated Persons is, or has been, the subject of any Action or disciplinary event requiring disclosure on Form BD, Form U-4 or otherwise with any Governmental Entity that has not been so disclosed, except, with respect to such non-disclosure, as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole.

(d) Section 3.25(d) of the Seller Disclosure Schedule sets forth a true, complete and correct list of each "branch office" and "office of supervisory jurisdiction" (as defined under FINRA Rules) of DSL.

(e) Each of DSL's directors, officers, employees, Associated Persons and independent contractors, who are required under Applicable Law to be registered, licensed or qualified as a principal, a representative, an agent or a salesperson (or a limited subcategory thereof) with any Governmental Entity are, and have been since December 31, 2014 (or such more recent date on which such Person first became associated with DSL or the Business), duly registered as such and such registrations are and were, since December 31, 2014 (or such more recent date), 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 Business taken as a whole. Section 3.25(e) of the Seller Disclosure Schedule sets forth all Governmental Entities with which DSL and each of its directors, officers, employees, Associated Persons and independent contractors are registered, licensed, authorized or approved as a broker-dealer, a principal, a representative, an agent or a salesperson (or any limited subcategory thereof), including any membership in or registration with any such Governmental Entity. Except as set forth in Section 3.25(e) of the Seller Disclosure Schedule, none of such principals, representatives, agents or salespersons is registered on behalf of any broker-dealer other than DSL.

(f) DSL has adopted written supervisory procedures that are reasonably designed to detect and prevent any material violations under Applicable Laws, and there has been no material non-compliance by DSL with respect to the foregoing requirements or its own internal procedures and policies related to the foregoing, other than those which would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Business taken as a whole.

(g) DSL maintains its minimum net capital (i) in compliance in all material respects with all Applicable Laws imposed by the SEC or any other Governmental Entity and (ii) in an amount sufficient to ensure that it has not been required to file notice under Rule 17a-11 under the Exchange Act. DSL has no agreement, arrangement or understanding with any Governmental Entity to increase its regulatory capital above the amounts required to be maintained pursuant to Rule 15c3-1 under the Exchange Act. Since December 31, 2014, no capital withdrawal or transfer of assets from DSL has occurred that was not in compliance with FINRA Rule 4110, NASD Rule 1017(a)(3) or SEC Rule 15c3-1. DSL does not guarantee any other person's liabilities, and none of DSL's assets has been pledged to secure financing or a loan to it or any Affiliate or Associated Person. DSL does not have any subordinated debt outstanding to any Affiliate or Associated Person.

SECTION 3.26 Third Party Administrators. Except as set forth in Section 3.26 of the Seller Disclosure Schedule, to the Knowledge of Seller, since December 31, 2014, each third party administrator that managed or administered insurance business for the Company or, with respect to the Business, Seller or any of its Affiliates, at the time such Person managed or administered such business, was duly licensed as required by Applicable Law (for the type of business managed or administered on behalf of such entity), and to the Knowledge of Seller, no such third party administrator has been since December 31, 2014 or is in violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Applicable Law applicable to the administration or management of insurance business for the Company or, with respect to the Business, Seller or any of its Affiliates, except for such failures to be licensed or such violations which have been cured, resolved or settled through agreements with applicable Governmental Entities, are barred by an applicable statute of limitations, or that, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect.

SECTION 3.27 Investment Assets.

(a) Seller has provided to Buyer Parent a true, complete and correct list of all Investment Assets owned by the Company, RRII and, with respect to the FA Business, RLI as of November 30, 2017. Each of the Company, RRII and RLI, or a trustee acting on any such entity's behalf, has valid title to all Investment Assets, free and clear of any Liens other than Permitted Liens. As of the date hereof, except as set forth in Section 3.27(a) of the Seller Disclosure Schedule, none of the Investment Assets are subject to any Liability to fund any capital calls or capital commitments or similar obligations. The Investment Assets set forth on Section 3.27(a)(i) of the Seller Disclosure Schedule are referred to as the "CBVA Allocated Investment Assets." The Investment Assets set forth on Section 3.27(a)(ii) of the Seller Disclosure Schedule are referred to as the "Payout Annuity Allocated Investment Assets."

(b) Seller has provided to Buyer Parent true, complete and correct copies of the investment guidelines and policies and the hedging guidelines with respect to the Business as of the date hereof.

SECTION 3.28 CTE95 Model.

(a) The CTE95 Model: (i) was used to generate results for the CBVA Business as of June 30, 2017 and for capital management purposes in the ordinary course of business, in each case as updated for assumptions adopted by Seller for purposes of preparing its financial statements as of September 30, 2017 and for purposes of its capital management program; (ii) was used to generate the base valuation of the CTE95 Amount (without giving effect to clause (ii) of the definition thereof) calculated under the explicit approach in accordance with the document that was posted to the electronic data room that was established in connection with the transactions contemplated by this Agreement as document number 3.2.35 ("Indigo – Reserves Capital Sensitivities v15"); (iii) was used to generate the "CTE95 valuation sensitivity to equity and interest rate levels" calculated under the explicit approach, which was posted to the electronic data room that was established in connection with the transactions contemplated by this Agreement as document number 3.2.35 ("Indigo – Reserves Capital Sensitivities v15"); (iv) is the arithmetic mean of the "static hedge CTE" and "Best Efforts hedge CTE" results with respect to the CBVA Business; (iv) is in accordance with the document "Annex B - Voya CBVA Statutory Assumptions 3Q2017 v6.docx", which was posted to the electronic data room that was established in connection with the transactions contemplated by this Agreement as document number 3.2.53; and (v) is consistent with the methodology for generating inputs as set forth in the document posted to the electronic data room that was established in connection with the transactions contemplated by this Agreement as document number 3.2.63 ("CBVA_CTE95_Miscellaneous Inputs v6.xlsx."

(b) The methodology described in the CTE95 Model and Calculation Methodologies for determining the Closing Date Starting Assets is consistent with the methodology used to determine the starting assets used in the generation of Anchor Valuation 1 and Anchor Valuation 2, as illustrated in document "Illustration of Hedge Position Rebalancing for CTE95.xlsx" posted to the data room as document number 3.2.85 on December 19, 2017, and would not be impacted by Seller's discretionary hedge program transactions beyond the Guarantee Hedge Program between June 30, 2017 and the Closing Date.

(c) The CTE 95 Model used at Closing when fed with the Valuation Input Set (as defined in the CTE95 Model and Calculation Methodologies) as of June 30, 2017 will exactly reproduce Anchor Valuation 1 output.

(d) The CTE 95 Model used at Closing when fed with the Sensitivity Input Set (as defined in the CTE95 Model and Calculation Methodologies) as of June 30, 2017 used to generate Anchor Valuation 2 will exactly reproduce Anchor Valuation 2 output.

(e) The processes that will be used to generate the Valuation Input Set as of the Closing Date are consistent with the processes used to the generate the Valuation Input Set as of June 30, 2017 such that if the processes that will be used at Closing Date were rerun with conditions as of June 30, 2017, the Valuation Input Set for Anchor Valuation 1 would result.

SECTION 3.29 Internal Controls. Each Acquired Company and, with respect to the Business, Seller and its Affiliates, maintains, in all material respects, systems of internal accounting controls designed to provide assurance that: (i) transactions are executed with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of its financial statements in conformity in all material respects with SAP, Modified GAAP or GAAP, as applicable, and to maintain accountability for its assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate actions are taken with respect to any differences.

SECTION 3.30 Tax Treatment of Insurance Contracts. Except as disclosed in Section 3.30 of the Seller Disclosure Schedule and except as required by a change in Applicable Law between the date of this Agreement and the Closing Date:

(a) The Tax treatment of each Insurance Contract is not, and, since the time of issuance (or subsequent modification), has not been, materially less favorable to the purchaser, policyholder or intended beneficiaries thereof, than the Tax treatment (i) that was purported to apply in any written materials provided by any member of a Seller Group to the purchaser (or policyholder) at the time of issuance (or any subsequent modification of such policy), or (ii) for which such policy was intended to qualify at the time of issuance (or subsequent modification). For purposes of this Section 3.30, the provisions of Applicable Law relating to the Tax treatment of such Insurance Contracts shall include, but not be limited to, Sections 72, 101, 817, 7702, 7702A and 7702B of the Code.

(b) All Insurance Contracts that are subject to none of Section 72, Section 101(f) or Section 7702 of the Code qualify as life insurance contracts for purposes of the Code. All Insurance Contracts that are subject to Section 101(f) of the Code satisfy the requirements of that section and otherwise qualify as life insurance contracts for purposes of the Code. All Insurance Contracts that are subject to Section 7702 of the Code satisfy the requirements of Section 7702(a) of the Code and otherwise qualify as life insurance contracts for purposes of the Code.

(c) Each Insurance Contract that is subject to Section 817 of the Code complies with, and, at all times since its issuance, has complied with, the diversification requirements applicable thereto, and the Company or RLI (as the case may be), is treated, for federal Tax purposes, as the owner of the assets underlying such Insurance Contract.

(d) None of the Insurance Contracts is a "modified endowment contract" within the meaning of Section 7702A of the Code, except for any Insurance Contract that is being administered as a "modified endowment contract" and with respect to which the policyholder either (i) consented in writing to the treatment of such policy as a "modified endowment contract" and has not acted to revoke such consent or (ii) was informed in writing about the treatment of such policy as a "modified endowment contract."

(e) The Company, and, with respect to the Business, Seller and its Affiliates, has materially complied with all Tax reporting, withholding, and disclosure requirements applicable to the Insurance Contracts and, in particular, but without limitation, has reported distributions under such Insurance Contracts in compliance in all material respects with all applicable requirements of the Code, Treasury Regulations and forms issued by the IRS.

(f) The Company, and, with respect to the Business, Seller and its Affiliates, has maintained the information reasonably necessary to determine the Insurance Contracts' qualification for any applicable Tax treatment under the Code, to monitor the Insurance Contracts for treatment as "modified endowment contracts," or to facilitate compliance with the Tax reporting, withholding, and disclosure requirements applicable to the Insurance Contracts in the manner required by Revenue Procedure 98-25.

(g) None of the Company, and, with respect to the Business, Seller or any of its Affiliates, is bound by any agreement or arrangement, or is involved in any discussions or negotiations with the IRS or any other Tax Authority, or otherwise has requested relief, regarding the failure of any Insurance Contracts to meet the requirements of the Product Tax Law Rules. In addition, none of the Company, and, with respect to the Business, Seller or any of its Affiliates, is a party to or has received written notice of any federal, state, local or foreign audits or other administrative or judicial actions with regard to the Tax treatment of any Insurance Contracts, or of any claims by the purchasers, holders or intended beneficiaries of the Insurance Contracts regarding the Tax treatment of (i) the Insurance Contracts or (ii) any plan or arrangement in connection with such Insurance Contracts were purchased or have been administered.

(h) Neither Seller nor any of its Affiliates is a party to any "hold harmless" indemnification agreement or Tax Sharing Arrangement under which Seller or any of its Affiliates is liable for the Tax treatment of (i) the Insurance Contracts or (ii) any plan or arrangement in connection with which such Insurance Contracts were purchased or have been administered.

(i) All information technology used by the Company, and, with respect to the Business, Seller and any of its Affiliates to maintain the Insurance Contracts' qualification and administration under the Product Tax Law Rules for which such policies, plans or contracts were purported to qualify at the time of their issuance or purchase has been designed and implemented to maintain such qualification and administration.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER PARENT AND REINSURER PARENT

SECTION 4.1 Representations and Warranties of Buyer Parent. Subject to and as qualified by the matters set forth in the Buyer Disclosure Schedule, Buyer Parent represents and warrants to Seller as of the date of this Agreement and as of the Closing Date as follows; 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 is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer Parent is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authority. Each Buyer Party has the requisite corporate or other entity power and authority to enter into the Transaction Agreements to which it is a party and to consummate the transactions contemplated thereby. The execution and delivery by each Buyer Party of the Transaction Agreements to which it is or will be a party and the consummation by each Buyer Party of the transactions contemplated thereby have been and, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be, duly authorized by all necessary corporate action on the part of such Buyer Party. Each of the Transaction Agreements to which a Buyer Party is or will be a party have been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be, duly executed and delivered by such Buyer Party and, assuming such Transaction Agreements constitute the valid and binding agreements of the other parties thereto (other than the Buyer Parties), constitute valid and binding obligations of such Buyer Party, enforceable against such Buyer Party 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.

(c) Capital Structure. Apollo is the record and beneficial owner of all of the outstanding equity interests of Buyer Parent. Buyer Parent is the record and beneficial interest of all of the capital stock of Buyer. Except as contemplated by the Equity Financing, no shares of capital stock or other equity interests of Buyer Parent or Buyer are issued, reserved for issuance or outstanding. Except as contemplated by the Subscription Agreement and the Equity Commitment Letters or as set forth in Section 4.1(c) of the Buyer Disclosure Schedule, there are no securities, options, calls, puts, tag alongs, drag alongs, warrants, rights, capital appreciation rights, phantom stock plans, securities with participation rights or features, or similar commitments or agreements, contingent or otherwise, which obligate Buyer Parent or any of its Subsidiaries to issue, sell, repurchase, redeem (or establish a sinking fund with respect to redemption), or otherwise acquire or deliver shares of capital stock or other equity interests of any Buyer Parent or any of its Subsidiaries. Except as contemplated by this Agreement or the Debt Commitment Letter or as set forth in Section 4.1(c) of the Buyer Disclosure Schedule, there are no bonds, debentures, notes or other indebtedness of Buyer Parent or any of its Subsidiaries. Buyer Parent and Buyer were each formed for the purpose of entering into this Agreement and consummating the transactions contemplated hereby and by the other Transaction Agreements, and has conducted no business, performed any activities or incurred any Liability other than activities related to their formation and activities taken in connection with the transactions contemplated by this Agreement (including entering into documentation with respect to the Financing).

(d) Noncontravention; Consents. Except as disclosed in Section 4.1(d) of the Buyer Disclosure Schedule, the execution and delivery of the Transaction Agreements by each Buyer Party that is or will be a party thereto and the consummation of the transactions contemplated thereby by such Buyer Party do not and will not (i) conflict with any of the provisions of the Organizational Documents of any Buyer Party, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation 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 any Lien (other than a Permitted Lien) on any property or asset of Buyer Parent, Buyer or any Subsidiary of Buyer under, any agreement, permit, license or instrument to which Buyer Parent, Buyer or any other Subsidiary of Buyer Parent is a party or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law, which, in the case of clauses (ii) and (iii) above, would 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 any Buyer Party in connection with the execution and delivery of the Transaction Agreements by the Buyer Parties or the consummation by the Buyer Parties of any of the transactions contemplated thereby, except for (i) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 4.1(d) of the Buyer Disclosure Schedule, (ii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 4.1(d) of the Buyer Disclosure Schedule and (iii) 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 Parent to consummate any of the transactions contemplated hereby.

(e) Compliance with Applicable Laws. Except as disclosed in Section 4.1(e) of the Buyer Disclosure Schedule, Buyer Parent is, and at all times since the date of its formation has been, in compliance with all Applicable Laws, except as would not, individually or in the aggregate, reasonably be expected to impair materially the ability of Buyer Parent to consummate any of the transactions contemplated by this Agreement. Except as disclosed in Section 4.1(e) of the Buyer Disclosure Schedule, Buyer Parent has not, at any time since the date of its formation, 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 Buyer Parent to comply with, any Applicable Laws, in each case other than any such item that would not, individually or in the aggregate, reasonably be expected to impair materially the ability of Buyer Parent to consummate any of the transactions contemplated by this Agreement.

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

(g) Litigation. There is no Action pending or, to the Knowledge of Buyer Parent, threatened in writing against or affecting Buyer Parent or any Affiliate of Buyer Parent 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 Parent to consummate any of the transactions contemplated by this Agreement. Neither Buyer Parent nor any of its Affiliates nor, to the Knowledge of Buyer Parent, any officer, director or employee of Buyer Parent 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 Acquired Companies, the Business or otherwise that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of any Buyer Party to consummate any of the transactions contemplated by any Transaction Agreement.

(h) Financial Ability.

(i) Attached as Exhibit I are true, complete and correct copies of (A) the executed equity commitment letter, dated as of the date hereof, by and between Buyer Parent and Apollo (the "Apollo Equity Commitment Letter"), (B) the executed equity commitment letter, dated as of the date hereof, by and between Buyer Parent and ALRe (the "Athene Equity Commitment Letter" and, together with the Apollo Equity Commitment Letter, the "Equity Commitment Letters"), pursuant to which each of Apollo and ALRe has committed, upon the terms and subject to the conditions set forth therein, to invest in Buyer Parent the respective cash amounts set forth therein (the "Equity Financing"), and which, make Seller an express third party beneficiary to the Equity Commitment Letters entitled to enforce the obligations of Apollo and ALRe thereunder, subject to the limitations set forth therein.

(ii) Buyer Parent has delivered to Seller a true, complete and correct copy of the executed commitment letter, dated as of the date hereof, by and among Buyer Parent, Buyer, AAIA and Reinsurer (the "Debt Commitment Letter," and together with the Equity Commitment Letters, the "Financing Commitments"), pursuant to which each of AAIA and Reinsurer have committed, upon the terms and subject to the conditions set forth therein, to lend Buyer the amounts set forth therein for purposes of funding a portion of the transactions contemplated by this Agreement (the "Debt Financing" and, together with the Equity Financing, the "Financing"), and which make Seller an express third party beneficiary entitled to enforce the obligations of AAIA and Reinsurer thereunder, subject to the limitations set forth therein.

(iii) The Financing Commitments have not been amended or modified prior to the date of this Agreement, and, as of the date hereof, the commitments contained in the Financing Commitments have not been withdrawn, terminated or rescinded in any respect. As of the date hereof, the Financing Commitments (x) are in full force and effect and (y) are legal, valid and binding obligations of Buyer Parent and, in the case of the Debt Commitment Letter, Buyer, and the other parties thereto and are enforceable against Buyer Parent and in the case of the Debt Commitment Letter, Buyer, and each of the other parties thereto, in each case except that (A) such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (B) 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. Other than as set forth in the Financing Commitments, there are no conditions related to the funding of the full amount of the Financing under any agreement relating to the Financing to which Buyer Parent or any of its Affiliates is a party. As of the date of this Agreement, no event has occurred and no circumstance exists that, with or without notice, lapse of time or both, would constitute a default or breach on the part of Buyer Parent or any of its Affiliates or on the part of any other party to the Financing Commitments, under any term or condition of the Financing Commitments. Assuming the conditions set forth in Article VI will be satisfied at or prior to the Closing, and assuming compliance in all material respects by Seller with its obligations under this Agreement, Buyer Parent has no reason to believe, as of the date of this Agreement, that Buyer Parent or any of its Affiliates will be unable to satisfy on a timely basis any term or condition that is required to be satisfied by Buyer Parent or any of its Affiliates as a condition to the funding of the Financing by Apollo, ALRe, Reinsurer or AAIA, or that the Financing will not be made available to Buyer Parent on the Closing Date. There are no side letters or Contracts or arrangements, written or oral, related to the funding or investing, as applicable, of the full amount of the Financing.

(iv) Assuming the Financing is funded in accordance with the Financing Commitments and performance by Seller of its obligations under this Agreement, the funding commitments under the Financing Commitments are in an amount sufficient to permit Buyer Parent to consummate the transactions contemplated hereby and by the other Transaction Agreements (other than the payment by Seller to Buyer Parent of the Subscription Amount) and to perform its obligations under this Agreement and the other Transaction Agreements (including, for the avoidance of doubt, the payment of any amounts in respect of the purchase and sale of the Shares contemplated by this Agreement) and to pay all fees and expenses payable by it at Closing in connection with this Agreement and the other Transaction Agreements.

(i) Solvency. Assuming (v) the accuracy of the representations and warranties of Seller in Section 3.6 (disregarding any references to Knowledge, material, Material Adverse Effect or similar qualifiers), (w) the satisfaction of the conditions precedent set forth in Article VI, (x) the performance by Seller of its obligations under this Agreement and (y) that, immediately prior to the Closing, clauses (i), (ii) and (iii) below, as if they were made in respect of the Acquired Companies and the Business at such time, are true, then immediately following the Closing and after giving effect to the transactions contemplated by the Transaction Agreements, including the payment of all amounts required to be paid by the Acquired Companies or by Buyer Parent or any of its Affiliates or Reinsurer Parent or any of its Affiliates in connection with the transactions contemplated by the Transaction Agreements and all related fees and expenses, each of Buyer

Parent and the Acquired Companies will be Solvent. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by the Transaction Agreements with the intent to hinder, delay or defraud either present or future creditors of Buyer Parent, Reinsurer Parent or any of their respective Affiliates, or of the Acquired Companies. For the purposes of this Agreement, the term "Solvent," when used with respect to any Person, means that, as of any date of determination, (i) the amount of the "fair saleable value" (on a going concern basis) of the assets of such Person will, as of such date, exceed (x) the value of all liabilities of such Person, including a reasonable estimate of contingent and other liabilities, as of such date, as such quoted terms are generally determined in accordance with Applicable Law governing determinations of the insolvency of debtors, and (y) the amount that will be required to pay the probable and reasonably estimated liabilities of such Person with respect to its existing debts (including contingent and other liabilities) as such debts become absolute and mature, (ii) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date and (iii) such Person will be able to pay its liabilities, as of such date, including contingent and other liabilities, as they mature. For purposes of this definition, (A) "not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged" and "able to pay its liabilities, as of such date, including a reasonable estimate of contingent and other liabilities" means that such Person will be able to generate enough cash to meet its obligations as they become due and (B) the "contingent and other liabilities" of a Person as of such date shall be computed as the amount that, in the light of all the facts and circumstances known to such Person at such date, represents the amount that can reasonably be expected to become an actual or matured liability of such Person.

(j) Brokers. Buyer Parent 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 based upon arrangements made by or on behalf of Buyer Parent or any Affiliate.

SECTION 4.2 Representations and Warranties of Reinsurer Parent. Subject to and as qualified by the matters set forth in the Buyer Disclosure Schedule, and subject to Section 10.12, Reinsurer Parent represents and warrants to Seller as of the date of this Agreement and as of the Closing Date as follows; 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. Reinsurer Parent is a company duly organized, validly existing and in good standing under the laws of Bermuda.

(b) Authority. Each Reinsurer Party has the requisite corporate power and authority to enter into the Transaction Agreements to which it is a party and to consummate the transactions contemplated thereby. The execution and delivery by each Reinsurer Party of the Transaction Agreements to which it is or will be a party and the consummation by each Reinsurer Party of the transactions contemplated thereby have been and, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be, duly authorized by all necessary corporate action on the part of such Reinsurer Party. Each of the Transaction Agreements to which a Reinsurer Party is or will be a party have been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be, duly executed and delivered by such Reinsurer Party and, assuming such Transaction Agreements constitute the valid and binding agreements of the other parties thereto (other than the Reinsurer Parties), constitute valid and binding obligations of such Reinsurer Party, enforceable against such Reinsurer Party 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.

(c) Noncontravention; Consents. Except as disclosed in Section 4.2(c) of the Buyer Disclosure Schedule, the execution and delivery of the Transaction Agreements by each Reinsurer Party that is or will be a party thereto and the consummation of the transactions contemplated thereby by such Reinsurer Party do not and will not (i) conflict with any of the provisions of the Organizational Documents of such Reinsurer Party, (ii) subject to the matters referred to in the next sentence, conflict with, result in a breach or violation 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 any Lien (other than a Permitted Lien) on any property or asset of Reinsurer Parent or any of its Subsidiaries under, any agreement, permit, license or instrument to which Reinsurer Parent or any of its Subsidiaries is a party or (iii) subject to the matters referred to in the next sentence, contravene any Applicable Law, which, in the case of clauses (ii) and (iii) above, would materially impair the ability of Reinsurer Parent 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 any Reinsurer Party in connection with the execution and delivery of the Transaction Agreements by the Reinsurer Parties or the consummation by the Reinsurer Parties of any of the transactions contemplated thereby, except for (i) the approvals, filings and notices required under the insurance laws of the jurisdictions set forth in Section 4.2(c) of the Buyer Disclosure Schedule, (ii) such other consents, approvals, authorizations, declarations, filings or notices as are set forth in Section 4.2(c) of the Buyer Disclosure Schedule and (iii) 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 Reinsurer Parent to consummate any of the transactions contemplated hereby.

(d) Compliance with Applicable Laws. Except as disclosed in Section 4.2(d) of the Buyer Disclosure Schedule, Reinsurer Parent is, and at all times since December 31, 2014 has been, in compliance with all Applicable Laws, except as would not, individually or in the aggregate, reasonably be expected to impair materially the ability of Reinsurer Parent to consummate any of the transactions contemplated by this Agreement. Except as disclosed in Section 4.2(d) of the Buyer Disclosure Schedule, Reinsurer Parent has not, at any time since December 31, 2014, 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 Reinsurer Parent to comply with, any Applicable Laws, in each case other than any such item that would not, individually or in the aggregate, reasonably be expected to impair materially the ability of Reinsurer Parent to consummate any of the transactions contemplated by this Agreement.

(e) Litigation. There is no Action pending or, to the Knowledge of Reinsurer Parent, threatened in writing against or affecting Reinsurer Parent or any Subsidiary of Reinsurer

Parent 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 Reinsurer Parent to consummate any of the transactions contemplated by this Agreement. Neither Reinsurer Parent nor any of its Subsidiaries nor, to the Knowledge of Reinsurer Parent, any officer, director or employee of Reinsurer Parent or any of its Subsidiaries 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 FA Business conducted by the Company and RLI or otherwise that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of any Reinsurer Party to consummate any of the transactions contemplated by any Transaction Agreement.

(f) Financial Ability. Reinsurer Parent has and on the Closing Date will have sufficient funds available to perform its obligations under this Agreement and each other Transaction Agreement to which any of the Reinsurer Parties are a party and to pay all associated costs and expenses required to be paid by the Reinsurer Parties.

(g) Brokers. Reinsurer Parent 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 based upon arrangements made by or on behalf of Reinsurer Parent or any Subsidiary.

(h) Financial Statements. Reinsurer Parent has previously provided to Seller true, complete and correct copies of the following financial statements (collectively, the "Reinsurer Financial Statements"): (i) the audited annual statutory financial statements of the Reinsurer and ALRe as of and for the year ended December 31, 2016, in each case as filed with the Insurance Regulator of the jurisdiction of domicile of Reinsurer, and (ii) the unaudited interim statutory financial statements of Reinsurer and ALRe as of and for the six-month period ending September 30, 2017 (collectively, the "Reinsurer Statutory Statements"). Except as set forth in Section 4.2(h) of the Buyer Disclosure Schedule, each of the Reinsurer Financial Statements were prepared in accordance with SAP at and for the periods indicated, subject, in the case of the unaudited financial statements referenced above, to normal recurring year-end adjustments.

(i) No Undisclosed Liabilities. Neither Reinsurer nor ALRe has any Liability that is required to be reflected in a balance sheet (or notes thereto) of Reinsurer or ALRe, as applicable, prepared in accordance with SAP except (i) those Liabilities provided for or disclosed in the Reinsurer Financial Statements or in the notes thereto, (ii) Liabilities disclosed in Section 4.2(h) of the Buyer Disclosure Schedule, (iii) Liabilities incurred in the ordinary course of business since December 31, 2016, (iv) Liabilities incurred in connection with the transactions contemplated by the Transaction Agreements, and (v) other Liabilities that, individually or in the aggregate, would not reasonably be expected to be material to Reinsurer or ALRe.

(j) Section 4.2(j) of the Buyer Disclosure Schedule sets forth a true, complete and correct list of all accounting practices used by Reinsurer and, solely with respect its respective Financial Statements that depart from the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual (each such departure, a "Reinsurer Permitted or Prescribed Accounting Practice"), if any. All such Reinsurer Permitted or Prescribed Accounting Practices have been approved by the applicable Insurance Regulators in writing at or prior to the time used by the applicable company in connection with the applicable Reinsurer Financial Statement.

ARTICLE V
COVENANTS

SECTION 5.1 Conduct of the Business.

(a) Except as expressly contemplated or expressly permitted by this Agreement, as required by Applicable Law, as set forth in Section 5.1(a) of the Seller Disclosure Schedule or as Buyer Parent otherwise consents in writing in advance (which consent shall not be unreasonably withheld, conditioned or delayed) from the date of this Agreement to the Closing Date, Seller shall, and shall cause each Acquired Company and its applicable Affiliates to, carry on the Business only in the ordinary course and use reasonable best efforts to preserve intact their relationships with Governmental Entities, policyholders, and third parties who provide material services to the Business (including Producers, agents, brokers, insureds, suppliers, creditors and others having business dealings with them) and Business Employees (and, to the extent any Designated Employee or, after a Qualified Employee is identified, such Qualified Employee, ceases to be employed by Seller or its Affiliates to use its reasonable best efforts consistent with Seller's customary hiring and recruitment processes to attempt to replace such Designated Employee or Qualified Employee with an individual consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed)). Without limiting the generality of the foregoing, from the date of this Agreement to the Closing Date, except as expressly contemplated or expressly permitted by this Agreement (including Section 5.1(c)), as required by Applicable Law or as set forth in Section 5.1(a) of the Seller Disclosure Schedule, without the prior written consent of Buyer Parent (which consent, with respect to paragraphs (i), (ii), (vii), (ix), (xii), (xiii), (xiv), (xv) and (xviii) (with respect to such specified paragraphs) shall not be unreasonably withheld, conditioned or delayed), Seller shall cause each Acquired Company not to, and, with respect to the Business, Seller shall not and shall cause each of its Affiliates not to:

(i) enter into, amend in any material respect or, other than pursuant to its current terms, extend, recapture or terminate any Material Contract, Allocated Contract or Reinsurance Contract or waive, release, or assign any material rights or claims thereunder;

(ii) other than Investment Assets, purchase, sell, lease, sublease, license, pledge, exchange, encumber (other than Permitted Liens), or otherwise acquire or dispose of, any property (including real property), or any assets of any Acquired Company (other than assets related primarily or exclusively to the Excluded Business that are not taken into account in the calculation of the Final Total Adjusted Book Value), or that presently constitute, or at the Closing would constitute, any of the Allocated Assets, for which the aggregate consideration paid or payable in any individual transaction is in excess of $1,000,000 or $5,000,000 in the aggregate;

(iii) (A) split, combine or reclassify any Acquired Company's 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 Acquired Company's outstanding capital stock or equity securities, (B) whether directly or indirectly, purchase, redeem or otherwise acquire any shares or other interests representing outstanding capital stock or equity securities of any Acquired Company or any rights, warrants or options to acquire any such shares or interests or (C) amend the Organizational Documents of any Acquired Company, or adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, of any Acquired Company;

(iv) issue, sell, grant, pledge or otherwise encumber any shares or other interests representing the capital stock of or equity interests in any Acquired Company, 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) permit any Acquired Company to acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any other Person or substantially all of the assets of any other Person;

(vi) (A) increase or agree to increase the compensation or benefits of any Business Employee other than in the ordinary course consistent with past practice or as required by any written employment agreement or Employee Benefit Plan in force as of the date hereof, (B) except to the extent such change (x) does not affect the benefits provided to any Business Employee, or (y) is generally applicable to employees of Seller and its Subsidiaries, establish, amend, transfer or terminate any Employee Benefit Plan (or any employee benefit plan, program, policy, arrangement or agreement that would be an Employee Benefit Plan if in effect on the date hereof) to the extent that any Business Employee is covered by such arrangement or (C) adopt or become a party to any arrangement that would be a Company Benefit Plan if in effect as of the date hereof;

(vii) (A) hire any new senior officer who would become a Business Employee except in the ordinary course of business consistent with past practice to replace a senior officer whose employment has been terminated, (B) terminate the employment of any Business Employee other than for cause, or (C) transfer or reallocate the services of any Business Employee to another role with Seller or its Affiliates such that she or he ceases to provide services primarily to the Business;

(viii) make any material change in the accounting, actuarial, investment, reserving, underwriting, or claims administration guidelines, policies, practices or principles, or solely with respect to the FA Business, risk management or hedging guidelines, policies, practices or principles, except as may be required by GAAP or SAP, as applicable, or fail in any material respect to comply with such guidelines, policies, practices or principles;

(ix) make or authorize any capital expenditures with respect to the Business that are, in the aggregate, in excess of $1,000,000;

(x) incur, assume or guarantee any indebtedness for borrowed money or guarantee the obligations of another Person to the extent they would be Allocated Liabilities or Liabilities of any Acquired Company after the Closing;

(xi) other than in connection with the management of Investment Assets, make any loans, advances or capital contributions to, or investments in, any other Person, other than loans and advances to Producers and Business Employees in the ordinary course of business consistent with past practice and other than capital contributions by Seller or any Affiliates of Seller other than an Acquired Company to RRII or any other Subsidiary of Seller that is not an Acquired Company or additions to the Trust Assets;

(xii) pay, settle or compromise any Action or threatened Action, other than any settlement or compromise of any Action that is not brought by a Governmental Entity that involves (A) solely monetary damages that do not exceed $2,000,000, individually or $10,000,000 in the aggregate, or (B) to the extent that the reserve therefor is greater than such amounts, settlement of any such Action to the extent reserved against in the Financial Statements prior to the date of this Agreement;

(xiii) with respect to actions taken in the ordinary course of business, in each case with respect to an Acquired Company, prepare or file any material Tax Return inconsistent with past practice or, on any such Tax return, take any material position or adopt any material method that is inconsistent with positions taken or methods used in preparing or filing similar Tax Returns in prior periods (including positions or methods that would have the effect of deferring income to periods ending after the Closing Date or accelerating deductions to periods ending on or before the Closing Date), in each case, other than to the extent such action is required as a result of a change in Applicable Law, file a Tax Return in a jurisdiction not previously filed in, or file a Tax Return in respect of a type of Tax not previously filed, make, change or revoke any material election related to Taxes, settle or compromise any material claim related to Taxes, enter into any closing agreement related to Tax, consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment, or change any taxable period or any Tax accounting method;

(xiv) take any action which could cause (or fail to take any action, the failure of which could cause) any Acquired Company to cease to be a member of the Seller Group of which it is a member as of the date hereof;

(xv) take any action which could cause (or fail to take any action, the failure of which could cause) there to be a "transfer" (as defined in Treasury Regulation § 1.1502-36(f)) of the Shares (other than the actions specifically contemplated by this Agreement);

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

(xvii) enter into, modify or amend in any material respect or terminate any Intercompany Agreement or Affiliate Agreement that will survive the Closing pursuant to Section 5.6;

(xviii) (A) sell, assign, transfer, grant any security interest in or otherwise encumber or dispose of any material Allocated Intellectual Property; (B) grant any license to any material Allocated Intellectual Property (other than non-exclusive licenses in the ordinary course of business) or (C) abandon, allow to lapse, disclaim or dedicate to the public, or fail to make any filing, pay any fee, or take any other action necessary to prosecute and maintain in full force and effect any Patents, registered Copyrights, registered Trademarks or domain name registrations, in each case, which are used in the Business and are material to the Business;

(xix) make any material change in policies, practices or principles applicable in non-guaranteed elements with respect to the Insurance Contracts; provided that, for the avoidance of doubt, Seller may make changes to the non-guaranteed elements in the ordinary course of business consistent with past practice and which are consistent with changes made by Seller and its Affiliates for similar business;

(xx) take any actions (including buy-out offers) with respect to the Business designed or intended to cause policyholders of Insurance Contracts to surrender, lapse or annuitize at different rates than historic experience;

(xxi) abandon, modify, waive, surrender, withdraw or terminate any material Permit;

(xxii) redeem any Surplus Notes; or

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

(b) From the date of this Agreement to the Closing Date, Seller shall cause each of the Company and RLI to underwrite any FA Contracts consistent with past practice and in accordance with the target probability metrics and other parameters set forth on Schedule 5.1(b). Any FA Contracts issued in breach of this covenant without Buyer Parent's prior written consent shall be deemed Excluded Business or outside the scope of the RLI FA Business Reinsurance Agreement, as applicable (collectively, the "Non-Qualified FA Contracts").

(c)

(i) Seller shall notify Buyer Parent as soon as reasonably practicable of any changes that are made to the investment guidelines and policies or hedging guidelines with respect to the CBVA Business.

(ii) Notwithstanding anything to the contrary contained in this Agreement, nothing in clauses (a) or (b) of this Section 5.1 or anywhere else in this Agreement shall prevent the Company, Seller or any of their Affiliates from entering into or terminating any hedging transactions with respect to the CBVA Business.

(d) For the avoidance of doubt, nothing in clauses (a) or (b) of this Section 5.1 or anywhere else in this Agreement shall restrict Seller or any of its Affiliates from considering negotiating, entering into, consummating or taking any other action with respect to any Permitted Transaction.

SECTION 5.2 Access to Information; Confidentiality.

(a) Prior to the Closing Date, Seller shall, and shall cause each Acquired Company to, afford to Buyer Parent and its Representatives reasonable access upon reasonable notice at reasonable times during normal business hours to the Acquired Company Books and Records and, during such period, Seller shall, and shall cause each Acquired Company as applicable, to, furnish to Buyer Parent such information to the extent relating to the Business as Buyer Parent may from time to time reasonably request, other than any such properties, books, Contracts, records and information that (i) are subject to an attorney-client or other legal privilege that would reasonably be expected to be impaired by such disclosure or (ii) are subject to a contractual obligation of confidentiality. If any properties, books, Contracts, records and information is withheld by Seller pursuant to clause (i) or (ii) of the preceding sentence, Seller shall, and shall cause each Acquired Company and, with respect to the Business, each of its Affiliates, to, inform Buyer Parent of that fact and provide a description of the general nature of what is being withheld, and cooperate with any requests for, and use its reasonable best efforts to (A) develop substitute arrangements that do not result in the loss of such privilege or the breach of such obligations (including redacting information or entering into joint defense agreements) and (B) to obtain any consent or waiver necessary from any Person to whom any contractual confidentiality obligation is owed in order to disclose such information to Buyer Parent and restructure the form of access, and/or make other arrangements, so as to permit the access requested. For the avoidance of doubt, Seller shall have no obligation under this Agreement to furnish Buyer Parent the Excluded Business Books and Records. All requests for access or information pursuant to this Section 5.2(a) shall be directed to such Person or Persons as Seller shall designate. Without limiting the terms thereof, the Confidentiality Agreement shall govern the obligations of Buyer Parent and its Representatives with respect to all information of any type furnished or provided to them pursuant to this Section 5.2(a).

(b) Through the Closing Date, Seller shall, and shall cause the Acquired Companies, and, with respect to the Business, each of its Affiliates, to, preserve and maintain the Acquired Company Books and Records, the RLI FA Business Books and Records and the Excluded Books and Records in all material respects in the same manner and with the same care that all such Acquired Company Books and Records, RLI FA Business Books and Records and Excluded Books and Records have been maintained prior to the execution of this Agreement. At the Closing, Seller shall, or shall cause its Affiliates, as applicable, to, (subject to Section 5.2(c) and subject to the last sentence of this paragraph) deliver to Buyer Parent, or its designee, or cause the Acquired Companies to have possession of, (i) all original corporate records of the Acquired Companies, including any such corporate records relating to the Acquired Companies' legal existence, stock or other equity ownership and corporate governance and (ii) all tangible embodiments of Acquired Company Books and Records. Prior to the Closing Date, the parties shall develop and implement a plan that will result in the delivery or transfer, subject to compliance with Applicable Law and Section 5.2(c), of the electronic or intangible embodiments of the Acquired Company Books and Records to Buyer Parent (or a Person designated by Buyer Parent) at or after the Closing; provided, that any costs attributable to such plan and the transfer of the Acquired Company Books and Records are Separation and Migration Costs and shall be borne by the parties in accordance with Section 5.24(b).

(c) Notwithstanding the foregoing, neither Seller nor any of its Affiliates shall be required to transfer the Books and Records that: (i) are necessary for Seller to provide services under the Transition Services Agreement; provided that Seller shall transfer and shall cause its applicable Affiliates to transfer, such Books and Records to Buyer Parent upon termination of the Transition Services Agreement; or (ii) Seller or its Affiliates are required to retain under Applicable Law; provided that, in the case of (i) and (ii), to the extent such Books and Records would otherwise have been transferred, copies of such Books and Records will be transferred to Buyer Parent. Notwithstanding anything to the contrary contained herein, Seller and its Affiliates shall be entitled to retain copies of any Books and Records transferred to Buyer Parent for accounting, Tax and regulatory purposes. Any such retained Books and Records may only be used by Seller or its agents for accounting, Tax and regulatory purposes.

(d) For a period of five (5) 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 Acquired Companies or the Business (including any Acquired Company Books and Records retained pursuant to Section 5.3(e) and any Deal Communications retained pursuant to Section 10.13(b)) or obtained from Buyer Parent or its Affiliates (including the Acquired Companies) and (ii) Buyer Parent 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 Acquired Companies or the Business) or the business of any of them or any Privileged Deal Communications that intentionally or inadvertently come into possession of the Acquired Companies or their Affiliates as contemplated by Section 10.13, 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 Parent and its Affiliates (in the case of clause (ii)) or any of their respective Representatives, in violation of this Section 4.2(e), (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 Parent (in the case of clause (ii)), as applicable (including any report, statement, testimony or other submission to such Governmental Entity), (3) any such information was or becomes available to Seller or its Affiliates (in the case of clause (i)) or Buyer Parent 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 Acquired 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 prior written notice of such requirement and reasonably 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.

SECTION 5.3 Reasonable Best Efforts. Upon the terms and subject to the conditions, limitations and other agreements set forth in this Agreement (including the limitations set forth in Section 5.4), each of the parties agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, 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 the Transaction Agreements.

SECTION 5.4 Consents, Approvals and Filings.

(a) Seller, Buyer Parent and Reinsurer Parent shall each use, and shall cause each of their respective Affiliates to use, their respective reasonable best efforts, and shall cooperate (and cause each of their respective Affiliate to cooperate) with each other, and Buyer Parent shall cause each Investor who holds, or who will hold as of the Closing, ten percent (10%) or more of the outstanding voting equity interests of Buyer Parent or would otherwise be deemed to be a controlling person pursuant to Chapter 521A of the Iowa Insurance Code (each such Investor, a "Control Investor"), to use their respective reasonable best efforts to (x) comply as promptly as practicable with all requirements of Governmental Entities applicable to the transactions contemplated by this Agreement or any other Transaction Agreement and (y) 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 the Transaction Agreements (including those set forth in Section 3.5 of the Seller Disclosure Schedule, Section 4.1(d) of the Buyer Disclosure Schedule or Section 4.2(c) of the Buyer Disclosure Schedule). In connection therewith, Seller, Buyer Parent and Reinsurer Parent shall, Buyer Parent shall cause each Control Investor to, and Reinsurer Parent shall cause each Reinsurer Party to, (i) make, and Buyer Parent and Seller shall 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 the Transaction Agreements, (ii) use reasonable best efforts to provide, and Buyer Parent and Seller shall cause their respective Affiliates to use reasonable best efforts to provide (and Buyer Parent shall cause each Control Investor to use reasonable best efforts to provide), such non-privileged information and documents to Governmental Entities as such Governmental Entities may request, (iii) use reasonable best efforts to take, and Buyer Parent and Seller shall cause their respective Affiliates to use reasonable best efforts to take, such actions as may be required or requested by any applicable Governmental Entities or as may otherwise be necessary in order to obtain the approvals of such Governmental Entities and (iv) consent to and comply with any condition imposed by any Governmental Entity on its grant of any such permit, order, consent, approval or authorization other than any such condition that would constitute a Burdensome Condition. Notwithstanding anything to the contrary contained in this Agreement, and subject to the Resolution Process, none of Seller, Buyer Parent, Reinsurer Parent nor any Control Investor shall be obligated to take or refrain from taking or to agree to it, its Affiliates or any of the Acquired Companies taking or refraining from taking 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 would, constitute a Burdensome Condition with respect to Seller (in the case of clause (i) of the definition of Burdensome Condition) or Buyer Parent or Reinsurer Parent (in the case of clause (ii) of the definition of Burdensome Condition). Each of the parties shall provide (and Buyer Parent shall cause each Control Investor to provide) to the other party copies of all applications or other material written communications to Governmental Entities in connection with this Agreement in advance of the filing or submission thereof; <u>provided</u>, that no party shall be required to disclose to the other party, any of its or its Affiliates' or any Control Investor's confidential or competitively sensitive information or any personally identifiable information or non-public information of their respective officers, directors or other applicable individuals. Prior to any party being entitled to assert that a Burdensome Condition has been imposed, such party shall follow the Resolution Process.. For the avoidance of doubt, any reasonable steps a party agrees to take through the Resolution Process for the mitigation of any potential Burdensome Conditions shall not themselves constitute a Burdensome Condition hereunder, but shall be taken into account in determining whether any condition, limitation or qualification constitutes a Burdensome Condition hereunder.

(b)

(i) Without limiting the generality of the foregoing, (A) as promptly as practicable and in any event within thirty (30) Business Days after the date hereof, (I) Buyer Parent shall, and shall cause each Control Investor to file a "Form A" change of control application with the Iowa Insurance Division with respect to the acquisition of the Shares at the Closing as contemplated by this Agreement, (II) Buyer Parent and, solely with respect to the Reinsurer Parties, Reinsurer Parent shall, and Buyer Parent shall cause it Affiliates to, file with all applicable Insurance Regulators all other requests for approval of the transactions contemplated by the Transaction Agreements that may be required to be obtained by it, respectively, prior to the Closing; and (III) Seller shall file, and cause its applicable Affiliates to file, with all applicable Insurance Regulators all requests for approval of the transactions contemplated by the Transaction Agreements that may be required to be obtained by it in connection with the entry into the Transaction Agreements or the consummation of the transactions contemplated thereby; and (B) promptly following the time at which the filing required by clause (i)(A)(I) above has been made, Seller shall cause the Company to file with the Iowa Insurance Division requests for approval of the Pre-Closing Dividend. Buyer Parent and Reinsurer Parent shall, and Reinsurer Parent shall cause Reinsurer to, use reasonable best efforts in cooperating with Seller to obtain the approval of the Pre-Closing Dividend from the Iowa Insurance Division. A reasonable time prior to furnishing any written materials to any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, each party shall furnish the other parties with a copy thereof, and such other parties shall have a reasonable opportunity to provide comments thereon; provided, that no party shall be required to disclose to the other parties any of its, its Affiliates' or any Control Investor's confidential, competitively sensitive information or any personally identifiable information of their respective officers, directors or other applicable individuals. Each party shall give to the other parties prompt written notice if it receives any notice or other communication from any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, and, in the case of any such notice or communication which is in writing, shall promptly furnish the other parties with a copy thereof. If any Insurance Regulator requires that a hearing be held in connection with any such approval, each party shall use its reasonable best efforts to arrange for such hearing to be held as promptly as practicable after the notice that such hearing is required has been received by such party. Each party shall give to the other parties reasonable prior written notice of the time and place when any meetings, telephone calls or other conferences may be held by it with any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, and, to the extent permitted by the applicable Insurance Regulator, the other parties shall have the right to have a representative or representatives attend or otherwise participate in any such meeting, telephone call or other conference (other than a telephone call initiated by such Insurance Regulator and not scheduled in advance). Subject to Section 5.4(a), Buyer Parent shall cause the Control Investors to furnish any non-privileged information, representations, certifications, applications, affidavits, forms and other documents, make any filings and to take such other actions, in each case that may be required under Applicable Law or that otherwise may be requested or required by any Governmental Entity in connection with the transactions contemplated by this Agreement or the other Transaction Agreements, including as necessary to complete and make any regulatory filing in connection with the transactions contemplated hereby or thereby. Buyer Parent acknowledges and agrees that any breach by any Control Investor of the provisions of this Section 5.4 will be deemed to be a breach by Buyer Parent hereunder; provided, however, that any such breach will be deemed to be cured if, within twenty (20) Business Days of receiving written notice of such breach, the amount of voting equity for which such Control Investor is entitled to subscribe is reduced such that the Control Investor is no longer a Control Investor and Buyer Parent and each of the other Control Investors have updated each applicable "Form A" change of control application to reflect such change. To the extent the Pre-Closing Dividend results in the Company's unassigned surplus being less than zero dollars ($0), the parties acknowledge and agree that Buyer Parent may make an application with the Iowa Insurance Division for a restatement of the Company's gross paid-in and contributed surplus and unassigned funds (surplus) under a quasi-reorganization in accordance with the Statement of Statutory Accounting Principles No. 72 to become effective as of or immediately following the Closing, such that the Company's unassigned funds (surplus) immediately following the Closing will be equal to zero dollars ($0); provided that the receipt of approval with respect to such application will not be a condition to any party's obligations under this Agreement.

(ii) Seller shall file or cause to be filed as soon as reasonably practicable (and, in any event, with respect to the FINRA CMA (as defined below)), within thirty (30) Business Days after the date of this Agreement an application for approval of a change in ownership or control of the Company under NASD Rule 1017 with FINRA (the "FINRA CMA") and any notice or other filing with any applicable State securities authority. Subject to the provisions of this Section 5.4, each Party shall, as promptly as practicable, supply any information or documentary material that may be requested by the other Party to complete any such application or filing, including with respect to any inquiries or requests for additional information or documents made by FINRA or an applicable State securities authority. Without the prior written consent of Buyer Parent, neither Seller nor DSL shall agree to any material restriction to be imposed by FINRA as conditions to the FINRA approval, including, without limitation, any requirement to maintain an amount of regulatory capital in excess of the amount of regulatory capital required under Rule 15c3-1 of the Exchange Act as of the date hereof. Prior to filing the FINRA CMA and any other materials or documents with FINRA, and prior to making or filing with a State securities authority, Seller shall provide Buyer Parent with a reasonable opportunity (not less than three (3) Business Days) to review and comment on such FINRA CMA, materials, documents or filings.

(iii) Notwithstanding anything to the contrary in this Agreement, following the date hereof, Buyer Parent and each Control Investor shall be permitted to update each applicable "Form A" change of control application to reflect circumstances arising after the date hereof that result in any Other Investor ceasing to be a Control Investor, regardless of whether Seller has provided notice to Buyer Parent that any Control Investor is in breach of its obligations pursuant to Section 5.4(b)(ii). Buyer Parent shall not, and shall cause its Affiliates not to, enter into any agreement or arrangement with any Person other than the Sponsors, Crestview or Reverence pursuant to which any Person other the Sponsors, Crestview or Reverence, or any of their Affiliates, would become a Control Person at or in connection with the Closing.

(iv) As promptly as practicable and in any event within thirty (30) Business Days after the date hereof, Buyer Parent and Seller shall file a Notification and Report Form pursuant to the HSR Act with respect to the acquisition by Buyer of the Shares, the DSL Interests and the equity of Services

Company contemplated by this Agreement. Buyer Parent shall bear full responsibility for the filing fees associated with such HSR Act filing.

(c) Third Party Consents.

(i) Prior to the Closing, except as otherwise agreed by the parties, each party shall cooperate with the other and use reasonable best efforts to obtain the consents, waivers and approvals of Third Parties (other than Governmental Entities) that are necessary in order to consummate the transactions contemplated by this Agreement, including those set forth in Schedule 5.4(c).

(ii) To the extent that any Allocated Asset or Allocated Contract may not be transferred or assigned to Buyer Parent or an Acquired Company without a third-party consent that has not been obtained by the Closing, this Agreement shall not constitute an agreement to transfer or assign the same, if an attempted transfer or assignment would constitute a breach or other contravention thereof or would be ineffective or unlawful.

(iii) If, on the Closing Date, any third-party consent required to effect the transfer of any Allocated Asset or Allocated Contract to Buyer or an Acquired Company has not been obtained, or if an attempted transfer or assignment of any Allocated Asset or Allocated Contract would be ineffective or unlawful, then the parties shall cooperate with each other to reach a mutually agreeable arrangement under which (A) Buyer or an Acquired Company would, in compliance with Applicable Law and, subject to and without limiting Section 5.24, obtain the benefits, assume the obligations, make all payments and otherwise bear the economic burdens associated with such Allocated Asset or Allocated Contract in accordance with this Agreement, including Seller or its Affiliates (other than the Acquired Companies and including that Buyer Parent shall indemnify the Seller Indemnified Persons for any and all Liabilities arising out of or resulting from any action or omission by Buyer Parent or any of its Affiliates before the Closing Date with respect to such Allocated Asset or Allocate Contract) subcontracting, sublicensing or subleasing to Buyer Parent or an Acquired Company, and (B) Seller would, and would cause its applicable Affiliates to, enforce for the benefit (and at the expense) of Buyer Parent and the Acquired Companies, as applicable, any and all of their respective rights against any third party associated with such Allocated Asset or Allocated Contract, and pay, or cause its Affiliates to pay, to Buyer Parent all monies actually received by Seller or any of its Affiliates in respect of such Allocated Asset or Allocated Contract.

(iv) Subject to Section 5.4(c)(i), from and after the Closing Date, the parties shall continue to use reasonable best efforts to obtain, as promptly as practicable, any such third-party consent required to effect the transfer of any Allocated Asset or Allocated Contract to Buyer or an Acquired Company that have not been obtained as of the Closing Date.

SECTION 5.5 Public Announcements. Each of Buyer Parent, Reinsurer Parent and Seller, and their respective Affiliates, shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statement with respect to the transactions contemplated by the Transaction Agreements (including regarding (a) its plans relating to employees, Producers or other third parties or with respect to the funding or operation of the Business or (b) any terms or conditions of any Transaction Agreement) and shall not issue any such press release or make any such public statement with respect to such matters without the advance approval of the other party following such consultation (such approval not to be unreasonably withheld or delayed), except as may be required by Applicable Law or by the requirements of any securities exchange; provided, that, in the event that any party is required under Applicable Law or the requirements of any securities exchange to issue any such press release or make any public statement and it is not reasonably practicable to obtain the advance approval of the other parties hereto as required by this Section 5.5, the party that issues such press release or makes such statement shall provide the other parties with notice and a copy of such press release or statement as soon as reasonably practicable.

SECTION 5.6 Related Party Agreements; Intercompany Obligations. Except as set forth in Section 5.6 of the Seller 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 releases, in each case, in form and substance reasonably satisfactory to Buyer) prior to the Closing to terminate all Intercompany Agreements and Affiliate Agreements and Seller shall, and shall cause its Affiliates to, cause all intercompany Liabilities (excluding the Surplus Notes), owing by any Acquired Company to Seller or any of its Affiliates (other than any Acquired Company) to be paid in full and settled immediately in cash prior to the Closing.

SECTION 5.7 Use of Names; Cross-License.

(a) At or prior to the Closing, each Acquired Company shall transfer any and all right, title or interest, including all associated goodwill, which it may have in or to the Trademarks set forth in Section 5.7(a) of the Seller Disclosure Schedule, any translations or derivations thereof, and any name or Trademark confusingly similar thereto (collectively, the "Seller Trademarks"), or any Internet domain name containing all or a portion of a Seller Trademark or set forth in Section 5.7(a) of the Seller Disclosure Schedule, at Seller's reasonable request and expense, to Seller or as Seller may direct.

(b) Except as provided in the Transaction Agreements, promptly following the Closing (but no later than ninety (90) days following Closing), Buyer Parent shall cause Buyer Parent and the Acquired Companies to, (i) cease and discontinue any and all uses of the Seller Trademarks, (ii) remove, destroy or irrevocably strike over the labeling, stationery, forms, supplies, displays, advertising and promotional materials, manuals, and other materials existing as of the Closing that bear any Seller Trademarks, and (iii) remove all Seller Trademarks from all assets, websites, email and other online materials and from all signage and other displays. All goodwill associated with the use by Buyer of the Seller Trademarks shall inure to the benefit of Seller. Neither Buyer Parent nor any of its Affiliates shall seek to register in any jurisdiction any trade, corporate or business name, Trademark or other name or source identifier that is a derivation, translation, adaptation, combination or variation of, or confusingly similar to, the Seller Trademarks. Buyer Parent may at all times after the Closing Date retain and use, solely for Buyer

Parent's internal business purposes, records and other historical or archived documents containing or referencing the Seller Trademarks.

(c) Effective as of the Closing Date, with respect to any Excluded Intellectual Property used in the Business during the twelve (12) months immediately preceding the date hereof, except to the extent that such Excluded Intellectual Property is, at any time, provided and/or made available to Buyer or any of its Affiliates as part of any of the Administrative Services Agreements and/or Transition Services Agreement, Seller does hereby, and shall cause its Affiliates to, grant to Buyer Parent and its Affiliates a perpetual, irrevocable, worldwide, non-terminable, non-sublicensable (except as set forth within Section 5.7(e)), non-transferable (except as set forth within Section 5.7(f)), non-exclusive, royalty-free, fully paid-up license fully to make, have made, use, sell, offer to sell, import, provide, commercialize, practice, copy, perform, display, render, develop, create derivative works from and otherwise exploit such Excluded Intellectual Property solely in substantially the same manner and scope such Excluded Intellectual Property was used in connection with the Business as conducted during the twelve (12) months immediately preceding the date hereof, including any natural improvements and extensions to the Business, which license shall survive any transfer, whether in whole or in part, of any such licensed Excluded Intellectual Property. At any time until twelve (12) months after the Closing Date, Buyer Parent may request, and Seller shall provide, one (1) copy of any Ancillary Excluded Software included in the Excluded Intellectual Property, including documentation and source code that is reasonably available, that (i) is subject to the license granted to Buyer Parent under this Section 5.7(c); (ii) has not already been provided to Buyer Parent and (iii) is not otherwise in the possession of Buyer Parent or its Affiliates. Buyer Parent shall, and shall cause its Affiliates, to use commercially reasonable efforts to maintain any Trade Secrets contained within such licensed Excluded Intellectual Property as confidential, including refraining from disclosing such Trade Secrets to any other Person who is not bound by obligations of confidentiality other than pursuant to reasonable confidentiality terms (including in connection with sublicenses). Any improvements or modifications to, or derivative works of, such licensed Excluded Intellectual Property made by or on behalf of Buyer Parent or its Affiliates shall be owned by Buyer Parent and its Affiliates.

(d) Effective as of the Closing Date, with respect to any Licensed-Back Intellectual Property, Buyer Parent does hereby, and shall cause its Affiliates to, grant to Seller and its Affiliates a perpetual, irrevocable, worldwide, non-terminable, non-sublicensable (except as set forth within Section 5.7(e)), non-transferable (except as set forth within Section 5.7(f)), non-exclusive, royalty-free, fully paid-up license fully to make, have made, use, sell, offer to sell, import, provide, commercialize, practice, copy, perform, display, render, develop, create derivative works from and otherwise exploit such Licensed-Back Intellectual Property solely in substantially the same manner and scope such Licensed-Back Intellectual Property was used in connection with the operation of the Excluded Business as conducted using the twelve (12) months immediately preceding the date hereof, including any natural improvements and extensions, specifically excluding the Business, which license shall survive any transfer, whether in whole or in part, of any such Licensed-Back Intellectual Property. At any time until twelve (12) months after the Closing Date, Seller may request, and Buyer Parent shall provide, one (1) copy of any Ancillary Licensed-Back Software included in the Licensed-Back Intellectual Property, including documentation and source code that is reasonably available, that (i) is subject to the license granted to Seller under this Section 5.7(d); (ii) has not already been provided to Seller; and (iii) is not otherwise in the possession of Buyer Parent or its Affiliates. Seller shall, and shall cause its

Affiliates, to use commercially reasonable efforts to maintain any Trade Secrets contained within the Licensed-Back Intellectual Property as confidential, including refraining from disclosing such Trade Secrets to any other Person who is not bound by obligations of confidentiality other than pursuant to reasonable confidentiality terms (including in connection with sublicenses). Any improvements or modifications to, or derivative works of, such Licensed-Back Intellectual Property made by or on behalf of Seller or its Affiliates shall be owned by Seller and its Affiliates.

(e) A party may sublicense the rights contained within Sections 5.7(c) and (d), as applicable, without prior written consent of the other party only to any of their respective suppliers, contractors, consultants or representatives for the purpose of providing products and services to or otherwise acting on behalf of and at the direction of such party or its Affiliates and in any event in a manner consistent with how such party sublicenses its own comparable Intellectual Property.

(f) No party may assign the rights contained within Sections 5.7(c) and (d), as applicable, without the prior written consent of the other party, such consent not to be unreasonably withheld, conditioned or delayed; provided, that either party may assign or transfer such rights in whole or in part without the prior written consent of the other party in connection with any merger, public offering, consolidation, reorganization, or sale of any divisions, businesses, operating units or portion of such party or its respective Affiliates or substantially all of the assets related to any such division, business, operating unit or portion.

SECTION 5.8 Further Assurances. Seller shall and Buyer Parent shall cause Buyer to, and each shall cause their respective Affiliates to, use their reasonable best efforts to (i) execute and deliver, or cause to be executed and delivered, such documents, certificates, agreements and other writings and shall, subject to Section 5.4(a), take, or shall cause to be taken, such further actions as may be reasonably required or requested by any party to carry out the provisions of the Transaction Agreements and consummate or implement expeditiously the transactions contemplated by the Transaction Agreements and (ii) shall, subject to Section 5.4(a) and Section 5.1(d), refrain from taking any actions that could reasonably be expected to impair, delay or impede the Closing.

SECTION 5.9 Access to Books and Records.

(a) Until the seventh anniversary of the Closing (provided, that Buyer Parent shall cause Buyer to give thirty (30) days' notice to Seller prior to destroying any records to permit Seller, at its expense, to examine, duplicate or repossess such books and records), Buyer Parent shall (i) afford reasonably promptly to Seller and its Representatives reasonable access, during normal business hours, to the Acquired Company Books and Records, (ii) make available to Seller and its Representatives the officers, employees and auditors of the Acquired Companies and (iii) provide to Seller and its Representatives such additional information with respect to the Acquired Companies as is reasonably requested by Seller or such Representatives, in each case set forth in clause (i), (ii) or (iii) of this Section 5.9(a), to the extent relating to periods prior to the Closing Date and reasonably required by Seller for any litigation or disputes (except litigation or disputes involving Buyer Parent, Reinsurer Parent or any of their Affiliates), compliance, financial reporting (including financial audits of historical information), loss reporting, regulatory, Tax and accounting matters (including for any such matters related to the Transition Services Agreement) arising before the Closing Date, and Buyer Parent shall reasonably cooperate with Seller and its Representatives to furnish such Acquired Company Books and Records and information and make available such officers, employees and auditors of the Acquired Companies; provided, that (A) such access, making available of officers, employees and auditors and provision of information does not unreasonably interfere with the conduct of the business of any of Buyer Parent, Reinsurer, Reinsurer Parent or the Acquired Companies and is at Seller's expense, (B) such Acquired Company Books and Records and information are not subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to Buyer Parent would be impaired by such access, (C) prior to affording any such access, making available any such officer, employee or auditor or providing any such information, Buyer Parent may require that Seller and its applicable Representatives agree to customary confidentiality undertakings with respect to any non-public information received pursuant to this Section 5.9(a) and (D) no auditors of the Acquired Companies will be obligated to make any work papers available to Seller or any of its Representatives unless and until Seller or such Representative has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors. Notwithstanding the foregoing, in the event of any inconsistency between this Section 5.9(a) and Section 8.4, Section 8.4 shall control with respect to access to records relating to Taxes.

(b) Until the seventh anniversary of the Closing (provided, that Seller shall give thirty (30) days' notice to Buyer Parent prior to destroying any records to permit Buyer Parent, at its expense, to examine, duplicate or repossess such books and records), Seller shall (i) afford reasonably promptly to Buyer Parent and its Representatives reasonable access, during normal business hours, to the books and records of Seller and its Affiliates relating to the Acquired Companies (after giving effect to the Pre-Sale Transactions), the Allocated Assets and the Allocated Liabilities, (ii) make available to Buyer Parent and its Representatives the officers, employees and auditors of Seller and its Affiliates and (iii) provide to Buyer Parent and its Representatives such additional information with respect to the Acquired Companies (after giving effect to the Pre-Sale Transactions), the Allocated Assets and the Allocated Liabilities as is reasonably requested by Buyer or such Representatives, in each case set forth in clause (i), (ii) or (iii) of this Section 5.9(b), to the extent relating to the Acquired Companies (after giving effect to the Pre-Sale Transactions), the Allocated Assets and the Allocated Liabilities and reasonably required by Buyer for any litigation or disputes (except litigation or disputes involving Seller or any of its Affiliates), compliance, financial reporting (including financial audits of historical information), loss reporting, regulatory, Tax and accounting matters (including for any such matters related to the Transition Services Agreement), and Seller shall reasonably cooperate fully with Buyer Parent and its Representatives to furnish such information and make available such officers, employees and auditors of Seller or its Affiliates; provided, that (A) such access, making available of officers, employees and auditors and provision of information does not unreasonably interfere with the conduct of the business of any of Seller or its Affiliates and is at Buyer Parent's expense, (B) such books and records and information are not subject to an attorney-client or other legal privilege that in the reasonable opinion of counsel to Seller would be impaired by such access, (C) prior to affording any such access, making available any such officer, employee or auditor or providing any such information, Seller may require that Buyer Parent and its applicable Representatives agree to customary confidentiality undertakings with respect to any non-public information received pursuant to this Section 5.9(b) and (D) no auditors of Seller or its Affiliates will be obligated to make any work papers available to Buyer Parent or any of its Representatives unless and until Buyer Parent or such Representative has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors. Notwithstanding the foregoing, in the event of any inconsistency between this Section 5.9(b) and Section 8.4, Section 8.4 shall control with respect to access to records relating to Taxes. For the avoidance of doubt, any costs incurred by Seller and its Affiliates in responding to a request for books and records under this Section 5.9(b) for Acquired Company Books and Records that were not previously provided as a result of a breach by Seller of its obligations under Section 5.2(b), shall be borne solely by Seller.

SECTION 5.10 D&O Liabilities. For a period of six (6) years after the Closing Date, Buyer Parent shall not, and shall cause the Acquired Companies 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 Acquired 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 terms of the Organizational Documents of the Acquired Companies as they existed immediately prior to the date of this Agreement, 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 the Acquired Companies, whether asserted or claimed prior to, at or after the Closing Date.

SECTION 5.11 Non-Solicitation and Non-Hire.

(a) For a period of 24 months following the Closing Date, without the prior written consent of Buyer Parent, neither Seller nor any of its Subsidiaries shall, whether directly or indirectly, solicit for employment (or engagement as an independent contractor) the services of any Covered Employee; provided, that nothing in this Section 5.11(a) shall prohibit Seller or any of its Subsidiaries from engaging in general solicitations not directed at such Persons or from soliciting the services of any such Person whose employment with or engagement by Buyer Parent or any of its Subsidiaries (including the Acquired Companies) has been involuntarily terminated by Buyer Parent or its applicable Subsidiary (whether for cause, due to position elimination or otherwise) at any time or who has voluntarily ceased to be employed or engaged by Buyer Parent or any of its Subsidiaries (including the Acquired Companies) for a period of at least six months prior to the first contact by Seller or any of its Subsidiaries with such Person.

(b) For a period of 24 months following the Closing Date, without the prior written consent of Seller, neither Buyer Parent nor Reinsurer Parent, nor any of their respective Subsidiaries, shall, whether directly or indirectly, solicit for employment (or engagement as an independent contractor) the services of any Person who is employed by Seller or any of its Subsidiaries as of the Closing Date, other than any Business Employee or Available Employee; provided, that nothing in this Section 5.11(b) shall prohibit Buyer Parent, Reinsurer Parent or any of their respective Subsidiaries (including the Acquired Companies) from engaging in general solicitations not directed at such Persons or from soliciting the services of any such Person whose employment with or engagement by Seller and its Subsidiaries has been involuntarily terminated by Seller or its applicable Subsidiary (whether for cause, due to position elimination or otherwise) or who has otherwise voluntarily ceased to be employed or engaged by Seller or any of its Subsidiaries for a period of at least six months prior to the first contact by Buyer Parent, Reinsurer Parent or any of their respective Subsidiaries with such Person.

(c) For a period of 12 months following the Closing Date, without the prior consent of Buyer Parent, neither Seller nor any of its Subsidiaries shall hire or otherwise employ or engage any Designated Employee.

(d) Buyer Parent shall not, and shall not permit any of its Affiliates (including, without limitation, Reinsurer Parent and its Affiliates) to, without the prior written consent of Seller, hire or otherwise employ or engage any Available Employee who does not become an Additional Transferring Employee during the 12 month period immediately following the Closing Date, unless, prior to such hire or engagement, Buyer Parent, Reinsurer Parent or one of their respective Affiliates reimburses Seller and its Affiliates for any and all severance costs and benefits (including, without limitation, any amounts paid or benefits provided to such Available Employee during any period following the delivery of a notice pursuant to the WARN Act to the extent that such notice under the WARN Act was required solely by virtue of Seller's or its Affiliate's lay off of Available Employees, but excluding all amounts paid prior to the Closing) in respect of such Available Employee.

SECTION 5.12 Employee Matters.

(a) Transfer of Employment. Immediately prior to the Closing, Seller shall, and shall cause its applicable Affiliates to, (i) cause the employment of each employee of the Company or DSL and all Liability associated thereto (to the extent not related to the Business) to each such employee to transfer to Seller or one of its Affiliates (except as contemplated by clause (ii) of this sentence, other than an Acquired Company), and (ii) cause the employment of each Covered Employee (but no Liabilities) to transfer to Services Company. Seller shall identify all initial Qualified Employees and Select Advantage Employees and all Available Employees to Buyer as soon as possible after the date hereof, but in no event later than February 28, 2018. Seller covenants that the employee of Seller and its Affiliates identified by Seller to serve in each Qualified Role will have the seniority, experience and functional expertise to fill such Qualified Role. Seller shall use commercially reasonable efforts to ensure that the Covered Employees include individuals identified by Seller and consented to by Buyer Designee (such consent not to be unreasonably withheld, conditioned or delayed) to serve in all Qualified Roles. Seller shall provide Buyer and Reinsurer Parent with reasonable access at such times as are mutually agreeable to Seller and Buyer and Reinsurer Parent to the Available Employees and individuals identified as expected Qualified Employees (provided that Reinsurer Parent shall only have access to Available Employees who are not Qualified Employees or Designated Employee) between the date of this Agreement and the Closing Date to permit Buyer to perform any reasonable diligence necessary to evaluate such Available Employee for inclusion, as applicable, as an Additional Transferring Employee (or, with respect to Reinsurer Parent, an offer of employment) or a Qualified Employee. Notwithstanding anything herein to the contrary, Buyer may, in its reasonable good faith discretion, exclude up to thirty Qualified Roles from the positions with respect to which Seller may or shall transfer individuals to Service Company pursuant to the first sentence of this Section

5.12(a) (any such Qualified Roles that Buyer excludes, an "Excluded Role"). Unless otherwise consented to by Seller, Buyer shall identify all "Additional Transferring Employees" to Seller as soon as reasonably practical after Seller identifies the Available Employees to Buyer, but in all events no later than April 1, 2018. Seller shall waive any noncompetition, non-solicitation, confidentiality and any other restrictions to the extent such restrictions would otherwise limit the scope of any Covered Employee's services to Buyer Parent's Subsidiaries (including, after the Closing, the Acquired Companies). In the event that any Inactive Employee becomes eligible to return to active employment within 180 days immediately following the Closing Date, Buyer Parent shall cause a Subsidiary to offer employment (on terms and conditions consistent with Buyer Parent's obligations pursuant to Sections 5.12(b) and (c) below) to such Inactive Employee commencing on the date on which such Inactive Employee is first eligible to return to active employment and, if such Inactive Employee accepts an offer of employment from a Subsidiary of Buyer Parent, such Inactive Employee shall be considered a Covered Employee for all purposes pursuant to this Agreement.

(b) Terms and Conditions of Employment. For a period of 12 months from and after the Closing Date (the "Covered Period"), Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to provide to each Covered Employee who continues to be employed by an Acquired Company or one of Buyer Parent's Subsidiaries: (i) a base salary or hourly wage rate, as applicable, that is no less than the base salary or hourly wage rate, as applicable, provided to such Covered Employee by Seller and its Affiliates immediately prior to the Closing, (ii) annual cash incentive compensation opportunities that are no less favorable to the Covered Employee than the annual cash incentive compensation opportunities in effect for such Covered Employee immediately prior to the Closing, (iii) total compensation opportunities (including annual base salary or hourly wage rate, annual cash incentive compensation opportunities and long-term incentive compensation opportunities) of equivalent value to the total compensation opportunities (including, without limitation, the value of any incentive compensation opportunities that are provided in the form of equity or equity-based awards) provided to such Covered Employee immediately prior to the Closing Date; and (iv) employee benefits that, in the aggregate, are of substantially equivalent value to each such Covered Employee to those in effect for such Covered Employee immediately prior to the Closing Date and as set forth on Section 3.9(a) of the Seller Disclosure Schedule (other than defined benefit pension benefits, retiree health, retiree life or other retiree welfare benefits, nonqualified deferred compensation benefits or equity or equity-based compensation); provided, however, that, Buyer Parent shall be deemed to not be in breach of its obligations under this clause (iv) to the extent it uses commercially reasonable efforts to procure benefits of equivalent value but is not able to do so because equivalent benefits are not available on commercially reasonable terms to an employer group of comparable size to the Buyer and its Subsidiaries and it actually provides the maximum available benefits that its commercially reasonable efforts are able to procure on commercially reasonable terms. For the avoidance of doubt, Seller's employee stock purchase plan shall not be taken into account for purposes of this Section 5.12(b). Notwithstanding the foregoing, to the extent any Covered Employee accepts an offer of employment from Reinsurer Parent or any of its Subsidiaries, Reinsurer Parent or such Subsidiary shall not be required to provide compensation and benefits consistent with the provisions of this Section 5.12; provided, however, that any Covered Employee who receives an offer of employment from Reinsurer Parent or any Subsidiary thereof (other than Buyer and its Subsidiaries) and rejects such offer and whose employment is subsequently terminated by Buyer or one of its Subsidiaries (including an Acquired Company) shall remain eligible for the severance pay and benefits described in this Section 5.12(b) (to the extent he or she otherwise qualifies for such benefits). Buyer Parent's obligations under this paragraph are expressly conditioned on Seller providing to Buyer all information reasonably necessary for Buyer Parent to comply with the obligations set forth in this Section 5.12(b) within a reasonable time following receipt of a reasonable written request from Buyer.

(c) Termination of Employment; Severance. The employment of all Covered Employees shall remain "at-will" after the Closing Date, subject only to any duly executed written employment agreement with a specific Covered Employee (if any). Without limiting the generality of Section 5.12(b) above, Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to provide severance pay and benefits to any Covered Employee whose employment is terminated during the Covered Period for any reason pursuant to which such Covered Employee would have been eligible for severance pay or benefits pursuant to the severance policies described on Section 5.12(c) of the Seller Disclosure Schedule (the "Seller Severance Policies") had such termination occurred immediately prior to the Closing on terms and in amounts that are no less favorable than as set forth in the Seller Severance Policies, in each case, subject to the terminated Covered Employee's prompt execution of a general release of claims in favor or Buyer Parent and its Affiliates in a form reasonably acceptable to Buyer. Buyer Parent's obligations under this paragraph are expressly conditioned on Seller providing to Buyer all information reasonably necessary for Buyer Parent to comply with the obligations set forth in this Section 5.12(c) within a reasonable time following receipt of a reasonable written request from Buyer. To the extent Acquired Company or one of its Subsidiaries terminates the employment of any Qualified Employee during the six (6) month period immediately following the Closing, Seller shall pay to Buyer an amount equal to fifty percent (50%) of the severance pay and benefits payable by Acquired Company or its Subsidiaries with respect to such Qualified Employees pursuant to this Section 5.12(c); provided, however, that Seller shall not be required to make payments to cover severance pay and benefits to more than the difference between (i) thirty (30) Qualified Employees less (ii) the number of Excluded Roles.

(d) Credit for Service. On and after the Closing Date, Buyer Parent shall cause to be provided to each Covered Employee under each employee benefit plan maintained or contributed to by Buyer or any Subsidiary of Buyer (collectively, the "Buyer Benefit Plans") credit for purposes of eligibility to participate, vesting and level of benefits (including any welfare plan, retirement plan, vacation program or severance program 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 Acquired Companies and any of their respective predecessors) performed at any time prior to the Closing Date to the extent such service was taken into account under the analogous Employee Benefit Plan immediately prior to the Closing Date; provided, however, that no such prior service shall be taken into account to the extent it would result in the duplication of benefits.

(e) Preexisting Conditions, Exclusions and Waiting Periods; Deductibles. Buyer Parent shall cause the Acquired Companies and its Affiliates to as applicable: (i) 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, the Acquired Companies or one of their 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 Closing Date; (ii) waive or cause to be waived all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to Covered Employees and their eligible dependents under any other Buyer Benefit Plans; and (iii) provide 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. As a condition to Buyer Parent's obligation under the preceding sentence, Seller shall provide Buyer or its designee all information reasonably requested and necessary to allow it to comply with such obligation.

(f) Vacation/PTO. Seller and its Affiliates shall pay out all accrued but unused vacation benefits and other paid time off as of the Closing Date to Covered Employees so that every Covered Employee has a zero balance of any such vacation benefits or other paid time off in the manner and timing required by Applicable Law as soon as administratively practicable following the Closing Date.

(g) COBRA. Notwithstanding any contrary provision of this Agreement, Buyer Parent shall cause the Acquired Companies or 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 who experiences a COBRA "qualifying event" after the Closing Date.

(h) WARN. If a plant closing or a mass layoff occurs or is deemed to occur with respect to an Acquired Company at any time on or after the Closing, Buyer shall be solely responsible for providing all notices required under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2109 et seq. or the regulations promulgated thereunder or any similar state laws (collectively, the "WARN Act") and for taking all remedial measures, including the payment of all amounts, penalties, Liabilities, costs and expenses if such notices are not provided. Seller agrees to identify for Buyer, within five (5) business days following the Closing Date, (i) each Affiliate of Seller from which any Covered Employee was transferred pursuant to Section 5.12(a), (ii) the number of employment losses of any employee that took place at such Affiliate in 90 days preceding the Closing at any single site of employment (within the meaning ascribed to such term in the WARN Act) at which a Covered Employee was employed at any time within 90 days prior to the Closing; (iii) for each employment loss that is identified in clause (ii) above, the physical location of the employment site; and (iv) the date of such employment loss.

(i) Tax-Qualified Plans. Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to maintain or establish, a defined contribution plan that is intended to be tax-qualified ("Buyer's DC Plan") and in which the Covered Employees shall be eligible to participate as of the Closing Date, subject to satisfaction of eligibility provisions and after taking into account Section 5.12(d). Buyer Parent shall cause an Acquired Company or one of its Subsidiaries shall cause Buyer's DC Plan to accept any "eligible rollover distribution" (as defined in Section 402(c)(4) of the Code) elected by a Covered Employee from a tax-qualified plan maintained by Seller or any of its Affiliates (other than the Acquired Companies) (to the extent consisting of cash or notes relating to plan participant loans) in a direct rollover to Buyer's DC Plan. In the case of any portion of any such rollover amount that consists of a promissory note relating to a plan participant loan, Seller, Buyer and the Acquired Companies shall cooperate with each other and use reasonable best efforts to enable such direct rollovers to occur before such loans default.

(j) Cafeteria Plans. Effective as of the Closing Date, Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to establish and maintain, a flexible spending reimbursement account under a cafeteria plan that is intended to meet the requirements of Section 125 of the Code (the "Company Cafeteria Plan") in which Covered Employees can participate. Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to allow Covered Employees who participated as of the Closing Date (collectively, the "Cafeteria Plan Participants") in an Employee Benefit Plan that is intended to meet the requirements of Section 125 of the Code (a "Seller Cafeteria Plan") to participate in the Company Cafeteria Plan effective as of the Closing Date. During the period from the Closing Date until the last day of the plan year of the Seller Cafeteria Plan that commenced immediately prior to the Closing Date, Buyer Parent shall cause an Acquired Company or one of its Subsidiaries to continue, the salary reduction elections made by the Cafeteria Plan Participants as in effect as of the Closing Date (adjusted, to the extent necessary, to take into account any changes to applicable premiums related to any Buyer Benefit Plan) and allow each Cafeteria Plan Participant to receive reimbursement from such participant's flexible spending reimbursement account under the Company Cafeteria Plan on the same terms and conditions as would have been applicable to such participant as if such Cafeteria Plan Participant were employed by Seller or one of its Affiliates following the Closing during such period and continued to participate in a Seller Cafeteria Plan. As of the Closing Date, (i) if the aggregate accumulated contributions to the flexible spending reimbursement accounts made by Cafeteria Plan Participants prior to the Closing during the year in which the Closing occurs exceeds the aggregate reimbursement amounts paid to Cafeteria Plan Participants for such year from such accounts, Seller shall transfer, or cause an Affiliate to transfer, to Buyer, an Acquired Company or one of Buyer's Subsidiaries, as applicable, an amount equal to such excess as soon as practicable following the Closing Date and (ii) if the aggregate reimbursement amounts paid to Cafeteria Plan Participants for such year from the flexible spending reimbursement accounts made by Cafeteria Plan Participants exceed the aggregate accumulated contributions to such accounts prior to the Closing during the year in which the Closing occurs, Buyer Parent shall cause a Subsidiary to transfer, to Seller an amount equal to such excess as soon as practicable following the Closing Date. As of the Closing Date, Buyer Parent shall cause an Acquired Company or one of Buyer's Subsidiaries to assume and be solely responsible for all unreimbursed claims made by the Cafeteria Plan Participants under each Seller Cafeteria Plan that were incurred for the plan year of the Seller Cafeteria Plan that commenced prior to the Closing Date, or that are incurred anytime thereafter.

(k) Deferred Compensation Assumption. Prior to the Closing, Buyer Parent shall cause a Subsidiary to establish deferred compensation plans that are substantially identical with respect to time and form of payment provisions (but not, for the avoidance of doubt, benefit accrual or administrative provisions) to the Seller Deferred Compensation Plans (such new plans being, the "Buyer Deferred Compensation Plans") and, effective as of the Closing, the Buyer Deferred Compensation Plan shall assume from the Seller Deferred Compensation Plans (and thereafter be solely responsible for) all liabilities in respect of the Seller Deferred Compensation Plan for or relating to participants in the Seller Deferred Compensation Plans who are Covered

Employees. Promptly following the Closing, Seller shall, or shall cause an Affiliate, to pay Buyer an amount in cash equal to the Seller Deferred Compensation Plan Accruals. Buyer covenants and agrees to make all payments pursuant to the Buyer Deferred Compensation Plan at the same time and in the same form as such amounts were required to be paid under the terms of the Seller Deferred Compensation Plans and any election forms thereunder (unless a Covered Employee makes, and Buyer permits, a valid subsequent deferral election to further delay the payment of such amounts or Buyer or its applicable Subsidiary elects to terminate such Buyer Deferred Compensation Plan). Buyer Parent's obligations under this Section 5.12(k) are expressly conditioned on Seller providing to Buyer all information it requests in order to establish and administer such Buyer Deferred Compensation Plans.

(l) No Modification. The provisions of this Section 5.12 are for the sole benefit of the parties to this Agreement and nothing herein, express or implied, is intended or shall be construed to (i) constitute an amendment to any Employee Benefit Plan, Buyer Benefit Plan or other compensation and benefits plans maintained for or provided to Covered Employees or any other Persons prior to or following the Closing Date or (ii) confer upon or give to any Person (including, for the avoidance of doubt, any Covered Employee or any current or former employees, directors, or independent contractors of the Acquired Companies, Seller or any of their Affiliates, or on or after the Closing, Buyer Parent, the Acquired Companies or any of their post-Closing Affiliates), other than the parties hereto, any legal or equitable or other rights or remedies with respect to the matters provided for in this Section 5.12 under or by reason of any provision of this Agreement. For the avoidance of doubt, nothing contained in this Section 5.12 shall confer upon any Covered Employee any right to continued employment with Buyer Parent, any Acquired Company or their respective Affiliates after the Closing Date and nothing in this Section 5.12 is intended to guarantee employment to any Covered Employee for any period of time.

SECTION 5.13 Financing.

(a) Subject to the terms and conditions set forth herein, prior to the Closing, Buyer Parent shall take or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable to consummate and obtain the Financing on the terms and conditions set forth in the applicable Financing Commitments not later than the date that the Closing is required to occur in accordance with Section 2.2, including: (i) maintaining in full force and effect the Financing Commitments; (ii) satisfying all conditions applicable to Buyer Parent and in the case of the Debt Commitment Letter, Buyer, in the Financing Commitments that are within their control; (iii) complying on a timely basis with their obligations under the Financing Commitments; (iv) consummating the Financing at or prior to the date that the Closing is required to occur in accordance with Section 2.2; and (v) enforcing their rights under the Financing Commitments. Notwithstanding anything to the contrary in this Agreement, nothing contained in this Section 5.13 will require, and in no event will Buyer Parent be required to seek the Financing from any source other than a counterparty to, or in any amount in excess of that contemplated by, the Financing Commitments.

(b) Buyer Parent shall not, without the prior written consent of Seller (which consent shall not be unreasonably withheld, conditioned or delayed), permit any amendment or modification to be made to or waiver of any rights under the Financing Commitments, and, upon the consummation of the Financing to Buyer Parent or, in the case of the Debt Commitment Letter, Buyer, in accordance with the Financing Commitments, Buyer Parent shall draw down at Closing such amount of such Financing as is required to fully make the payments pursuant to Article II. Buyer Parent shall not permit Buyer to release or consent to the termination of the obligations of AAIA or Reinsurer under the Debt Commitment Letter without Seller's prior written consent.

(c) Buyer Parent shall provide Seller with prompt written notice of the receipt of any notice or other communication from AAIA or Reinsurer with respect to its failure or anticipated failure to fund its commitments under any Financing Commitment. Buyer Parent shall keep Seller reasonably informed on a current basis of the status of its efforts to consummate the Financing.

SECTION 5.14 Specified Contracts. Section 5.14 of the Seller Disclosure Schedule sets forth a list of the "Specified Contracts." Upon Buyer Parent's request, with respect to any Specified Contract, Seller and Buyer Parent shall, and shall cause their respective Affiliates to, reasonably cooperate in good faith with Buyer Parent's efforts to cause the counterparty to any such Specified Contract to enter into a new contract with Buyer Parent or its designee, effective as of the Closing or at the end of the relevant transition service period, if applicable, on terms substantially similar to those contained in such Specified Contract (each such new Contract, a "New Contract").

SECTION 5.15 Non-competition. 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 Affiliates not to, directly or indirectly, (a) solicit, induce or persuade or attempt to solicit, induce or persuade any Producer or other Person through which fixed annuity or fixed index annuity Insurance Contracts were written, marketed, produced, sold or solicited during the twenty-four (24) months preceding the Closing Date to (i) terminate, restrict or avoid entering into any business relationship or dealings with Buyer Parent or any of its Subsidiaries (including any Acquired Company after the Closing) or Reinsurer Parent or any of its Subsidiaries, (ii) enter into any distribution, marketing, production or similar business relationship with Seller or any of its Affiliates with respect to the writing, marketing, production, sale or solicitation of fixed annuities or fixed index annuities or (iii) solicit any holders of Insurance Contracts or otherwise use policyholder lists for the purposes of writing, marketing, producing, selling or soliciting any fixed annuity or fixed index annuity products; provided that, for the avoidance of doubt, and without restricting the generality of the foregoing, nothing in this Section 5.15 shall restrict the ability of Seller or any of its Affiliates to conduct its Retirement business (including the entirety of all business activities conducted under Seller's Retirement segment) in substantially the same manner as it is conducted on the date hereof.

SECTION 5.16 Financial Information.

(a) From the date hereof through the Closing Date, Seller shall make available to Buyer Parent (i) within forty-five (45) days following the end of each calendar quarter other than the last calendar quarter of any calendar year, (a) the unaudited statutory statements of the Company, in each case together with the exhibits, schedules and notes thereto (collectively, the "Future Quarterly Statutory Statements"), and (b) (x) the separate unaudited quarterly GAAP financial statements of each of the Acquired Companies and (y) the separate unaudited quarterly Modified GAAP financial statements of RRII (collectively, the "Future Quarterly GAAP Financial

Statements”), in each case, as of the end of and for such calendar quarter, (ii) (a) within sixty (60) days following the end of each calendar year, the unaudited statutory statements of the Company, (b) 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, 2017, the audited annual statutory financial statements of the Company, as of and for the end of such year, together with the report of the Company’s independent certified public accountant, and in each case together with the exhibits, schedules and notes thereto (collectively, the “Future Annual Statutory Statements”), and (c) within seventy-five (75) days following the end of each calendar year, the separate audited GAAP financial statements, if prepared, or if not prepared, (x) unaudited annual GAAP financial statements of each of the Acquired Companies and (y) unaudited annual Modified GAAP financial statements of RRII (collectively, the “Future Annual GAAP Financial Statements”), in each case, as of and for such calendar year, and (iii) as promptly as reasonably practicable following the preparation thereof, any amendments or errata to any of the Actuarial Reports.

(b) Seller shall, and shall cause its Representatives to, at Reinsurer Parent’s expense, provide reasonable cooperation to Reinsurer Parent and its Affiliates or Apollo and its Affiliates in connection with the preparation of any historical financial statements or other disclosures (including those required by GAAP or the SEC) or information with respect to the Business or the Acquired Companies that Reinsurer Parent or any of its Affiliates or Apollo and its Affiliates may be required to provide to or file with any Governmental Entity (including with the SEC under Regulation S-K or S-X) or delivered to any underwriter, including in connection with any offering, credit facility or borrowing by Reinsurer Parent, Apollo or any of their respective Affiliates. Such cooperation shall include, furnishing Reinsurer Parent or Apollo such financial statements, financial information and other pertinent information with respect to the Business or the Acquired Companies as may be reasonably requested by Reinsurer Parent or Apollo (including “carve-out” financial statements that give effect to the transactions contemplated by this Agreement and the other Transaction Agreements), including to assist Reinsurer Parent or any of its Affiliates or Apollo and its Affiliates with management’s discussion and analyses or other portions of any such documents.

(c) If the Company is reasonably likely to be required to file any quarterly or annual reports pursuant to the Exchange Act within thirty (30) days after the Closing, Seller will cause the Company to prepare draft reports that as of the Closing are sufficiently developed, taking into account the time that has elapsed since the end of the applicable reporting period and the time until such report is required to be filed, such that it can be timely filed with a reasonable amount of effort within the time available following the Closing (the “Post-Closing SEC Reports”). The Post-Closing SEC Reports provided will (i) not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading and (ii) comply in all material respects with the provisions of Applicable Law.

SECTION 5.17 Investment Assets. Seller shall, or shall cause its applicable Affiliates to, deliver to Buyer Parent, on a monthly basis until such time as the Closing is reasonably expected to occur within one month, and thereafter weekly, 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 the Acquired Companies, RRII and, with respect to the

Business, RLI. From and after the date hereof until the Closing, Seller shall cause the applicable managers having primary responsibility for the matters set forth in the foregoing clauses (i) and (ii) to consult with Representatives of Buyer Parent as reasonably requested by Buyer Parent 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; provided that such consultations shall be upon reasonable notice at reasonable times during normal business hours and shall not unreasonably disrupt the business of Seller or the Acquired Companies. In such meetings with management, Buyer Parent or its Representative may make recommendations to Seller with respect to such matters.

SECTION 5.18 Policyholder Lists. After the date of this Agreement, neither Seller nor any of its Affiliates (including, prior to the Closing, the Acquired Companies) shall share or provide any policyholder or similar information with respect to the Business 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 practices of the Acquired Companies.

SECTION 5.19 Acquisition Proposals. 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 shall not, and shall cause its Subsidiaries and its and their respective Representatives not to, directly or indirectly (a) solicit, initiate, knowingly encourage, facilitate or accept any inquiries, proposals, offers or other indications of interest by or from any Person with respect to: (i) any acquisition, purchase or other transaction involving the direct or indirect sale or transfer of all or any substantial part of the Business or the Allocated Assets (excluding sales of Investment Assets and the entry into the consummation of, or the making of payments under, any hedging transaction) or the equity interests of the Acquired Companies, or (ii) any merger, consolidation, business combination, reorganization, dissolution, recapitalization or similar transaction involving the Acquired Companies (each, an "Acquisition Proposal"), but excluding, in each case, this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, or (b) participate in any discussions or negotiations with respect to, or furnish or confirm any information to any Person in connection with, an Acquisition Proposal. In the event that Seller, an Acquired Company or any Affiliate of Seller or the Acquired 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 Parent 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. For the avoidance of doubt, any inquiries, proposals, offers or indications of interest or other agreements relating to any Permitted Transaction shall not be considered an Acquisition Proposal hereunder.

SECTION 5.20 Insurance.

(a) With respect to events or circumstances relating to the Acquired Companies that occurred or existed prior to the Closing Date that are covered by occurrence-based insurance policies and resulting in a loss or liability to the Acquired Companies or Buyer Parent or any of its other Subsidiaries after the Closing, the Acquired Companies may, to the extent permitted thereunder and to the extent of such loss or liability, make claims under such policies so long as such claims are not reasonably expected to result in non-*de minimis* increased costs or Liabilities to Seller or any of its Affiliates. Seller shall, and shall cause its Affiliates to, provide reasonable cooperation and assistance in the pursuit of such claims.

(b) With respect to any open claims against the insurance policies of Seller or any of its Affiliates (other than the Acquired Companies) relating to losses suffered by the Acquired Companies prior to the Closing Date that are not Excluded Liabilities and for which either (x) the applicable insured asset has been reflected on the Final Closing Statement without giving effect to the full impairment or loss of value resulting from the insured loss or (y) a receivable in respect of such claim is reflected on the Final Closing Statement, Seller shall (i) use reasonable best efforts to pursue such claims and shall reasonably cooperate with and assist Buyer Parent and its Affiliates in doing the same and (ii) remit to Buyer all proceeds realized from such claims; provided, that no Buyer Indemnified Person has been indemnified with respect to such amounts under Article VII.

SECTION 5.21 Additional FA Contracts. Upon written notice delivered by Seller to Buyer Parent at least 45 days prior to the Closing, Seller, in its sole discretion, may elect to cede the FA Contracts written by SLD and VRIAC that are identified in the Actuarial Reports (the "Additional FA Contracts") to Reinsurer. In the event that Seller elects to cede the Additional FA Contracts to Reinsurer, at the Closing, (a) Reinsurer shall enter into a reinsurance agreement with each of SLD and VRIAC, substantially in the form of the RLI FA Business Reinsurance Agreement, and SLD and VRIAC shall pay an amount equal to the absolute value of the ceding commission to Reinsurer set forth on Schedule 5.21; provided, however, that upon written notice delivered by Buyer Parent to Seller 10 days after receiving the notice described above from Seller, Reinsurer may, in its sole discretion, offer to ALRe and ALRe may elect that the Additional FA Contracts be ceded to Alternate Reinsurer instead of Reinsurer, and in such event, Alternate Reinsurer shall enter into a reinsurance agreement with each of SLD and VRIAC, substantially in the form of the Alternate RLI Business Reinsurance Agreement, and SLD and VRIAC shall pay the absolute value of the ceding commission to Alternate Reinsurer set forth on Schedule 5.21, and (b) the Company shall enter into an administrative services agreement, in the form of the RLI Retained Business Administrative Services Agreement, with each of SLD and VRIAC, pursuant to which, upon the terms and subject to the conditions set forth therein, the Company will provide to each of SLD and VRIAC administrative services with respect to the business of SLD and VRIAC related to the Additional FA Contracts, including cancelling, reinsuring and administering the Additional FA Contracts reinsured under the applicable reinsurance agreement entered into by Reinsurer or ALRe, as applicable, and each of SLD and VRIAC, as applicable (and SLD, VRIAC and the Company shall not enter into the SLD Administrative Services Agreement or the VRIAC Administrative Services Agreement, as applicable).

SECTION 5.22 Restructuring; Transaction Agreements. Prior to the Closing, and subject to its receipt of the approvals contemplated in Section 3.5, (i) Seller shall, and shall cause its Affiliates, to enter into the Restructuring Agreements and (ii) Seller shall not, and shall cause its Affiliates not to, make any change or modification to the form of the CBVA Recapture Agreement or the form of any of the Restructuring Agreements that, individually or in the aggregate with other changes or modifications, (A) adversely affects Buyer Parent, Reinsurer

Parent or any of their respective Affiliates or the Business or any Acquired Company (after giving effect to the Pre-Sale Transactions) or (B) prevents, impairs or delays the consummation of the transactions contemplated by, or the performance of any party's obligations under, the Transaction Agreements, in either case, without the prior written consent of Buyer Parent.

SECTION 5.23 CTE95 Reports. Seller shall prepare and deliver to Buyer Parent by the tenth (10th) Business Day of each calendar month between the date hereof and the Closing Date, and Buyer Parent shall prepare and deliver to Seller by twelfth (12^{th}) Business Day of each calendar month between the date hereof and the Closing Date, a report (each, an "Interim CTE95 Report") setting forth such party's calculation of the Required Adjusted Book Value as of the end of the immediately preceding month. Each Interim CTE95 Report delivered by Seller shall include Milliman's calculation of the CTE95 Amount as of the end of such prior month. Seller shall cause Milliman to calculate each such CTE95 Amount using the same CTE95 Model used for purposes of calculating the CTE95 Amount included in the Reference Closing Statement and in accordance with the CTE95 Model and Calculation Methodologies. Buyer Parent and Seller shall, and Buyer Parent shall cause Milliman to, each cooperate with each other in the preparation of the Interim CTE95 Reports, including providing all relevant information necessary to prepare such reports, including all information provided to Milliman by Seller or its Affiliates in connection with Milliman's preparation of the applicable Interim CTE95 Report or that Buyer Parent may otherwise reasonably request. Buyer Parent and Seller shall, and Seller shall cause Milliman to, use their reasonable best efforts to resolve any differences and to correct any errors or mistakes in the preparation of, and any inaccuracies reflected in, their respective Interim CTE95 Reports.

SECTION 5.24 Migration and Separation.

(a) Between the date hereof and the Closing Date, Seller and Buyer Parent shall, and shall cause their respective Affiliates and Representatives to, discuss in good faith and cooperate and use reasonable best efforts to develop and implement a written migration plan based on the services necessary and targeted budget of $65,000,000 which sets forth steps required (i) to make an orderly separation of the Business, including Business IT Systems, following the Closing from that of the Excluded Business and other businesses of Seller and its Affiliates and (ii) for integration and migration of the Business, including required Business IT Systems, following the Closing or the end of a Service Term (as defined in the Transition Services Agreement) for a Scheduled Service (as defined in the Transition Services Agreement) provided under the Transition Services Agreement, as applicable, into the business and operations of Buyer Parent (including the Acquired Companies).

(b) All Separation and Migration Costs shall be borne 50% by Seller and 50% by Buyer Parent until the aggregate amount of all such Separation and Migration Costs equals $65,000,000 (the maximum aggregate liability of Seller under this Section 5.24(b) shall not exceed $32,500,000, and Buyer Parent will bear 100% of such Separation and Migration Costs that are in excess of $65,000,000). For the avoidance of doubt, the limitations set forth in this Section 5.24(b) shall not apply with respect to the third-party consent costs required to be obtained by Seller and its Affiliates to allow Seller and its Affiliates to perform services under the Transition Services Agreement and such third-party consent costs shall be borne 50% by Seller and 50% by Buyer Parent as described in Section 2.7 of the Transition Services Agreement, and, for clarity (i) such third-party consent costs are not Separation and Migration Costs and (ii) shall not be taken into account in determining whether such limitations under this Section 5.24(b) have been exceeded. If this Agreement is terminated for any reason and the Closing does not occur, each party shall promptly reimburse the other for any amounts previously paid by such other party that the first party is required to bear pursuant to this Section 5.24(b) and that it has not previously paid. If the Closing occurs, Seller may, after the Closing, choose to pay the aggregate remaining amount it is required to bear pursuant to this Section 5.24(b) by making equal quarterly installment payments to Buyer Parent over the first year after the Closing.

SECTION 5.25 Hedging Arrangements. Seller and Buyer Parent shall follow the hedging protocol set forth on Schedule 5.25. All costs and expenses relating to the termination of any hedging arrangements shall be reflected in the Estimated Total Adjusted Book Value and the Final Total Adjusted Book Value or otherwise be borne by Seller or its Affiliates (other than the Acquired Companies).

SECTION 5.26 Deregistration of the Company. Between the date hereof and Closing (with effect prior to the Effective Time), Seller shall use its best efforts, and shall cause the Company and its Affiliates as applicable to use their best efforts, to cause any Insurance Contracts and fixed or fixed index investment options under variable Insurance Contracts, as appropriate, currently registered with the SEC on Forms S-1 or S-3 to become exempt from registration under the Securities Act, pursuant to Section 3(a)(8) thereof by amending such Insurance Contracts in substantially the form attached hereto as Exhibit S, and to take such other steps as may be necessary to obtain all necessary Governmental Approvals related thereto, and, promptly upon obtaining such approvals, to use its best efforts to cause the Company, as of the Closing Date, to be exempt from the duty under Section 15(d) of the Exchange Act to file reports required by Section 13(a) of the Exchange Act (the "Company Deregistration").

SECTION 5.27 Bank Accounts. To the extent any individual other than a Business Employee at the Closing has authority to draw on or has access to the bank, savings, deposit or custodial accounts and safe deposit boxes maintained by the Acquired Companies, Seller and its Affiliates shall remove, effective as of the Closing, such individual's authority unless otherwise directed in writing by Buyer Parent.

SECTION 5.28 Transition Services Agreements; Final Transaction Agreements. Other than with respect to the terms relating to the payment of amounts under the Transition Services Agreement as contemplated thereby, between the date hereof and the Closing, Seller and Buyer Parent shall, and shall cause their respective Affiliates and Representatives to, use reasonable best efforts to work together in good faith to (i) negotiate and complete the services schedules to the Transition Services Agreement and (ii) negotiate the terms of each other Transaction Agreement and other document required or contemplated to be delivered in connection with the transactions contemplated by this Agreement that is not attached to this Agreement in substantially final form, including all exhibits, annexes and schedules thereto, including the LLC Agreement, the Investment Management Agreements and the Real Property Transfer Agreements. The parties agree that the services schedules attached to the form of Transition Services Agreement that is attached to this Agreement indicate the scope and other terms of certain services that will be finalized after the date hereof and prior to the Closing Date. Such services shall be sufficient to cause the representations and warranties set forth in Section 3.22 to be true and correct as of the Closing Date. As soon as practicable following the date hereof, each of Seller and Buyer Parent shall appoint a representative, who shall be the authorized representative of that party and empowered to act on its behalf in connection with the Transition Services Agreement and the matters described in this Section 5.28. Each of Buyer Parent and Seller shall use reasonable best efforts to ensure that its appointed representative, together with its functional leaders for each transition service under the Transition Services Agreement, attend a review meeting, in person or by telephone, within ten (10) Business Days following the date hereof, and thereafter until the Closing, whether in person or by telephone, on a weekly basis (or as the parties may mutually agree, more frequently than a weekly basis) and at such places, times and dates as the parties mutually agree, in order to finalize the services schedules to the Transition Services Agreement. The parties shall endeavor to resolve in good faith any disputes or conflict arising from or relating to the details of the aforementioned services schedules and the other matters described in this Section 5.28, failing which either party may submit such dispute to Marc Rowan and Rodney O. Martin, Jr. for resolution prior to Closing.

SECTION 5.29 Release. Seller (on behalf of itself and its Affiliates other than the Acquired Companies) shall, and hereby does, effective as of the Closing, release, waive and forever discharge each Acquired Company and each of its directors, officers, employees, Affiliates, agents and representatives from any and all actions, suits, debts, liens, sums of money, accounts, judgments, claims and demands whatsoever, at law or in equity, either in contract or in tort, whether known or unknown, on account of, arising out of or relating to or resulting from any Contract, transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed, was taken or expressly permitted prior to the Closing; provided, however, that nothing in this Section 5.29 shall release, waive or discharge any actions, suits, debts, liens, sums of money, accounts, judgments, claims and demands whatsoever, at law or in equity, either in contract or in tort, whether known or unknown, on account of arising out of this Agreement, any other Transaction Agreement, the Surplus Note or any of the Contracts contemplated to survive the Closing as specifically set forth in Section 5.6 of the Seller Disclosure Schedule.

SECTION 5.30 New Services Company.

(a) Prior to the Closing, Seller shall, or shall cause its Affiliates to, use its reasonable best efforts to form a wholly owned subsidiary corporation organized under the laws of the State of Delaware for the sole purpose of accepting the transfer of the employment relationships of the Covered Employees immediately prior to the Closing pursuant to Section 5.12 (the "Services Company"). Seller shall cause Services Company not to conduct any business or perform any activities except activities relating to its formation and activities it is contemplated to take under this Agreement.

(b) The Parties acknowledge and agree that, notwithstanding anything to the contrary in this Agreement, (i) Services Company has not been formed as of the date hereof, (ii) upon formation, Services Company shall be deemed an "Acquired Company" hereunder, and (iii) within five (5) Business Days following the date of formation of Services Company, Seller shall deliver to Buyer Parent the information required to be disclosed in Section 3.2(a) with respect to an Acquired Company for Services Company.

(c) Seller shall, and shall cause its Affiliates to, provide such information and cooperation as is reasonably requested by Buyer Parent from time to time (including claims history) to ensure that Services Company has all of the systems and procedures in place as of the Closing in order to employ the Covered Employees (e.g., establish a payroll system, employee benefit plans, etc.) from and after the Closing.

SECTION 5.31 Alternate Reinsurer. Upon written notice delivered by Buyer Parent to Seller prior to the filing of the Form A application referenced in Section 5.4(b)(i), Reinsurer Parent, in its sole discretion, may elect to offer to ALRe the opportunity to act as the reinsurer of the FA Contracts pursuant to the terms of this Section 5.31. In the event ALRe so elects, ALRe shall, operating from outside the United States, and in conformity with its operating guidelines, negotiate and enter into agreements with the Company and RLI substantially in the form as follows, with such changes as are mutually acceptable to the relevant parties: (i) a modified coinsurance agreement attached hereto as Exhibit O (the "Alternate Company FA Business Reinsurance Agreement"); and (ii) a modified coinsurance agreement with RLI, attached hereto as Exhibit Q (the "Alternate RLI FA Business Reinsurance Agreement" and together with the Alternate Company FA Business Reinsurance Agreement, the "Alternate FA Business Reinsurance Agreements"). In the event of any such election, Reinsurer shall have no obligations whatsoever under this Agreement or to enter into any Company FA Business Reinsurance Agreement or the RLI Business Reinsurance Agreement, and, other than in this Section 5.31, all references herein to the "Reinsurer" shall be deemed a reference to ALRe, all references to the "FA Business Reinsurance Agreements" shall be deemed a reference to the "Alternate FA Business Reinsurance Agreements," all references to the "Company FA Business Reinsurance Agreement" shall be deemed a reference to the "Alternate Company FA Reinsurance Agreement," all references to the "RLI FA Business Reinsurance Agreement" shall be deemed a reference to the "Alternate RLI FA Reinsurance Agreement" and each Alternate FA Business Reinsurance Agreement shall be deemed to be a "Transaction Agreement" hereunder. For the avoidance of doubt, neither Seller nor any of its Affiliates shall be responsible for any direct or indirect out-of-pocket costs (including, without limitation, any excise taxes, or other fees, expenses or costs) related to the Alternate FA Business Reinsurance Agreements or the cession of the FA Business to ALRe pursuant to this Section 5.31 that are in excess of the direct or indirect out-of-pocket costs that would reasonably have been expected to be incurred had no election been made pursuant to this Section 5.31.

SECTION 5.32 FA Reinsurance Timing. Upon written notice delivered by Buyer Parent to Seller prior to the filing of the Form A application referenced in Section 5.4(b)(i), Reinsurer, in its sole discretion, may elect for the reinsurance of the FA Business to be consummated after the Closing on the Closing Date (for the avoidance of doubt, whether it is consummated with the Reinsurer or the Alternate Reinsurer pursuant to Section 5.31). If Reinsurer so elects, the transactions contemplated by Section 2.1(c) shall occur on the Closing Date after the Closing; provided, however, that the provisions of Article II (including, without limitation, the calculation of the items set forth on the Estimated Closing Statement and the calculation of the amounts pursuant to Section 2.4) shall be applied as if the FA Business was reinsured to Reinsurer prior to the Closing as described in Section 2.2(c).

SECTION 5.33 Minimum DSL Net Capital Amount.

(a) Prior to the date on which the Estimated Closing Statement is required to be delivered, Seller shall, or shall cause its Affiliates to, if necessary, contribute to DSL an amount such that the Estimated DSL Net Capital Amount is not less than the Minimum DSL Net Capital Amount; provided, that in no event shall Seller or any of its Affiliates be required to contribute more than the sum of (i) $4,000,000 and (ii) the aggregate amount of any dividends or distributions made pursuant to Section 5.33(b).

(b) Between the date hereof and the Closing Date, Seller shall, and shall cause its Affiliates to, use reasonable best efforts to obtain all necessary approvals from FINRA and other applicable Governmental Entities to permit DSL to pay one or more dividends or make one or more other distributions of capital held by DSL to VRIAC such that, at the Effective Time, the Estimated DSL Net Capital Amount will equal the Minimum DSL Net Capital Amount. Subject to the receipt of such required approvals, Seller shall cause DSL to make such dividends or other distributions to VRIAC prior to the Closing Date.

(c) Prior to the final determination of the Final DSL Net Capital, Buyer Parent shall not, and shall cause its Affiliates not to, make any dividend or other distribution of capital from DSL. If the Final DSL Net Capital is greater than the DSL Closing Payment, Buyer Parent shall use its best efforts, as promptly as reasonably practicable after the final determination thereof pursuant to Section 2.4, to cause DSL to (i) obtain all necessary approvals (if any) from FINRA and other applicable Governmental Entities to permit DSL to pay or make one or more dividends or other distributions of excess capital held by DSL to its parent company in the amount of such excess and (ii) after receipt of such regulatory approvals (if necessary), promptly to pay or make such dividend or distribution. Promptly after any dividend or distribution is paid or made by DSL, Buyer Parent shall, or shall cause Buyer to, pay to Seller or its designee 100% of the amount of such dividend or distribution as additional purchase price for the DSL Interests until the total amount of payments pursuant to this Section 5.33(c) is equal to the excess of the Final DSL Net Capital over the DSL Closing Payment. Any such payment shall be treated as an adjustment to the amount paid for the assets of DSL as determined under Section 2.6(a) for federal and applicable state and local Tax purposes.

SECTION 5.34 Capital Contribution. Immediately after the Closing, Buyer Parent shall contribute to the Company an amount of capital that may not be less than zero and is at least equal to the Maximum Buyer Funding Amount minus the DSL Closing Payment.

SECTION 5.35 Communications Plan. Promptly following the date hereof, Seller shall communicate the items set forth in the communications plan attached hereto as Schedule 5.35 (the "Communications Plan") to each of the Producers set forth therein (the "Target Producers"). The parties shall, and shall cause their respective Affiliates to, cooperate in good faith in connection with any correspondence with the Target Producers regarding the transactions contemplated by this Agreement and the other Transaction Agreements following the date hereof. Following the date hereof and prior to the Closing, Seller and Reinsurer Parent or its designee shall have conference calls and in-person meetings no less frequently than quarterly to discuss updates regarding the transactions contemplated by this Agreement and the other Transaction Agreement, monitor production from Target Producers and plan to transition production to AAIA at the

Closing. Each party shall not, and shall cause each of their respective Affiliates not to, initiate any communication with the Target Producers regarding the transactions contemplated by this Agreement and the other Transaction Agreements other than in accordance with the Communications Plan or as otherwise agreed by the parties.

SECTION 5.36 Tax Opinions. The parties shall have received an opinion or opinions of counsel reasonably acceptable to each of them with respect to certain U.S. federal income Tax matters related to the transactions contemplated by this Agreement; provided, that if such opinion or opinions have not been received on or prior to the Closing Date (such nonreceipt, a "Tax Event"), then Buyer Parent shall exercise its rights under each of the Equity Commitment Letters and the Subscription Agreement to call additional capital in an aggregate amount equal to the Tax Event Amount. The occurrence of a Tax Event shall not result in or contribute to the failure of any of the closing conditions in Article VI to be satisfied.

SECTION 5.37 Investment Management Agreements. The parties shall, in Buyer Parent's discretion, work in good faith to obtain any desired consents to assign or otherwise transfer any agreements with any Person set forth on Section 5.37 of the Buyer Disclosure Schedule (each, an "Existing Third-Party") or to terminate such agreements. If any such agreements with Existing Third-Parties continue after the Closing, any management fees and performance compensation due to the Existing Third-Parties thereunder will be borne by Buyer Parent or its Affiliates. Additionally, to the extent that any existing agreement with an Existing Third-Party is terminated at the request of Buyer as of or prior to Closing, any termination fees resulting from such termination shall be split equally between Buyer Parent and Seller. If such termination occurs prior to the Closing, without Buyer's consent, then such termination fees shall be borne by Seller.

ARTICLE VI
CONDITIONS PRECEDENT

SECTION 6.1 Conditions to Each Party's Obligations. The obligations of Buyer Parent, Reinsurer Parent and Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following conditions:

(a) Approvals. All consents, approvals or authorizations of, declarations or filings with or notices to any Governmental Entity in connection with the transactions contemplated hereby, in each case that are set forth in Schedule 6.1(a), shall have been obtained or made and shall be in full force and effect and all waiting periods required by Applicable Law with respect thereto shall have expired or been terminated, in each case without the imposition of a Burdensome Condition with respect to the party asserting the failure of this condition; provided, however, that Seller shall not be entitled to assert that the condition set forth in this Section 6.1(a) is not satisfied due to the imposition of a Burdensome Condition on Buyer Parent or Reinsurer Parent and Buyer Parent and Reinsurer Parent shall not be entitled to assert that the condition set forth in this Section 6.1(a) is not satisfied due to the imposition of a Burdensome Condition on Seller.

(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 purchase and sale of the Shares or the DSL Interests, the consummation of the FA Business Reinsurance Agreements, the consummation of the Pre-Sale Transactions or any other material transaction contemplated by the Transaction Agreements shall be in effect.

(ii) No Actions brought by a Governmental Entity shall be pending before any Governmental Entity that would reasonably be expected to prevent the FA Business Reinsurance Agreements, the consummation of the Pre-sale Transactions or any other material transaction contemplated by the Transaction Agreements.

SECTION 6.2 Conditions to Obligations of Buyer Parent and Reinsurer Parent. The obligations of Buyer Parent and Reinsurer Parent, as applicable, to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) The fifth and sixth sentences of Section 3.2 shall be true, complete and correct in all respects as of the Closing Date as if made on the Closing Date, (ii) except as set forth in clause (i) of this Section 6.2(a), the Seller Specified Representations that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects, and the Seller Specified Representations that are not so qualified shall be true and correct in all material respects, in each case, as of the Closing Date as if made on the Closing Date (except to the extent any such representation or warranty speaks only as of an earlier date, in which event such representation or warranty shall have been so true and correct as of such date), and (iii) the other 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 the first sentence of Section 3.8) shall be true and correct in all respects as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation or warranty speaks only as of an earlier date, in which event such representation or 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 has not had, and would not, individually or in the aggregate, reasonably be expected to have, a Material Adverse Effect.

(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 Parent each of the documents required to be delivered pursuant to Section 2.5.

(d) Capital Shortfall. The Estimated Required Adjusted Book Value shall not exceed the sum of (i) the Estimated Total Adjusted Book Value plus (ii) the amount Buyer Parent is required to pay or cause Buyer to pay pursuant to Section 2.3(c) by an amount that is greater than the Maximum Seller Contribution.

(e) Buyer Parent-Specific Approvals. All consents, approvals or authorizations of, declarations or filings with or notices to any Governmental Entity in connection with the transactions contemplated hereby, in each case that are set forth in Schedule 6.2(e), shall have been obtained or made and shall be in full force and effect and all waiting periods required by Applicable Law with respect thereto shall have expired or been terminated, in each case without the imposition of a Burdensome Condition with respect to Buyer Parent or Reinsurer Parent.

(f) Material Adverse Effect. Since the date of this Agreement, there shall not have been any Effect that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect with respect to the Business or an Acquired Company.

SECTION 6.3 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) The Buyer Parent Specified Representations and the Reinsurer Parent Specified Representations that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects, and the Buyer Parent Specified Representations and the Reinsurer Parent Specified Representations that are not so qualified shall be true and correct in all material respects, in each case, as of the Closing Date as if made on the Closing Date (except to the extent any such representation or warranty speaks only as of an earlier date, in which event such representation or warranty shall have been so true and correct as of such date), and (ii) the other representations and warranties of Buyer Parent and Reinsurer Parent 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 as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation or warranty speaks only as of an earlier date, in which event such representation or 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 has not had, and would not, individually or in the aggregate, reasonably be expected to have, a material adverse effect on the ability of Buyer Parent and Reinsurer Parent to consummate any of the transactions contemplated by this Agreement and the other Transaction Agreements.

(b) Performance of Obligations of Buyer Parent and Reinsurer Parent. Buyer Parent and Reinsurer Parent 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 Parent and Reinsurer Parent shall have delivered or caused to have delivered to Seller each of the documents required to be delivered pursuant to Section 2.5.

(d) Excess Capital. The sum of (i) the Estimated Total Adjusted Book Value plus (ii) the amount Buyer Parent is required to pay or cause Buyer to pay pursuant to Section

2.3(c) shall not exceed the Estimated Required Adjusted Book Value by more than $600,000,000. In addition, the RRII Trust Shortfall Amount shall not exceed the sum of (A) $200,000,000 plus (B) the Company Asset Reduction Amount plus (C) the amount, if any, by which the purchase price for the Shares contemplated by Section 2.3(b) would, after giving effect to the CBVA Recapture and the other Pre-Sale Transactions, exceed $0 (without giving effect to the proviso set forth at the end of Section 2.3(b)).

ARTICLE VII
INDEMNIFICATION

SECTION 7.1 Survival of Representations, Warranties and Covenants.

(a) The representations and warranties of Seller, Buyer Parent and Reinsurer Parent 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 eighteen (18) months after the Closing Date; provided, that (i) the representations and warranties made in Sections 3.1 (Organization, Standing and Corporate Power), 3.2 (Capital Structure), 3.4 (Authority) and 3.23 (Brokers) and Sections 4.1(a) (Organization and Standing), 4.1(b) (Authority), 4.1(e) (Purchase Not for Distribution), 4.1(h) (Solvency), 4.1(i) (Brokers), 4.2(a) (Organization and Standing), 4.2(b) (Authority) and 4.2(g) (Brokers) shall survive until the date that is thirty (30) days after the expiration of the applicable statute of limitations, (ii) the representations and warranties made in Section 3.22 (Sufficiency of Assets) shall terminate on the date that is twenty-four (24) months after the Closing Date, (iii) the representations and warranties made in Section 3.30 (Tax Treatment of Insurance Contracts) shall terminate on the date that is thirty-six (36) months after the Closing Date (subject to the limitations set forth in Section 7.9), (iv) the representations and warranties made in Section 3.10 (Taxes) (other than the representations and warranties made in Section 3.10(i), (j), (l), (m), (p) and (q) (such representations and warranties, the "Surviving Tax Representations")) shall not survive the Closing, (v) the Surviving Tax Representations shall terminate on the date that is thirty (30) days after the expiration of the applicable statute of limitations and (vi) the representations and warranties set forth in Section 3.28 (CTE95 Model) shall survive until the Final Closing Statement is made final and binding on the parties in accordance with Section 2.4. 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 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) To the extent that it is to be performed after the Closing, each covenant in this Agreement will survive and remain in effect in accordance with its terms plus a period of six months thereafter, after which no claim for indemnification with respect thereto may be brought hereunder. All covenants in this Agreement that by their terms are required to be fully performed prior to the Closing shall survive and remain in effect for a period of eighteen (18) months after Closing, after which time no claim for indemnification with respect thereto may be brought hereunder.

SECTION 7.2 Indemnification.

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

(i) any breach or failure to be true of any representation or warranty of Seller made in this Agreement (other than those set forth in Sections 3.10, which shall be subject to indemnification under Section 8.1) or in any certificate furnished by a Seller Party in connection with this Agreement;

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

(iii) any Excluded Liability or the failure by Seller to pay for or discharge any Excluded Liability; or

(iv) any Employee Benefit Plan or any other arrangement that would be an Employee Benefit Plan if any Business Employee was a participant therein (but excluding any Liabilities for the Agent Deferral Plans and deferred compensation plans established pursuant to Section 5.12(k) to the extent reflected in the Final Total Adjusted Book Value).

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

(i) any breach or failure to be true of any representation or warranty of Buyer Parent made in this Agreement or in any certificate furnished by a Buyer Party in connection with the Closing; or

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

(c) Reinsurer Parent shall indemnify and hold harmless the Seller Indemnified Persons from and against any and all Indemnifiable Losses to the extent resulting from or arising out of:

(i) any breach or failure to be true of any representation or warranty of Reinsurer Parent made in this Agreement or in any certificated furnished by a Reinsurer Party in connection with the Closing; or

(ii) any breach or nonfulfillment of any agreement or covenant of Reinsurer Parent under this Agreement.

(d) For purposes of determining whether there has been a breach or failure to be true of any representation or warranty contained in this Agreement, and for calculating the amount of any Indemnifiable Losses under this Article VII, each representation and warranty contained in this Agreement (other than Sections 3.6(a), 3.8(ii), 3.9(a) and 3.13(a)(vii)) shall be read without regard to any materiality (including qualifiers as to "material," "materially," "in any material respect," "in all material respects" or other derivations of the word "material" used alone or in a phrase) or Material Adverse Effect qualifier contained therein.

SECTION 7.3 Certain Limitations.

(a) No party shall be obligated to indemnify and hold harmless its respective Indemnitees under Sections 7.2(a)(i) (in the case of Seller), Section 7.2(b)(i) (in the case of Buyer Parent) or Section 7.2(c)(i) (in the case of Reinsurer Parent) (i) with respect to any claim (or series of related claims arising from the same underlying facts, events or circumstances), unless such claim (or series of related claims arising from the same underlying facts, events or circumstances) involves Indemnifiable Losses in excess of $100,000 (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), (ii) unless and until the aggregate amount of all Indemnifiable Losses of the Indemnitees under such Section 7.2(a)(i) or such Sections 7.2(b)(i) and 7.2(c)(i) (which Indemnifiable Losses under Section 7.2(b)(i) and 7.2(c)(i) shall be aggregated for purposes of determining whether the Deductible and the Cap, each as defined below, have been exceeded), as the case may be, exceeds $10,000,000 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 Section 7.2(a)(i) or Sections 7.2(b)(i) and 7.2(c)(i), as the case may be, that is in excess of the Deductible, subject to the limitations set forth in this Article VII and (iii) the maximum aggregate liability of Seller, on the one hand, and Buyer Parent and Reinsurer Parent, collectively, on the other hand, to their respective Indemnitees for any and all Indemnifiable Losses under Section 7.2(a)(i), in the case of Seller, or Sections 7.2(b)(i) and 7.2(c)(i), in the case of Buyer Parent and Reinsurer Parent shall be $125,000,000 (the "Cap"); provided, however, that (A) none of the Threshold Amount, the Deductible or the Cap shall apply with respect to Indemnifiable Losses arising out of or resulting from any breach or failure to be true of any Seller Specified Representation, any Buyer Parent Specified Representation or any Reinsurer Parent Specified Representation and such Indemnifiable Losses shall not be taken into account in determining whether the Threshold Amount, the Deductible or the Cap have been exceeded, (B) the Threshold Amount and the Deductible shall not apply to Indemnifiable Losses arising out of or resulting from any breach or failure to be true of the representation and warranties set forth in Section 3.22 (Sufficiency of Assets) or Section 3.30 (Tax Treatment of Insurance Contracts) and such Indemnifiable Losses shall not be taken into account in determining whether the Threshold Amount or the Deductible have been exceeded and (C) except for Excluded Liabilities, the maximum aggregate liability of Seller to all Buyer Indemnified Persons for any or all Indemnifiable Losses under Section 7.2(a)(i) and 7.2(a)(ii) shall not exceed $500,000,000. In the event Seller is required to make a payment in respect of Indemnifiable Losses resulting from or arising out of breaches or failures to be true of any representations or warranties set forth in Section 3.30 (Tax Treatment of Insurance Contracts), the Cap shall be increased by the amount of such Indemnifiable Losses, up to a maximum of $20,000,000; provided that the maximum aggregate Liability of Seller with respect to Liabilities other than those resulting from or arising out of any breach of Section 3.30 (Tax Treatment of Insurance Contracts) shall continue to be as described above (and not increased by this sentence), and all other applicable limitations set forth in this Article VII shall apply with respect to Indemnifiable Losses resulting from or arising out of a breach or failure to be true of any representation or warranty set forth in Section 3.30 (Tax Treatment of Insurance Contracts).

(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(d) subsequent to an Indemnity Payment made by an Indemnitor to an 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 fifteen (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(d), that either (i) reduces the Indemnity Payments made by an Indemnitor prior to the time such payment is made or (ii) 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 thirty (30) 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, including by using reasonable best efforts to collect the maximum amount recoverable with respect thereto under any insurance or reinsurance coverage or other applicable source of recovery.

SECTION 7.4 Definitions. As used in this Agreement:

(a) "Buyer Parent Specified Representations" means the representations of Buyer Parent made in Sections 4.1(a) (Organization and Standing), 4.1(b) (Authority), 4.1(h) (Solvency), and 4.1(i) (Brokers).

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

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

(d) "Indemnifiable Losses" means any and all damages, losses, liabilities, obligations, Taxes, penalties, costs and expenses (including reasonable attorneys' fees and expenses); provided, that any Indemnity Payment (i) shall in no event include any amounts constituting consequential, special or punitive damages except to the extent (A) such types of damages are paid to a Third Party in connection with a Third-Party Claim, (B) such damages result from or arise out of any Excluded Liability or (C) in the case of consequential damages (other than as contemplated by the foregoing clause (A) or (B)), (1) such damages are recoverable under the laws of the State of New York, (2) the Indemnitee satisfies all elements necessary for proof of such damages under such laws and (3) such damages result from or arise out of the Business as currently conducted or the use for which any Allocated Asset is currently being used and shall not take into account any current or future plans for the Business following the Closing Date regardless of whether such plans are communicated to or known by Seller; and (ii) shall be net of any (A) amounts actually recovered (after deducting related reasonable costs and expenses and premium increases) by the Indemnitee for the Indemnifiable Losses for which such Indemnity Payment is made under any insurance policy (including pursuant to Section 5.20(a)), reinsurance agreement, warranty or indemnity or otherwise from any Person other than a party hereto or any Affiliate of a party hereto, with such recovered amounts reduced by the amount of the costs and expenses incurred by the Indemnitee in procuring such recovery and the costs of any premium increases as a result of such recovery, and the Indemnitee shall promptly reimburse the Indemnitor for any such amount that is received by it from any such other Person with respect to an Indemnifiable Losses after any indemnification with respect thereto has actually been paid pursuant to this Agreement, (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);

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

(f) "Reinsurer Parent Specified Representations" means the representations of Reinsurer Parent made in Sections 4.2(a) (Organization and Standing), 4.2(b) (Authority) and 4.2(g) (Brokers);

(g) "Seller Specified Representations" means the representations of Seller made in Sections 3.1 (Organization, Standing and Corporate Power), 3.2 (Capital Structure), 3.4 (Authority), and 3.23 (Brokers); and

(h) "Third Party Claim" means any claim, action, suit, or proceeding made or brought by any Person that is not a party to this Agreement or any Affiliate of any party to this Agreement. For the avoidance of doubt, claims, actions, suits or proceedings between or among parties to this Agreement or their respective Affiliates will not be Third Party Claims hereunder.

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 (but in no event later than thirty (30) days after becoming aware) thereof (a "Claim Notice") and such Claim Notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Indemnifiable Loss to the extent known and shall reference the specific sections of this Agreement that form the basis of such claim; provided, 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.

Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) calendar days 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 by giving written notice to the Indemnitee within thirty (30) days after its receipt of the Claim Notice with respect to such Third Party Claim, to assume the defense thereof with counsel selected by the Indemnitor and reasonably acceptable to the Indemnified Party and at the Indemnitor's expense. 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; provided, however, that, if the Indemnitee concludes based on the advice of outside counsel that a conflict in interest between the Indemnitor and the Indemnitee exists with respect to such Third Party Claim, the Indemnitor shall be liable for the reasonable out-of-pocket legal expenses of one counsel that are incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense in accordance with this Section 7.5(b), 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. 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 that 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, conditioned or delayed). If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed); provided, that the Indemnitor may pay, settle, compromise or discharge such a Third Party Claim without the written consent of the Indemnitee if such settlement (A) includes a complete and unconditional release of the Indemnitee from all liability in respect of such Third Party Claim, (B) does not subject the Indemnitee to any injunctive relief or other equitable remedy, and (C) 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 sum of (x) the Indemnitor's portion of the settlement amount included in such settlement offer and (y) the amount of expenses incurred by the Indemnitee prior to the time of and in connection with the proposed settlement to which it is entitled to indemnification, 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. Notwithstanding anything to the contrary in this Section 7.5, the Indemnitee (and not the Indemnitor) shall have the exclusive right to assume the defense and control of any Third Party Claim, if (I) the Indemnitee in good faith determines that the nature of the Third Party Claim is such that it would reasonably be expected to involve criminal liability being imposed on the Indemnitee or its Affiliates or (II) such Third Party Claim seeks an injunction or other equitable relief against the Indemnitee that the Indemnitee reasonably determines, after consultation with its outside counsel, cannot be separated from any related claim for money damages; provided that if such Third Party Claim seeks an injunction or equitable relief against the Indemnitee that can be separated from a related claim for money damages, the Indemnitor may only be entitled to assume control of the defense of such Third Party Claim for money damages.

(c)

(i) Notwithstanding anything in this Agreement to the contrary, Seller shall have the sole right to represent the interests of the Acquired Companies, and to employ counsel of its choice at its expense, in any audit or other examination or administrative or court proceeding relating to (i) Taxes for any Tax period ending on or before the Closing Date, for any Straddle Period, in each case for which Seller could be liable under Section 8.1 and (ii) Taxes described in Section 8.1(a)(vi); provided, that Seller shall use commercially reasonable efforts in representing the interests of the Acquired Companies, and shall not pay, discharge, settle, compromise, litigate, or otherwise dispose of any item subject to such Tax proceedings (i) relating to a Straddle Period or (ii) in a manner that could be reasonably expected to result in a post-Closing increase in Tax for which Seller would not be liable under Section 8.1 without obtaining the prior written consent of Buyer Parent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing and subject to Seller's rights set forth in the preceding sentence, Buyer Parent shall be entitled, at its expense, to participate in the conduct of any Tax audit and any judicial or administrative proceeding relating to any such Tax audit.

(ii) Notwithstanding anything in this Agreement to the contrary, Buyer Parent shall have the sole right to represent the interests of the Acquired Companies, and to employ counsel of its choice at its expense, in any audit or other examination or administrative or court proceeding relating to Taxes for any Tax period that begins after the Closing Date other than proceedings subject to control by Seller under Section 7.5(c)(i); provided, that Buyer Parent shall not pay, discharge, settle, compromise, litigate, or otherwise dispose of any item subject to such Tax proceedings for which Seller could reasonably expected to be liable under Section 8.1 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 Parent's rights set forth in the preceding sentence, Seller shall be entitled, at its expense, to participate in the conduct of any Tax audit and any judicial or administrative proceeding relating to any such Tax audit.

SECTION 7.6 Direct Claims. The Indemnitor will have a period of thirty (30) 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 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. The foregoing does not apply with respect to a breach or alleged breach of any representation or warranty set forth in Section 3.30, which will be governed by the terms of Section 7.9.

SECTION 7.7 Sole Remedy. The parties hereto acknowledge and agree that, except (i) equitable remedies that cannot be waived as a matter of law, (ii) in the event that a party is finally determined by a court of competent jurisdiction to have willfully and knowingly committed a fraud, with the intent to deceive or mislead any other party, regarding such party's representations, warranties, covenants or other agreements set forth in this Agreement or in any certificate furnished in connection with the Closing, (iii) as set forth in Section 10.7(b) or (iv) as otherwise specifically provided herein or in any other Transaction Agreement, if the Closing occurs, their sole and exclusive remedy following the Closing with respect to any and all claims for monetary relief 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.

SECTION 7.8 Certain Other Matters.

(a) Upon making any Indemnity Payment, Indemnitor will, to the extent of such Indemnity Payment, be subrogated to all rights of Indemnitee against any third Person (other than any Tax authority or any Affiliate of the Indemnitee, including the Acquired 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.

(b) The rights and remedies of any party in respect of any inaccuracy or breach of any representation, warranty, covenant or agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts or circumstances upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement as to which there is no inaccuracy or breach. The representations, warranties and covenants of Seller, and the Buyer Indemnified Persons' rights to indemnification with respect thereto, shall not be affected or deemed waived by reason of (and the Buyer Indemnified Persons shall be deemed to have relied upon the representations and warranties of Seller set forth herein notwithstanding) (i) any investigation made by or on behalf of any of the Buyer Indemnified Persons (including by any of its Representatives) or by reason of the fact that any of the Buyer Indemnified Persons or any of such Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate, regardless of whether such investigation was made or such knowledge was obtained before or after the execution and delivery of this Agreement or (ii) Buyer Parent's waiver of any condition set forth in Article VI. The representations, warranties and covenants of Buyer Parent, and the Seller Indemnified Persons' rights to indemnification with respect thereto, shall not be affected or deemed waived by reason of (and the Seller Indemnified Persons shall be deemed to have relied upon the representations and warranties of Buyer Parent set forth herein notwithstanding) (i) any investigation made by or on behalf of any of the Seller Indemnified Persons (including by any of its Representatives) or by reason of the fact that any of the Seller Indemnified Persons or any of such Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate, regardless of whether such investigation was made or such knowledge was obtained before or after the execution and delivery of this Agreement or (ii) Seller's waiver of any condition set forth in Article VI.

(c) Notwithstanding anything to the contrary in this Agreement, any claim for indemnification based on an actual or alleged breach or failure to be true of any representation or warranty set forth in Section 3.28 must be brought in the context of, and will be resolved pursuant to, the dispute resolution mechanics set forth in Section 2.4 with respect to the finalization of the Final Closing Statement and the related calculations. After the Final Closing Statement has become final and binding on the parties in accordance with Section 2.4, except for (i) equitable remedies that cannot be waived as a matter of law or (ii) in the event that a party is finally determined by a court of competent jurisdiction to have willfully and knowingly committed a fraud, with the intent to deceive or mislead any other party, regarding such representations and warranties, Seller and its Affiliates shall have no further Liability to any Buyer Indemnified Person for any Indemnifiable Loss or other Liability resulting from or arising out of any breach or failure to be true of the representations and warranties set forth in Section 3.28.

SECTION 7.9 Policy Tax Claims.

(a) The Buyer Indemnified Persons may bring a claim pursuant to Section 7.2(a) that relates to a breach of a representation or warranty under Section 3.30, even if no related Third Party Claim has first been asserted or made against the applicable Indemnified Party with respect thereto; provided, however, that any such claim with respect to which no Third Party Claim has previously been asserted (a "Direct Product Tax Claim") must be based on the reasonable and good faith determination by the applicable Indemnified Party that a breach of a representation or warranty under Section 3.30 has occurred. For the avoidance of doubt, nothing in this Section 7.9 shall, unless specifically provided herein, limit or otherwise restrict the right of any Buyer Indemnified Person to be indemnified under this Article VII for Indemnifiable Losses incurred, and for which a valid notice for indemnification was delivered, prior to the end of the survival period specified in Section 7.1(a) with respect to the representations and warranties set forth in Section 3.30.

(b) For the avoidance of doubt, the amount of any Indemnifiable Loss with respect to any claim for indemnification with respect to a breach of any representation or warranty set forth in Section 3.30 shall include, without limitation, costs and expenses reasonably incurred by the applicable Indemnified Party to correct or repair any information technology to avoid a recurrence of the circumstances that provided the basis for such claim (provided such circumstances would reasonably be expected to arise with respect to the administration of policies or contracts administered as of the Closing Date).

(c) If any Buyer Indemnified Person brings a Direct Product Tax Claim, Seller and the applicable Indemnified Party shall cooperate in good faith to determine whether any breach of a representation or warranty under Section 3.30 has occurred and, if necessary, to develop corrective measures that are reasonable, practical, cost effective and efficacious, taking into account all of the relevant facts and circumstances then applicable. If, with respect to a Direct Product Tax Claim, Seller and the applicable Indemnified Party cannot agree as to whether a breach of a representation or warranty under Section 3.30 has occurred, then (i) if Seller promptly (and in any event within 30 Business Days) after receiving a Claim Notice with respect to such Direct Product Tax Claim delivers or causes to be delivered to the applicable Indemnified Party an opinion addressed to such Indemnified Party and issued by a reputable nationally recognized law firm, accounting firm or actuarial firm that is familiar with analyzing matters of the type covered by the representations and warranties set forth in Section 3.30 to the effect that it is more likely than not that no such breach has occurred with respect to the Direct Product Tax Claim then in dispute, then (A) Seller shall not be required to indemnify the applicable Indemnified Party with respect to such disputed Direct Product Tax Claim, unless and until either a Third Party Claim with respect thereto subsequently arises, such opinion is subsequently withdrawn or qualified, the parties otherwise agree that such opinion is no longer controlling or such opinion is not subsequently reaffirmed or re-issued promptly upon the reasonable request by such Indemnified Party (other than as a result of a change in applicable Law) and (B) Seller shall, as provided under Section 7.2(a), indemnify the applicable Indemnified Party for any Indemnifiable Losses attributable to a breach of a representation or warranty under Section 3.30 (including any penalties or fees imposed by the IRS) arising out of or relating to any inaccuracy or incorrect conclusion set forth in such opinion or any delay in remediating the matter to which such Direct Product Tax Claim relates in reliance on such opinion and (ii) if Seller does not deliver or cause to be delivered to the applicable Indemnified Party any such opinion within such 30-Business Day period, then such breach of a representation or warranty set forth in Section 3.30 that is alleged by such Indemnified Party shall be deemed conclusively to have been established with respect to such Direct Product Tax Claim. If Seller and the applicable Indemnified Party cannot agree with respect to the appropriate reasonable, practical, cost-effective and efficacious corrective measures, the disagreement shall be resolved by a recognized law firm, accounting firm or actuarial firm mutually agreeable to the applicable Indemnified Party and Seller, and any such determination by such law firm, accounting firm or actuarial firm shall be final. Such law firm, accounting firm or actuarial firm shall render a determination within sixty days of the referral of such matter for resolution. The cost of engaging a law firm, accounting firm or actuarial firm pursuant to this Section 7.9(c) shall be borne 50% by Seller and 50% by the applicable Indemnified Party.

(d) In the event that the corrective measures described in this Section 7.9 with respect to any claim for indemnification for breach of any representation or warranty set forth in Section 3.30 include making any request to the IRS for relief with respect to such failure, the applicable Indemnified Party and Seller shall jointly participate in all discussions or other proceedings with the IRS, including attendance at meetings and joint approval of all written submissions. Seller shall control the decision of whether or not to enter into a closing agreement or other arrangement with the IRS in connection with such discussions or other proceedings; provided, that, if the closing agreement or other arrangement involves any admission that would reasonably be expected to form the basis of the determination of any future liability of the applicable Indemnified Party or any of its Affiliates, or any nonmonetary relief against or commitments by such Indemnified Party or any of its Affiliates, or otherwise restricts the future activity or conduct of such Indemnified Party or any of its Affiliates, then Seller may not enter into any such closing agreement or other arrangement without such Indemnified Party's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Should the applicable Indemnified Party decide to withhold its consent to Seller's entering into any closing agreement or other arrangement with the IRS, such Indemnified Party shall promptly communicate such decision in writing to Seller. Seller shall direct the Buyer Indemnified Persons to implement the appropriate corrective measures described in this Section 7.9, and Buyer Parent shall use its commercially reasonable efforts to implement such measures at Seller's direction and not take any actions that would contradict any such reasonable directions.

(e) For purposes of Sections 7.2(a) and 7.9, breaches of a representation or warranty under Section 3.30 will be determined without regard to any matter included in Section 3.30 of the Seller Disclosure Schedule.

ARTICLE VIII
TAX MATTERS

SECTION 8.1 Indemnification for Taxes.

(a) Seller shall indemnify and hold harmless the Buyer Indemnified Persons from and against any and all Indemnifiable Losses to the extent resulting from or arising out of the following:

(i) Taxes imposed on any Acquired Company, or for which any Acquired Company may otherwise be liable, as a result of having been a member of a Seller Group prior to the Closing (including Taxes for which any Acquired Company may be liable pursuant to Treasury Regulation § 1.1502-6 or similar provisions of state, local or foreign law as a result of having been a member of a Seller Group);

(ii) Taxes with respect to any Acquired Company for all Pre-Closing Tax Periods,

(iii) Taxes arising out of the Pre-Sale Transactions;

(iv) Taxes arising out of a breach or inaccuracy of the Surviving Tax Representations, other than any such breach or inaccuracy that is attributable to a retroactive change in Applicable Law between the date of this Agreement and the Closing Date;

(v) Taxes arising out of a breach of any covenant of Seller or its Affiliates (including the Acquired Companies, prior to the Closing Date) under Article V or this Article VIII, other than any such breach that is attributable to a retroactive change in Applicable Law between the date of this Agreement and the Closing Date;

(vi) Taxes imposed on Buyer Parent or its Affiliates after the Closing arising out of (i) any limitation or disallowance under Section 382 or 383 of the Code of any items of deduction or loss arising out of the Retained Hedge Losses or (ii) the Buyer Parent or its Affiliates (including the Company) not being able to utilize or recognize losses or deductions arising from the Retained Hedge Losses after the Closing as a result of the acceleration into current deductions or losses of the Retained Hedge Losses as a result of the transactions contemplated by this Agreement.

provided, however, (i) Seller shall not be liable for any Tax liability to the extent such Tax liability is taken into account in Total Adjusted Book Value and (ii) in the event Buyer Parent elects for the reinsurance of the FA Business to occur after the Closing, the transactions contemplated by the FA Business Reinsurance Agreements shall not be treated as Pre-Sale Transactions.

(b) Buyer Parent agrees to indemnify and hold harmless the Seller Indemnified Persons from and against any and all liabilities for Taxes that are not subject to indemnification by Seller pursuant to Section 8.1(a) to the extent resulting from or arising out of:

(i) Taxes imposed on any Acquired Company for all Post-Closing Tax Periods;

(ii) Taxes arising out of a breach of any covenant of Buyer Parent under this Article VIII.

(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 end 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) With respect to any partnership interest owned by an Acquired Company through a separate account, the items of income, gain, deduction, or loss arising from such partnership interest shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period in a manner that matches, as closely as reasonably practicable, the changes to the corresponding separate account reserves pursuant to Section 817 of the Code. With respect to any other partnership interest owned by an Acquired Company, the items of income, gain, deduction, or loss arising from such partnership interest shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period on a ratable basis consistent with the principles of Section 8.1(a)(c)(ii).

(iv) In the event Buyer Parent elects for the reinsurance of the FA Business to occur after the Closing on the Closing Date, the Tax consequences of such transactions shall be allocated to the Post-Closing Tax Period.

Notwithstanding any other provision of this Agreement, the Seller Indemnified Persons shall not be liable for (and Buyer Parent shall indemnify the Seller Indemnified Persons against) any Taxes resulting from any transaction or event that is outside the ordinary course of business and occurs after the Closing but on the Closing Date, unless such transaction or event is initiated by Seller or either Acquired Company before the Closing or occurs pursuant to the terms of this Agreement.

SECTION 8.2 Filing of Tax Returns.

(a)

(i) Seller shall prepare and timely file, or cause to be prepared and timely filed, all Consolidated Returns that include any Acquired Company, regardless of when such Tax Returns are required to be filed.

(ii) Seller shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns for the Acquired Companies for taxable periods that end on or before the Closing Date and that are required to be filed prior to the Closing Date (taking into account any extensions) other than Tax Returns described in Section 8.2(a)(i). Seller shall remit any Taxes due in respect of such Tax Returns.

(iii) Seller shall prepare, or cause to be prepared, (A) all Tax Returns for the Acquired Companies for taxable periods that end on or before the Closing Date and that are required to be filed after the Closing Date (taking into account any extensions) and (B) all Tax Returns for any Straddle Period, in each case other than Tax Returns described in Section 8.2(a)(i). Seller shall deliver any such Tax Return to Buyer Parent for Buyer Parent's review at least thirty (30) days (or, in the case of premium Tax Returns, ten (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 Straddle Period, shall accept all reasonable comments of Buyer Parent 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 Acquired Company, and (ii) in the case of any Tax Return relating to a taxable period ending on or before the Closing Date, shall consider in good faith making any changes to such Tax Return reasonably requested by Buyer Parent. To the extent consistent with Applicable Law, Buyer Parent shall, or shall cause the Acquired Companies to, file all Tax Returns for any Straddle Period on the basis that the relevant Tax period ended as of the Closing Date, unless the relevant Tax Authority will not accept a Tax Return filed on that basis. Buyer Parent shall file, or cause to be filed, all Tax Returns described in clause (A) or (B) hereof consistent within this Section 8.2(a)(iii).

(iv) From and after the Closing, upon reasonable request of Seller, Buyer Parent shall cause the Acquired Companies to provide Seller and its Affiliates in a timely fashion in accordance with past practice all filing information relating to the Acquired Companies reasonably necessary for the preparation and filing of the Consolidated Returns for taxable years or periods beginning before the Closing Date or any Tax Return described in Section 8.2(a)(iii). Seller shall compensate the Acquired Companies for reasonable out-of-pocket costs incurred in connection with providing the foregoing.

(v) All Tax Returns that Seller is required to file or cause to be filed in accordance with this Section 8.2(a) shall be prepared and filed in a manner consistent with past practice and with respect to ordinary course positions, 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 (including positions, elections or methods that would have the effect of deferring income to periods ending after the Closing Date or accelerating deductions to periods ending on or before the Closing Date), other than to the extent (i) required as a result of a change in Applicable Law, (ii) any such change from past practices, positions, elections or methods would not be reasonably expected to materially adversely affect an Acquired Company or (iii) Seller has obtained Buyer Parent's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Without limitation of the foregoing, Seller shall not take any position on any Tax Return required to be filed by it after the date hereof (whether originally filed or filed on an amended return) to the effect that the deferred losses from hedges of liabilities that are being taken into account under the agreed upon mark and spread method of accounting by the Company accelerate into current deductions or losses as a result of the transactions contemplated by this Agreement.

(vi) In the event that, as a result of a change in Applicable Law occurring after the date hereof, with respect to a Tax Return required to be filed by Seller pursuant to this Section 8.2(a), Seller is required to take a position for which there is no prior practice, make an election or select a method for the first time that is reasonably expected to materially adversely affect an Acquired Company, Seller shall consult with Buyer Parent prior to taking such position, making such election or selecting such method and shall not do so without Buyer Parent's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed.

(b) Unless required by Applicable Law, Buyer Parent shall not, and shall cause the Acquired Companies to not, take any action on or after the Closing Date (other than the transactions contemplated by this Agreement) that could be reasonably expected to result in an increased Tax of an Acquired Company attributable to a Pre-Closing Tax Period or an indemnity obligation (or increase in an indemnity obligation) of Seller under Section 8.1(a), without the prior written consent of Seller, which consent may not be unreasonably withheld, conditioned or delayed. Without limitation of the foregoing, unless required by a final determination Buyer Parent shall not, and shall cause the Acquired Companies to not, take any position to the effect that any items of deductions or loss attributable to Retained Hedge Losses accelerate into current deductions or losses as a result of the transactions contemplated by this Agreement or are limited or disallowed under Section 382 or 383 of the Code.

(c) Except to the extent otherwise required by Applicable Law, Buyer Parent 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 Acquired Companies relating in whole or in part to a Pre-Closing Tax Period.

(d) Each of Seller and Buyer shall reimburse the other party, as applicable, for the Taxes for which Seller or Buyer, as applicable, is liable pursuant to Section 8.1, but which are remitted in respect of any Tax Return to be filed by the other party pursuant to this Section 8.2 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 ten (10) days prior to the due date for paying such Taxes.

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 Acquired Companies for Taxes paid for any Pre-Closing Tax Period shall be the property of Seller; provided, however, to the extent such Tax Refund arises from the carryback of an item of deduction or loss from a Post-Closing Tax Period to a Pre-Closing Tax Period or was taken into account in Total Adjusted Book Value, such Tax Refund shall be property of Buyer Parent. If received by Buyer Parent or either Acquired Company, Buyer Parent shall, or shall cause the Acquired Companies to, pay such Tax Refund to which Seller is entitled under this Section 8.3 promptly to Seller, net of any Tax cost to Buyer Parent or any of its Affiliates attributable to the receipt of 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 7.5. Any additional Taxes resulting from the contest shall be indemnified in accordance with Section 8.1.

SECTION 8.4 Cooperation and Exchange of Information. Seller and Buyer Parent shall provide each other with such cooperation and information as either of them or their respective Affiliates may reasonably 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 contest in respect of Taxes (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 any Tax Authority. 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 Parent shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the Acquired Companies for each Tax period first ending after the Closing Date 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 (3) 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.

SECTION 8.5 Conveyance Taxes. Buyer Parent 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 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 or DSL Interests by Buyer Parent 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 paid one-half by Buyer and one-half by Seller.

SECTION 8.6 Miscellaneous.

(a) Each of Seller and Buyer Parent agrees that for U.S. federal income tax purposes, each of the Pre-Sale Transactions shall be treated as occurring in the taxable year of the period (or portion thereof) ending on the Closing Date; provided, however, in the event Buyer Parent elects for the reinsurance of the FA Business to occur after the Closing on the Closing Date, such transactions shall be treated as occurring on the day after the Closing Date for U.S. federal income tax purposes pursuant to the "next-day rule" of Treasury Regulation § 1.1502-76(b)(1)(ii)(B).

(b) Seller and Buyer Parent 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 Acquired Companies under this Article VIII and under other indemnity provisions of this Agreement as adjustments to (i) the amount in respect of the purchase and sale of the Shares contemplated by this Agreement, (ii) the amount in respect of the purchase and sale of the DSL Interests or Services Company contemplated by this Agreement, (iii) the Company Ceding Commission or (iv) the RLI Ceding Commission, as appropriate in each case, 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 Parent 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.

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

(e) Except for Sections 7.3, 7.4, 7.5 and 7.7, indemnification under this Agreement for or with respect to any Taxes of the Acquired Companies shall be provided exclusively in this Article VIII and the provisions of Article VII shall not apply. Notwithstanding the foregoing, (i) the provisions of Section 7.3(a) shall not apply to the provisions of this Article VIII, provided however, that (ii) Seller's liability arising out of Section 8.1(a)(vi) shall not exceed 21% of (A) the positive increase to the tax reserves in the deferred variable annuity business which is the subject of the CBVA Recapture and Amendment Agreement less (B) the absolute value of the decrease to the tax reserves in the payout annuity business which is the subject of the

CBVA Recapture and Amendment Agreement, in each case as of January 1, 2018 resulting from Section 13517 of the Tax Cuts and Jobs Act set forth in the Conference Agreement, dated as of December 15, 2017 (or any substantially similar provision of law).

(f) Should it be necessary, equitable adjustments will be made to prevent duplicate recovery for indemnification with respect to the same item.

(g) Any Tax Sharing Arrangement entered into by Seller or any Affiliate of Seller, on the one hand, and any Acquired Company, on the other hand, shall be terminated as to each Acquired Company on or prior to the Closing, and after the Closing the Acquired Companies shall not have any liability thereunder.

(h) Seller will file or cause to be filed a "Section 1.1502-36 Statement" (as defined in Treasury Regulation § 1.1502-36(e)(5)) with the timely filed U.S. federal consolidated income tax return for the consolidated group of which Seller is a member for the consolidated tax return year that includes the Closing Date substantially in the form of Schedule 8.6(h) hereto making a valid election pursuant to Treasury Regulation § 1.1502-36(d)(6)(i)(A) and (B) to (i) reattribute all or a portion of the tax attributes of the Acquired Companies described in Treasury Regulation § 1.1502-36(d)(6)(i)(B) immediately prior to the Closing other than the following Category C attributes: (x) deferred losses from hedges of liabilities that are being taken into account under the agreed upon mark and spread method of accounting, as identified by Buyer at least 30 days prior to the due date of the Tax Return to which such Section 1.1502-36 Statement will be attached, in an amount not to exceed $1.066 billion (such attributes, the "Retained Hedge Losses"), (y) previously capitalized amounts pursuant to Section 848 of the Code and (z) attributes arising from adjustments to tax reserves that will be reflected as items of income or deduction after the Closing Date pursuant to Section 807(f) of the Code or Section 13517 of the Tax Cuts and Jobs Act set forth in the Conference Agreement, dated as of December 15, 2017 (or any substantially similar provision of law) and (ii) to reduce members' bases in shares of such Acquired Company by the excess of the "attribute reduction amount" attributable to such Acquired Company over the amount reattributed pursuant to clause (i) (the "Section 1.1502-36 Election"). For the avoidance of doubt, the parties agree that (i) Seller shall make the Section 1.1502-36 Election in whatever form is necessary to avoid any reduction in the Category C Attributes referred to in clauses (x) through (z) above and the Category D attributes of the Acquired Companies; (ii) Seller shall reattribute to itself all deferred losses from hedges of liabilities that are being taken into account under the agreed upon mark and spread method of accounting in excess of the Retained Hedge Losses; and (iii) Seller shall reattribute to itself all Category A and Category B attributes of the Acquired Companies arising as a result of the transactions contemplated by this Agreement. Seller will deliver a copy of the Section 1.1502-36 Statement to Buyer Parent as soon as practicable following the filing of Seller's U.S. federal consolidated Tax Return. Seller and its Affiliates will not take any action that could be expected to result in a revocation of the Section 1.1502-36 Election.

(i) Neither Buyer Parent nor the Acquired Companies shall carryback to a Pre-Closing Tax Period any item of loss, deduction or credit or any net operating loss, net capital loss or other tax credit or benefit that is attributable to, arises from or relates to any taxable period (or portion thereof) commencing after the Closing Date; provided, however, that if Buyer is required under Applicable Law to carryback any such item and is not permitted by Applicable Law to waive such carryback, Buyer and Seller shall, reasonably and in good faith (taking into account potential benefits and detriments to Seller, Buyer and their respective Affiliates), consider any request by Buyer to amend a Tax Return filed by or with respect to the Company with respect to a Pre-Closing Tax Period (or take any other action reasonably required) in order to claim a Tax refund or other reimbursement attributable to such carryback and will pay to Buyer the net Tax benefits actually received by Parent, Seller or any of their Affiliates that are associated with such carryback (as determined taking into account (i) any costs, including any Taxes, attributable to the receipt of such refund or other reimbursement and (ii) the effect of such carryback on the Tax attributes of Parent, Seller and their Affiliates and any limitations on use of those attributes).

(j)

(i) In the event that, as a result of a change in Applicable Law occurring after the date hereof, (x) any of the representations and warranties made by Seller in Section 3.10 become materially inaccurate or untrue (without regard to any proviso or exception therein regarding changes in Applicable Law), (y) Seller would be in breach of its obligations under Section 5.1(a)(xiii) (without regard to any proviso or exception therein regarding changes in Applicable Law), or (z) Seller would be in breach of any of its obligations under this Article VIII (determined without regard to any proviso or exception regarding changes of Applicable Law) in a manner that is reasonably expected to materially adversely affect an Acquired Company, then Seller shall inform Buyer Parent as soon as reasonably practicable as to the nature of such change and the treatment under clause (x), (y), or (z) above.

(ii) At the Closing, Seller shall deliver to Buyer Parent a schedule setting forth the changes to Applicable Law occurring after the date hereof having any of the consequences described in clauses (x), (y) or (z) of this Section 8.6(j) and a description prepared in good faith setting forth in reasonable detail the consequences to the Acquired Companies of such changes ("Schedule 8.6(j)").

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 Parent 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, including, if applicable, its obligations under this Agreement to contest such order, injunction or decree;

(b) by Seller or Buyer Parent in writing, if the Closing has not occurred on or prior to October 1, 2018 (as it may be extended as contemplated below or by Section 10.8(b), the

"Outside Date"), unless the failure of the Closing to occur is the result of a material breach of this Agreement by the party seeking to terminate this Agreement; provided, that if on the Outside Date either of the conditions set forth in Section 6.1(a) or Section 6.1(b) has not been satisfied then, upon the written notice of either Seller to Buyer Parent or Buyer Parent to Seller, the Outside Date shall be extended to a date and time that is not later than 5:00 pm, New York City time, on January 2, 2019.

(c) by either Seller or Buyer Parent (but only so long as Seller or Buyer Parent, as applicable, is not in material breach of its obligations under this Agreement) in writing, if a breach of any provision of this Agreement that has been committed by the other party, or, in addition, in the case of Seller, by Reinsurer Parent, 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) 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 Seller if (i) all of the conditions to the obligations of Buyer Parent and Reinsurer Parent under this Agreement set forth in Section 6.1 or Section 6.2 have been satisfied (other than those conditions that by their terms are to be satisfied at the Closing; provided, that such conditions must be capable of being satisfied assuming, for this purpose, that the Closing Date were the date that valid notice of termination of this Agreement is delivered by Seller to Buyer Parent pursuant to this Section 9.1(d)), (ii) Seller has confirmed in writing to Buyer Parent and Reinsurer Parent that all of the conditions to Seller's obligations under this Agreement set forth in Section 6.1 or Section 6.3 (other than those conditions that by their terms are to be satisfied at the Closing; provided, that such conditions must be capable of being satisfied, assuming, for this purpose, that the Closing Date were the date that valid notice of termination of this Agreement is delivered by Seller to Buyer Parent pursuant to this Section 9.1(d)) have been satisfied or will be waived and that Seller is ready, willing and able to proceed with the Closing, and (iii) Buyer Parent fails to comply with its obligations under Article II to consummate the Closing (irrespective of whether Reinsurer Parent has paid the Estimated Ceding Commission) within the time specified in Section 2.2;

(e) (i) by Seller, by written notice to Buyer Parent within two (2) Business Days following the date on which the Closing would otherwise have occurred pursuant to Section 2.2 and has failed to occur for the second of any two consecutive months due, in each such month, solely to the failure of the condition set forth in Section 6.2(d) to be satisfied or waived by Buyer Parent, and in each of such consecutive months Seller provided written notice to Buyer Parent at least one (1) Business Day prior to the date on which the Closing would otherwise have occurred pursuant to Section 2.2 that all other conditions set forth in Article VI have been satisfied or waived (other than those other conditions that by their terms are to be satisfied at the Closing) and requesting that Buyer Parent waive the failure of the condition set forth in Section 6.2(d), or (ii) by Buyer Parent, by written notice to Seller within two (2) Business Days following the date on which the Closing would otherwise have occurred pursuant to Section 2.2 and has failed to occur for the second of any two consecutive months due, in each such month, solely to the failure of the condition set forth in Section 6.3(d) to be satisfied or waived by Seller, and in each of such consecutive months Buyer Parent provided written notice to Seller at least one (1) Business Day prior to the date on which the Closing would otherwise have occurred pursuant to Section 2.2 that all other conditions set forth in Article VI have been satisfied or waived (other than those other conditions that by their terms are to be satisfied at the Closing) and requesting that Seller waive the failure of the condition set forth in Section 6.3(d); or

(f) by mutual written consent of Seller and Buyer Parent.

SECTION 9.2 Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, this Agreement shall become null and void and of no further force and effect without liability of any party (or any Representative of such party) to the other parties to this Agreement; provided, that no such termination shall relieve a party from liability for any fraud or Willful Breach of this Agreement. Notwithstanding the foregoing, Section 1.1 (as applicable), Section 5.5, Section 5.16(b), Section 5.24(b), this Section 9.2 and Article X shall survive termination hereof pursuant to Section 9.1. If this Agreement is terminated pursuant to Section 9.1, (i) Buyer Parent shall return all documents received from Seller, its Affiliates and its Representatives relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to Seller and (ii) all confidential information received by Buyer Parent with respect to the Acquired Companies or the Business shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

ARTICLE X
GENERAL PROVISIONS

SECTION 10.1 Fees and Expenses.

(a) Except as provided below in this Section 10.1 and as otherwise provided in Section 5.4, Section 5.16(b), and Section 5.24(b), whether or not the transactions contemplated by this Agreement are 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 the Transaction Agreements and the consummation of the transactions contemplated thereby.

(b) In the event Seller terminates this Agreement pursuant to Section 9.1(c) as a result of a breach by Buyer Parent or Reinsurer Parent of their respective obligations under Section 5.4 or Seller terminates this Agreement pursuant to Section 9.1(d), then Buyer Parent shall pay Seller a nonrefundable fee in the amount of $105,000,000 (the "Termination Fee"), by wire transfer of same-day funds, no later than two (2) Business Days after such termination; provided, however, that any failure by any Control Investor to comply with the terms of Section 5.4 after the cure period set forth in the last sentence of Section 5.4(b)(ii) shall be deemed to be a breach by Buyer Parent of such provisions for purposes of (a) Seller's ability to terminate this Agreement pursuant to Section 9.1(c) and Buyer Parent's obligation to pay Seller the Termination Fee pursuant to this Section 10.1(b) and (b) the proviso in Section 9.1(a). In no event shall Buyer Parent be required to pay the Termination Fee on more than one occasion, whether or not the Termination Fee may be payable pursuant to more than one provision of this Agreement at the same or at different times and upon the occurrence of different events.

(c) In the event that Seller is entitled to receive the Termination Fee and Buyer Parent fails to timely pay all or any portion of the Termination Fee and, in order to obtain such payment, Seller commences an Action against Buyer Parent and obtains a final judgment in Seller's favor, Buyer Parent shall promptly reimburse Seller for all reasonable out-of-pocket fees and expenses incurred by Seller (including the reasonable and documented fees and expenses of all attorneys, consultants and other experts retained by Seller) in connection with collecting the Termination Fee up to a maximum of $3,000,000 (the "Recovery Costs").

(d) Notwithstanding anything in this Agreement to the contrary, if Buyer Parent or Reinsurer Parent breaches this Agreement or fails to perform any of its covenants, obligations or agreements hereunder (whether such breach or failure is willful (including a Willful Breach), material, intentional, unintentional or otherwise), the sole and exclusive remedies (whether such remedies are sought in equity or at law, in contract, in tort or otherwise) of Seller or any of its Affiliates against Buyer Parent, Reinsurer Parent, the Investors and any of their respective Affiliates for any losses, damages, costs, expenses, obligations or liabilities arising out of or resulting from any breach or failure to perform their obligations under this Agreement (or any breach of or failure to be true of any representation, warranty contained in this Agreement or any other Transaction Agreement, or any breach of any covenant, obligation or agreement contained in this Agreement or any other Transaction Agreement) or any failure of the transactions contemplated by this Agreement to be consummated, including the failure of any aspect of the Financing contemplated by the Financing Commitments, shall be (i) the right to obtain an injunction, specific performance or other equitable relief pursuant to and subject to the limitations of Section 10.7(b) and of the Financing Commitments pursuant to the terms thereof; and (ii) Seller's right to terminate this Agreement pursuant to Section 9.1(c) or Section 9.1(d) and (A) if this Agreement has been terminated in circumstances in which the Termination Fee is payable, receive (1) the Termination Fee and (2) all Recovery Costs in accordance with Section 10.1(c) or (B) if this Agreement has been terminated in circumstances in which the Termination Fee is not payable and (1) there has been any fraud by Buyer Parent with the intent to deceive or mislead Seller regarding Buyer Parent's representations, warranties, covenants or other agreements set forth in this Agreement or in any certificate furnished in connection with the Closing or a Willful Breach of this Agreement, recover monetary damages from Buyer Parent with respect to such fraud or Willful Breach or (2) there has been a breach by Buyer Parent or Reinsurer Parent of its covenant to reimburse Seller set forth in Section 5.16(b) or Section 5.24, recover monetary damages from Buyer Parent or Reinsurer Parent, as applicable, resulting from or arising out of such breach. Neither Buyer Parent nor Reinsurer Parent may avoid responsibility for any portion of the Termination Fee, the Recovery Costs in accordance with Section 10.1(c) or damages recoverable from Buyer Parent or Reinsurer Parent, in each case in circumstances in which such amounts are payable or recoverable, as applicable, arising out of or resulting from any breach or failure to perform by the other party, including that it did not breach or fail to perform under this Agreement. Notwithstanding anything in this Agreement to the contrary, in no event shall any of Buyer, Buyer Parent, Reinsurer Parent, Reinsurer, any Investor or any of their respective former, current or future directors, officers, employees, agents, general or limited partners, managers, members, stockholders, Affiliates or assignees or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder, Affiliate or assignee of any of the foregoing (collectively, the "Buyer Related Parties") have any monetary liability or obligations to Seller or any of Seller's Affiliates relating to or arising out of this Agreement, any Contract executed in connection herewith (including the Limited Guarantees or the Financing Commitments or any other Transaction Agreement) or any of the transactions contemplated hereby or thereby (or the abandonment or termination thereof) in excess of an aggregate amount equal to the sum of (x) the amount of the Termination Fee plus (y) the amount of the Recovery Costs for which Buyer Parent is obligated to reimburse Seller in accordance with Section 10.1(c), and none of Seller, its Affiliates or their respective representatives shall be entitled to bring or maintain any Action against any Buyer Related Party arising out of or in connection with this Agreement or any other Transaction Agreement or any of the transactions contemplated hereby or thereby (or the termination thereof) or any matters forming the basis for such termination except as provided in this Section 10.1(d), against each Sponsor, under, as and when required pursuant to the terms of the applicable Limited Guarantee, against Apollo, Reinsurer Parent and AAIA for performance of their respective obligations to fund their respective committed portions of the Financing solely in accordance with, and pursuant to the terms and conditions of, the applicable Financing Commitment. Buyer Parent and Seller acknowledge and agree that the agreements contained in this Section 10.1 are an integral part of the transactions contemplated by the Transaction Agreements, and that, without these agreements, Seller would not enter into this Agreement and that the Termination Fee is not a penalty, but rather is liquidated damages in a reasonable amount that will compensate Seller in circumstances in which the Termination Fee is paid for the efforts and resources expended and opportunities foregone while negotiating and seeking to consummate the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision.

(e) While Seller may pursue either a grant of specific performance in accordance with Section 10.7(b) or the payment of the Termination Fee and any Recovery Costs under Sections 10.1(b) and (c), under no circumstances will Seller be permitted or entitled to receive both (i) a grant of specific performance to cause the consummation of the transactions contemplated hereby following which the Closing occurs in accordance with this Agreement and (ii) any portion of the Termination Fee.

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):

if to Buyer Parent:

VA Capital Company LLC
9 West 57th Street
New York, NY 10019
Attention: John J. Suydam
Email: JSuydam@ApolloLP.com

and

VA Capital Company LLC
9 West 57th Street
New York, NY 10019
Attention: William B. Kuesel
Email: BKuesel@ApolloLP.com

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

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Perry J. Shwachman
Jonathan J. Kelly
Email: pshwachman@sidley.com
jjkelly@sidley.com

if to Reinsurer Parent:

Athene Holding Ltd.
96 Pitts Bay Road
Pembroke, HM08, Bermuda
Attention: John Golden, Executive Vice President, Legal
Email: legal@athene.com

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

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Perry J. Shwachman
Jonathan J. Kelly
Email: pshwachman@sidley.com
jjkelly@sidley.com

if to Seller:

Voya Financial, Inc.
230 Park Avenue, 13th Floor
New York, NY 10169
Attention: Patricia J. Walsh, EVP and Chief Legal Officer
Email: trish.walsh@voya.com

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

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: John M. Schwolsky
Rajab S. Abbassi
Facsimile: (212) 728-8111
Email: jschwolsky@willkie.com
rabbassi@willkie.com

Notice given by personal delivery, overnight courier or email (with confirmed receipt) shall be effective upon actual receipt.

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. All references herein to any agreement, instrument, statute, rule or regulation are to the agreement, instrument, statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, includes any rules and regulations promulgated under said statutes) and to any section of any statute, rule or regulation including any successor to said section. Any fact or item disclosed in any section of each of the Buyer Disclosure Schedule and Seller Disclosure Schedule shall be deemed disclosed in all other sections of such Disclosure Schedule to the extent the applicability of such fact or item to such other section of such Disclosure Schedule is reasonably apparent on its face. Disclosure of any item in the Buyer Disclosure Schedule or Seller Disclosure Schedule, as the case may be, 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, individually or in the aggregate, reasonably be expected to have 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. The word "or" shall not be exclusive except where the context otherwise requires. 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. Whenever the word "Dollars" or the "$" sign appear in this Agreement, they shall be construed to mean United States Dollars, and all transactions under this Agreement shall be in United States Dollars. 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 Agreements 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 Agreements. Except as set forth in (i) Section 5.10 with respect to the directors and officers referred to therein and (ii) Articles VII and VIII with respect to the Buyer Indemnified Persons and the Seller Indemnified Persons, this Agreement is not intended to 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), by either party without the prior written consent of the other party, 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.

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, 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, without the necessity of posting bond or other undertaking, 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 (including that Seller shall be entitled to cause Buyer Parent and its Affiliates to enforce their rights under the Financing Commitments or any definitive documents relating to the Financing), 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. If, prior to the Outside Date, any party hereto brings any Action in accordance with this Section 10.7(b) to enforce specifically the performance of the terms and provisions hereof by the other party, the Outside Date shall be automatically extended (i) for the period during which such action is pending, plus ten (10) Business Days or (ii) by such other time period established by the court presiding over such action, as the case may be.

(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) This Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer Parent, Reinsurer Parent and Seller in the case of an amendment, or in the case of a waiver, by the party hereto entitled to make such a 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.

(a) Buyer Parent and Reinsurer Parent acknowledge and agree that neither Seller nor any of its Affiliates (including the Acquired Companies), nor any Representative of any of them, makes or has made, and Buyer Parent and Reinsurer Parent have not relied on, any inducement or promise to Buyer Parent or Reinsurer Parent except as specifically made in this Agreement or in any other Transaction Agreement or any representation or warranty to Buyer Parent or Reinsurer Parent, oral or written, express or implied, other than as expressly set forth in Article III. Without limiting the foregoing, and without limiting the scope of the representations and warranties set forth in Article III, (i) no Person has made any representation or warranty to Buyer Parent or Reinsurer Parent with respect to the Acquired Companies, the Shares, the DSL Interests or any other matter, including with respect to (A) merchantability, suitability or fitness for any particular purpose, (B) the operation of the Acquired Companies by Buyer Parent or of the FA Business by Reinsurer and the Company after the Closing, (C) the probable success or profitability of the Acquired Companies or the Business after the Closing or (D) any information, documents or material provided to Buyer Parent and Reinsurer Parent, their respective 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 estimation, valuation, appraisal, projection or forecast with respect to the Acquired Companies or the Business and (ii) with respect to any such estimation, valuation, appraisal, projection or forecast, Buyer Parent and Reinsurer Parent each acknowledge that: (A) such estimations, valuations, appraisals, projections and forecasts are not and shall not be deemed to be representations or warranties of Seller or any of its Affiliates and (B) other than in the case of fraud, it shall have no claim against any Person with respect to any such valuation, appraisal, projection or forecast (it being understood that the foregoing shall not be deemed to limit any representation or warranty of Seller in Article III with respect to true, correct and complete copies of any such documents having been provided to Buyer Parent).

(b) Without limiting the foregoing, Seller makes no express or implied representation or warranty hereby or otherwise under this Agreement that the reserves held by or on behalf of the Company or otherwise with respect to the Business or the assets supporting such reserves have been 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.

(c) Buyer Parent and Reinsurer Parent each further acknowledges and agrees that it (i) has made its own inquiry and investigation into and, based thereon, has formed an independent judgment concerning the Acquired Companies and the Business, (ii) has been provided adequate access to such information as it has deemed necessary to enable it to form such independent judgment, (iii) has had such time as it deems necessary and appropriate fully and completely to review and analyze such information, documents and other materials and (iv) has been provided an opportunity to ask questions of Seller with respect to such information, documents and other materials and has received answers to such questions that it considers satisfactory. Buyer Parent and Reinsurer Parent further acknowledge and agree that neither Seller nor any of its Affiliates has made any representations or warranties, express or implied, as to the accuracy or completeness of, and that Buyer Parent, Reinsurer Parent and their respective Affiliates have made their investment decision with respect to the acquisition of the Shares and the DSL Interests without reliance upon, such information, documents and other materials other than the representations and warranties expressly set forth in Article III of this Agreement (including the Seller Disclosure Schedule), any other Transaction Agreement or any certificate delivered pursuant to the terms of this Agreement or any other Transaction Agreement.

SECTION 10.10 No Offset. 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 Agreement 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.

SECTION 10.12 Reinsurer Parent Matters. Notwithstanding anything to the contrary in this Agreement, (i) Buyer Parent's and Reinsurer Parent's obligations under this Agreement shall be several, but not joint and several, (ii) each of Buyer Parent and Reinsurer Parent shall only be responsible under this Agreement for its own representations, warranties, covenants and obligations (including indemnification obligations), (iii) Buyer Parent shall not be responsible for any representations, warranties, covenants or obligations (including indemnification obligations) of Reinsurer Parent under this Agreement and (iv) Reinsurer Parent shall not be responsible for any representations, warranties, covenants or obligations (including indemnification obligations) of Buyer Parent under this Agreement.

SECTION 10.13 Attorney-Client Matters.

(a) Recognizing that Willkie Farr & Gallagher LLP ("Willkie") has acted as legal counsel to Seller and certain of its Affiliates (including, prior to the Closing, the Acquired Companies) prior to the date hereof, and that Willkie intends to act as legal counsel to Seller and its Affiliates (which, following the Closing, shall not include the Acquired Companies), the Acquired Companies (i) hereby waive, on their own behalf and agree to cause their controlled Affiliates to waive, any conflicts that may arise in connection with Willkie representing Seller or its Affiliates after the Closing with respect to matters relating to the transactions contemplated hereby, and (ii) shall not, and shall cause their controlled Affiliates not to, seek to have or have Willkie disqualified from any such representation based on the prior representation of the Acquired Companies by Willkie.

(b) The Acquired Companies further agree that all communications in any form or format whatsoever between or among Willkie, Seller, or any of their respective Representatives, that result from or arise out of the negotiation, documentation and consummation of the transactions contemplated by this Agreement or any dispute arising under this Agreement (collectively, the "Deal Communications") shall be deemed to be retained and owned by Seller, shall be controlled by Seller and shall not pass to or be claimed by the Acquired Companies or any of their Affiliates. All Deal Communications that are attorney-client privileged (the "Privileged Deal Communications") shall remain privileged after the Closing and the privilege and the expectation of client confidence relating thereto shall belong solely to Seller, shall be controlled by Seller and shall not pass to or be claimed by the Acquired Companies or any of their Affiliates (including, following the Closing, Buyer Parent and its Subsidiaries). Notwithstanding the foregoing, if the Acquired Companies or any of their Affiliates (including, following the Closing, Buyer Parent and its Subsidiaries) intentionally or inadvertently come into possession of Privileged Deal Communications and in the event that a dispute arises between the Acquired Companies, on the one hand, and a third party other than Seller, on the other hand, the Acquired Companies may assert the attorney-client privilege to prevent the disclosure of the Privileged Deal Communications to such third party; provided, however, that the Acquired Companies may not waive such privilege without the prior written consent of Seller.

Remainder of page intentionally left blank.

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

VOYA FINANCIAL, INC.

By: ______________________________
Name: Rodney O. Martin, Jr.
Title: Chairman & Chief Executive Officer

VOYA FINANCIAL, INC.

By: ______________________________
Name: LARRY N. PORT
Title: SENIOR VICE PRESIDENT

VA CAPITAL COMPANY LLC

By: Apollo Principal Holdings I, L.P.
its member

By: Apollo Principal Holdings I GP, LLC
its general partner

By: W.B. Kuesel
____

Name: William Kuesel
Title: Vice President

ATHENE HOLDING LTD.

By: Frank G. Gillis
Name: Frank Gillis
Title: Executive Vice President

EXHIBIT A

LLC Agreement Term Sheet

[See attached.]

THIS DRAFT SUMMARY OF TERMS IS NON-BINDING AND DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES, AND IS FOR DISCUSSION PURPOSES ONLY. ANY BINDING AGREEMENT OR OFFER OR SOLICITATION TO SELL OR BUY SECURITIES WILL ONLY BE MADE PURSUANT TO FINAL AND DEFINITIVE DOCUMENTATION EXECUTED BY ALL PARTIES THERETO, DELIVERED IN ACCORDANCE WITH APPLICABLE LAW, INCLUDING SECURITIES LAWS, RULES AND REGULATIONS, INCLUDING THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND THE LAWS, RULES AND REGULATIONS OF SUCH OTHER JURISDICTIONS AS MAY APPLY.

VA CAPITAL COMPANY LLC
SUMMARY OF TERMS OF PROPOSED PRIVATE OFFERING AND PRINCIPAL TRANSACTION DOCUMENTS

The following term sheet (this "Term Sheet") summarizes the principal terms with respect to a proposed private offering of equity interests (the "Offering") of VA Capital Company LLC, a Delaware limited liability company ("InvestCo"), including a summary of the principal terms of certain transaction documents (the "Proposed Transaction Documents") that the parties will enter into with respect to the Offering. The Offering will be made available to certain eligible investors (as described below), as set forth in this Term Sheet and the Proposed Transaction Documents. This Term Sheet is intended for discussion purposes only and does not express, create or imply any definitive agreement regarding intent, and is not intended to and does not create any binding legal or equitable obligation. The parties agree that no liability shall arise upon any abandonment or restructuring of the proposals herein and do not intend to be bound until they enter into final and definitive agreements with respect to the Offering and other transactions described herein.

THE PROPOSED OFFERING	
Issuer:	InvestCo, a newly-incorporated Delaware limited liability company. InvestCo is being formed to invest in Venerable Holdings, Inc., a newly-incorporated Delaware corporation ("NewCo"), and other potential closed blocks of annuity businesses. NewCo plans to conduct its operations through Voya Insurance and Annuity Company, an Iowa life insurance company ("Indigo"), that will be acquired from Voya Financial, Inc. a Delaware corporation ("Voya"), in connection with the Indigo Transaction (defined below). Following the Indigo Transaction Closing (defined below), (a) except for shares of NewCo's common stock issued under the Management Incentive Plan (defined below), NewCo will be 100% owned by InvestCo and (b) Indigo will be 100% owned by NewCo.
Securities Offered:	Units representing InvestCo membership interests (collectively, the "Units"). All Units will be exactly the same, provided that certain voting rights associated with the Units held by either Crestview or Reverence, as applicable, may be restricted during the duration of an Investor Non-Approval Condition (as defined below), as described below under "Investor Non-Approval".[1]
Size of Offering:	Up to $515.7 million (with the initial capitalization as described further in the section titled "Capitalization" below).
Initial Capital Commitment:	The Unitholders (as defined below) shall commit to make capital contributions to InvestCo of up to the following amounts ("Committed Capital"):

[1] If the IID (as defined below) requires, instead of the contractual restrictions on voting and governance described in this Term Sheet that InvestCo have multiple classes of stock, one voting and one non-voting, then InvestCo shall have two classes of stock, voting and non-voting, but otherwise the same in all respects

	Unitholder: **Committed Capital** Apollo $ 118.3 million Athene $ 110.8 million Crestview $ 118.3 million Reverence $ 118.3 million Voya $ 50 million TOTAL $ 515.7 million provided, however, that if a DTA Avoidance Event[2] occurs, then each Unitholder's Committed Capital will be automatically adjusted downward such that each Unitholder's Committed Capital will be as follows: **Unitholder:** **Committed Capital** Apollo $ 100 million Athene $ 93.7 million Crestview $ 100 million Reverence $ 100 million Voya $ 42 million TOTAL $ 435.7 million The difference between the amount of a Unitholder's Committed Capital if a DTA Avoidance Event occurs and the amount of a Unitholder's Committed Capital if a DTA Avoidance Event does not occur is referred to herein as the "DTA Adjustment Amount". It is understood and agreed that the amount of Committed Capital of each Unitholder (other than Voya) in excess of (a) $114.3 million (or, in the case of Athene, $107.1 million) if no DTA Avoidance Event occurs, (b) $96 million (or, in the case of Athene, $90 million) if a DTA Avoidance Event occurs, or (c) in the case of either of the foregoing clauses (a) or (b), such lower amount equal to the amount to be funded by such Unitholder at the Indigo Transaction Closing and pursuant to any Regulatory Funding Requirement, in each case, shall be called solely for the payment of Transaction Expenses[3] in the event the IID prohibits Indigo or its subsidiaries from paying such expenses ("Excess Transaction Expenses"); provided, however, that Excess Transaction Expenses borne by any Unitholder shall not, in any event, exceed $4,000,000.00.

[2] For purposes of this term sheet, "DTA Avoidance Event" means the receipt by InvestCo of an opinion or opinions of counsel reasonably acceptable to it with respect to certain U.S. federal income tax matters related to the transactions contemplated by the Indigo Purchase Agreement on or prior to the date of the Indigo Transaction Closing.

[3] For this purpose, "Transaction Expenses" means all expenses incurred by Apollo, Athene, Crestview, Reverence or their respective Affiliates in conducting diligence, the negotiation, execution and delivery of the Indigo Purchase Agreement, their respective equity commitment letters, limited guarantees, subscription agreements, all other agreements contemplated hereby and thereby, the formation and organization of InvestCo and NewCo and otherwise in connection with the Indigo Transaction and the transactions contemplated hereunder, the acquisition of Indigo and related equity financing, including, without limitation, filing fees and fees and expenses of consultants, lawyers, tax, accounting and other advisors and agents; provided, that Transaction Expenses shall be subject to a mutually agreeable allocation as to what expenses are qualifying expenses to be borne by InvestCo to be agreed among Apollo, Athene, Crestview and Reverence.

<table>
<tr>
<td>Capitalization:</td>
<td>
The initial capitalization of InvestCo (subject to the Syndication rights described below), and excluding amounts funded in respect of Excess Transaction Expenses, as described below, is anticipated to be as follows:[4]

Units:

<table>
<tr><th>Unitholder:</th><th>Assuming $500 Million Purchase Price</th><th>Assuming $600 Million Purchase Price</th><th>Assuming $700 Million Purchase Price</th></tr>
<tr><td>Apollo</td><td>$ 80 million</td><td>$ 96 million</td><td>$ 96 million</td></tr>
<tr><td>Athene</td><td>$ 75 million</td><td>$ 90 million</td><td>$ 90 million</td></tr>
<tr><td>Crestview</td><td>$ 80 million</td><td>$ 96 million</td><td>$ 96 million</td></tr>
<tr><td>Reverence</td><td>$ 80 million</td><td>$ 96 million</td><td>$ 96 million</td></tr>
<tr><td>Voya</td><td>$ 35 million[5]</td><td>$ 42 million</td><td>$ 42 million</td></tr>
<tr><td>TOTAL</td><td>$ 350 million</td><td>$ 420 million</td><td>$ 420 million</td></tr>
</table>

Subordinated Notes:

<table>
<tr><th>Unitholder:</th><th>Assuming $500 Million Purchase Price</th><th>Assuming $600 Million Purchase Price</th><th>Assuming $700 Million Purchase Price</th></tr>
<tr><td>Athene</td><td>$ 150 million</td><td>$ 180 million</td><td>$ 180 million</td></tr>
<tr><td>Voya</td><td>$ 0</td><td>$ 0</td><td>$ 100 million</td></tr>
<tr><td>TOTAL</td><td>$ 150 million</td><td>$ 180 million</td><td>$ 280 million</td></tr>
</table>
</td>
</tr>
<tr>
<td>Participation:</td>
<td>The Offering is being made to a limited number of eligible investors, which, pursuant to a Subscription Agreement, will commit to purchase Units. To be eligible to purchase Units, a prospective investor must meet the definitions of (a) “qualified purchaser” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “<u>Investment Company Act</u>”)), and (b) an “accredited investor” (as defined in Rule 501 of the Securities Act of 1933, as amended).</td>
</tr>
<tr>
<td>Commitment Draw Timing:</td>
<td>All Committed Capital necessary to consummate the Transactions (including amounts necessary to reimburse each Unitholder’s pro rata share of Excess Transaction Expenses (based on equity ownership) and any DTA Adjustment Amount, if applicable) shall be drawn immediately prior to the Indigo Transaction Closing. Solely to the extent the Iowa Insurance Division (“<u>IID</u>”), prior to and as a condition to the Indigo Transaction Closing, specifies an additional amount of Committed Capital required to be reserved for future capital contributions to Indigo (a “<u>Regulatory Funding Requirement</u>”)[6], such amount may, subject to the following paragraph, be called by the InvestCo Board (as defined below) in order to fund such obligations in the</td>
</tr>
</table>

[4] Initial capitalization of InvestCo assumes a $500 million purchase price, subject to a potential up-size to a $700 million purchase price. For purchase prices between (i) $500 and $600 million, components of InvestCo’s initial capitalization will be between the amounts shown in the first and second columns (calculated on a straight-line basis) and (ii) $600 and $700 million, the individual components of InvestCo’s initial capitalization will be between the amounts shown in the second and third columns (calculated on a straight-line basis). This illustration assumes that a DTA Avoidance Event occurs. If a DTA Avoidance Event does not occur, the equity values for (A) each of Apollo, Crestview and Reverence (in each of the three columns) would increase by $18.3 million, (B) Athene (in each of the three columns) would increase by $17.1 million and (C) Voya (in each of the three columns) would increase by $8 million (and the values in the row labeled “Total” would increase correspondingly).

[5] Will be intentionally structured to be just less than 10%.

[6] The Unitholders will cooperate, and coordinate with the IID, to ensure a balance between funding Capital Commitments at Closing and future Regulatory Funding Requirements such that any amounts held in reserve in respect of the Regulatory Funding Requirement are subject to a reasonable commitment period.

	future as required by the IID (a "Regulatory Funding Event") (such Committed Capital shall be called *pro rata* based on the amount of Committed Capital of a particular Unitholder as compared to the aggregate amount of Committed Capital of all Unitholders), it being understood and agreed that in no event shall the aggregate total of the purchase price in the Transaction (exclusive of transaction costs and expenses) and any Regulatory Funding Requirement exceed \$700 million (inclusive of subordinated notes values). Each of Apollo, Athene, Crestview and Reverence agrees to reserve amounts for follow-on investments that would bring the combined amount of Committed Capital, considering the Committed Capital funded at the Indigo Transaction Closing, capital held pursuant to a Regulatory Funding Requirement and other reserved capital to \$118.3 million (and, in the case of Athene, \$110.8 million) (or, if a DTA Avoidance Event occurs, \$100.0 million and \$93.7 million, respectively). The parties agree that amounts of the Committed Capital funded pursuant to the Regulatory Funding Requirement or reserved capital up to \$118.3 million (and, in the case of Athene, \$110.8 million) (or, if a DTA Avoidance Event occurs, \$100.0 million and \$93.7 million, respectively) shall be funded at the original deal cost; provided, that, after the Indigo Transaction Closing, no party shall be required to fund capital in excess of any Regulatory Funding Requirement if it chooses not to, in which case, the other parties can choose to fund to make up that unfunded amount, and such amount shall also be funded at the original deal cost (and, for the avoidance of doubt, any non-funding party will be correspondingly diluted).
Use of Proceeds:	The initial capital raised by InvestCo, net of transaction and formation expenses, will be used to fund the acquisition of all of the outstanding shares of NewCo and, in turn, all of the outstanding shares of Indigo (including its closed block variable annuity business (the "CBVA")) (the "Indigo Transaction"). The closing of the Indigo Transaction is expected to occur following the receipt of applicable regulatory approvals, which are expected to be received within six (6) to nine (9) months after the signing of a Master Transaction Agreement for the Indigo Transaction (the "Indigo Transaction Closing").
Dividends:	It is anticipated that in connection with receiving regulatory approvals for the acquisition of Indigo, Indigo will be required to agree not to pay dividends without regulatory approval for a number of years following the Indigo Transaction Closing. Accordingly, the Unitholders should be prepared not to receive any dividends or other proceeds for a number of years following their investment.
Transaction Costs and Expenses:	The expenses involved in the formation of InvestCo and NewCo and the execution of the Indigo Transaction (including the expenses of the Unitholders incurred in connection therewith) will be paid and/or reimbursed out of the funds received from the Unitholders in connection with the Indigo Transaction Closing.
Transaction Fees:	Other than any transaction fees, monitoring fees or similar arrangements approved pursuant to the conflicts process described below under "Conflicts Process" or fees paid pursuant to the IMA (defined below) or the Indigo Reinsurance Agreements (as defined below), each transaction fee, monitoring fee or similar arrangement will be shared among the Unitholders *pro rata* based on Unit ownership.

Regulatory Approval:[7]	Approval of the Indigo Transaction will be required by the IID and each Unitholder (and, perhaps, affiliates thereof) will be required to file and be approved as a "control person" within the meaning of the Iowa Code. Regulatory approvals of the Indigo Transaction, including the structure contemplated in this Offering, will be a condition to the Indigo Transaction Closing.
INVESTCO LIMITED LIABILITY COMPANY AGREEMENT (THE "LLC AGREEMENT")	
Parties:	InvestCo and the equityholders of InvestCo holding Units ("Unitholders").
Voting Rights:	Each Unitholder will have one (1) vote for each Unit held by it and will be entitled to vote at all meetings of the Unitholders; provided, that such voting rights shall be restricted during the duration of an Investor Non-Approval Condition as described further below under "Investor Non-Approval".
Governance:	InvestCo Board: The board of managers of InvestCo (the "InvestCo Board") shall consist of seven (7) managers. Each Unitholder owning not less than 15% of the Units as of the Indigo Transaction Closing, for so long as each such party owns at least a majority of the Units held by such Unitholder as of the Indigo Transaction Closing, will be entitled to appoint one (1) manager who is qualified under Delaware law, as applicable, to serve as a manager. Each Unitholder and InvestCo will agree to vote for, or take such other actions as are required to ensure the appointment of, the manager nominee selected by any Unitholder entitled to appoint a manager (each such manager or director nominated by a Unitholder or Unitholder Nominated Director to the InvestCo Board, the NewCo Board (as defined below) or the Indigo Board (as defined below) by a Unitholder (directly or indirectly) pursuant to this paragraph or the immediately following two paragraphs, a "Unitholder Nominated Director"). The chief executive officer of NewCo will serve as a manager on the InvestCo Board.[8] The other two managers of the InvestCo Board shall be independent managers nominated and appointed as described below. Voya will be entitled to appoint one (1) non-voting observer who, subject to certain exceptions, may attend meetings of the InvestCo Board and receive all documents and information pertaining to such meetings. For the avoidance of doubt, no action shall be permitted to be taken by any of NewCo or Indigo that would be inconsistent with the terms of the LLC Agreement, and, except as required pursuant to applicable law or insurance regulation, all governance shall be vested in the InvestCo Board. NewCo Board: The board of directors of NewCo (the "NewCo Board") shall consist of seven (7) individuals that are selected in the same manner as the managers on the InvestCo Board (and may, but need not, consist of the same persons nominated to the InvestCo Board). Each Unitholder, Unitholder Nominated Director, InvestCo and NewCo will agree to vote for, or take such other actions as are required to ensure the appointment of, such individuals to the NewCo Board. Voya will be entitled to appoint one (1) non-voting observer who, subject to certain exceptions, may attend meetings of the NewCo Board and receive all documents and information pertaining to such meetings.

[7] Each Unitholder owning 10% or more of InvestCo Units will be a control person of Indigo under the Iowa Code.

[8] Expected to be Dave Marcinek.

	Indigo Board: The board of directors of Indigo (the "Indigo Board") shall consist of seven (7) directors. Each of the Unitholder Nominated Directors on the NewCo Board will be entitled to appoint one (1) director to the Indigo Board who is qualified under Delaware and Iowa law, as applicable, to serve as a director. Each Unitholder, each Unitholder Nominated Director, InvestCo, NewCo and Indigo will agree to vote for, or take such other actions as are required to ensure the appointment of, the director nominee selected by any Unitholder Nominated Director on the NewCo Board. The other three directors of the Indigo Board shall be independent directors nominated and appointed as described below. Voya will be entitled to appoint one (1) non-voting observer who, subject to certain exceptions, may attend meetings of the Indigo Board and receive all documents and information pertaining to such meetings. If at any time, any Unitholder entitled to nominate a Unitholder Nominated Director ceases to own at least a majority of the outstanding Units held by such Unitholder as of the Indigo Transaction Closing,[9] then (a) any Unitholder Nominated Director appointed by such Unitholder (directly or indirectly) shall immediately resign or be removed from the InvestCo, NewCo or Indigo Board, as applicable, and (b) the rights of such Unitholder provided under this Term Sheet to (i) nominate a manager or director (including an independent manager or director) shall immediately terminate (but without impacting the rights of the other Unitholders to nominate managers or directors), (ii) take certain actions as described in "Conflicts Process" below, (iii) approve capital raises as described in "Unitholder Approvals" below, (iv) request an IPO pursuant to clause (c) or (d) of "Initial Public Offering" below (but without impacting the rights of the other Unitholders to request an IPO pursuant to such clauses) and (v) request a Company Sale as described in "Sale Rights" below (but without impacting the rights of the other Unitholders to request a Company Sale) (the rights described in this clause (b), together with the manager or director appointment rights described above, the "Significant Unitholder Rights"); provided, that for as long as such Unitholder continues to own at least 5% of the outstanding Units, such Unitholder shall be entitled to appoint one (1) non-voting observer who, subject to certain exceptions, may attend meetings of the InvestCo Board, the NewCo Board and the Indigo Board and receive all documents and information pertaining to such meetings. Independent Managers and Directors: At least one-third (1/3) of the directors on the Indigo Board will be independent and at least two members of the InvestCo Board and the NewCo Board will be independent. For example, an Indigo Board of seven (7) directors would have a minimum of three (3) independent directors. An independent director must be included in each meeting of the Indigo Board for there to be a quorum and each vote in order to approve any action.[10] Apollo and Athene, on the one hand,

[9] The requirement that a Unitholder own a majority of the outstanding Units held by such Unitholder as of the Indigo Transaction Closing in order to retain the Significant Unitholder Rights is referred to herein as the "Majority Unit Requirement".

[10] Required by IA Code 521A.5(4)(c) which requires at least one third of the board of an insurer and one third of each committee be independent, and that one independent director be included in any quorum for the transaction of business at a board or committee meeting. IA Code 521A.5(4)(e) exempts insurers from (c) if the person controlling the insurer has a board or committee that meets these requirements with respect to such controlling entity.

	and Crestview and Reverence, on the other hand,[11] shall have the right to nominate one independent manager or director, as applicable, to serve on each of the InvestCo Board, the NewCo Board and the Indigo Board (subject to adjustment for any increases in the size of the applicable board); provided, that the independent manager or director, as applicable, nominated by Apollo and Athene, on the one hand, and Crestview and Reverence, on the other hand, shall be reasonably acceptable to the other group. The Indigo Board shall include a third independent director reasonably acceptable to all four of Apollo, Athene, Crestview and Reverence.[12] Each Unitholder, each Unitholder Nominated Director, InvestCo, NewCo and, if applicable, Indigo will agree to vote for, or take such other actions as are required to ensure the appointment of each independent manager or director nominee nominated and approved pursuant to this paragraph. Managers and directors (as applicable) will be appointed for one (1) year terms, subject to re-election each year at the annual meeting of the Unitholders or shareholders (as applicable) of InvestCo, NewCo and Indigo. Each of the InvestCo Board, the NewCo Board and the Indigo Board may designate a Chairman and a Vice Chairman. Board Committees: The NewCo Board and/or the Indigo Board shall have the following committees, which shall perform, but not be limited to, the functions listed below. Each committee of the Indigo Board must have no fewer than one-third (1/3) (or, in certain cases, as indicated below, a majority) independent directors, one of whom must be included in each meeting for there to be a quorum and each vote in order to approve any action.[13] Except for the Compensation Committee of the Indigo Board and the Nominating and Corporate Governance Committee of the Indigo Board (or any other committee of the NewCo Board or the Indigo Board as the NewCo Board or the Indigo Board, as applicable, may establish in the future that has certain statutory participation requirements under applicable law or regulations), each of Apollo, Athene, Crestview and Reverence shall have the right to have its Unitholder Nominated Director serve on any NewCo Board or Indigo Board committee, sub-committee or working group, as applicable.[14] The InvestCo Board shall have the power and authority to determine whether to form any committees for itself, which such committees to have and, if applicable, the members of such committees. • *Audit Committee (NewCo Board)* – will assist the NewCo Board or the Indigo Board (if the Indigo Board has, in its discretion, determined to forego creating its own audit committee and delegate its audit function to the NewCo Audit

[11] If Apollo and Athene cannot agree on who to nominate as their independent manager or director, as applicable, then one party shall nominate three candidates and the other party shall select one of those candidates. The party to nominate the three candidates will be determined by a coin flip (unless the parties otherwise agree). The same process shall apply if Crestview and Reverence cannot agree on who to nominate as their independent manager or director, as applicable.

[12] If the parties are unable to agree on the third independent director, then one of the two independent directors shall nominate three candidates and the other independent director shall select one of those candidates as the third independent director. The independent director to nominate the three candidates will be determined by a coin flip.

[13] *See* FN 10; required by IA Code 521A.5(4)(c).

[14] In the event that the Iowa insurance commissioner requires any committee membership other than as set forth in this Term Sheet, it is the intent of the parties that the committee membership shall as closely as possible approximate the membership set forth herein as is permitted by the Iowa insurance commissioner, including the creation of any similar board and committee architecture at any sister entity of Indigo that may employ the employees who provide services to Indigo.

	Committee), as applicable, with oversight and monitoring responsibilities related to: NewCo's or Indigo's, as applicable, consolidated financial statements and financial and accounting processes, compliance with audit, internal accounting and internal controls requirements, internal accounting and financial controls of NewCo or Indigo, as applicable, legal and regulatory compliance, ethical standards and accounting-related complaints.[15] • *Compensation Committee (Indigo Board)* – will review and annually approve corporate goals and objectives, including financial and other performance targets, for executive officers and key employees of Indigo and its subsidiaries, as applicable; appoint executive officers of Indigo and its subsidiaries, as applicable; review and recommend Indigo's share-based management incentive plans or other incentive-based plans; review employment-related agreements and review compensation-related policies. The Compensation Committee of the Indigo Board must consist of a majority of independent directors.[16] • *Nominating and Corporate Governance Committee (Indigo Board)* – will evaluate and recommend individuals qualified to become independent members of the Indigo Board; recommend such nominees for election at the corresponding annual meetings; develop corporate governance guidelines and recommend them to the Indigo Board; oversee performance evaluation of Indigo Board members; and recommend managers or directors eligible to serve on committees of the Indigo Board. All Unitholder Nominated Directors that satisfy the qualification standards of the applicable Nominating and Corporate Governance Committee will be nominated for election. The Nominating and Corporate Governance Committee of the Indigo Board must consist of a majority of independent directors.[17] • *Risk and Investment Committee (NewCo Board and Indigo Board)* – will oversee the investment strategies and investment advisory relationships of NewCo or Indigo, as applicable; assist the NewCo Board or the Indigo Board, as applicable, in fulfilling their respective oversight obligations and perform other functions related to overseeing risk, including fulfilling enterprise risk management oversight responsibilities required under state insurance laws. The Risk and Investment Committee of the NewCo Board and the Indigo Board shall jointly create a separate working group responsible for overseeing and monitoring the CBVA hedge portfolio. Members of the working group will consist of: one (1) member appointed by Apollo, one (1) member appointed by Athene, one (1) member appointed by Crestview, one (1) member appointed by Reverence, one (1) member of management and one (1) additional member as

[15] The number of independent directors required to be on the Audit Committee will be driven by the NAIC Model Audit Rule requirements, as adopted in Iowa, and will be based on the expected annual direct written and assumed premiums expected on the CBVA and other acquired business in Indigo.

[16] IA Code 521A.5(4)(d) requires one or more committees with a majority of independent directors be responsible for recommending or nominating director candidates for election by shareholders, evaluating performance of principal officers of the insurer and recommending to the board the selection and compensation of the principal officers of the insurer. IA Code 521A.5(4)(e) exempts insurers from (d) if the person controlling the insurer has a board or committee that meets these requirements with respect to such controlling entity.

[17] *See* FN 16, required by IA Code 521A.5(4)(d) and (e).

	determined by the InvestCo Board. The members of the working group appointed by the Unitholders shall serve pursuant to a consulting arrangement which will provide standard indemnification and disclaimers from liability other than for fraud or willful misconduct. The working group will report to the Risk and Investment Committee of the NewCo Board on a regular basis and will work with the Risk and Investment Committee of the NewCo Board in establishing the hedging framework for the CBVA. The working group will report to the InvestCo Board on a quarterly basis (or on such other basis as determined by the InvestCo Board). For the avoidance of doubt, managers or directors selected to participate on a committee must be selected from then-existing managers or directors and shall be appointed, subject to the foregoing, by the NewCo Board or the Indigo Board (on recommendation from its Nominating and Corporate Governance Committee), as applicable. For each committee, sub-committee or working group of the NewCo Board or the Indigo Board that has certain statutory participation requirements under applicable law or regulation, including the Compensation Committee of the Indigo Board and the Nominating and Corporate Governance Committee of the Indigo Board, as a result of which not all Unitholder Nominated Directors may serve on any such NewCo Board or Indigo Board committee, sub-committee or working group, each Unitholder Nominated Director of such board shall be entitled to participate in such committee, sub-committee or working group as an observer.
Investor Non-Approval	Notwithstanding the foregoing, during the duration of an Investor Non-Approval Condition with respect to either Crestview or Reverence, the rights of Crestview or Reverence, as applicable, shall be modified as follows (provided, that (a) the following shall have no effect on the rights of the other of Crestview or Reverence with respect to which no Investor Non-Approval Condition applies, and (b) subject to the Majority Unit Requirement, the other of Crestview or Reverence, as applicable, shall succeed to the rights of the Unitholder for which an Investor Non-Approval Condition[18] is in effect (the "Non-Approval Unitholder") with respect to the designation of Unitholder Nominated Directors; provided, that after the one-year anniversary of the Indigo Transaction Closing, subject to the Majority Unit Requirement, if the Investor Non-Approval Condition continues, any Unitholder Nominated Director appointed by the other of Crestview or Reverence on behalf of such Non-Approval Unitholder shall be an independent director (which, for the avoidance of doubt, shall be designated by the other of Crestview or Reverence on behalf of such Non-Approval Unitholder and shall be in addition to the other independent director nominated on behalf of Crestview and Reverence in accordance with this Term Sheet): • Voting Rights: The Non-Approval Unitholder shall have its voting rights reduced to 9.99% of the total voting percentage of InvestCo. • Unitholder Nominated Directors: The Non-Approval Unitholder shall no longer be entitled to the right to appoint Unitholder Nominated Directors, and such Non-Approval Unitholder will instead have the right to appoint an observer to

[18] "Investor Non-Approval Condition" shall mean, with respect to each of Reverence and Crestview, that such Unitholder has not received approval from the IID with respect to its Form A filing and such Unitholder purchased Units at the Indigo Transaction Closing.

	each of the InvestCo Board, the NewCo Board and the Indigo Board. • Other Unitholder Rights: The Non-Approval Unitholder shall retain all other rights (including all Significant Unitholder Rights other than as modified above) of such Unitholder as described herein and subject to the conditions hereof, to the extent such rights are acceptable to the Iowa Insurance Department. During the duration of an Investor Non-Approval Condition with respect to both Crestview and Reverence, all of the limitations set forth above shall apply to both Crestview and Reverence, and the board seats on the InvestCo Board that would otherwise be filled by Unitholder Nominated Directors designated by Crestview and Reverence (or their Unitholder Nominated Directors) will be filled by managers that satisfy the independence requirements of the Iowa code and are approved by a plurality vote of the Units. For the avoidance of doubt, for purposes of selecting directors to serve on the Indigo Board, such directors will be deemed "Unitholder Nominated Directors" serving on the NewCo Board. During the duration of an Investor Non-Approval Condition, the affected Non-Approval Unitholder shall be able to pursue the approval required to remove the Investor Non-Approval Condition. Following the date at which an Investor Non-Approval Condition ceases to exist with respect to any Non-Approval Unitholder, such Unitholder will automatically have all rights (including all Significant Unitholder Rights) that such Unitholder would otherwise be entitled to in the absence of an Investor Non-Approval Condition.
Conflicts Process:	The InvestCo Board will develop and oversee a conflicts process whereby the managers unaffiliated with an interested Unitholder shall review and approve (by majority vote of such disinterested managers) certain material transactions (including any amendment or change thereto following approval in accordance with this Term Sheet) between InvestCo or any of its direct or indirect subsidiaries, on the one hand, and any Unitholder or any of its affiliates, on the other hand. The documented process will include provisions for: • reviewing the implementation or alteration of any and all fees payable by InvestCo or any of its direct or indirect subsidiaries to any Unitholder or Unitholder affiliate, • defining exceptions for transactions that will not require InvestCo Board approval, • requiring any conflicted Unitholder Nominated Director to recuse himself or herself when appropriate, and • terminating ongoing or previously-approved arrangements (other than the Indigo Reinsurance Agreements, which shall not be subject to termination; provided, that any modification or amendment to such arrangement shall be subject to approval (or disapproval) in accordance with this Conflicts Process). Such related party transactions, if approved by majority vote of disinterested managers as described above, will be subject to disapproval by a majority of Apollo, Athene, Crestview and Reverence who are disinterested (either directly or indirectly, including as an affiliate of an entity entering into any such arrangement with InvestCo or any of its subsidiaries), and to the extent arrangements are ongoing, they will be terminable (other than the Indigo Reinsurance Agreements; provided, that any modification or amendment to such arrangement shall be subject to approval (or disapproval) in

	accordance with this Conflicts Process) at the request of a majority of Apollo, Athene, Crestview and Reverence who are disinterested (either directly or indirectly, including as an affiliate of an entity that is a party to any such arrangement with InvestCo or any of its subsidiaries) upon 90-days' notice (and such termination shall not require the additional approval of the InvestCo Board).
Unitholder Approvals:	Matters requiring Unitholder approval must be approved based on a majority of the vote of the outstanding Units. Actions requiring Unitholder approval shall include: • IPO (as defined below) of NewCo or any of its subsidiaries (it being understood that InvestCo shall not effect an IPO), • change of control of InvestCo or NewCo (whether by sale of Units, stock, merger or otherwise) or a sale of all or substantially all of InvestCo's or NewCo's assets (a "<u>Company Sale</u>"); • liquidation of InvestCo or any material subsidiary; • issuances of equity securities of InvestCo or any of its subsidiaries other than issuances (x) to InvestCo (in the case of NewCo) or NewCo (in the case of its direct subsidiaries), (y) pursuant to the Management Incentive Plan or (z) issuances in respect of a Regulatory Funding Event; and • actions requiring Unitholder approval pursuant to Delaware law. In addition, capital raises (it being understood that no capital raises shall occur at any of NewCo or its subsidiaries) (including related to any acquisition but excluding issuances of Units in respect of any Regulatory Funding Event) of equity or equity-like capital in an amount in excess of $200 million (considered in the aggregate with all other such capital raises occurring following the Indigo Transaction Closing) shall require the approval of a majority of Apollo, Athene, Crestview and Reverence. For the avoidance of doubt, all such decisions would also require approval of the InvestCo Board and all other matters not listed herein shall be within the authority of the InvestCo Board, in each case, requiring a majority approval threshold.
Corporate Opportunity Doctrine:	The Unitholders (and, for the avoidance of doubt, the equityholders of NewCo and Indigo) will agree to waive the corporate opportunity doctrine in full, and the organizational documents for InvestCo, NewCo and Indigo and their respective subsidiaries will include provisions waiving the corporate opportunity doctrine; <u>provided</u>, that each Unitholder will present any business opportunity relating to the acquisition, consolidation or reinsurance of additional U.S.-based closed block variable annuities to InvestCo or any of its subsidiaries, and the InvestCo Board will discuss in good faith whether to pursue such opportunity. InvestCo shall have 15 business days following the presentation of such opportunity to decide whether to pursue such opportunity, and if InvestCo declines to pursue such opportunity, the Unitholder which brought such opportunity to InvestCo will have the right to pursue the opportunity independent of InvestCo, NewCo, any of their respective subsidiaries or any of the other Unitholders. Notwithstanding the foregoing, the organizational documents of InvestCo, NewCo and Indigo will not limit Athene's business model or require Athene to offer any variable annuity blocks to InvestCo or any of its subsidiaries (it being understood and agreed that, prior to offering any opportunity to co-invest in any such variable annuity business to a third party, Athene will first offer such opportunity to InvestCo).

	If any business opportunity required to be presented to InvestCo pursuant to the immediately preceding paragraph includes a fixed annuity component, such fixed annuities shall be offered to Athene in the same manner as offered to InvestCo.
Preemptive Rights:	In the event that InvestCo seeks to raise additional capital through capital commitments or the issuance of additional Units following the Indigo Transaction Closing, each Unitholder that meets certain qualifications shall have the right, for fifteen (15) business days after receipt of a preemptive offer notice from InvestCo to subscribe for his, her or its *pro rata* portion of the offered commitments or Units; provided, however, that such preemptive rights will be subject to customary exceptions, including with respect to securities issued: (a) in connection with a Regulatory Funding Event; (b) to any person in connection with an acquisition, amalgamation, merger, consolidation or reorganization approved by the InvestCo Board; (c) in connection with an IPO; or (d) as a Unit dividend or upon any Unit split or other pro-rata subdivision or combination of equity securities. No capital raise shall be effected other than through InvestCo (*i.e.*, no capital raise shall occur at NewCo or any subsidiary thereof).
Syndication:	Before or within 6 months following the Indigo Transaction Closing, InvestCo shall permit one or multiple persons or entities who are affiliates, partners (general or limited), members, employees, officers or directors of a Unitholder or any of its affiliates to make commitments to such Unitholder in order to reduce such Unitholder's commitment to InvestCo as long as such transaction (i) does not violate any regulatory requirement or require any regulatory approval and (ii) is conducted through a vehicle that is controlled by such syndicating Unitholder (any such transaction, a "Syndication"). Any Units owned by any employees, officers, directors or affiliates of any Unitholder or any of its affiliates as a result of any Syndication shall be aggregated for purposes of measuring ownership of Units for purposes of this Term Sheet (including, but not limited to, the thresholds described in the section titled "Governance" above).
Transfer Restrictions:	Transfer Restrictions: After the Indigo Transaction Closing and until the earliest of (a) the fifth (5th) anniversary of the Indigo Transaction Closing, (b) the consummation of an IPO, and (c) the consummation of a Company Sale, no Unitholder may transfer any Units (or any commitment or rights related thereto) (other than transfers to affiliates or in connection with any Syndication) without the approval of the InvestCo Board (in its sole discretion). Additionally, any transfer (whether occurring before or after the fifth (5th) anniversary of the Indigo Transaction Closing and including any Syndication) must comply with certain requirements under the LLC Agreement, including, but not limited to, that (i) any such transfer may not (A) cause InvestCo or any of its subsidiaries to be required to register under the Investment Company Act or subject InvestCo or any of its subsidiaries or any Unitholder or Unitholder affiliate to any additional regulatory or tax requirements, or (B), in the determination of the InvestCo Board, be reasonably likely to violate or require notice or approval under any applicable regulatory or tax requirement except as would not reasonably be expected to have a material and adverse effect on InvestCo or any of its subsidiaries and (ii) each Unitholder may elect to purchase its *pro rata* portion (calculated on the basis of the Units held by all non-transferring Unitholders) of any Units proposed to be transferred by one Unitholder to

	another Unitholder. Moreover, any transfer must be made in accordance with all applicable regulatory requirements. Any transfer of Units by or on behalf of any Unitholder that is an individual (y) for estate planning purposes to any corporation, limited liability company, limited partnership or trust created for the benefit of such individual or one or more of such individual's parent, spouse, siblings or descendants or (z) by way of testamentary or intestate succession to such individual's beneficiaries or heirs is permitted.[19] *See* Appendix A for additional transfer provisions with respect to the Units during the duration of an Investor Non-Approval Condition.
Drag-Along Rights:	Subject to the restrictions on transfer described under "Transfer Restrictions" above, if, at any time, any Unitholder or group of Unitholders propose to transfer at least a majority of the outstanding Units (other than transfers to affiliates or in connection with any Syndication) or otherwise effect a Company Sale to one or more third parties in one or a series of related transactions, then all of the Unitholders shall take all actions required to consummate such transfer, including selling all Units owned by them on the terms proposed.
Tag-Along Rights:	Subject to the restrictions on transfer described under "Transfer Restrictions" above, if, at any time, any Unitholder or group of Unitholders propose to transfer at least 40% of the outstanding Units (other than transfers to affiliates or in connection with any Syndication) to one or more third parties in one or a series of related transactions, then such selling Unitholder must offer each of the other Unitholders the right to sell a portion of his, her or its Units on the same terms and subject to the same conditions (up to his, her or its *pro rata* share of Units) to the potential third party purchaser in such transfer pursuant to the terms of, and subject to the limitations of, the LLC Agreement (provided, that in the event that any of Apollo, Athene, Crestview or Reverence seeks to transfer any Units (other than transfers to affiliates or in connection with any Syndication), those of Apollo, Athene, Crestview and Reverence who are not transferring Units in such transaction shall have the opportunity to tag-along for their *pro rata* share of such transferring person(s)'s Units transferred in such transaction). Subject to the restrictions on transfer described under "Transfer Restrictions" above, if, at any time, Athene, Apollo or both proposes to transfer any Units owned by it or them (as applicable) (other than transfers to affiliates or in connection with any Syndication) to one or more third parties in one or a series of related transactions, such that, as a result of such transfer or series of related transfers, neither Athene nor Apollo (nor any of their respective affiliates) would hold any Units, then Voya shall have the right to sell all (but not less than all) of its Units on the same terms and subject to the same conditions as Apollo or Athene, as applicable, to the proposed third party purchaser in such transaction.
Initial Public Offering ("IPO"):	If (a) at any time, the InvestCo Board has, with the Unitholder approval described above, approved an IPO of NewCo, (b) at any time between the fifth (5^{th}) and sixth (6^{th}) anniversary of the Indigo Transaction Closing, Unitholders representing at least a majority of the total outstanding Units have requested an IPO of NewCo, (c) at any

[19] Any transfer of Units whereby a transferee would own, directly or indirectly, 10% or more of the voting stock of Indigo will require the approval of the IID.

	time from and after the sixth (6^{th}) anniversary of the Indigo Transaction Closing, any two (2) or more of Apollo, Athene, Crestview or Reverence have requested an IPO of NewCo or (d) at any time from and after the eighth (8^{th}) anniversary of the Indigo Transaction Closing, any of Apollo, Athene, Crestview or Reverence has requested an IPO of NewCo, each Unitholder shall, among other things, take all actions determined by the InvestCo Board or the NewCo Board to be reasonably necessary or desirable in connection with the offering or any reorganization in connection therewith. Additionally, InvestCo and NewCo shall use commercially reasonable efforts to promptly take all commercially reasonable actions to effect an offering contemplated by clause (a), (b), (c) or (d) above; provided, that, with respect to clauses (b), (c) and (d) above, InvestCo or NewCo may postpone the offering if the InvestCo Board or NewCo Board determines in good faith that effecting such offering (i) would adversely affect a material financing, acquisition, disposition, merger or other business combination transaction or (ii) would adversely affect InvestCo or any of its subsidiaries (including NewCo and Indigo) in any material respect; provided, that the right to so postpone such an offering may not be exercised more than three (3) times or for more than one hundred eighty (180) days in the aggregate. For the avoidance of doubt, there shall be no IPO of InvestCo or the Units. For the avoidance of doubt, the rights described in the sections hereof entitled "Preemptive Rights," "Transfer Restrictions," "Drag-Along Rights," "Tag-Along Rights " and "Sale Rights" shall terminate upon the consummation of an IPO of NewCo.
Sale Rights:	At any time from and after the sixth (6^{th}) anniversary of the Indigo Transaction Closing, any two (2) or more of Apollo, Athene, Crestview and Reverence shall have drag-along rights to cause a Company Sale. In addition, at any time from and after the eighth (8^{th}) anniversary of the Indigo Transaction Closing, each of Apollo, Athene, Crestview or Reverence shall have drag-along rights to cause a Company Sale. If exercised, the other Unitholders shall take all actions required to consummate such Company Sale, including selling all Units owned by them on the terms proposed or consenting to the sale of InvestCo's assets (*i.e.*, NewCo).
Tax Considerations:	The Units will be treated as equity in InvestCo. Athene's debt investment will contain such terms as are reasonably necessary and commercially standard to be treated as debt for U.S. federal income tax purposes. InvestCo will elect to be treated as a corporation for U.S. federal income tax purposes.
Amendment / Waivers:	The LLC Agreement may not be amended except pursuant to a writing signed by (a) InvestCo and (b) Unitholders owning a majority of the outstanding Units; provided, that any amendment or modification that would materially and adversely affect any of the rights, obligations, powers or preferences of any Unitholder shall not be effective as to such Unitholder without his, her or its prior written consent.
Financial Reporting and Information Rights:	InvestCo shall deliver to each Unitholder: (a) audited annual financial statements of InvestCo, prepared consistent with U.S. GAAP; (b) quarterly unaudited financial statements and capital statements of InvestCo; (c) audited annual statutory financial statements of Indigo; and (d) quarterly and annual reports of Indigo as filed with the IID. Unitholders shall be entitled to a minimum of one (1) meeting of the Unitholders

	per year. Additional management reporting to Apollo, Athene, Crestview and Reverence to be determined.[20]
REGISTRATION RIGHTS AGREEMENT (THE "<u>REGISTRATION RIGHTS AGREEMENT</u>")	
Registration Rights:	Each Unitholder will be entitled to sell its equity interests in NewCo in an IPO of NewCo (following such reorganization as shall be effected in furtherance therewith) *pro rata* based on the percentage of such equity interests owned directly or indirectly by such Unitholder as of the date of the IPO of NewCo, subject to underwriter cutbacks, lock-up periods and other customary provisions. NewCo will grant Unitholders two (2) "demand" underwriting and unlimited "piggyback" registration rights following an IPO of NewCo, as well as the right to cause NewCo to register its common stock on a "shelf" registration statement on Form S-3 to the extent that NewCo is or becomes eligible to use such form. Unitholders will also agree to customary provisions relating to underwriter cutbacks, lock-up periods and the allocation of underwriting expenses incurred in connection with a registration of securities.
Lock-Ups:	Lock-ups will be for one hundred eighty (180) days following an IPO, and ninety (90) days following any additional offering after an IPO.
INVESTMENT MANAGEMENT FOR PAYOUT BUSINESS	
Services:	Voya (or one of its affiliates) will act as the initial asset manager for the Indigo payout annuity business, including asset allocation, portfolio advising, risk advising, hedging and asset liability advising. Voya (or its applicable affiliate) will also initially provide asset allocation services to Indigo in connection with the CBVA.
Compensation:	TBD
Term and Termination:	The investment management arrangement ("<u>IMA</u>") with Voya (or one of its affiliates) will be subject to term and termination provisions as will be set forth in the definitive agreements related thereto.
Future Investment Management Opportunities:	If additional asset management opportunities with respect to the Indigo payout annuity business (including asset allocation services in connection with the CBVA) become available following the Indigo Transaction Closing (including because of the resignation or termination of Voya as asset manager as described above), Indigo shall request proposals for such services. In addition to any proposal submitted by a third party unaffiliated with Indigo or the Unitholders, each Unitholder will have the right to submit a proposal on behalf of it or one of its affiliates to perform such services. The Indigo Board shall determine the winning proposal based on the totality of proposed terms, including (without limitation) such bidder's performance history, proposed fees and ability to manage the size of the portfolio. In the event the Indigo Board selects a proposal by one or more Unitholders or its affiliates, such proposal shall be subject to

[20] If requested by Crestview or Reverence, then Apollo, Athene, Crestview and Reverence will cooperate reasonably between the date on which the Master Transaction Agreement in respect of the Indigo Transaction is executed and the date of the Indigo Transaction Closing to enter into appropriate management access and information rights relating to investment vehicles for purposes of satisfying VCOC requirements.

	approval (and disapproval) pursuant to the procedures described in the section entitled "Conflicts Process" above; provided, that the Indigo Board and the Unitholders may, pursuant to such section, approve the pro rata sharing of any such opportunity among multiple qualified Unitholders or their respective affiliates so selected by the Indigo Board.
INDIGO TRANSACTION AGREEMENTS	
Agreements to be entered into in connection with the Indigo Transaction:	Agreements related to the following will be entered into at or prior to the Indigo Transaction Closing, on substantially the terms attached hereto as Appendix B (without requiring additional Unitholder approval) (the agreements and arrangements in clauses (a) and (b) below, the "Indigo Reinsurance Arrangements"): a. reinsurance of the Indigo fixed annuity business to an Athene insurance affiliate, b. reinsurance framework for future Indigo payout annuity business that emerges from the CBVA to an Athene insurance subsidiary, and c. the IMA. Notwithstanding the immediately preceding paragraph, from and after the Indigo Transaction Closing, any reinsurance business opportunity for, or transaction consummated by, InvestCo, NewCo, Indigo or any of their respective direct or indirect subsidiaries, (including the consolidation of additional U.S.-based blocks of run off variable annuities), and the agreements and arrangements entered into in connection therewith, will be (x) negotiated independently from the Indigo Reinsurance Arrangements and (y) approved in accordance with the governance and approval rights contained in this Term Sheet, including pursuant to the conflicts process described above under "Conflicts Process" (if applicable).
MANAGEMENT OF NEWCO	
Management Incentive Plan:	Seven and one-half percent (7.5%) of the capital stock of NewCo will be reserved for issuance to management pursuant to performance targets and other metrics in a management incentive plan as determined and adopted by the NewCo Board (the "Management Incentive Plan").
Vesting:	Vesting of management options will be based on a combination of time and performance components, as follows: a. One third (1/3) – time vesting *pro rata* over five (5) years, b. One third (1/3) – upon achieving a fifteen percent (15%) internal rate of return ("IRR"), and c. One third (1/3) – upon achieving a twenty percent (20%) IRR. In the case of clauses (b) and (c) immediately above, IRR will be based on cash received by InvestCo in its capacity as stockholder of NewCo.

<u>APPENDIX A</u>

ADDITIONAL UNIT TRANSFER PROVISIONS

During the duration of an Investor Non-Approval Condition with respect to Crestview or Reverence, following the Indigo Transaction Closing, Crestview or Reverence (as applicable, the "<u>Transferor</u>") shall be permitted during the one-year period following the Indigo Transaction Closing to seek to transfer all or, in the case of <u>subsection (b)</u> below, a portion of its Units to one or more transferees (each, a "<u>Transferee</u>") as provided below; <u>provided</u>, that the Transferor shall first offer to InvestCo and the remaining Unitholders a right to purchase such Units at an asking price determined by the Transferor:

a. In the event the Units are not so purchased, the Transferor shall be permitted to transfer such Units subject to the Transferee's receipt of all necessary regulatory approvals; <u>provided</u>, that (x) all of the Transferor's Units shall be transferred, (y) the price is at least equal to the asking price offered to InvestCo and the other Unitholders and (z) the Transferee must be approved by Athene and Apollo, with such approval not to be unreasonably withheld. It shall be reasonable to withhold such approval of a Transferee that (i) in the reasonable judgment of Athene or Apollo would be unlikely to be approved by the applicable regulators as a result of (A) a disciplinary action of the U.S. Securities and Exchange Commission or insurance regulator against or related to such Transferee, (B) such Transferee having been convicted of any crime involving fraud, dishonesty or like moral turpitude, (C) such Transferee being subject to disqualification as a "Bad Actor" from Rule 506 Offerings under Regulation D of the Securities Act of 1933, as amended, or (D) such Transferee previously having applied to be a "control person" of an insurance company, and such application was denied; (ii) is a US or foreign actual or potential competitor of Athene; or (iii) is an actual competitor of Apollo with $25 billion or more in assets under management. After receipt of all necessary regulatory approvals for a transfer, such Transferee shall have all rights of the Transferor without taking into effect the modifications to the Transferor's rights as a result of the Investor Non-Approval Condition (subject, for the avoidance of doubt, to the Majority Unit Requirement measured against the Transferor's ownership as of the Indigo Transaction Closing). The other Unitholders and InvestCo shall reasonably cooperate to allow and facilitate any such transfer, including by making diligence materials and management reasonably available. InvestCo and the remaining Unitholders shall be reimbursed by the Transferor for any out-of-pocket costs associated with the transfer and their required cooperation.

b. As an alternative, but subject to the above described obligation to first offer to InvestCo and the other Unitholders, the Transferor shall be permitted to transfer to one or more Transferees all or a portion of its Units without the consent of Athene and Apollo; <u>provided</u>, that (x) no regulatory approvals would be required in connection with such transfer, (y) the price is at least equal to the asking price offered to InvestCo and the other Unitholders and (z) none of the Transferor's Significant Unitholder Rights or right to appoint a board observer will be granted to any Transferee.

APPENDIX B

REINSURANCE FRAMEWORK TERM SHEET

[See attached.]

GMIB RIDER REINSURANCE TRANSACTION NON-BINDING TERM SHEET

ATHENE LIFE RE LTD. – VOYA INSURANCE AND ANNUITY COMPANY

Reinsurer..	Athene Life Re Ltd., a company organized under the laws of Bermuda.
Ceding Company	Voya Insurance and Annuity Company, a company organized under the laws of Iowa.
GMIB Modco Agreement................	A modified coinsurance agreement (the "GMIB Modco Agreement") will be entered into between the Reinsurer and the Ceding Company, pursuant to which the Ceding Company will cede to the Reinsurer on a "modified coinsurance" basis the Quota Share of the Ceding Company's risks under the Reinsured Policies, other than Excluded Liabilities.
Quota Share.....................................	100%.
Policy Expenses	"Policy Expenses" will consist of an expense allowance related to the Reinsured Policies in an amount equal to: (a)(i) ten and one-half (10.5) basis points, divided by (ii) twelve (12), multiplied by (b) the average Modco Reserves during the applicable month.
Reinsurance Premiums....................	"Reinsurance Premiums", with respect to each Reinsured Policy, will be determined in accordance with Schedule I attached hereto. The Ceding Company will transfer the Reinsurance Premiums with respect to a Reinsured Policy into the Modco Account upon the issuance of such Reinsured Policy.
GMIB Rider	"GMIB Riders" will be the guaranteed minimum income benefit riders on the forms listed on Schedule II attached hereto.
Reinsured Policies...........................	The reinsured policies (the "Reinsured Policies") will consist of the payout annuity contracts issued by the Ceding Company on or following the effective date of the GMIB Modco Agreement in accordance with the GMIB Riders upon the election of any policyholder of a variable annuity contract listed on a schedule to the GMIB Modco Agreement to annuitize such contract in accordance with the applicable GMIB Rider.
Reinsured Liabilities	"Reinsured Liabilities" will consist of the Quota Share of the annuity payouts under the Reinsured Policies. Reinsured Liabilities shall not include any Excluded Liabilities.
Excluded Liabilities	The Reinsurer will not be liable for any Excluded Liabilities. "Excluded Liabilities" include: (a) Extra-Contractual Obligations; (b) any liabilities other than liabilities for annuity payouts under the Reinsured Policies; and (c) any *ex gratia* payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

Extra-Contractual Obligations .... The Reinsurer will not be liable for any Extra-Contractual Obligations. "Extra-Contractual Obligations" are any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including, but not limited to, liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, incidental, treble, bad faith, tort, exemplary or other form of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company or any of its affiliates or any of the directors, officers, employees, agents, representatives, annuity producers, administrators, service providers, successor or assigns of the Ceding Company or any of its affiliates, whether or not intentional, negligent, in bad faith or otherwise relating to: (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies; (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies; (c) the failure to pay, the delay in payment, 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 Reinsured Policies; (d) fines or other penalties associated with escheat and unclaimed property liabilities arising under or relating to the Reinsured Policies; or (e) the failure of the Reinsured Policies to qualify for their intended tax status.

FA Modco Agreement .... The "FA Modco Agreement" means that certain modified coinsurance agreement to be entered into between the Ceding Company and the Reinsurer, effective as of the effective date of the GMIB Modco Agreement, pursuant to which the Ceding Company will cede a 100% quota share of liabilities with respect to certain of its fixed annuity business to the Reinsurer.

Modco Reserves.............................. The "Modco Reserves" will be an amount equal to the Quota Share of the gross statutory reserves (the "Gross Reserves") of the Ceding Company in respect of the Reinsured Policies. The Gross Reserves will be calculated in good faith on a *seriatim* basis by the Ceding Company in accordance with statutory accounting principles prescribed with respect to the Ceding Company by the Iowa Department of Insurance ("SAP"), using the highest valuation interest rates permitted under SAP guidelines for the types of liabilities ceded under the GMIB Modco Agreement. In no event shall the Gross Reserves include: (a) additional actuarial reserves (as used in connection with SAP), if any, established by the Ceding Company as a result of its annual cash flow testing; (b) any asset valuation reserves (as used in connection with SAP) established by the Ceding Company; (c) any interest maintenance reserve (as used in connection with SAP) relating to the Reinsured Liabilities or the assets in the Modco Account; or (d) any other reserve not directly attributable to specific Reinsured Policies.

Valuation of Liabilities	The Reinsurer will be responsible for calculating the statutory and tax reserves with respect to the Reinsured Policies.
Interest Maintenance Reserve	The Ceding Company and the Reinsurer agree that any interest maintenance reserve associated with the assets maintained in the Modco Account in support of the Reinsured Liabilities, determined in accordance with SAP and on an after-tax basis (the "IMR"), shall be ceded to the Reinsurer and held in the Modco Account.
Modco Account................................	The Ceding Company will establish a modified coinsurance account (the "Modco Account") as of the effective date of the GMIB Modco Agreement, which will be a segregated custodial or trust account and will be reflected on the books of the Ceding Company. The performance of the assets maintained in the Modco Account, including all investment income paid or accrued, investment gains or losses, defaults and/or statutory impairments, will inure to the sole benefit or cost of the Reinsurer. The Ceding Company will appoint Athene Asset Management, L.P. as the investment manager (the "Investment Manager") of the Modco Account. The Investment Manager will manage and make investment decisions with regard to the assets maintained in the Modco Account in accordance with an investment management agreement and the investment guidelines attached thereto. The Ceding Company will not remove or replace the Investment Manager without the prior written consent of the Reinsurer. If the Investment Manager resigns or is removed, the Ceding Company will appoint such replacement manager as is directed by the Reinsurer. Determinations of statutory impairments of assets maintained in the Modco Account which are made by the Ceding Company must be based upon statutory rules and guidelines and will be subject to consultation and discussion between the Reinsurer and the Ceding Company. The Ceding Company will not impair assets maintained in the Modco Account on a voluntary basis. The Reinsurer will reimburse the Ceding Company for the costs of the Investment Manager and the custodian or trustee of the Modco Account.
Permitted Withdrawals.....................	The Ceding Company will be permitted to withdraw amounts from the Modco Account for the following purposes only: (a) to reimburse the Ceding Company for the Quota Share of premiums returned (but not yet recovered from the Reinsurer) to the owners of the Reinsured Policies because of cancellations of such Reinsured Policies; (b) to reimburse the Ceding Company for the Reinsured Liabilities paid by the Ceding Company (but not yet recovered from the Reinsurer) pursuant to the provisions of the Reinsured Policies; (c) to pay any other undisputed amounts due

	to the Ceding Company under the GMIB Modco Agreement; and (d) to pay any net settlement amount to the Ceding Company or Modco Adjustment to the Reinsurer.
Modco Adjustment	The "Modco Adjustment" will be an amount equal to: (a) the Modco Reserves, plus (b) the IMR, minus (c) the aggregate statutory carrying value of the assets maintained in the Modco Account, minus (d) any net settlement amounts due and unpaid by the Ceding Company to the Reinsurer under the GMIB Modco Agreement. If the Modco Adjustment is a positive number, such amount will be deposited by the Reinsurer into the Modco Account, and if the Modco Adjustment is a negative number, the absolute value of such negative amount will be withdrawn from the Modco Account and will be wired by the Ceding Company to the Reinsurer.
Hedging...	Each party will be responsible for hedging its share of the risks associated with the Reinsured Policies, and the manner and nature of such hedging shall be determined by each party in its sole discretion.
Termination as to New Business......	At any time after the fifteen (15) year anniversary of the Effective Date, either party may terminate the GMIB Modco Agreement as to the reinsurance of new Reinsured Policies by providing sixty (60) calendar days' prior written notice to the other party. Subject to the termination provisions in the GMIB Modco Agreement and the payment of any Reinsurance Premiums payable to the Reinsurer in accordance with the Reinsurance Agreement, all then in-force Reinsured Policies will remain Reinsured Policies until the expiration thereof and the Reinsurer will remain liable thereon.
Excise Tax.......................................	In the event that any excise tax is due with respect to any premium due from the Ceding Company to the Reinsurer under the GMIB Modco Agreement ("Excise Tax"), the Ceding Company will pay the entire amount of such Excise Tax, and the Reinsurer will reimburse the Ceding Company for such Excise Tax. The Reinsurer will not be liable for any other taxes or governmental or regulatory assessments with respect to the Reinsured Policies, except as otherwise set forth in the GMIB Modco Agreement.
Other Provisions..............................	Other provisions of the GMIB Modco Agreement, including the provisions listed below, will contain terms and conditions substantially similar to the terms and conditions of the FA Modco Agreement: Policy Changes, Non-Guaranteed Elements, Reporting and Settlements, Administration, Recapture Rights, and Customary Representations, Warranties and Covenants.

Schedules	The following Schedules are attached to and form a part of this Term Sheet: Schedule I – Reinsurance Premiums Schedule II – GMIB Rider Forms

SCHEDULE I

REINSURANCE PREMIUMS

"Reinsurance Premiums", with respect to each Reinsured Policy, will be an amount equal to the present value of the expected annuity payouts for such Reinsured Policy (the "PV Expected Annuity Payout").

The PV Expected Annuity Payout, with respect to each Reinsured Policy, shall be determined in accordance with a multiple of the "2012 IAM Base Table – ANB" mortality table, adjusted for Scale G2 mortality improvement, as set forth on Exhibit A attached hereto, using the Discount Rate.

The Reinsurer and the Ceding Company will review on an annual basis, or with a frequency as otherwise mutually agreed, the settlement best estimate mortality assumptions, which will be used in the determination of Reinsurance Premiums, and will negotiate in good faith to change the settlement best estimate mortality assumptions if the review indicates proper justification to make such change; provided, that the following principles should be considered in the review of such assumptions:

(i) the review of Ceding Company experience will be based on isolating the mortality experience of GMIB policyholders following their election to annuitize where experience is reasonably credible,

(ii) the review of Ceding Company experience will be based on the mortality experience of GMIB policyholders in aggregate where the mortality experience of GMIB policyholders following their election to annuitize is not reasonably credible, and

(iii) the Ceding Company's actual experience over the immediately preceding five (5) years will be considered most relevant.

The "Discount Rate" will be a rate equal to (a) the Reference Rate, plus (b) (i) 80% multiplied by (ii) the Credit Spread.

The "Credit Spread" will be the fifty (50)-Business Day average credit spread as indicated by J.P. Morgan for 'BBB' credit, for 7 - 10 year tenor, measured against U.S. Treasury rates.[1]

The "Reference Rate" shall be a weighted average of the following rates, subject to the indicated weights, and based on a fifty (50)-Business Day average of each component rate:

Tenor	Bloomberg Ticker	Weight
2-Year	USGG2YR Index	4.7%
5-Year	USGG5YR Index	15.8%
10-Year	USGG10YR Index	50.3%
30-Year	USGG30YR Index	29.2%

[1] **Note to Draft**: **Source of the credit spread:** https://markets.jpmorgan.com/#dataquery. **Navigation within the source website:** Credit > US Corporates > JULI > Sectors **Select ALL** > Rating **Select BBB** > Maturity **Select** 7-10 > Attribute **Select** Portfolio Spread (Treasury) > Region **Select** ALL > Level **Select** ALL > Structure **Select** ALL > COC Select ALL > Market **Select** ALL

2012 IAM BASE TABLE - ANB

Initial Best Estimate Mortality Assumption – GAAP/GAAP Prudent Post-Annuitization & Payouts

GLB Segment	Gender	DB Option	Mortality Table	Projection Scale	Base Year	Future Dur. Improvement Years Cap	Multiplier	Begin Age Grade In	End Age Grade In
Post-Annuitization GMIB	M	Standard	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	84%	85	95
	F	Standard	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	74%	85	95
	M	Enhanced	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	88%	85	95
	F	Enhanced	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	81%	85	95

- The base mortality table is generationally improved from the base year to the exposure year (i.e., year of death for experience study) or projection valuation year (i.e., 2017); future mortality improvements occur from the valuation year until the mortality improvement duration cap (i.e., number of years noted above).
- From Age 85 to 95, Final Multiplier will grade up to 100% of the standard mortality table based on a vector.

SCHEDULE II

GMIB RIDER FORMS

[To come]

GMIB RIDER REINSURANCE TRANSACTION NON-BINDING TERM SHEET

ATHENE ANNUITY AND LIFE ASSURANCE COMPANY – VOYA INSURANCE AND ANNUITY COMPANY

Reinsurer..	Athene Annuity and Life Assurance Company, a company organized under the laws of Delaware.
Ceding Company	Voya Insurance and Annuity Company, a company organized under the laws of Iowa.
GMIB Reinsurance Agreement........	A reinsurance agreement (the "GMIB Reinsurance Agreement") will be entered into between the Reinsurer and the Ceding Company, pursuant to which the Ceding Company will cede to the Reinsurer on a "coinsurance" basis the Quota Share of the Ceding Company's risks under the Reinsured Policies, other than Excluded Liabilities.
Quota Share.....................................	100%.
Policy Expenses	"Policy Expenses" will consist of an expense allowance related to the Reinsured Policies in an amount equal to: (a)(i) ten and one-half (10.5) basis points, divided by (ii) twelve (12), multiplied by (b) the average Ceded Reserves during the applicable month.
Reinsurance Premiums....................	"Reinsurance Premiums", with respect to each Reinsured Policy, will be determined in accordance with Schedule I attached hereto. The Reinsurance Premiums will be payable by the Ceding Company to the Reinsurer as part of the periodic net settlements under the GMIB Reinsurance Agreement.
GMIB Rider	"GMIB Riders" will be the guaranteed minimum income benefit riders on the forms listed on Schedule II attached hereto.
Reinsured Policies...........................	The reinsured policies (the "Reinsured Policies") will consist of the payout annuity contracts issued by the Ceding Company on or following the effective date of the GMIB Reinsurance Agreement in accordance with the GMIB Riders upon the election of any policyholder of a variable annuity contract listed on a schedule to the GMIB Reinsurance Agreement to annuitize such contract in accordance with the applicable GMIB Rider.
Reinsured Liabilities	"Reinsured Liabilities" will consist of the Quota Share of the annuity payouts under the Reinsured Policies. Reinsured Liabilities shall not include any Excluded Liabilities.
Excluded Liabilities	The Reinsurer will not be liable for any Excluded Liabilities. "Excluded Liabilities" include: (a) Extra-Contractual Obligations; (b) any liabilities other than liabilities for annuity payouts under the Reinsured Policies; and (c) any *ex gratia*

payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

Extra-Contractual Obligations .... The Reinsurer will not be liable for any Extra-Contractual Obligations. "Extra-Contractual Obligations" are any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including, but not limited to, liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, incidental, treble, bad faith, tort, exemplary or other form of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company or any of its affiliates or any of the directors, officers, employees, agents, representatives, annuity producers, administrators, service providers, successor or assigns of the Ceding Company or any of its affiliates, whether or not intentional, negligent, in bad faith or otherwise relating to: (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies; (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies; (c) the failure to pay, the delay in payment, 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 Reinsured Policies; (d) fines or other penalties associated with escheat and unclaimed property liabilities arising under or relating to the Reinsured Policies; or (e) the failure of the Reinsured Policies to qualify for their intended tax status.

FA Reinsurance Agreement............. The "FA Reinsurance Agreement" means that certain reinsurance agreement to be entered into between the Ceding Company and the Reinsurer, effective as of the effective date of the GMIB Reinsurance Agreement, pursuant to which the Ceding Company will cede a 100% quota share of liabilities with respect to certain of its fixed annuity business to the Reinsurer.

Ceded Reserves................................ The "Ceded Reserves" will be an amount equal to the Quota Share of the gross statutory reserves (the "Gross Reserves") of the Ceding Company in respect of the Reinsured Policies. The Gross Reserves will be calculated in good faith on a *seriatim* basis by the Ceding Company in accordance with statutory accounting principles prescribed with respect to the Ceding Company by the Iowa Department of Insurance ("SAP"), using the highest valuation interest rates permitted under SAP guidelines for the types of liabilities ceded under the GMIB Reinsurance Agreement. In no event shall the Gross Reserves include: (a) additional actuarial reserves (as used in connection with SAP), if any, established by the Ceding Company as a result of its annual cash flow testing; (b) any asset valuation reserves (as used in connection with SAP) established by the Ceding Company; (c) any interest maintenance reserve (as used in connection with SAP) relating to the Reinsured Liabilities; or (d) any other reserve not directly attributable to specific Reinsured Policies.

Valuation of Liabilities	The Reinsurer will be responsible for calculating the statutory and tax reserves with respect to the Reinsured Policies.
Interest Maintenance Reserve	The Ceding Company and the Reinsurer agree that any interest maintenance reserve required to be maintained with respect to the Reinsured Liabilities, determined in accordance with SAP and on an after-tax basis (the "IMR"), shall be ceded to and held by the Reinsurer.
Hedging...	Each party will be responsible for hedging its share of the risks associated with the Reinsured Policies, and the manner and nature of such hedging shall be determined by each party in its sole discretion.
Termination as to New Business......	At any time after the fifteen (15) year anniversary of the Effective Date, either party may terminate the GMIB Reinsurance Agreement as to the reinsurance of new Reinsured Policies by providing sixty (60) calendar days' prior written notice to the other party. Subject to the termination provisions in the GMIB Reinsurance Agreement and the payment of any Reinsurance Premiums payable to the Reinsurer in accordance with the Reinsurance Agreement, all then in-force Reinsured Policies will remain Reinsured Policies until the expiration thereof and the Reinsurer will remain liable thereon.
Other Provisions..............................	Other provisions of the GMIB Reinsurance Agreement, including the provisions listed below, will contain terms and conditions substantially similar to the terms and conditions of the FA Reinsurance Agreement: Policy Changes, Non-Guaranteed Elements, Reporting and Settlements, Administration, Recapture Rights, DAC Tax, Credit for Reinsurance, and Customary Representations, Warranties and Covenants.
Schedules	The following Schedules are attached to and form a part of this Term Sheet: Schedule I – Reinsurance Premiums Schedule II – GMIB Rider Forms

SCHEDULE I

REINSURANCE PREMIUMS

"Reinsurance Premiums", with respect to each Reinsured Policy, will be an amount equal to the present value of the expected annuity payouts for such Reinsured Policy (the "PV Expected Annuity Payout").

The PV Expected Annuity Payout, with respect to each Reinsured Policy, shall be determined in accordance with a multiple of the "2012 IAM Base Table – ANB" mortality table, adjusted for Scale G2 mortality improvement, as set forth on Exhibit A attached hereto, using the Discount Rate.

The Reinsurer and the Ceding Company will review on an annual basis, or with a frequency as otherwise mutually agreed, the settlement best estimate mortality assumptions, which will be used in the determination of Reinsurance Premiums, and will negotiate in good faith to change the settlement best estimate mortality assumptions if the review indicates proper justification to make such change; provided, that the following principles should be considered in the review of such assumptions:

(i) the review of Ceding Company experience will be based on isolating the mortality experience of GMIB policyholders following their election to annuitize where experience is reasonably credible,

(ii) the review of Ceding Company experience will be based on the mortality experience of GMIB policyholders in aggregate where the mortality experience of GMIB policyholders following their election to annuitize is not reasonably credible, and

(iii) the Ceding Company's actual experience over the immediately preceding five (5) years will be considered most relevant.

The "Discount Rate" will be a rate equal to (a) the Reference Rate, plus (b) (i) 80% multiplied by (ii) the Credit Spread.

The "Credit Spread" will be the fifty (50)-Business Day average credit spread as indicated by J.P. Morgan for 'BBB' credit, for 7 - 10 year tenor, measured against U.S. Treasury rates.[1]

The "Reference Rate" shall be a weighted average of the following rates, subject to the indicated weights, and based on a fifty (50)-Business Day average of each component rate:

Tenor	Bloomberg Ticker	Weight
2-Year	USGG2YR Index	4.7%
5-Year	USGG5YR Index	15.8%
10-Year	USGG10YR Index	50.3%
30-Year	USGG30YR Index	29.2%

[1] **Note to Draft**: **Source of the credit spread:** https://markets.jpmorgan.com/#dataquery. **Navigation within the source website:** Credit > US Corporates > JULI > Sectors **Select ALL** > Rating **Select BBB** > Maturity **Select** 7-10 > Attribute **Select** Portfolio Spread (Treasury) > Region **Select** ALL > Level **Select** ALL > Structure **Select** ALL > COC Select ALL > Market **Select** ALL

EXHIBIT A TO SCHEDULE I

2012 IAM BASE TABLE - ANB

Initial Best Estimate Mortality Assumption – GAAP/GAAP Prudent Post-Annuitization & Payouts

GLB Segment	Gender	DB Option	Mortality Table	Projection Scale	Base Year	Future Dur. Improvement Years Cap	Multiplier	Begin Age Grade In	End Age Grade In
Post-Annuitization GMIB	M	Standard	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	84%	85	95
	F	Standard	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	74%	85	95
	M	Enhanced	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	88%	85	95
	F	Enhanced	IAM 2012 Basic ANB	Scale G2 ANB (100% M / 100% F)	2012	20	81%	85	95

- The base mortality table is generationally improved from the base year to the exposure year (i.e., year of death for experience study) or projection valuation year (i.e., 2017); future mortality improvements occur from the valuation year until the mortality improvement duration cap (i.e., number of years noted above).
- From Age 85 to 95, Final Multiplier will grade up to 100% of the standard mortality table based on a vector.

SCHEDULE II

GMIB RIDER FORMS

[To come]

Annex A

Accounting Principles

[See attached.]

ANNEX A

Accounting Principles

Introduction

This annex sets forth, with respect to certain blocks of business of Voya Insurance and Annuity Company ("VIAC") and Directed Services LLC ("DSL"), the methodologies, procedures, assumptions and estimates to be used in the preparation of the Estimated Closing Statement, the Subject Closing Statement and the Final Closing Statement (each, a "Closing Statement"). Capitalized terms that are used but not defined herein have the meanings assigned to them in the Agreement.

The overriding principle for preparation of the Closing Statements will be to assure consistency with the preparation of the Reference Closing Statement. For the avoidance of doubt, GAAP and Applicable Law (with respect to DSL) and the statutory accounting principles, actuarial guidelines and principles and Applicable Law (with respect to VIAC) that were in effect on June 30, 2017 were the sole accounting principles, actuarial guidelines, regulations and law used to prepare the Reference Closing Statement and no effect shall be given to any subsequent changes in such accounting principles, permitted or prescribed practices, actuarial guidelines, regulations and law in the preparation of the Closing Statements, except that any new interest maintenance reserve that is required to be debited or credited after the date hereof and prior to the Closing shall be calculated using the applicable tax rate in effect as of the date on which the underlying Investment Asset is sold.

The cash and invested assets represented in the Reference Closing Statement are not the specific cash and invested assets that will be reflected in the Closing Statements. Individual asset selection must be completed before the allocation of Book Value of cash and invested assets can be finalized and shall follow the Asset Identification Protocols

Accounting Policies and Practices

The Reference Closing Statement is presented on the basis of statutory accounting practices prescribed by the Iowa Department of Insurance ("Iowa DOI") for VIAC, as defined in **Exhibit 1**. The Iowa DOI recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under Iowa Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Iowa.

VIAC has no objection letters for the business under the Agreement.

The Reference Closing Statement is presented on the basis of GAAP prescribed by the Financial Accounting Standards Board ("FASB") for DSL as summarized in **Exhibit 3**.

Except as noted herein, the accounting principles and practices used in the preparation of the Closing Statements will be consistent with those used to report the Statutory Statements of VIAC as of and for the period ended June 30, 2017 and December 31, 2016, and will be consistent with those used to report the GAAP-basis financial statements of DSL as of and for the period ended June 30, 2017 and December 31, 2016.

The Closing Statements will be prepared as of the Effective Time after giving effect to the Pre-Sale Transactions.

EXHIBIT 1

VIAC Significant Accounting Policies

1. Significant Accounting Policies

Basis of Presentation

The financial statements of VIAC have been prepared in conformity with statutory accounting practices prescribed or permitted by the Iowa Insurance Division.

Investments: Investments in bonds and mandatorily redeemable preferred stocks are reported at amortized cost or fair value based on a rating by the National Association of Insurance Commissioners ("NAIC").

VIAC periodically reviews the value of its investments in bonds and mandatorily redeemable preferred stocks. If the fair value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline. To make this determination for each security, the following are some of the factors considered:

- The length of time and the extent to which the fair value has been below cost.
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential.
- VIAC's intent to sell the security prior to its maturity at an amount below its carrying value.
- VIAC's intent and ability to hold the security long enough for it to recover its fair value.

Based on the analysis, VIAC makes a judgment as to whether the decline in fair value is other–than-temporary. When an other-than-temporary impairment (“OTTI”) is recorded because there is intent to sell or VIAC does not have the intent and ability to hold the security for a period of time sufficient to recover the amortized cost basis, the security is written down to fair value. The total loss recorded is bifurcated between the interest related loss and the non-interest related loss. The interest related portion is deferred through the interest maintenance reserve (“IMR”) and the non-interest related portion is included in the asset valuation reserve (“AVR”) in the period that the OTTI is considered to have occurred as prescribed by the NAIC. Losses resulting from OTTI charges, net of transfers to IMR, are recorded within net realized capital gains (losses) in the statements of operations.

VIAC invests in structured securities, including mortgage backed securities/ collateralized mortgage obligations, asset backed securities, collateralized debt obligations, and commercial mortgage backed securities. Structured securities are reported at amortized cost or fair value based on a rating by the NAIC. They are amortized using the interest method over the period which repayment of principal is expected to occur. For structured securities in unrealized loss positions, VIAC determines whether it has the intent to sell or the intent and ability to hold the security for a period of time sufficient to recover the amortized cost. If VIAC has the intent and ability to hold the security to recovery, VIAC must compare the present value of the expected future cash flows for this security to its carrying value. If the present value of the expected future cash flows for the security is lower than its carrying value, the security is written down to its present value of the expected future cash flows.

Net realized gains and losses on disposed investments are reported in the statements of operations, net of federal income tax and transfers to the IMR.

Asset Valuation Reserves: The AVR is intended to establish a reserve to offset potential credit related investment losses on most invested asset categories. AVR is determined by an NAIC prescribed formula and is reported as a liability rather than as a valuation allowance or an appropriation of surplus. The change in AVR is reported directly to unassigned surplus.

Interest Maintenance Reserve: Under a formula prescribed by the NAIC, VIAC defers the portion of realized gains and losses on sales of fixed income investments, principally bonds, derivatives and mortgage loans, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity based on groupings of individual securities sold in five year bands. VIAC reports the net deferral of IMR as a liability on the accompanying balance sheets. When the net deferral of IMR is negative, the amount is reported as a component of other assets and nonadmitted.

Cash and Short-term Investments: Cash and short-term investments represent cash balances, demand deposits and short-term fixed maturity investments with initial maturities of one year or less at the date of acquisition.

Derivatives: VIAC follows the hedge accounting guidance in SSAP No. 86, *Derivatives* ("SSAP No. 86") for derivative transactions. Under SSAP No. 86, derivatives that are deemed effective hedges are accounted for entirely in a manner which is consistent with the underlying hedged item. Derivatives used in hedging transactions that do not meet the requirements of SSAP No. 86 as an effective hedge are carried at fair value with the change in value recorded in surplus as unrealized gains or losses. Embedded derivatives are not accounted for separately from the host contract.

Mortgage Loans: Mortgage loans are reported at amortized cost, less write downs for impairments. If the value of any mortgage loan is determined to be impaired (i.e., when it is probable that VIAC will be unable to collect all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to the lesser of either the present value of expected cash flows from the loan, discounted at the loan's original purchase yield or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing a permanent write-down recorded in net realized capital gains (losses).

Deferred Income Taxes: Deferred tax assets and liabilities represent the future tax recoveries or obligations associated with the accumulation of temporary differences between the tax and financial statement bases of VIAC's assets and liabilities. Deferred tax assets are provided for and admitted to an amount determined under a standard formula in accordance with SSAP No. 101. A valuation allowance is required if based on the available evidence, it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the gross deferred tax assets will not be realized. This assessment is determined on a separate reporting entity basis.

After reduction for any valuation allowance, VIAC follows the admissibility formula laid out under SSAP No. 101. These provisions limit the amount of gross deferred tax assets that can be admitted to surplus to those for which ultimate recoverability can be demonstrated. This limitation is based on availability of taxes paid in prior years that could be recovered through carrybacks, the expected timing of reversals for accumulated temporary differences over the next three years to offset future taxes, surplus limits, and the amount of gross deferred tax liabilities available for offset. Any deferred tax assets not covered under the formula are nonadmitted.

SSAP No. 101 requires all changes in deferred tax balances to be included as surplus adjustments. SSAP No. 101 specifically prohibits establishing deferred state income tax assets and liabilities.

Investments in Real Estate: Investments in real estate are reported net of related obligations rather than on a gross basis. Real estate owned and occupied by VIAC is included in investments, and investment income and operating expenses include rent for VIAC's occupancy of those properties. Changes between depreciated cost and admitted asset investment amounts are credited or charged directly to unassigned surplus. Any real estate not meeting the appraisal requirements established in SSAP No. 40R, *Real Estate*, shall be nonadmitted until the required appraisals are obtained.

Policy Acquisition Costs: The costs of acquiring and renewing business are expensed when incurred.

Premiums: Life premiums are recognized as revenue when due. Premiums for annuity policies with mortality and morbidity risk, except for guaranteed interest and group annuity contracts, are also recognized as revenue when due. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are recorded using deposit accounting.

Benefits Paid or Provided: Benefits incurred for universal life and annuity policies represent the total of death benefits paid and the change in policy reserves.

Benefit and Contract Reserves: Life policy and contract reserves under statutory accounting practices are calculated based upon both the net level premium method and Commissioners' Reserve Valuation method ("CRVM") using statutory rates for mortality and interest. Annuity policy and contract reserves under statutory accounting practices are calculated based upon the Commissioners' Annuity Reserve Valuation method ("CARVM") using statutory rates for mortality and interest.

Reinsurance: For business ceded to unauthorized reinsurers, statutory accounting practices require that reinsurance credits permitted by the treaty be recorded as an offsetting liability and charged against unassigned surplus. Policy and contract liabilities ceded to reinsurers have been reported as reductions of the related reserves. Commissions allowed by reinsurers on business ceded are reported as income when received. Losses generated in certain reinsurance transactions are recognized immediately in income, with gains reported as a separate component of surplus and amortized over the remaining life of the business.

Nonadmitted Assets: Certain assets designated as "nonadmitted," principally disallowed deferred federal income tax assets, disallowed interest maintenance reserves, non operating system software, past due agents' balances, furniture and equipment, intangible assets and other assets not specifically identified as an admitted asset within the NAIC *Accounting Practices and Procedures Manual,* are excluded from the accompanying balance sheets and are charged directly to unassigned surplus.

Policyholder Dividends: Policyholder dividends are recognized when declared.

Surplus Notes: Surplus notes issued are reported as a component of surplus on the balance sheets. Under statutory accounting practices, no interest expense is recorded on the surplus notes until payment has been approved by the Iowa Insurance Division. To the extent interest has been incurred but not yet accrued because it has not been approved by Iowa Insurance Division, the closing balance sheet will properly reflect interest incurred through the relevant balance sheet.

Separate Accounts: The assets and liabilities of the separate accounts are carried at fair value, and the reserves are calculated based upon the CARVM.

Other significant accounting practices are as follows:

Investments: Investments are stated at values prescribed by the NAIC, as follows:

Bonds not backed by other loans are principally stated at amortized cost using the effective interest method.

Loan backed securities are stated at either amortized cost or the lower of amortized cost or fair value. Amortized cost is determined using the effective interest method and includes anticipated prepayments. The retrospective adjustment method is used to determine the amortized cost for the majority of loan-backed and structured securities. For certain securities the prospective adjustment method is used, including interest only securities and securities that have experienced an OTTI.

Redeemable preferred stocks rated as high quality or better are reported at cost or amortized cost. All other redeemable preferred stocks are reported at the lower of cost, amortized cost, or fair value and nonredeemable preferred stocks are reported at fair value or the lower of cost or fair value.

Common stocks are reported at fair value and the related unrealized capital gains/losses are reported in unassigned surplus along with an adjustment for federal income taxes. Federal Home Loan Bank ("FHLB") common stock is carried at par value.

VIAC engages in dollar reverse repurchase agreements with mortgage-backed securities ("dollar rolls") and reverse repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements.

VIAC also enters into repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased.

VIAC engages in securities lending whereby certain domestic securities from its portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the cash collateral and invests in liquid assets on behalf of VIAC. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates.

Short-term investments are reported at amortized cost which approximates fair value. Short-term investments include investments with maturities between three months and one year at the date of acquisition.

Partnership interests, which are included in other invested assets, are reported at the underlying audited U.S. GAAP equity of the investee. Changes in surplus from distributions are reported in investment income.

Residual collateralized mortgage obligations, which are included in other invested assets on the balance sheets, are reported at amortized cost using the effective interest method.

Surplus notes acquired, which are included in other invested assets on the balance sheets, are reported at amortized cost using the effective interest method.

Realized capital gains and losses are generally determined using the first in first out method.

Cash on hand includes cash equivalents. Cash equivalents are short-term investments that are both readily convertible to cash and have an original maturity date of three months or less from date of purchase.

VIAC's use of derivatives is primarily for economic hedging purposes to reduce VIAC's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, and market risk. For those derivatives in effective hedging relationships, VIAC values all derivative instruments on a consistent basis with the hedged item. Upon termination, gains and losses on instruments are included in the carrying values of the underlying hedged items and are amortized over the remaining lives of the hedged items as adjustments to investment income or benefits from the hedged items. Any unamortized gains or losses are recognized when the underlying hedged items are sold. The unrealized gains and losses from derivatives not designated as accounting hedges are reported at fair value through surplus. Upon termination, interest related gains and losses on asset hedges are included in IMR and are amortized over the remaining lives of the derivatives; other gains and losses are added to the AVR.

VIAC enters into the following derivatives:

Credit Contracts:

Credit default swaps: Credit default swaps are used to reduce credit loss exposure with respect to certain assets that VIAC owns, or to assume credit exposure on certain assets that VIAC does not own. Payments are made to or received from the counterparty at specified intervals. In the event of a default on the underlying credit exposure, VIAC will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. VIAC utilizes these contracts in replication relationships for sold credit protection and non-qualifying relationships for purchased credit protection.

Equity Contracts:

Futures: Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may result in a decrease in variable annuity account values which would increase the possibility of VIAC incurring an expense for guaranteed benefits in excess of account values. VIAC also uses futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of the fixed index annuity ("FIA") contracts. VIAC enters into exchange traded futures with regulated futures commissions that are members of the exchange. VIAC also posts initial and variation margin with the exchange on a daily basis. VIAC utilizes exchange-traded futures in non-qualifying hedging relationships.

Options: VIAC uses put options to manage the equity, interest rate and equity volatility risk of the economic liabilities associated with certain variable annuity minimum guaranteed living benefits. VIAC also uses call and collar options to hedge against an increase in various equity indices. Such increases may result in increased payments to the holders of the FIA contracts. VIAC pays an upfront premium to purchase these options. VIAC utilizes these options in non-qualifying hedging relationships.

Total return swaps: VIAC uses total return swaps as a hedge against a decrease in variable annuity account values, which are invested in certain indices. Using total return swaps, VIAC agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of assets or a market index and the London Interbank Offered Rates ("LIBOR"), calculated by reference to an agreed upon notional principal amount. No cash is exchanged at the onset of the contracts. Cash is paid and received over the life of the contract based upon the terms of the swaps. VIAC utilizes these contracts in non-qualifying hedging relationships.

Variance swaps: VIAC uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits. An increase in the equity volatility results in a higher valuations of such liabilities. In an equity variance swap, VIAC agrees with another party to exchange amounts in the future, based on the changes in equity volatility over a defined period. VIAC utilizes equity variance swaps in non-qualifying hedging relationships.

Foreign Exchange Contracts:

Foreign exchange swaps: VIAC uses foreign exchange or currency swaps to reduce the risk of change in the value, yield or cash flows associated with certain foreign denominated invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows against U.S. dollar cash flows at regular periods, typically quarterly or semi-annually. VIAC utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

Currency forwards: VIAC uses currency forward contracts to hedge policyholder liabilities associated with variable annuity contracts which are linked to foreign indices. The currency fluctuations may result in a decrease in account values, which would increase the possibility of VIAC incurring an expense for guaranteed benefits in excess of account values. VIAC also utilizes currency forward contracts to hedge currency exposure related to its invested assets. VIAC utilizes these contracts in non-qualifying hedging relationships.

Interest Rate Contracts:

Interest rate swaps: Interest rate swaps are used by VIAC primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and/or liabilities. Interest rate swaps are also used to hedge the interest rate risk associated with the value of assets it owns or in an anticipation of acquiring them. Using interest rate swaps, VIAC agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest payments, calculated by reference to an agreed upon notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made to/from the counterparty at each due date. VIAC utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

Swaptions: A swaption is an option to enter into a swap with a forward starting effective date. VIAC uses swaptions to hedge the interest rate exposure associated with the minimum crediting rate and book value guarantees embedded in the retirement products that VIAC offers. Increases in interest rates will generate losses on assets that are backing such liabilities. In certain instances, VIAC locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. Swaptions are also used to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to contract holders of FIA contracts and the interest rate swaptions offset this increased exposure. VIAC pays a premium when it purchases the swaption. VIAC utilizes these contracts in non-qualifying hedging relationships

Futures: VIAC uses interest rate futures contracts to hedge interest rate risks associated with the CMO-B portfolio. Changes in the general level of interest rates can result in the potential for adverse changes in the portfolio. VIAC enters into exchange traded futures with regulated futures commissions that are members of the exchange. VIAC also posts initial and variation margins, with the exchange, on a daily basis. VIAC utilizes exchange-traded futures in non-qualifying hedging relationships.

Interest rate caps and floors: VIAC uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. VIAC uses interest rate floor contracts to hedge interest rate exposure if rates decrease below a specified level. VIAC pays an upfront premium for these caps and floors. VIAC utilizes these contracts in non-qualifying hedging relationships.

Contract Loans: Contract Loans are reported at unpaid principal balances but not in excess of the cash surrender value.

Aggregate Reserve for Life Policies and Contracts: Life, annuity, and accident and health reserves are developed by actuarial methods and are determined based on published tables using statutorily specified interest rates and valuation methods that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed policy cash value or the amounts required by law. Interest rates ranged from 2.25% to 9.75% for 2016.

VIAC waives the deduction of deferred fractional premiums upon the death of the insured. It is VIAC's practice to return a pro rata portion of any premium paid beyond the policy month of death, although it is not contractually required to do so for certain issues.

The methods used in valuation of substandard policies are as follows:

For life, endowment and term policies issued substandard, the standard reserve during the premium paying period is increased by 50% of the gross annual extra premium. Standard reserves are held on Paid-Up Limited Pay contracts.

For reinsurance accepted with table rating, the reserve established is a multiple of the standard reserve corresponding to the table rating.

For reinsurance with flat extra premiums, the standard reserve is increased by 50% of the flat extra.

VIAC anticipates investment income as a factor in premium deficiency calculation in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts.*

The tabular interest has been determined from the basic data for the calculation of policy reserves for all direct ordinary life insurance and for the portion of group life insurance classified as group Section 79. The method of determination of tabular interest of funds not involving life contingencies is as follows: current year reserves, plus payments, less prior year reserves, less funds added.

Reinsurance: Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Reserves are based on the terms of the reinsurance contracts and are consistent with the risks assumed. Premiums and benefits ceded to other companies have been reported as a reduction of premium revenue and benefits expense. Amounts applicable to reinsurance ceded for reserves and unpaid claim liabilities have been reported as reductions of these items, and expense allowances received in connection with reinsurance ceded have been reflected in operations.

Electronic Data Processing Equipment: Electronic data processing equipment is carried at cost less accumulated depreciation. Depreciation for major classes of such assets is calculated on a straight line basis over the estimated useful life of the asset, not to exceed three years.

Participating Insurance: Participating business approximates less than 1% of VIAC's life insurance in force. The amount of dividends to be paid to participating policyholders is determined annually by the Board of Directors. Amounts allocable to participating policyholders are based on published dividend projections or expected dividend scales.

Benefit Plans: VIAC provides noncontributory retirement plans for substantially all employees and certain agents. Pension costs are charged to operations as contributions are made to the plans. VIAC also provides a contributory retirement plan for substantially all employees.

Nonadmitted Assets: Changes in nonadmitted assets are generally reported directly in unassigned surplus as an increase or decrease in nonadmitted assets.

Claims and Claims Adjustment Expenses: Claims expenses represent the estimated ultimate net cost of all reported and unreported claims. VIAC does not discount claims and claims adjustment expense reserves. Such estimates are based on actuarial projections applied to historical claim payment data.

Guaranteed Benefits: For variable annuity guarantees, Actuarial Guideline 43 – Variable Annuity Commissioners Annuity Reserve Valuation Method (“AG43") is followed. This guideline interprets how to apply the CARVM. The greater of the result under a single deterministic “Standard Scenario” and the average of the most severe 30% of randomly generated stochastic scenarios is held as the reserve. Both reinsurance and hedging are also reflected. Taxes are not incorporated. All assumptions for the Standard Scenario are prescribed. For the stochastic scenarios, equity market returns must meet a calibration test. All other assumptions are set by the actuary using prudent best-estimates.

Separate Accounts: Most separate account assets and liabilities held by VIAC represent funds held for the benefit of VIAC’s variable life and annuity policy and contract holders who bear all of the investment risk associated with the policies. Such policies are of a non-guaranteed nature. All net investment experience, positive or negative, is attributed to the policy and contract holders’ account values. The assets and liabilities of these accounts, excluding the MVA and CAP, are carried at fair value and are legally segregated and are not subject to claims that arise out of any other business of VIAC. There are no product classification differences between STAT and U.S. GAAP. (See Note 2 for details related VIAC's prescribed practices related to the MVA and CAP.)

Reserves related to VIAC’s mortality risk are included in life and annuity reserves. The operations of the separate accounts are not included in the accompanying financial statements.

2. Permitted and Prescribed Statutory Basis Accounting Practices

The financial statements of VIAC are presented on the basis of accounting practices prescribed or permitted by the Iowa Insurance Division. The Iowa Insurance Division recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Iowa Insurance Law. The NAIC *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed practices by the State of Iowa. The Commissioner of the Iowa Insurance Division ("the Commissioner") has the right to permit other specific practices that deviate from prescribed practices.

VIAC is required to identify those significant accounting practices that are permitted or prescribed, and obtain written approval of the practices from the Iowa Insurance Division.

Quasi-Reorganization Permitted Practice
On May 8, 2013, VIAC, with the permission of the Commissioner, restated the gross paid-in and contributed surplus and the unassigned funds components of surplus, as of December 31, 2012, similar to the restatement of surplus that occurs pursuant to the prescribed accounting guidance for a quasi-reorganization under SSAP No. 72, *Surplus and Quasi-Reorganizations* ("SSAP No. 72"). The restatement resulted in a decrease to gross paid-in and contributed surplus and an increase in unassigned surplus of $1,659.0. This permitted practice had no impact on net income, total capital and surplus or risk-based capital.

MVA Prescribed Practice

VIAC, with the explicit permission of the Commissioner, carries the assets of the MVA Separate Account at amortized cost instead of fair value as required by SSAP No. 56, *Separate Accounts* ("SSAP No. 56"). VIAC's net income decreased/increased by $(0.7) and $1.9 for the years ending December 31, 2016 and 2015, respectively, as a result of the prescribed practice. The impact to VIAC's capital and surplus as a result of this prescribed practice was a decrease of $19.8 and $19.2 for the years ending December 31, 2016 and 2015, respectively.

CAP Prescribed Practice

VIAC, with the explicit permission of the Commissioner, carries the assets of the CAP Separate Account on a basis consistent with assets that are held in VIAC's General Account, instead of at fair value as required by SSAP No. 56. The impact to VIAC's capital and surplus as a result of this prescribed practice was immaterial as of December 31, 2016 and 2015. VIAC's net income was impacted by an immaterial amount as a result of the prescribed practice.

IAC 191-97 Prescribed Practice

Effective April 1, 2016, after receipt of non-objection from the Iowa Division of Insurance, VIAC adopted, Iowa Administrative Code 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* ("IAC 191-97"). Under the prescribed practice, the derivative transactions used to hedge the growth in interest credited on fixed indexed annuities will be carried at amortized cost, with the corresponding reserve liability calculation updated to assume the market value of the options to be zero. Iowa Rule 191-97 supersedes SSAP No. 86. The effect of the adoption of this prescribed practice on April 1, 2016 was a decrease in surplus of $38.3, which is reflected in VIAC's Statement of Changes in Capital and Surplus as both a change in reserve on account of change in valuation basis and a cumulative effect of changes in accounting principle. This adjustment to surplus was comprised of a reversal of inception-to-date unrealized gains in surplus netted against the fair value adjustment on eligible derivative assets of $65.4, partially offset by a decrease in reserves of $27.0, and tax impacts on adjustment to surplus of $16.6 is included in the $82.0 cumulative effect.

VIAC's risk-based capital would not have triggered a regulatory event had VIAC not used any of these prescribed practices.

VIAC plans to execute the following three transactions and will be requesting approval from the Iowa DOI subsequent to June 30, 2017 to support the assumptions currently reflected in the Reference Closing Statement:

Recapture of CBVA business from Roaring River II into VIAC at Book Value

Our Reference Closing Statement assumes that the recapture of the CBVA business from Roaring River II into VIAC will be completed at Book Value through a reinsurance treaty modification. We will request approval for a reinsurance treaty modification from the Iowa DOI to account for this transaction.

Transfer of Derivatives Portfolio into Funds Withheld Trust at Book Value

Our Reference Closing Statement assumes that the transfer of the Derivatives assets portfolio in VIAC, supporting the static hedge program backing our Fixed Indexed Annuities products, will be transferred from our general account into the Funds Withheld portfolio at Book Value rather than at Fair Value, as NAIC SAP requires. We will request a permitted or prescribed accounting practice from the Iowa DOI to account for the transaction at Book Value.

Payment of Interest on Surplus Notes

Our Reference Closing Statement assumes that the surplus notes will remain outstanding with interest accruing thereon. NAIC SAP requires approval from the Iowa DOI before interest may be paid on the surplus notes.

EXHIBIT 2

Adjusted Book Value

Adjusted Book Value should be determined as follows:

Statutory capital and surplus as determined in accordance with the Accounting Principles in Exhibit 1, adjusted for the following:

- Add Asset Valuation Reserve.
- Subtract the greater of i) any DTAs less any DTLs, and ii) zero.

EXHIBIT 3

DSL Significant Accounting Policies

1. Summary of Significant Accounting Policies

Basis of Presentation

The DSL financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Use of Estimates

The preparation of the DSL financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Cash

Cash represents cash on deposit.

Commissions, Concessions and Distribution Fee Receivables

Commissions, concessions and distribution fee receivables are shown at their net realizable value. Uncollectible receivables are charged to operations during the period they are deemed to be uncollectible.

Revenue Recognition

Commission revenue is earned when annuity contracts are issued. Investment advisory fees and services and Fee income are earned as the services are performed.

Liabilities Subordinated to the Claims of General Creditors

DSL had no liabilities subordinated to the claims of general creditors.

Future Adoption of Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. The standard also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09.

The provisions of ASU 2014-09 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of January I, 2017. Initial adoption of ASU 2014-09 is required to be reported using either a retrospective or modified retrospective approach.

DSL plans to adopt ASU 2014-09 on January 1, 201 8. DSL does not currently expect the adoption of this guidance to have a material impact; however, implementation efforts, including assessment of transition approach, are ongoing.

<u>Annex B</u>

CTE95 Model and Calculation Methodologies

[See attached.]

Definitions

The "CTE 95 Model" shall mean the comprehensive representation of the Voya Financial CBVA exposure model as run on the exact version of the Milliman valuation system, that:

1. Was used to generate results as of 6/30/2017 ("Signing Reference Date") for CBVA and the CTE 95 used in capital management in the normal course of business , as updated for assumptions adopted by Voya for its 9/30/2017 financial statements and CTE95 capital management program,
2. Specifically was used to generate the base valuation of CTE 95 calculated under the explicit approach in accordance with S&P stipulation posted to the data room as document number 3.2.35 ("Indigo – Reserves Capital Sensitivities v15") on 11/7/17 ("Anchor Valuation 1"),
3. Was used to generate CTE 95 valuation sensitivity to equity and interest rate levels calculated under the explicit approach, which were posted to the data room as document number 3.2.35 ("Indigo – Reserves Capital Sensitivities v15") on 11/7/17 ("Anchor Valuation 2),
4. Is the arithmetic mean of the static hedge CTE and Best Efforts hedge CTE results,
5. Is the model that is in strict accordance with the document "3.2.77 Annex B - Voya CBVA Statutory Assumptions 3Q2017 v6.docx" posted to the data room as document number 3.2.77 on 12/18/17,
6. Is consistent in methodology for generating inputs in the document, "3.2.76 CBVA_CTE95_Miscellaneous Inputs v7.xlsx" posted to the data room on 12/18/17.

"CTE 95 Run" shall denote the CTE 95 valuation output resulting from execution of the CTE 95 Model when fed with specified inputs.

"Valuation Input Set" shall denote a complete set of input files defined by:

- inforce data
- fund account values
- economic starting conditions
- economic scenarios
- valuation as-of date
- starting assets
- fund mapping

which will have individually been derived through the same processes through which these inputs are:

- derived for the CTE 95 used in capital management in the normal course of business as of a certain valuation as-of date
- consistent with the manner in which the Valuation Input Set was derived for the Signing Reference Date CTE 95 Run that yielded Anchor Valuation 1. Any given valuation date will have a unique Valuation Input Set associated with it

This includes but is not limited to deriving the economic starting conditions from the spreadsheet, *"3.2.76* CBVA_CTE95_Miscellaneous Inputs v7.xlsx*", posted to the data room on 12/18/17.*

The buyer has the right to inspect all inputs contained in the closing date model Valuation Input Set

"Sensitivity Input Set" shall denote a complete set of input files defined by

- Inforce File
- Fund Account Values
- Economic Reference Conditions
- Economic Scenarios
- Valuation as-of date
- Starting assets
- Fund mapping

which will have individually been derived through the same processes through which these inputs are:

- derived for the CTE 95 used in capital management in the normal course of business as of a certain date, and
- consistent with the manner in which the Sensitivity Input Set was derived for the Signing Reference Date CTE 95 Run that yielded Anchor Valuation 2.

"Inforce File" shall denote the input file, derived as of a certain date in a manner consistent with the process used for deriving the inforce file for the CTE 95 used in capital management in the normal course of business and as used in the generation of Anchor Valuation 1 and Anchor Valuation 2. The Inforce File shall reflect the fixes to the input file arising out of the GARWin extract data issues, as described in document, "3.2.67 CBVA_Extract Data Issues- Voya Model Committee V3.pptx" posted to the data room on 12/15/17.

"Fund Account Values" shall denote account value balances data set as of reference date, derived in manner consistent with the process used for deriving the Fund Account Values input for the CTE 95 in the normal course of business in the normal course of business and as used in the generation of Anchor Valuation 1 and Anchor Valuation 2

"Economic Reference Conditions" shall denote the complete set of economic condition inputs, including but not limited to US interest rates required for a CTE 95 Run and as the basis for the generation of the Economic Scenarios defined below, and derived as of a certain date in a manner consistent with the process used for deriving the Economic Reference Conditions as required for the CTE 95 used in capital management in the normal course of business and as used in the generation of Anchor Valuation 1 and Anchor Valuation 2. Economic reference conditions shall also include other economic inputs in the CTE 95 Run. . Specifically, Economic scenario sets will be generated using the Moody's B&H generator for the equity returns and the April 2016 version of the American Academy of Actuaries' Academy Interest Rate Generator (AIRG) in accordance with the Life PBR stochastic requirements under VM-20 with zero correlation as of the closing date in a manner consistent with the process used in the generation of Anchor Valuation 1 and Anchor Valuation 2.

The reinvestment weightings and initial asset spread used for the long term earned rate, Hull White parameters, and bond fund duration shall not be updated, and will be identical to that used in the generation of Anchor Valuation 1 and Anchor Valuation 2, and as provided in document "3.2.77 Annex B - Voya CBVA Statutory Assumptions 3Q2017 v6.docx" posted to the data room as document number 3.2.77 on 12/18/17

"Economic Scenarios" shall denote the set as of stochastic statutory interest rate and fund return valuation scenarios, derived based on the Economic Reference Conditions in manner consistent with the process used for deriving the Economic Scenarios for the CTE 95 used in capital management in the normal course of business and as used in the generation of Anchor Valuation 1 and Anchor Valuation 2.

"Valuation as-of-date" shall denote the calendar date as of which a valuation is conducted.

"Starting Assets" shall denote the complete set of, and information about hedge positions and the value of statutory reserves used in a CTE 95 Run as of a certain date, derived in manner consistent with the process used for deriving the Starting Assets input used in the generation of Anchor Valuation 1 and Anchor Valuation 2.

"Liability Equity Delta" shall denote the fair value sensitivity of the hedge target with respect to changes in equity market levels used for equity hedging of the Guarantee Hedge Program as of the Closing Date calculated in a manner consistent with the hedge input provided by Milliman as an ongoing service to Voya.

"Liability Rho" shall denote the fair value sensitivity of the hedge target with respect to parallel interest rate term structure shifts as used for interest rate hedging of the Guarantee Hedge Program as of the Closing Date, calculated in a manner consistent with the hedge input provided by Milliman as an ongoing service to Voya.

“Guarantee Hedge Program” shall denote the hedging program associated with the economic risk of the death benefit and living benefit guarantees, and which is modeled within the CTE 95 runs as for Anchor Valuation 1 and Anchor Valuation 2.

“Hedge Equity Delta” shall denote the fair value sensitivity of the hedge positions within the Guarantee Hedge Program with respect to changes in equity market levels used for equity hedging as of the Closing Date, calculated in a manner consistent with the hedge input provided by Milliman as an ongoing service to Voya.

“Hedge Rho” shall denote the fair value sensitivity of the hedge positions within the Guarantee Hedge Program with respect to parallel interest rate term structure shifts as used for interest rate hedging as of the Closing Date, calculated in a manner consistent with the hedge input provided by Milliman as an ongoing service to Voya.

“Closing Date Starting Assets” shall denote the complete set of and information about the set of hedge positions and general account fixed income assets derived as follows:

- The hedge positions used in both the Valuation Input Set and the Sensitivity Input Set will reflect the actual positions within the Guarantee Hedge Program held as of Closing Date, but then rebalanced to reflect the Liability Equity Delta and Liability Rho for each sensitivity run, including the baseline valuation. Rebalancing is modeled as follows:
    - S&P Total Return Swaps are not assumed to be rebalanced. The Hedge Equity Delta for Equity Futures is set equal to the difference between the Liability Equity Delta and Hedge Equity Delta of the S&P Total Return Swap, where all deltas have been recalculated after the market shock for each sensitivity, including the baseline valuation. Additional theoretical interest rate swap positions are modeled to account for any mismatch in key rate rho between the Hedge Rho and the Liability Rho after the market shock for each sensitivity, including the baseline valuation.
- The total Starting Asset amount shall be determined in accordance with the process used for the derivation of the CTE 95 used in capital management in the normal course of business and used in Anchor Valuations 1 and 2.

“Fund mapping” shall denote the complete set of mapping of actual funds to representative indices as well as allocation of bond fund sensitivity to key rate rho, used in the generation of Anchor Valuation 1 and Anchor Valuation 2, but updated to reflect the most recent implementation prior to the Valuation as-of-date.

The closing price model should be different from the signing price model only in the below respects:

- The Valuation Input and Sensitivity Input sets

All other components of the closing date model including, but not limited to, the following items

- all actuarial assumptions about mortality and policyholder behavior
- the hedging strategy and its representation

should be identical to the Signing Reference Date model practices used in the derivation of Anchor Valuations 1 and 2.

Annex C

Asset Identification Protocol

[See attached.]

ASSET IDENTIFICATION PROTOCOL – BASE FA ASSETS

The assets to be made available for transfer pursuant to the FA Business Reinsurance Agreements shall be comprised of assets allocated to the fixed annuity line of business (the "Base FA Assets") under the Company's and RLI's normal asset allocation and reporting procedures, subject to the following adjustments and restrictions:

1. The Base FA Assets should have a statutory carrying value, determined in accordance with SAP ("Statutory Carrying Value") of no less than the sum of (a) the statutory reserves to be ceded pursuant to the FA Business Reinsurance Agreements plus (b) an amount equal to the greater of (i) the existing interest maintenance reserve (determined in accordance with SAP) relating to the business to be ceded pursuant to the FA Business Reinsurance Agreements and (ii) $0 (such sum, the "Target Asset Amount").

2. Seller will make available for transfer additional assets (the "Additional FA Assets") with a Statutory Carrying Value equal to the sum of:
   a. 7% of the Statutory Carrying Value of the Base FA Assets; plus
   b. 107% of the difference of (x) the Target Asset Amount, minus (y) the Statutory Carrying Value of the Base FA Assets, if such difference is positive, and otherwise zero; plus
   c. The difference between (x) the Statutory Carrying Value of Commercial Mortgage Loans ("CMLs") in the Base FA Assets, minus (y) $3.4 billion, if such difference is positive, and otherwise zero; plus
   d. The aggregate Statutory Carrying Value of any of the following that are part of the Base FA Assets:
      i. Securities issued by Deloitte Touche Tohmatsu Limited or any of its affiliates ("Deloitte"), PricewaterhouseCoopers International Limited or any of its affiliates ("PwC"), Ernst & Young Global Limited or any of its affiliates and/or KPMG International Cooperative or any of its affiliates ("KPMG" and collectively, the "Big Four Accounting Firms") (collectively, "Auditor Securities"); and/or;
      ii. Securities which have a sector classification of "Gaming" under the Bloomberg Barclays global sector classification scheme ("BCLASS"); plus
   e. The Statutory Carrying Value of any asset requiring third party consents or approvals to transfer to another party (to the extent that such approvals have not been received at least thirty (30) days prior to the expected Closing Date).

3. The Additional FA Assets shall be substantially similar, in the metrics outlined below and as measured as of the quarter-end prior to the date the Estimated Closing Statement is required to be delivered, to the Base FA Assets. The determining metrics for the Additional FA Assets are as follows:
   a. Weighted Average Life;
   b. NAIC ratings distribution;
   c. Industry distribution;
   d. Asset class allocation; and
   e. Ratio of fair market value to Statutory Carrying Value.

4. The Additional FA Assets shall not contain any securities of the type listed in 2(d).

Seller shall provide Reinsurer Parent with a list of the Base FA Assets and the Additional FA Assets no later than thirty (30) days prior to the expected Closing Date.

Reinsurer may freely select assets with a Statutory Carrying Value equal to the Target Asset Amount from the combined Base FA Assets and Additional FA Assets, and Reinsurer will notify Seller of the selected assets at least ten (10) days prior to the expected Closing Date.

5. Reinsurer will include in its selected assets CMLs with a minimum Statutory Carrying Value of 85% of the lesser of (i) $3.4 billion and (ii) the aggregate Statutory Carrying Value of CMLs in the Base FA Assets.

Availability of Assets at Closing

In the event that any asset hereby Selected by Seller is not available on the Closing Date for any reason, including but not limited to the normal business operations and portfolio management of the Company, Seller is not responsible for delivering such asset. The parties will use reasonable best efforts to identify and transfer replacement assets in a manner consistent with this Asset Identification Protocol.

ASSET IDENTIFICATION PROTOCOL – VIAC RETAINED ASSETS

Seller shall consummate the Restructuring and the Pre-Sale Transactions such that, after giving effect to such transactions, the assets that remain in VIAC are consistent with the following requirements, adjustments and principles.

1. Investment Assets Supporting Payout Annuity General Account Reserves ("Payout Reserve Assets")
   a. Except as set forth below, the Payout Reserve Assets will be the Payout Annuity Allocated Investment Assets with such changes between September 30, 2017 and the Closing that are made consistent with the Company's normal investment guidelines and asset allocation procedures.
   b. The Payout Reserve Assets delivered at the time of Closing will be substantially similar, on the basis of statutory carrying value determined in accordance with SAP ("Statutory Carrying Value"), with those corresponding metrics as of September 30, 2017 ("Existing Payout Annuity Portfolio Data"):
      i. Weighted Average Life;
      ii. Ratings Distribution; `
      iii. Asset Class Allocation; and
      iv. Industry Distribution.
   c. Notwithstanding 1(a) and (b) above:
      i. Maximum allocation to illiquid classes, defined as asset which are categorized with 'ASSET_CLASS_CATEGORY' of (1) COMMERCIAL MORTGAGES, (2) PRIVATE-BIG, (3) PRIVATE-IG or (4) LIMITED PARTNERSHIPS as shown in the data room file 3.8.32 – 9.30 Asset File with Additional information ("Illiquid Assets") shall be the lower of $2,000,000,000 and 40% of the Payout Reserve Assets.
      ii. Maximum allocation to any unrated investment on Schedule BA or Schedule D Part 2 ("Alternatives") of $125,000,000 in the aggregate, including with respect to any amounts allocated to the CBVA Reserve Assets and the Surplus Assets.
      iii. Maximum allocation to CMO-Bs of $380,000,000 in the aggregate, including with respect to any amounts allocated to the CBVA Reserve Assets and the Surplus Assets
      iv. Payout Reserve Assets shall not include any Auditor Securities.
      v. Payout Reserve Assets shall include hedging assets supporting the Payout Annuity general account reserves to the extent such hedging assets are required to be retained by the Company in accordance with the Hedging Protocol.
      vi. The Payout Reserve Assets shall not include any of the following ("Excluded Securities"):

CUSIP	DESCRIPTION	MATURITY_DATE

14214XB#6	CARILLION PLC	11/27/2019
G4910#AA8	INTERSERVE PLC	6/19/2021
G4910#AB6	INTERSERVE PLC	6/19/2024
G4910#AC4	INTERSERVE PLC	6/19/2026
44569*BR1	HUNT OIL CO	11/12/2029
44569*BQ3	HUNT OIL CO	11/12/2026

d. Existing Payout Reserve Portfolio Data is referenced in data room file 3.8.32 and is incorporated by reference to this Annex C.

2. <u>Investment Assets Supporting CBVA General Account Reserves ("CBVA Reserve Assets")</u>

a. Except as set forth below, the CBVA Reserve Assets will be the CBVA Allocated Investment Assets with such changes between September 30, 2017 and the Closing that are made consistent with the Company's normal investment guidelines and asset allocation procedures.

b. CBVA Reserve Assets delivered at the time of Closing will be substantially similar, on the basis of Statutory Carrying Value, with those corresponding metrics as of September 30, 2017 ("<u>Existing VA Portfolio Data</u>"):

   i. Weighted Average Life;
   ii. Ratings Distribution;
   iii. Asset Class Allocation; and
   iv. Industry Distribution.

c. Notwithstanding 1(a) and (b) above:

   i. Maximum allocation to Illiquid Assets shall be the lower of $1,000,000,000 and 20% of the CBVA Reserve Assets.
   ii. CBVA Reserve Assets shall not include any CMO-Bs other than Portfolio CMO-Bs.
   iii. Maximum allocation to Alternatives of $125,000,00 in the aggregate, including with respect to any amounts allocated to the Payout Reserve Assets and the Surplus Assets.
   iv. Maximum allocation to CMO-Bs of $380,000,000 in the aggregate, including with respect to any amounts allocated to the Payout Reserve Assets and the Surplus Assets.
   v. CBVA Reserve Assets shall not include any Auditor Securities or Excluded Securities.
   vi. CBVA Reserve Assets shall include hedging assets supporting the CBVA general account reserves to the extent such hedging assets are required to be retained by VIAC in accordance with the Hedging Protocol.

d. Existing VA Portfolio Data is re`ferenced in data room file 3.8.32 and is incorporated by reference to this Annex C.

3. Assets Supporting VIAC's Adjusted Book Value ("Surplus Assets")
    a. Subject to the Agreed Accounting Principles, the metrics for the Surplus Assets shall have substantially similar characteristics as those set forth in 2(b) above with respect to the CBVA Reserve Assets, except to the extent such metrics are not substantially similar due to the inclusion of cash, Treasuries or Public IG Corporates.
    b. As above, the determining metrics for the Surplus Assets are as follows:
        i. Weighted Average Life;
        ii. Ratings Distribution;
        iii. Asset Class Allocation; and
        iv. Industry Distribution.
    c. The Surplus Assets shall not include any Auditor Securities or any Excluded Securities.
4. Other Principles
    a. Parties to discuss asset allocation criteria once Buyer and asset manager have established post-closing asset allocation targets.
    b. Notwithstanding 1 and 2 above, maximum allocation to Alternatives of $125,000,00 in the aggregate, including with respect to any amounts allocated to the Payout Reserve Assets and the CBVA Reserve Assets.
    c. Notwithstanding 1 and 2 above, maximum allocation to CMO-Bs of $380,000,00 in the aggregate, including with respect to any amounts allocated to the Payout Reserve Assets and the CBVA Reserve Assets.

SCHEDULE 1.1(a)

Allocated Assets

1. Reference is made hereby to the Allocated Contracts and Allocated Intellectual Property set forth on Schedules 1.1(b) and 1.1(c) of the Agreement, respectively.
2. The physical Allocated Assets set forth immediately below:

Category	Description	Volume/Amount
Physical	Scanners	As utilized by Business as of the Closing Date.
Physical	Check Printers	As utilized by Business as of the Closing Date.
Physical	Check Scanners	As utilized by Business as of the Closing Date.
Physical	Desktop Printers	As utilized by Business as of the Closing Date.
Physical	Fiche Equipment	As utilized by Business as of the Closing Date.
Physical	Fiche Storage Cabinets	As utilized by Business as of the Closing Date.
Physical	Fiche Room Printer	As utilized by Business as of the Closing Date.
Physical	Envelope Opener	As utilized by Business as of the Closing Date.
Physical	Specialized furniture (large/small items) to support shared services functions - separation cubicles, etc. (outside of actual desk space)	As utilized by Business as of the Closing Date.
Physical	Cabinets - storage; variation of sizes and setups	As utilized by Business as of the Closing Date.
Physical	Overnight package handheld scanners	As utilized by Business as of the Closing Date.
Physical	Mailroom equipment - scales; PC equipment to include monitors, keyboard, mouse (3)	As utilized by Business as of the Closing Date.
Physical	NICE Tape Machine	As utilized by Business as of the Closing Date.
Physical	WordNet Machine	As utilized by Business as of the Closing Date.
Physical	Tape Cabinet	As utilized by Business as of the Closing Date.
Physical	Laptop	1 item per Covered Employee utilizing asset as of the Closing Date.

Physical	Docking station	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Desktop	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Desk top Software	As utilized by Business per Covered Employee as of the Closing Date.
Physical	Mobile devices	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Printers	As utilized by Business as of the Closing Date.
Physical	Phones	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Monitors	1-2 items per Covered Employee utilizing asset as of the Closing Date.
Physical	Monitor Arms	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Keyboards	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Computer Mouse	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Headsets (wired and wireless)	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Server Rack for IT equipment in Network Closets	As utilized by Business as of the Closing Date and consistent with subleased space.
Physical	Desktop printers - used for printing of barcode sheets used for scanning	As utilized by Business as of the Closing Date.
Physical	Network Printers - Ops Floor	As utilized by Business as of the Closing Date.
Physical	Network Printers - TOA / GAAS Printers	As utilized by Business as of the Closing Date.
Physical	Projector/Screen/Speakers	As utilized by Business as of the Closing Date in subleased space.

Physical	PolyCom	As utilized by Business as of the Closing Date and consistent with subleased space.
Physical	Video equipment	As utilized by Business as of the Closing Date and consistent with subleased space.
Physical	Desktops with GPU cards	As utilized per Covered Employee utilizing assets as of the Closing Date.
Physical	Security Access Cards	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Cubicles	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Chairs - Task	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Chairs – Conference	Each conference room in subleased space will have appropriate number of seats to fit table size as designed.
Physical	Chairs - Soft Seating	Each soft seating area in subleased space will have appropriate number of seats to fit area as designed.
Physical	Shelving	Those currently in place in subleased space as of the Closing Date.
Physical	Private Office furniture	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Tables - work rooms and collaboration areas	Those currently in place in subleased space as of the Closing Date.
Physical	Conference Rooms Tables	Each conference room will have the table and amenities (white board, Monitor) in subleased space as of the Closing Date.
Physical	Genius Bars setup	As utilized by Business as of the Closing Date. Standard genius bar contains a monitor, with 5-8 chairs.

Physical	Specialized furniture (large/small items) to support shared services functions - separation cubicles, etc. (outside of actual desk space)	As utilized by Business as of the Closing Date.
Physical	Cubicles	1 item per Covered Employee utilizing asset as of the Closing Date.
Physical	Office supplies on hand, including paper	Consistent with utilization by Business as of the Closing Date.
Physical	Whiteboards (Huddle Boards)	As utilized by Business as of the Closing Date.

3. The Acquired Company Books and Records and RLI FA Books and Records include, but are not limited to:
    a. Opinions of counsel, internal memoranda, and work papers to the extent relating to the Business (e.g., tax opinions of outside counsel to the extent relating to FA and CBVA Business, internal memoranda of counsel relating to FA and CBVA Business).
    b. Insurance regulatory product filing records (state-approved insurance contracts, endorsements, etc.) to the extent relating to the Business.
    c. Correspondence with Governmental Entities to the extent relating to the Business.
    d. Accounting policy documentation for current and historical time periods to the extent related to the Business.
    e. Historical supporting files within FP&A and Controllership functions that support ledger and other processes/systems listed below, control documentation, plus rating agency surveys, fund reporting, and related documentation to the extent related to the Business.
    f. Accounting policy documentation to the extent related to the Business for current and historical time periods.
    g. Model governance documentation to the extent related to the Business for current and historical time periods.
    h. Historical human resources records, electronic and physical, with respect to each Covered Employee, such as (but not limited to) performance reviews and compensation, corrective action, PTO/Time off administration, and offer letters.
    i. Trade booking, clearing and settlement systems to the extent related to the Business to support derivative trade life cycle.
    j. Data, models, analysis, documentation to the extent relating to the Business.
    k. Training material for all products to the extent relating to the Business.
    l. Training material for sales concepts to the extent relating to the Business.

m. Training material for industry training and onboarding to the extent relating to the Business.

4. The bank accounts more particularly described on the attached spreadsheet titled "Schedule 1.1(a) - Bank Accounts."
5. Network gear (switches, routers, WAN access points, etc.) used to exclusively support the Company in the subleased space. All equipment reasonably necessary to operate the Business as currently conducted in one floor of each of the Des Moines and West Chester locations.

Schedule 1.1(a) – Bank Accounts

[redacted]

SCHEDULE 1.1(b)

Allocated Contracts

1. All distribution and selling agreements to which DSL, the Company or, solely with respect to the Business, RLI are parties, including those contracts set forth on the attached spreadsheet titled "Schedule 1.1(b) - Selling Agreements."*
2. Reference is hereby made to the mutual fund agreements set forth on Section 3.13(a)(xiv) of the Seller Disclosure Schedule.*
3. Reference is hereby made to the third party administration and investment management agreements set forth on Section 3.13(a)(xi) of the Seller Disclosure, except Items 7, 8, 9, 12, 13, 16, 17 and 18 on such schedule, which Items shall be Excluded Assets.*
4. Reference is hereby made to the derivative instruments set forth on Section 3.13(a)(xii) of the Seller Disclosure Schedule.*
5. Reference is hereby made to the Reinsurance Agreements set forth on Section 3.16 of the Seller Disclosure Schedule.
6. Reference is hereby made to the Intercompany Agreements set forth on Section 5.6 of the Seller Disclosure Schedule.
7. All executed agreements entered into on the "Form of Master Selling Agreement, by and among Voya Insurance and Annuity Company, ReliaStar Life Insurance Company of New York, Voya Retirement Insurance and Annuity Company and Direct Services LLC".
8. All executed agreements entered into on the "Form of Amendment to the Master Selling Agreement, by and among Voya Insurance and Annuity Company, ReliaStar Life Insurance Company of New York, Voya Retirement Insurance and Annuity Company, Voya Institutional Trust Company and Directed Services LLC".
9. All executed agreements entered into on the "Form of Fixed and Variable Annuity Application for Agent Appointment, by and between Voya Insurance and Annuity Company, Voya Retirement Insurance and Annuity Company, ReliaStar Life Insurance Company, ReliaStar Life Insurance Company of New York and Directed Services LLC".
10. All executed agreements entered into on the "Form of Suitability Amendment for Non-Registered Annuity Contracts, by and between Voya Insurance and Annuity Company and ReliaStar Life Insurance Company of New York".
11. All executed agreements entered into on the "Form of DOL Fiduciary Rule Amendment to Insurance Product Selling Agreement, by and among Voya Insurance and Annuity Company, ReliaStar Life Insurance Company of New York and Voya Retirement Insurance and Annuity Company".
12. The following deferred compensation arrangements:
    a. Retirement Incentive Plan for General Agents and Agents

b. Agent Equity Builder Plan
c. Managing Director Equity Builder Plan

13. Reference is hereby made to Section 3.13(a)(ii) of the Seller Disclosure Schedule.
14. The subleases of the Leased Real Property referenced as part of the Real Property Transfer Agreements.

*NOTE: Certain of these Contracts include restrictions on change of control or other restrictions on transfer. Transfer of these Contracts will be in accordance with Section 5.4(c) of the Master Transaction Agreement.

Allocated IP Contracts

1. Master Software License Agreement, by and between ING North America Insurance Corporation and Actimize Inc. ("Actimize"), dated as of December 1, 2006.
2. Master Software License Agreement, by and between Navisys Enterprise Solutions, Inc. and Aetna Life Insurance Company ("LifeCAD"), dated as of January 5, 1999.
3. Interest-Sensitive License and Agreement, by and between PricewaterhouseCoopers and ING – Security Life of Denver and its Affiliates under Common Control ("Triton"), dated as of December 29, 2000.
4. MIB Insurance Databases and Services Agreement, by and between MIB Solutions, Inc. and Voya Services Company ("MIDAS"), dated as of May 12, 2017.
5. Master License and Services Agreement, by and between ING North America Insurance Corporation and Merant Inc. ("PVCS"), dated as of December 31, 2000.
6. Index License Agreement, by and between Citigroup Global Markets Limited and Voya Insurance and Annuity Company, effective as of October 7, 2016.
7. J.P. Morgan Index License Agreement, by and between J.P. Morgan Securities LLC and Voya Insurance and Annuity Company, dated as of October 11, 2016.
8. License Agreement, by and between Deutsche Bank AG, London Branch and Voya Services Company, dated as of August 4, 2016.
9. Services Agreement, by and between ING North America Insurance Company (n/k/a Voya Services Company) and NIIT SmartServe Limited, dated as of November 6, 2009, as amended.

Schedule 1.1(b) - Selling Agreements

See attached.

Contract Owner	Counterparty	Contract Type	Additional Parties	Effective Date
ING USA Annuity and Life Insurance Company ReliaStar Life Insurance Company of New York (collectively referred to as the "ING Insurers")	Directed Services, Inc. (Distributor)	Sales agreement	AllState Financial Services LLC (Broker-Dealer)	3/31/2006
Golden American Life Insurance Company	Directed Services, Inc.	Sales agreement	FSC Agency Inc. (General Agent) & FSC Securities Corporation (Broker-Dealer)	2/19/1996
ING USA Annuity and Life Insurance Company & ReliaStar Life Insurance Company of New York (collectively ING Insurers)	Directed Services LLC ("Distributor")	Sales agreement	LPL Financial Corporation (Broker-Dealer and General Agent)	2/25/2009
ING USA Annuity and Life Insurance Company & ReliaStar Life Insurance Company of New York (collectively ING Insurers)	Directed Services LLC ("Distributor")	Sales agreement	Royal Alliance Assoc. (Broker-Dealer)	6/27/2006
ING USA Annuity and Life Insurance Company & ReliaStar Life Insurance Company of New York (collectively ING Insurers)	Directed Services LLC ("Distributor")	Sales agreement	AIG Financial Advisors	6/27/2006
ING USA Annuity and Life Insurance Company (ING Insurer)	ING Financial Partners, Inc (Broker-Dealer)	Sales agreement	N/A	Not specified
Golden American Life Insurance Company & Directed Services, Inc	World Group Securities Inc. (Broker Dealer)	Broker-Dealer Sales Agreement	N/A	Not specified
Equitable Life Insurance Company & Directed Services, Inc (Distributor)	World Group Securities Inc. (Broker Dealer)	Broker-Dealer Sales Agreement	N/A	Not specified

ING USA Annuity and Life Insurance Company	Woodbury Financial Services, Inc (Broker-Dealer)	Sales agreement	N/A	6/28/2006
VIAC, VRIAC, and Directed Services LLC (DSL) - collectively referred to as "Voya"	Crossroads Capital Insurance Services Inc. and Crossroads Capital Distributors LLC - collectively referred to as "Crossroads"	Amendment to Wholesaling Agreement	N/A	10/1/2016
VIAC, VRIAC, and Directed Services LLC (DSL) - collectively referred to as "Voya"	Crossroads Capital Insurance Services Inc. and Crossroads Capital Distributors LLC - collectively referred to as "Crossroads"	Amendment to Wholesaling Agreement	N/A	1/1/2016
ING USA Annuity and Life Insurance Company ING Life Insurance and Annuity Company Directed Services LLC	Crossroads Capital Insurance Services Inc.	Wholesaling Agreement	N/A	12/20/2013
ING USA Annuity and Life Insurance Company ING Life Insurance and Annuity Company Directed Services LLC	Crossroads Capital Insurance Services Inc.	Amendment to Wholesaling Agreement	Crossroads Capital Distributors LLC	Effective 12/20/13, though dated in April 2014

ING USA Annuity and Life Insurance Company ReliaStar Life Insurance Company of New York (collectively referred to as the "ING Insurers")	Directed Services LLC ("Distributor")	Sales agreement	Securities Service Network Inc. (broker-dealer) and Network Agency Inc. (general agent)	8/21/2006
ING USA Annuity and Life Insurance Company ReliaStar Life Insurance Company of New York (collectively referred to as the "ING Insurers")	Directed Services LLC ("Distributor")	Sales agreement	World Group Securities Inc (Broker dealer) and World Financial Group Insurance Agency Inc (general agent)	3/8/2007
Voya Insurance and Annuity Company (VIAC), Voya Retirement Insurance and Annuity Insurance Company (VRIAC), and Directed Services LLD (DSL) - collectively Voya	Crossroads Capital Insurance Services, Inc. and Crossroads Capital Distributors LLC - collectively Crossroads	Employment Option Exercise Agreement	N/A	10/23/2017
ING USA Annuity and Life Insurance Company	Citigroup Global Markets Inc. (now part of Morgan Stanley)	Selling Agreement	ReliaStar Life Insurance Company of New York; Directed Services Limited [sic]; SBHU Life Agency, Inc.	8/1/2007
Directed Services, Inc.	Dean Witter Reynolds Inc.	General Agent Sales Agreement	N/A	7/1/1997

Voya Insurance and Annuity Company	Advisor Group, Inc.	Distribution Support Agreement	N/A	1/1/2017
Voya Insurance and Annuity Company	AIG Advisor Group, Inc.	Marketing support agreement	Directed Services LLC	7/2/2015
Voya Insurance and Annuity Company	Allstate Life Insurance Comnpany	Marketing support agreement	Voya Retirement Insurance and Annuity Company; Allstate Life Insurance Company of New York	5/1/2017
Voya Insurance and Annuity Company	Lincoln Financial Advisors Corporation	Marketing support agreement	Directed Services LLC	1/1/2017
Directed Services LLC	Ladenburg Thalmann Advisor Network LLC	Marketing support agreement	N/A	1/1/2017

Voya Financial	Questar Capital Corporation	Marketing support agreement	N/A	1/1/2017
Directed Services LLC	CUSO Financial Services, L.P.	Marketing support agreement	N/A	1/1/2017
Voya Insurance and Annuity Company	Farmer Financial Solutions, LLC	Marketing support agreement	N/A	6/1/2015
ING USA Annuity and Life Insurance Company	UBS Financial Services Inc.	Marketing support agreement	N/A	1/1/2004
Directed Services LLC	Centaurus Financial Inc.	Marketing support agreement	N/A	1/1/2017

ING USA Annuity and Life Insurance Company	Primerica Financial Services Inc.	Services Agreement	Primerica Financial Services Agency of New York, Inc.; PFS Investments Inc.; ReliaStar Life Insuance Company of New York; Directed Services LLC	9/1/2007
Voya Insurance and Annuity Company	National Planning Holdings, Inc.	Marketing support agreement	Directed Services LLC; National Planning Corporation; SII Investment Inc.; Invest Financial Corporation; Investment Centers of America	1/1/2017
Voya Insurance and Annuity Company	Voya Financial Advisors	Marketing support agreement	Directed Services LLC	4/1/2017
Directed Services LLC	Infinex Investments, Inc.	Marketing support agreement	N/A	1/1/2017
Directed Services LLC	LPL Financial LLC	Marketing support agreement	N/A	1/1/2015

Directed Services LLC	LPL Financial LLC	Annuity Participating Sponsor Program Service Agreement	N/A	01/__/2015
Voya Insurance and Annuity Company	Allstate Financial Services LLC	Amendment to Schedule A Addendum	Voya Retirement Insurance and Annuity Company; ReliaStar Life Insurance Company of New York; Directed Services LLC; named Allstate agencies	10/1/2014
Voya Financial	LPL Financial LLC	Fixed Index Annuity Marketing Allowance Agreement	N/A	6/26/2017
Voya Insurance and Annuity Company	Cetera Financial Group, Inc.	Marketing Services Agreement	Affiliated Cetera Broker-Dealers	6/1/2015
Voya Insurance and Annuity Company	Greg Brakovich	Non-Competition and Non-Solicitation Agreement	Voya Retirement Insurance and Annuity Company; Directed Services, LLC	10/23/2017
Voya Insurance and Annuity Company	Philip Meserve	Non-Competition and Non-Solicitation Agreement	Voya Retirement Insurance and Annuity Company; Directed Services, LLC	10/23/2017
Voya Insurance and Annuity Company	James Shepherdson	Non-Competition and Non-Solicitation Agreement	Voya Retirement Insurance and Annuity Company; Directed Services, LLC	10/23/2017

Associated Doctors Health and Life Insurance Company	Columbine Life Insurance Company	Master Participation Agreement	Life Insurance Company of Georgia, Midwestern United Life Insurance Company (MULIC), Security Life of Denver Insurance Company (SLD), Southland Life Insurance Company (SL), Internationale Nederlanden North America Investment Centre (TIC), and Wisconsin National Life Insurance Company (WNLIC)	7/27/1993
Indiana Insurance Company	Peerless Insurance Company	Master Participation Agreement	Internationale Nederlanden North America Investment Centre (TIC)	2/8/1994
Directed Services, Inc.	UBS Financial Services Inc.	General Agent Sales Agreement	PW Insurance Agencey (Idaho) Inc; PaineWebber Insurance Sales (Arizona) Inc; PW Insurance Agency of AL Inc	5/19/2005
Directed Services, Inc.	PWJC Sales Agency Incorporated	General Agent Sales Agreement	Paine Webber Incorporated;	5/1/1997

Golden American Life Insurance Company	Merrill Lynch, Pierce, Fenner & Smith Incorporated	Selling Agreement	Directed Services Limited [sic]; Merrill Lynch Life Agency Inc.; various Merrill state insurance agencies noted	9/4/2001
Directed Services, Inc.	Planning Corporation of America	General Agent Sales Agreement	Raymond James & Associates, Inc.	3/15/1995
Directed Services, Inc.	Planning Corporation of America	General Agent Sales Agreement	Investment Management & Research, Inc. (n/k/a Raymond James Financial Services, Inc.)	3/15/1995
ING USA Annuity and Life Insurance Company	Edward D. Jones & Co., L.P. (Broker-Dealer)	Master Selling Agreement	Directed Services, Inc.; Affiliates listed on Schedule A	8/14/2006

SCHEDULE 1.1(c)

Allocated Intellectual Property

Trademarks:

Trademark	Status	Reg. No. / App. No.	Reg. Date/ App. Date	Current Owner	Country
CHOICE ONE Stylized	Live	2,277,925	09/14/1999	ReliaStar Life Insurance Company	US
CHOICEONE	Live	2,274,291	08/31/1999	ReliaStar Life Insurance Company	US
EL (Stylized)	Dead	746,375	03/05/1963	Equitable Life Insurance Company of Iowa	US
EQUITABLE LIFE OF IOWA	Dead	1,579,389	01/23/1990	Equitable Life Insurance Company of Iowa	US
ES II	Live	2,263,600	07/20/1999	ING USA Annuity and Life Insurance Company	US

Business Software:

1. Actimize
2. Annuity Application and Add-Ons
3. Annuity Book of Business Datamart
4. Annuity Book of Business Reporting
5. Annuity Broker Rel Service
6. Annuity Doc Delivery Service
7. Annuity DTCC Attachments
8. Annuity DTCC Fund Transfers
9. Annuity ePais
10. Annuity eXstream
11. Annuity Fast Track
12. Annuity GoodOrder
13. Annuity ID Management
14. Annuity RPS
15. Annuity Service Broker
16. Annuity Services

17. Customer Portal
18. FAUR (Fixed Annuity User Registration)
19. DTCC ACATS
20. EIP Annuities Hub
21. FIA Hedging
22. GAAS
23. GARWin
24. GARWin 2
25. GARWin JMT
26. GARWin Security
27. Groupbill
28. Image 2 Digital
29. IRM Input DB
30. LIFECAD
31. LifeCAD Reporting
32. MiDAS
33. NSCC Configurator
34. PRD DB
35. PVCS – Des Moines
36. PVCS - West Chester
37. Release Management
38. Retail Annuity IVR
39. RITS.com
40. Triton (Annuities)
41. Ultra Doc Service
42. Valuation Regression Tool
43. Variable Annuity Values

Commercially Available Third Party Software:

To the extent permitted under the terms of the applicable license agreement, which license agreement will be retained by Seller and its Affiliates, or with licensor consent, Seller and its Affiliates will assign and transfer to Buyer that portion of its commercially available third party software licenses that are used exclusively in connection with the Business, which software may include, middleware, desktop development tools, and backend and middleware tools.

Business IT Systems:

To the extent permitted under the terms of the applicable license agreement, or with licensor consent, Seller and its Affiliates will assign and transfer to Buyer all desktop Software used exclusively by the Covered Employees.

SCHEDULE 1.1(e)

Buyer Parent Business Plan

Buyers business plan will include the following key items (among others):

- CTE95 capital framework, as developed by Buyer Parent, consistent with the framework presented to the Iowa Insurance Division on December 7, 2017, without a mandated sunset.

- Utilization of a newly-formed Arizona captive insurance company, which will be utilized to manage the variable annuity reserves, consistent with the accounting and capital principles presented to the Arizona Department of Insurance on December 11, 2017, without a mandated sunset.

SCHEDULE 1.1(f)

Company Asset Reduction Amount

"Company Asset Reduction Amount" means any of the following that occur on or after June 30, 2017 and on or before the Closing Date, other than in connection with the Pre-Sale Transactions in accordance with the Agreement:

(a) Any dividend or other distribution to Seller or any of its Affiliates in respect of the capital stock of the Company or RRII;

(b) Any payments made by the Company to Seller or any of its Affiliates in respect of any capital stock or equity interests of the Company or RRII or any Remaining Surplus Notes being redeemed, purchased or repaid, or any other return of capital;

(c) Any payments made, or payment obligations incurred, by the Company or RRII to Seller or any of its Affiliates unless such payments or obligations are solely for services performed by Seller or its Affiliates in the ordinary course of business and pursuant to a contract, agreement, lease, license or other instrument between the Company or RRII, on the one hand, and Seller or any Affiliate of Seller (other than the Company or RRII);

(d) Any payment made, or payment obligations incurred, by the Company or RRII of any professional fees or other transaction costs or expenses paid to third parties for pre-Closing services to the extent related to the preparation, negotiation or consummation of the transactions contemplated by this Agreement;

(e) Any transaction-based compensation payments and other compensatory payments made by the Company or RRII to any director, officer or employee of Seller or its Affiliates in connection with or as a direct result of the consummation of the transactions contemplated in this Agreement;

(f) The waiver by the Company or RRII of any amount owed to the Company or RRII by Seller or any of its Affiliates; and

(g) The transfer by Seller or any of its Affiliates of any assets to the Company or RRII to the extent that such transfer is for more than fair market value, or the transfer by the Company or RRII of any assets to Seller or any of its Affiliates to the extent that such transfer is for less than fair market value.

SCHEDULE 1.1(g)

Company Required Initial Premium

The Company Required Initial Premium equals the sum of "A" + "B"; where:

"A" equals

i. the Ceded Reserves as of the Effective Date, plus

ii. the Pre-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

iii. the Post-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus,

iv. the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

v. the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto, minus

vi. the Quota Share of the aggregate Statutory Carrying Value of the Existing Hedges as of the Effective Date (for the avoidance of doubt, determined immediately prior to giving effect to the cession of the Reinsured Liabilities to the Reinsurer under the Company FA Business Agreement), plus

vii. $67.5 million;

Capitalized terms not defined in "A" shall have the meaning given to such terms in the Reinsurance Agreement, attached as Exhibit E-1 to the Agreement, between Reinsurer and the Company.

"B" equals

i. the Modco Reserves as of the Effective Date, plus

ii. The Existing IMR, minus

iii. the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto.

Capitalized terms not defined in "B" shall have the meaning given to such terms in the Modified Coinsurance Agreement (Separate Account FA Business), attached as Exhibit E-2 to the Agreement, between the Company and Reinsurer.

SCHEDULE 1.1(h)

Designated Employees

[Redacted.]

SCHEDULE 1.1(i)

Excluded Assets

1. Distribution Agreement, by and between ILIAC (n/k/a VRIAC) and DSL, dated as of December 2, 2009, relating to Variable Annuity Account B and certain FA Contracts (ING Select Rate (Single Premium Deferred MGA, Form No. IU-IA-3096 and ING Multi-Index 5& 7 (Modified Single Premium Deferred Annuity Contract), Form No. IU-IA-3089 and IU-IA-3090). DSL will assign this agreement to Voya Financial Partners.
2. Reference is hereby made to Schedule 1.1(j) of the Agreement.

SCHEDULE 1.1(j)

Excluded Intellectual Property

1. United States Patent Application Publication No. US 2017/01244653 A1 (Application No. 14/931,371 Tool for Assessing Financial Accounts; Pub. Date 05/04/2017). NIGO tool for new business. Seller to retain such patent application and license to Buyer Parent or one of its Subsidiaries.

SCHEDULE 1.1(k)

Life Business Required Initial Premium

The Life Business Required Initial Premium equals:

i. the Ceded Reserves as of the Effective Date, plus

ii. the Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

iii. the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

iv. the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto; plus

v. the Quota Share of an amount equal to the Fair Market Value of the assets held in the Retained Asset Account as of the Effective Date.

Capitalized terms not defined in this Schedule 1.1(k) shall have the meaning given to such terms in the Life Business Reinsurance Agreement, attached as Exhibit U-2, between the Company and RLI.

SCHEDULE 1.1(l)

<u>Qualified Roles</u>

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SCHEDULE 1.1(m)

Reference Closing Statement

See attached.

SCHEDULE 1.1(n)

RLI Required Initial Premium

The RLI Required Initial Premium equals the sum of "A" + "B"; where:

"A" equals:

i. the Ceded Reserves as of the Effective Date, plus

ii. the Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

iii. the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

iv. the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto, minus

v. the Quota Share of the aggregate Statutory Carrying Value of the Existing Hedges as of the Effective Date (for the avoidance of doubt, determined immediately prior to giving effect to the cession of the Reinsured Liabilities to the Reinsurer under the RLI FA Business Agreement).

Capitalized terms not defined in "A" shall have the meaning given to such terms in the Reinsurance Agreement, attached as Exhibit E-3 to the Agreement, between Reinsurer and RLI; and

"B" equals:

i. the Modco Reserves as of the Effective Date, plus

ii. the Existing IMR, divided by the Applicable Tax Gross-Up Percentage, minus

iii. the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto.

Capitalized terms not defined in "B" shall have the meaning given to such terms in the Modified Coinsurance Agreement (Separate Account FA Business), attached as Exhibit E-4 to the Agreement, between the Company and RLI.

SCHEDULE 1.1(o)

Select Advantage Employee

[redacted]		[redacted]	[redacted]
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]		[redacted]
[redacted]			
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]		[redacted]
[redacted]			
	[redacted]		[redacted]
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]

		[redacted]	
[redacted]	[redacted]		
[redacted]	[redacted]	[redacted]	[redacted]

SCHEDULE 1.1(p)

Separation and Migration Costs

(iii) Out-of-pocket fees, costs and expenses including, but not limited to, the following categories of tasks:

Separation Category	Items
IT Systems	System Access Separation (mainframe, distributed and other COTS systems, websites, SaaS, etc.) (Logical or Physical or Module based)
	IT Systems Environment Separation (creation of new production instance or separation of lower environments such as development, test and pre-production)
	Configuration of existing seller systems (in-bound and outbound), interfaces, separation, and electronic file transfers
	Separation of existing system interfaces and redevelopment to new external systems/3rd party
	Establishment of new security and access protocols for shared applications
	Reconfiguration and re-administration of user roles for seller IT systems
	Cloning of IT systems (cloning of image, codebase, customizations and configurations)
	Seller's Cloned IT system implementation and installation at NewCo
	Seller middleware systems and tools reconfiguration
	Assurance that application and systems versions and software levels are at appropriate service levels
IT Infrastructure	Infrastructure Hardware separation (Virtual or Physical) – includes set up, architecture, monitoring and subsidiary components such as power, cooling, monitoring and physical space
	Voice and Data Network Separation (within existing seller / vendor data centers)
	Voice and Data Network Separation such as LAN and WAN (Office locations and contact centers or customer service centers)
	Data Center Separation (New Data Center for NewCo)
	Disaster Recovery Center and Back up Separation and testing (physical)
	IT infrastructure hardware procurement (network switches and routers, application servers, firewalls, WAN/LAN routers, SAN storage, back up storage etc.) for separation within existing footprint (if / as required)
	IT infrastructure hardware procurement (network switches and routers, application servers, firewalls, WAN/LAN routers, SAN storage, back up storage etc.) for NewCo only

	Physical infrastructure separation (network, data and voice) for temporary conversion of existing Seller office space to Buyer
	Computational Separation for existing seller databases and storage equipment: Server and storage separation execution such as install OS, patches, applications and required configurations, configure storage devices and connect to servers and applications, configure backups and test data restore
	Reconfiguration of deployment and other operations scripts to newly setup environments
	Build new network connectivity from NewCo locations to Seller DC
	Selection, design and build of new datacenter
IT Databases (DB)	IT DB access separation for existing seller databases (logical)
	Physical IT DB separation for existing seller databases; includes configuration, install and testing of separate DBs (for specific databases only, based on functionality)
	Reconfiguration of DB scripts, stored procedures, DB routines and performance monitoring for existing seller databases
	Data modeling (Remodeling of meta data at Seller (if required))
	Select, design and migration to new database platforms
Data	Data access separation and restriction of role based entitlements for viewing, editing or sharing data; where not feasible to restrict data access, systems cloning or other methods as identified.
	Physical Data Separation – data selection, cloning/copying, data extraction of requisite Buyer data from Seller DBs in seller format and data cleansing
	Data Migration – data transformation and loading to new DBs /NewCo location
	Data migration testing and support
IT Security	Reconfigure Network security (firewall rules, DMZ, MPLS etc.) including security scanning and monitoring of reconfigured/new networks
	Set up Remote Access /VPN
	Enterprise Level Identify and Access Separation (Active Directory, SSO etc.)
	Email Separation, transferring mailboxes and email forwarding
	Redesign role based entitlements for system and data access (if required) for all shared existing seller applications
End User Computing (EUC)	Reimaging of desktop and laptop images for transferred employees
	Unstructured data scanning and mitigation (scan laptops and desktops for transferred employees for confidential data)
	End User Application Help Desk Set up for TSA only (Buyer responsibility for NewCo)
	Procure new EUC devices for NewCo

	Mobile Device separation tasks for transferred employees (install, configure and test)
	Setup services for remote/off-shore in-scope staff (VPN/VDI installations) Setup access to shared folders, processes and procedures documentation Configure users who will require access to applications, file shares, databases, etc. through Active Directory
	Reconfigure or build new Work in-take process and service delivery process/tools to support TSA (e.g. for AM and AD)
	Reconfigure Service Now to allow access and provisioning of help desk services to transferred employees at NewCo
Resources	Resources for separation planning (approach, planning, design and testing)
	Resources for separation execution
	Resources for target state design and implementation at NewCo
	Consulting (program or project management, SME support) / Legal fees (e.g. associated with separation, integration or standup)
	Employee relocation
Real Estate – Des Moines and West Chester only	Physical space and building infrastructure separation, including enablement of access to shared facilities / amenities (cafeteria, meeting / training rooms, parking lot, mail rooms etc.)
	Building access and security systems separation
	Office / equipment moving
Physical files & records	Separation of physical files that should transfer to the buyer
Miscellaneous	Rebranding expenses (physical / digital assets – websites, collateral)
	New Domains and sites
	Existing Call Center Help Desk separation / Contact Center Separation
	New Contact Center Set up for NewCo
	Separation of contracts (post TSA)
	Accommodate any increase in vendor costs, including licensing fees, for provisioning of TSAs
	Procurement of new contracts/licenses for NewCo

In addition, out-of-pocket fees, costs and expenses including, but not limited to, the following functions and major tasks:

Function	Major Factors
Operations	• Project management FTW supporting transition • Policyholder mailing
IT and Infrastructure	• Corporate Function systems transition and stand-up

	• Business systems transition and stand-up • Data migration • Cognizant transition
Finance, Risk Management and Investments	• Specialized finance program management support • External auditor fees & PGAAP
HR	• Retention bonus • Recruiting costs executive and non-executive FTE • Communication and change management
Other Corporate Functions	• One time legal costs associated with separation of and creation of legal entities • Third-party contract restructuring fees • Separating physical space
IMO Execution and Support	• Integration Management Office needed for transition

Methodology:

The internal costs and expenses incurred by Seller and its Affiliates for the time spent by their employees based on the matters contemplated by the definition of "Separation and Migration Costs" shall be the costs determined in accordance with the following methodology: actual Direct Costs (as defined below), allocable general corporate overhead and out of pocket costs, with (i) the methodologies for allocations of general corporate overhead charged to the receiving party being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the Closing Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs, and (ii) all other fees and out of pocket costs to be passed through without mark-up. "Direct Costs" means the costs of (i) full-time employees providing or supporting the separation and migration activities determined on the basis of total compensation including salary, bonus, long-term incentives and other employee benefits, and (ii) any information technology infrastructure or systems used to support the separation and migration activities.

SCHEDULE 2.3(a)

Market Value Adjustment Amount Grid

"Reference Investment Basket" means a theoretical investment of $100 on June 30, 2017 of (i) $48 in the S&P 500 at 2,423.41, (ii) $16 in the S&P-MidCap 400 at 1,746.65, (iii) $19 in MXEA at 1,883.19, (iv) $10 in the Nasdaq 100 at 5,646.92 and (v) $7 in the Russell 2000 at 1,415.36.

"Reference Investment Value" means, as of any date of determination, the value of the Reference Investment Basket as of the close of trading on the immediately preceding trading day determined using a reputable financial information source.

"Change in Equities" means, as of the close of market for each respective index as of any date of determination, a percentage equal to (i) the Reference Investment Value as of such date, divided by (ii) $100, minus (iii) 1, multiplied by (iv) 100.

	Change in Equities				
	[≤] -40%	**-25%**	**-15%**	**-10%**	**> -10%**
"Market Value Adjustment Amount"	$600,000,000	$300,000,000	$200,000,000	$100,000,000	$0

"Market Value Adjustment Amount" means, as of any date of determination, (i) for each specified Change in Equities above, the amount specified in the table above and (ii) for each other Change in Equities, the amount determined by linear interpolation by reference to the specified Change in Equities that is less than such Change in Equities and the specified Change in Equities that is greater than such Change in Equities, (iii) for any Change in Equities of greater than -10% (e.g., -9%), an amount equal to $0, and (iv) for any Change in Equities that is less than -40% (e.g., -41%), $600,000,000. By way of example, if the Change in Equities is -12.5% the Market Value Adjustment Amount is $150,000,000.

SCHEDULE 2.3(b)(iii)

Buyer Parent Senior Note Terms

Interest Rate: 5.00%

SCHEDULE 2.6

Purchase Price Allocation Principles

To be provided at the Closing.

SCHEDULE 5.1(b)

Target Profitability Metrics and Other Parameters

[redacted]

SCHEDULE 5.4(c)

Third Party Consents

1. Master Software License Agreement, by and between ING North America Insurance Corporation (n/k/a Voya Services Company) and Actimize, dated as of December 1, 2006.
2. Master Software License Agreement, by and between Navisys Enterprise Solutions, Inc. and Aetna Life Insurance Company (n/k/a VHI), dated as of January 5, 1999.
3. Interest-Sensitive License and Agreement, between PricewaterhouseCoopers and ING – Security Life of Denver and its Affiliates under common control, dated December 29, 2000.
4. MIB Insurance Databases and Services Agreement, between MIB Solutions, Inc. and Voya Services Company, dated May 12, 2017.
5. Master License and Services Agreement, between ING North America Insurance Corporation (n/k/a Voya Services Company) and Merant Inc., dated December 31, 2000.
6. License Agreement, by and between Deutsche Bank AG, London Branch and Voya Services Company, dated as of August 4, 2016.
7. All Fund Agreements to which the Acquired Companies are parties for which third party consent or notice may be required, including but not limited to such agreements listed on the spreadsheet attached hereto titled "Schedule 5.4(c)." "Fund Agreement" means any Contract providing for (A) the use of a mutual fund organization's mutual funds as investment options under variable life insurance or annuity contracts or employee benefit plans or (B) the payment to Seller or any of its Affiliates of distribution service fees, administrative service fees, shareholder service fees or other payments relating to the offering of such mutual funds as investment options under variable life insurance or annuity contracts or employee benefit plans.
8. Selling agreements to which the Acquired Companies are parties for which third party consent or notice is required.
9. All agreements set forth in Section 5.6 of the Seller Disclosure Schedule for which third party consent or notice is required.
10. Consent under the Standard Office Lease, by and between Employers Mutual Casualty Company and Voya Services Company, dated as of February 24, 2017, as amended, for property located at 699 Walnut Street, Des Moines, IA, as a result of the Sublease contemplated as part of the Restructuring.
11. Consent and waiver of right of recapture (to the extent applicable) under the Lease Agreement, by and between Voya Services Company and Lexington Lion Dunwoody L.P., dated as of June 2016, as amended, for property located at 1475 Dunwoody Drive, West Chester, PA, as a result of the Sublease contemplated as part of the Restructuring.
12. NIIT Smartserve Limited.

Schedule 5.4(c) - Third Party Consents

Voya Parties	Counterparty	Contract Type	Additional Parties	Effective Date
ING USA Annuity and Life Insurance Company [VIAC] ReliaStar Life Insurance Company of NY ReliaStar Life Insurance Company and Security Life of Denver(added by Amendment No. 1)	BlackRock Variable Series Fund, Inc.	Fund Participation Agreement	BlackRock Distributors, Inc. (replaced by BlackRock Investments, LLC by Amendment No. 1)	4/25/2008
ING USA Annuity and Life Insurance Company [VIAC] ReliaStar Life Insurance Company of New York ReliaStar Life Insurance Company Security Life of Denver Insurance Company	BlackRock Variable Series Funds, Inc.	Fund Participation Agreement	BlackRock Investments, LLC (successor to BlackRock Distributors, Inc.)	4/25/2008
ING USA Annuity and Life Insurance Company [VIAC] (note that agreement caption references ING Life Insurance and Annuity Company but remainder of agreement makes clear that ING USA is the ING party)	Liberty Variable Investment Trust (Fund)	Fund Participation Agreement (Advisor)	Columbia Management Advisors, Inc.	4/1/2005
Golden American Life Insurance Company [VIAC]	Variable Insurance Products Fund; Variable Insurance Products Fund II; Variable Insurance Products Fund III	Participation Agreement	Fidelity Distributors Corporation	7/20/2001
Voya Insurance and Annuity Company ("Company")	Directed Services, LLC	Fund Distribution, Administrative and Shareholder Service Agreement	Voya Investments Distributor, LLC ("Distributor") Funds listed on Schedule A	7/25/2016
Voya Insurance and Annuity Company ("Company")	Directed Services, LLC	Fund Participation, Administrative and Shareholder Service Agreement	Voya Investments Distributor, LLC ("Distributor") Registrants listed on Schedule A	7/25/2016

Voya Insurance and Annuity Company (formerly, ING USA Annuity and Life Insurance Company)	Directed Services LLC	Intercompany Agreement		1/1/2010
Voya Insurance and Annuity Company (formerly, ING USA Annuity and Life Insurance Company)	Voya Investment Management LLC (formerly, ING Investment Management LLC)	Intercompany Agreement		1/1/2010
Golden American Life Insurance Company [VIAC] ("Company")	Invesco Variable Investment Funds, Inc. ("Fund") Invesco Funds Group, Inc. ("Adviser") Invesco Distributors, Inc.	Fund Participation Agreement		7/15/2001
ING USA Life Insurance and Annuity Company [VIAC] ("Insurer")	Invesco Distributors, Inc. (formerly, AIM Distributors, Inc.) ("Distributor")	Financial Support Agreement	AIM Variable Insurance Funds	4/30/2004
Voya Insurance and Annuity Company Directed Services, LLC	Ivy Funds Variable Insurance Portfolios	Participation Agreement	Waddell & Reed, Inc., distributor for Ivy Funds Variable Insurance Portfolios	5/20/2015
Voya Insurance and Annuity Company Directed Services, LLC	Deutsche Variable Series I, Deutsche Variable Series II and Deutsche Investments VIT	Participation Agreement	DeAWM Distributors, Inc.; Deutsche Investment Management Americas Inc.	4/20/2015
Voya Retirement Insurance and Annuity Company (formerly, ING Life Insurance and Annuity Company) Voya Insurance and Annuity Company (formerly, ING USA Annuity and Life Insurance Company) ReliaStar Life Insurance Company ReliaStar Life Insurance Company of NY	Franklin/Templeton Distributors, Inc. ("Underwriter")	Amended and Restated Participation Agreement	Directed Services, LLC (formerly, Directed Services, Inc.) Voya Financial Partners, LLC (formerly, ING Financial Advisers, LLC) Franklin Templeton	12/30/2005

Voya Retirement Insurance and Annuity Company (formerly, ING Life Insurance and Annuity Company) [Voya Annuity and Insurance Company (added as a party by 1st amendment?)]	Federated Securities Corp. ("Distributor")	Fund Participation Agreement		1/6/2011
Voya Insurance and Annuity Company Directed Services, LLC	Eaton Vance Variable Trust	Fund Participation Agreement	Eaton Vance Distributors, Inc.	5/13/2015
[VIAC] United Life & Annuity Insurance Company ("Company")	Morgan Stanley Universal Funds, Inc. ("Fund") Morgan Stanley Asset Management, Inc. ("Adviser") Miller Anderson &	Participation Agreement		1/30/1998
ING USA Annuity and Life Insurance Company [VIAC] ReliaStar Life Insurance Company of New York	Legg Mason Partners Variable Equity Trust and Legg Mason Partners Variable Income Trust	Participation Agreement	Legg Mason Investor Services, LLC	9/1/2007
Golden American Life Insurance Company [VIAC] ("Company")	Oppenheimer Variable Account Funds ("Funds") OppenheimerFunds Inc. ("Adviser")	Participation Agreement		5/1/2002
Golden American Life Insurance Company [VIAC] ("Company")	[Wells Fargo Funds Distributor, LLC (formerly, Stephens Inc.)] ("Underwriter")	Participation Agreement	Wells Fargo Variable Trust ("Trust")	11/10/2003
Voya Insurance and Annuity Company Directed Services, LLC	Putnam Variable Trust	Participation Agreement	Putnam Retail Management Limited Partnership	5/28/2015
ING USA Annuity and Life Insurance Company (formerly, Golden American Life Insurance Company) [VIAC] ("Company" and "Administrator")	ProFunds ("Fund")	Administrative Services Agreement		4/12/2001
Golden American Life Insurance Company [VIAC] ("Company")	ProFunds ("Fund"), ProFund Advisors LLC ("Advisor")	Participation Agreement		4/12/2001
ING USA Annuity and Life Insurance Company (formerly, Golden American Life Insurance Company) [VIAC] ("Authorized Firm")	ProFunds ("Trust")	Services Agreement		4/12/2001

Equitable Life Insurance Company of Iowa [VIAC]	PIMCO Variable Insurance Trust	Participation Agreement	PIMCO Funds Distributors LLC	5/1/1998
Golden American Life Insurance Company [VIAC]	PIMCO Variable Insurance Trust	Participation Agreement	PIMCO Funds Distributors LLC	5/1/1998
Golden America Life Insurance Company [VIAC]	PIMCO Variable Insurance Trust	Services Agreement		4/1/2000
Voya Insurance and Annuity Company ("Company")	T. Rowe Price Equity Series, Inc., T. Rowe Price Fixed Income Series, Inc., T. Rowe Price International Series, Inc. ("Funds") T. Rowe Price	Participation Agreement		5/1/2015
ING USA Annuity and Life Insurance Company [VIAC] ReliaStar Life Insurance Company of New York ReliaStar Life Insurance Company Security Life of Denver Insurance Company	BlackRock Variable Series Funds, Inc.	Fund Participation Agreement	BlackRock Investments, LLC (successor to BlackRock Distributors, Inc.)	4/25/2008
Voya Insurance and Annuity Company (formerly, ING USA Annuity and Life Insurance Company) ReliaStar Life Insurance Company of New York (collectively, "Company")	Legg Mason Partners Variable Equity Trust; Legg Mason Partners Variable Income Trust; Legg Mason Global Asset Management	Participation Agreement	Legg Mason Investor Services, LLC ("Distributor")	9/1/2007
Golden American Life Insurance Company [VIAC] ("Company")	Oppenheimer Variable Account Funds ("Fund")	Participation Agreement	OppenheimerFunds, Inc. ("Adviser")	5/1/2002
Equitable Life Insurance Company of Iowa [VIAC]	PIMCO Variable Insurance Trust	Participation Agreement	PIMCO Funds Distributors LLC	5/1/1998
Golden American Life Insurance Company [VIAC]	PIMCO Variable Insurance Trust	Participation Agreement	PIMCO Funds Distributors LLC	5/1/1998
Golden America Life Insurance Company [VIAC]	PIMCO Variable Insurance Trust	Services Agreement		4/1/2000
Golden American Life Insurance Company [VIAC] ("Company")	Wells Fargo Variable Trust ("Trust")	Participation Agreement	Stephens Inc. ("Underwriter")	11/10/2003

Golden American Life Insurance Company [VIAC]	Variable Insurance Products Fund; Variable Insurance Products Fund II; Variable Insurance Products Fund III	Participation Agreement	Fidelity Distributors Corporation	7/20/2001
ING USA Annuity and Life Insurance Company [VIAC]	Liberty Variable Investment Trust	Fund Participation Agreement	Columbia Management Advisors, Inc.	4/1/2005
ING USA Annuity and Life Insurance Company (formerly, Golden American Life Insurance Company) [VIAC]	ProFunds	Administrative Services Agreement		4/12/2001
Golden American Life Insurance Company [VIAC]	ProFunds	Participation Agreement	ProFund Advisors LLC	4/12/2001
ING USA Annuity and Life Insurance Company (formerly, Golden American Life Insurance Company) [VIAC]	ProFunds	Services Agreement		4/12/2001
ING USA Annuity and Life Insurance Company [VIAC] ReliaStar Life Insurance Company of New York ReliaStar Life Insurance Company Security Life of Denver Insurance Company	BlackRock Variable Series Funds, Inc.	Fund Participation Agreement	BlackRock Investments, LLC (successor to BlackRock Distributors, Inc.)	4/25/2008
Voya Insurance and Annuity Company	Eaton Vance Variable Trust	Fund Participation Agreement	Eaton Vance Distributors, Inc.	5/13/2015
Voya Insurance and Annuity Company Directed Services, LLC	Putnam Variable Trust	Participation Agreement	Putnam Retail Management Limited Partnership	5/28/2015
Voya Retirement Insurance and Annuity Company (formerly, ING Life Insurance and Annuity Company) [Voya Insurance and Annuity Company (added as a party by the 1st amendment?)]	Federated Securities Corp.	Fund Participation Agreement		1/6/2011

Voya Retirement Insurance and Annuity Company (formerly, ING Life Insurance and Annuity Company) Voya Insurance and Annuity Company (formerly, ING USA Annuity and Life Insurance Company) ReliaStar Life Insurance Company ReliaStar Life Insurance Company of New York	Franklin Templeton Variable Insurance Products Trust	Amended and Restated Participation Agreement	Franklin/Templeton Distributors, Inc. Directed Services, LLC Voya Financial Partners, LLC (formerly, ING Financial Advisers, LLC)	12/30/2005
Voya Insurance and Annuity Company (formerly, Golden American Life Insurance Company)	AIM Variable Insurance Funds (formerly, Invesco Variable Investment Funds	Fund Participation Agreement	Invesco Funds Group, Inc. ("Adviser"); Invesco Distributors, Inc. ("Distributor")	7/15/2001
Voya Insurance and Annuity Company Directed Services, LLC	Ivy Funds Variable Insurance Portfolios	Participation Agreement	Waddell & Reed, Inc.	5/20/2015
Voya Life and Annuity Company	T. Rowe Price Equity Series, Inc.; T. Rowe Price Fixed Income Series, Inc.; T. Rowe Price	Participation Agreement	T. Rowe Price Investment Services, Inc.	5/1/2015

SCHEDULE 5.21

Additional FA Contracts

[redacted]

[redacted]

SCHEDULE 5.25

Post-Signing Hedging Protocol – Key Principles

1. [Subject to the parties reaching agreement on the Market Value Adjustment Amount Grid,] Seller to retain the flexibility to risk manage the CBVA Business at its discretion.

2. While Buyer's hedge program will eventually be different from that of Seller, ensure a seamless transition of hedging on the block through the closing process is of paramount importance.

3. Buyer would like the CBVA Business to be delivered with appropriate and reasonable amount of hedge protection intact. Recognizing that it is difficult to be prescriptive on what are the boundaries of "reasonable" hedge protection without having knowledge of inforce or the market conditions prevailing at the time of closing or near to the Closing Date, reasonableness will be measured by a combination of the following factors: (a) whether the hedge portfolio is consistent with the derivatives use plan of the Company, (b) whether the hedge program is consistent with the hedge limits and policies set or approved by the Company's board of directors, (c) whether the hedges on the books delivered at Closing are consistent with presentations made to the insurance regulators on how the Company in general hedges the CBVA Business, (d) whether the program has been designed to have sufficient equity delta and interest rate rho coverage to be economically insulated from adverse outcomes during the fifteen (15) Business Day period (the "Hedging Transition Period") following the closing to allow Buyer sufficient time to enact and trade its own hedging program, and (e) whether the hedge program is consistent with the hedge practices of the Company that existed in Q3 of 2017. Notwithstanding, anything to the contrary, through the Closing Date, Seller will cause the hedge program for the CBVA Business to be designed to offset the potential changes in CTE95 for given changes in equities and rates.

4. In addition, the parties agree to follow the framework set forth below between signing and Closing:

    a. One (1) month prior to the target closing date, Buyer will identify all exchange traded derivatives that are then outstanding and do not terminate in accordance with their terms prior to Closing, assuming these have no change of control or default triggers with FCM relationships. To the extent any futures contracts held to hedge the CBVA Business are set to expire before target closing date or are deemed by Seller to be inappropriate for holding through Closing, Buyer will work with Seller to determine appropriate hedge coverage through Closing and to possibly roll those exchange traded positions or to unwind those.

    b. For all OTC derivatives, the following process shall be adopted:

        i. Seller to provide Buyer with a listing of all OTC derivatives together with dealer / counterparty and CSA details (provided immediately post-signing with regular updates).

ii. Buyer to engage in discussions with counterparties around the survival of derivatives post Closing.

iii. Where counterparties have agreed with Buyer to waive any change of control, and subject to mutual understanding with Buyer around modifications to terms effectuated post-Closing, their respective derivatives shall not be unwound by the Company prior to Closing and will remain on the Company's balance sheet; this identification shall be completed one (1) month prior to the target closing date and communicated to Seller. If Seller reasonably determines that any of such hedges are deemed to be "economically not required" or considered inappropriate due to changes in the then prevailing inforce or market conditions, the Company will consult with Buyer in advance prior to terminating any such hedge.

iv. For all other OTC derivatives (likely subject to change of control triggers and where no consent has been obtained), the Company to take all steps necessary to unwind and terminate such derivatives immediately prior to or concurrently with Closing.

c. Buyer to update the identification of derivatives noted in 3(a) and 3(b)(iii) above on a weekly basis with final identification provided [5] days prior to the target closing date

i. Upon final identification, Seller to covenant not to unwind or terminate those derivatives identified for retention by VIAC

5. Buyer will require Seller's cooperation to effectuate the process outlined above

a. Covenant to cooperate with Buyer for the above process,

b. Covenant to provide regular data on hedges and hedge counterparties between signing and Closing on a weekly basis and then in the week prior to the target closing date such data shall be provided on a daily basis, and

c. Seller retains the ability throughout the period to modify its hedging strategy as appropriate including with regard to those hedges identified for retention, subject only to 3(c) above for those hedges identified for retention [5] days prior to the target closing date.

6. The terms above are based on the following assumptions:

a. For the duration of this reporting, the existing derivatives process flow and execution remain unchanged (Voya Market Risk Management is instructing and Voya IM Trading desk is executing),

b. The reporting request covers liability product hedges only (i.e., hedges of assets such as currency swaps are out of scope for the requested reporting), and

c. Books and records for Voya Financial reporting are only updated monthly. Therefore, to accommodate the weekly reporting request, Seller would need to report from Blackrock's Aladdin, its trading system (as opposed to Findur, its accounting system). Aladdin valuations may differ slightly from Findur, but there should be no significant valuation differences.

SCHEDULE 5.35

Communications Plan

See attached.

Communications Plan: Phase 2

Audience	Objectives	Tactics
Employees	• Ensure Venerable and Voya employees view this as a positive change that will benefit them. • Convey that the transition will be successful and orderly.	• Timely and clear communications with employees, coordinated as necessary between Voya, Venerable and Athene. Would include emails, calls and face-to-face meetings as needed — and coordinated as necessary between Voya, Venerable and Athene.
Producers *Note: "Target Producers" will be those producers that have produced new FA contracts during the 12 months prior to the execution of the Master Transaction Agreement.*	• Ensure producers are aware of all developments and expectations as early as possible. • Convey that the transition will be orderly.	• Producer emails, calls and face-to-face meetings as needed — and coordinated as necessary between Voya, Venerable and Athene.
Customers	• Reinforce to customers that Venerable will maintain its outstanding commitment to excellence. • Convey that the transition will be orderly.	• Customer emails, calls and face-to-face meetings as needed — and coordinated as necessary between Voya, Venerable and Athene.
Media/Other External	• Lay the groundwork with external audiences (media, influencers) for sustained engagement.	• Prepare key messages that Voya and Athene leaders can leverage if topic comes up during media or other interviews.

SCHEDULE 6.1(a)

Governmental Approvals

1. Form A filing with the Iowa Insurance Division and approval required pursuant to Chapter 521A of the Iowa Insurance Code, with respect to the Sponsors (but not the Other Investors).

2. Form E pre-acquisition notification filings (or notifications of no filing required) may be required in certain jurisdictions based on market share data, with respect to the Sponsors (but not the Other Investors).

3. Form D filings and non-disapprovals with the Iowa Insurance Division pursuant to Chapter 521A of the Iowa Insurance Code with respect to each of the following Restructuring Agreements identified below:

    a. CBVA Recapture Agreement,

    b. Release, Consent and Novation Agreement (2011 Stop Loss Reinsurance Agreement),

    c. Release, Consent and Novation Agreement (2012 Stop Loss Reinsurance Agreement),

    d. Release, Consent and Novation Agreement (2014 Stop Loss Reinsurance Agreement),

    e. Recapture and Termination Agreement (SLDI),

    f. Recapture and Termination Agreement (RLI),

    g. Life Business Reinsurance Agreement,

    h. Life Business Administrative Services Agreement,

    i. RLI Administrative Services Agreement,

    j. RPS Administrative Services Agreement, and

    k. Retained Business Administrative Services Agreement.

4. Filings and approvals with the Arizona Department of Insurance pursuant to Chapter 4, Article 14 of the Arizona Insurance Code with respect to each of the following:

    a. CBVA Recapture Agreement, and

    b. Recapture and Termination Agreement (SLDI).

5. Form D filing and non-disapproval with the Minnesota Department of Commerce pursuant to Chapter 60D of the Minnesota Insurance Code with respect to each of the following Restructuring Agreements identified below:

    a. Release, Consent and Novation Agreement (2012 Stop Loss Reinsurance Agreement),

    b. Recapture and Termination Agreement (RLI),

    c. Life Business Reinsurance Agreement,

    d. Life Business Administrative Services Agreement,

    e. RLI Administrative Services Agreement,

    f. RPS Administrative Services Agreement, and

    g. Retained Business Administrative Services Agreement.

6. Filings and approvals with the Colorado Insurance Department pursuant to Article 3, Part 8, Section 10-3-805 of the Colorado Insurance Code with respect to each of the following:

    a. Release, Consent and Novation Agreement (2011 Stop Loss Reinsurance Agreement),

    b. Release, Consent and Novation Agreement (2014 Stop Loss Reinsurance Agreement), and

    c. Retained Business Administrative Services Agreement.

7. Filings and approvals with the Connecticut Insurance Department pursuant to Chapter 698, Part V, Section 38a-136 of the Connecticut Insurance Code with respect to the Retained Business Administrative Services Agreement.

8. Filing and approval of the FINRA CMA with FINRA with respect to the change of control of DSL.

9. Filing and approval with the National Securities Clearing Corporation (NSCC) with respect to the change of control of DSL.

10. The waiting period under the HSR Act applicable to the acquisition by Buyer of the Shares, the DSL Interests and the equity interests of the Services Company as contemplated by the Agreement shall have expired or been terminated.

SCHEDULE 6.2(e)

Buyer Parent Specified Approvals

1. Form D filings and non-disapprovals with the Iowa Insurance Division pursuant to Iowa Insurance Code Chapter 521A in respect of:
    a. Each of the Buyer Affiliate Agreements, except for the following (which shall not be conditions to the Closing):
        i. Issuance of subordinated notes of Buyer or Buyer Parent to AADE;
        ii. Bermuda Retrocession Agreement, and
        iii. Investment management agreement between AAM and the Company;
    b. Contribution of the New Captive from Buyer to the Company; and
    c. RLI Administrative Services Agreement.

2. Form D filings and non-disapprovals with the Delaware Department of Insurance pursuant to Delaware Insurance Code Chapter 50 in respect of the following Buyer Affiliate Agreements:
    a. Company FA Business Reinsurance Agreement,
    b. RLI Administrative Services Agreement, and
    c. Bermuda Retrocession Agreement, unless Reinsurer has exercised its option pursuant to Section 5.31 of the Agreement.

3. Filings and approvals with the Arizona Department of Insurance pursuant to Chapter 4, Article 14 of the Arizona Insurance Code in respect to each of the following:
    a. Formation and Business Plan of the New Captive, in the form presented to the Arizona Department of Insurance by Buyer Parent on 12/11/17.
    b. The following New Captive permitted practices:
        i. Ability to make retroactive capital contributions, as provided by SSAP 72,
        ii. Ability to include a miscellaneous asset to facilitate the "gross-up" of US statutory reserves of the RRII's balance sheet, and
        iii. Ability to classify deferred liability related to assumption of inforce business, net of tax, as a component of shareholders' equity.
    c. Contribution of the New Captive from Buyer to the Company, and
    d. New Captive Reinsurance Agreement.

SCHEDULE 8.6(h)

Section 1.1502-36 Statement

Voya Holdings, Inc. **EIN: 02-0488491**
Tax Year Ended December 31, 2018

Treasury Regulations Section 1.1502-36 Statement -Stock Basis Reduction

Voya Holdings, Inc., ("Voya Holdings") a wholly-owned subsidiary of Voya Financial, Inc. ("Voya Financial"), sold all of the issued and outstanding shares of its wholly-owned subsidiary, Voya Insurance and Annuity Company ("VIAC"), EIN: 41-0915508, in a transaction pursuant to a stock purchase agreement dated [X] and which closed on [Y] (the "Closing Date").

1. Pursuant to Treas. Reg. Secs. 1.1502-36(d)(6)(i)(B), Voya Financial hereby elects to reattribute the following attributes:
   a. All Category A attributes;
   b. All Category B attributes; and
   c. All Category C attributes other than:
      i. the Retained Hedge Losses (as defined below);
      ii. previously capitalized amounts pursuant to Section 848 of the Code;
      iii. attributes arising from adjustments to tax reserves that will be reflected as items of income or deduction after the Closing Date pursuant to Section 807(f) of the Code or Section 13517 of the Tax Cuts and Jobs Act set forth in the Conference Agreement dated as of December 15, 2017 or any other substantially similar provision of law.

The Retained Hedge Losses include the following amounts:[2]

2018 Amortization	[ ]
2019 Amortization	[ ]
2020 Amortization	[ ]
2021 Amortization	[ ]
2022 Amortization	[ ]
2023 Amortization	[ ]

2. Pursuant to Treas. Reg. Sec. 1.1502-36(d)(6)(i)(A), VOYA Financial hereby elects to reduce its basis in the stock of VIAC by the amount of the stock basis which, after taking into account the elections made in paragraph 1 above, exceeds 105% of the sale price of the VIAC stock.

[2] This schedule will be populated with a listing of the amounts delivered by Buyer pursuant to Section 8.6(h).

SCHEDULE 8.6(j)

Changes to Applicable Law

To be provided at the Closing.

VIAC
Statutory Balance Sheet By Product Group
6/30/2017
($ in thousands)

DESCRIPTION	Adjusted Life	Adjusted Annuity	Adjusted CBVA	Adjusted RS	Adjusted EB	Adjusted Other	Total
ASSETS							
Bonds	826,990	13,837,962	5,548,057	-	-	1,160,000	21,373,009
Preferred Stocks	1,550	62,705	30,443	-	-	7,600	102,298
Common Stocks	-	1,690	-	-	-	15,084	16,773
Mortgage Loans	162,944	3,140,006	744,065	-	-	45,583	4,092,598
Real Estate	-	-	-	-	-	27,856	27,856
Cash	-	-	299,636	-	-	748,547	1,048,182
Contract Loans	52,870	9,183	7,856	-	-	-	69,909
Derivatives	237	239,265	533,316	-	-	30	772,848
Other Invested Assets	4,244	47,381	9,052	-	-	201,283	261,960
Receivable for Securities	6	609	199	-	-	23	837
Securities Lending Reinvested Collateral	-	-	-	-	-	108,798	108,798
AGG WI for Invested Assets	-	5,005	101	-	-	-	5,106
Subtotal - Cash & Invested Assets	**1,048,841**	**17,343,805**	**7,172,724**	**-**	**-**	**2,314,804**	**27,880,173**
Investment Income Due\Accrued	11,340	158,611	77,353	-	-	8,432	255,736
Life Premiums Uncollected	(289)	-	(464)	-	(90,660)	-	(91,413)
A&H Premiums Uncollected	(72)	-	-	-	-	-	(72)
Life Premiums Deferred	1,785	-	-	-	1,815	-	3,599
Amounts Recoverable from Reins	96	-	4,425	-	2,746	-	7,267
Funds Held	-	-	-	-	434,661	-	434,661
Other Amounts Rec	1,774	-	3,135	-	42,528	-	47,437
Net Deferred Tax Asset	-	-	-	-	-	229,939	229,939
Guaranty Funds Rcbl\on Dep	-	-	-	-	-	1,016	1,016
Pay & Receive to/from Parents\Subs\Affil	-	-	-	-	-	31,487	31,487
AGG WI Non Invested Assets	(149,914)	25,059	76,961	170,082	-	-	122,188
Total Assets Excluding Separate Accounts	**913,559**	**17,527,475**	**7,334,134**	**170,082**	**391,090**	**2,585,677**	**28,922,018**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Assets	**913,559**	**18,134,430**	**37,645,154**	**170,082**	**391,090**	**2,585,677**	**59,839,993**
LIABILITIES & EQUITY							
Life Reserves	784,836	16,928,243	1,012,167	-	127,088	6,127	18,858,460
Liab for Dep Type Contracts	67,398	274,600	91,158	167,355	-	68,989	669,500
Life Claims	9,578	-	5,398	-	53,650	-	68,626
Divs Apportioned for Payment	8,200	-	-	-	-	-	8,200
Prems/Annuity Cons Recd in Adv	44	-	-	-	-	-	44
Other Amts Payable - Reins	-	-	13,375	-	1,332	-	14,706
Interest Maintenance Reserve	20,986	(10,953)	50,062	-	-	(46,364)	13,732
Commissions Due and Accrued	-	2,198	-	-	-	-	2,198
Comm\Exp Allow Reins Assumed	-	-	-	-	6,270	-	6,270
General Expenses Due\Accrued	14	1,869	32	-	-	31,127	33,041
Transfers to SA Due\Accrued	-	-	(136,778)	-	-	-	(136,778)
Taxes\Lic\Fees Due\Accrued	(52)	(27)	(1)	-	-	32	(48)
Federal Income Taxes Due\Accr	(28)	-	-	-	-	63,910	63,882
Unearned Investment Income	1,204	-	-	-	-	-	1,204
Amts W\H by Co as Agent	109	3,666	12,631	-	-	8,607	25,014
Amounts Held for Agents Accts	-	4,669	(9)	-	-	266	4,926
Remittances\Items not Alloc	441	20,154	4,400	-	-	(2,499)	22,497
Asset Valuation Reserve	-	-	-	-	-	45,040	45,040
Funds held Unauth Cos	-	-	5,899,803	-	153,663	-	6,053,466
Payable to Parents\Subs\Affil	-	-	-	-	-	36,323	36,323
Derivative Liabilities	537	133,267	119,930	-	-	229	253,963
Payable for Securities	-	26,479	7,201	-	-	35,101	68,781
Payable for Securities Lending	-	-	-	-	-	108,798	108,798
AGG WI for Liabilities	193	39,266	130,619	-	-	767,230	937,309
Total Liabilities Excluding Separate Accounts	**893,462**	**17,423,430**	**7,209,987**	**167,355**	**342,003**	**1,122,916**	**27,159,154**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Liabilities	**893,462**	**18,030,385**	**37,521,007**	**167,355**	**342,003**	**1,122,916**	**58,077,129**
Common Capital Stock	-	-	-	-	-	2,500	2,500
Other than Spec Surplus Funds	-	-	-	-	-	142,952	142,952
Surplus Notes	-	-	-	-	-	435,000	435,000
Paid-in\Contributed Surplus	-	-	-	-	-	1,189,786	1,189,786
Unassigned Funds (Surplus)	-	-	-	-	-	(172,637)	(172,637)
Current Year Net Income	-	-	-	-	-	165,263	165,263
Total Unassigned Funds	**-**	**-**	**-**	**-**	**-**	**(7,374)**	**(7,374)**
Total Surplus	**-**	**-**	**-**	**-**	**-**	**1,762,865**	**1,762,865**
Total Liabilities & Equity	**893,462**	**18,030,385**	**37,521,007**	**167,355**	**342,003**	**2,885,781**	**59,839,993**
Assets in Excess of Liabilities	20,097	104,045	124,147	2,727	49,087	(300,104)	-

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VIAC							
Statutory Balance Sheet By Product Group							
6/30/2017							
($ in thousands)							
	Allocation of Equity (Based on Target Capital by BU)						
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							-
Bonds							-
Preferred Stocks							-
Common Stocks							-
Mortgage Loans							-
Real Estate							-
Cash	28,872	921,331	5,044	(2,727)	7,481	(960,001)	-
Contract Loans							-
Derivatives							-
Other Invested Assets							-
Receivable for Securities							-
Securities Lending Reinvested Collateral							-
AGG WI for Invested Assets							-
Subtotal - Cash & Invested Assets	28,872	921,331	5,044	(2,727)	7,481	(960,001)	-
Investment Income Due\Accrued							-
Life Premiums Uncollected							-
A&H Premiums Uncollected							-
Life Premiums Deferred							-
Amounts Recoverable from Reins							-
Funds Held							-
Other Amounts Rec							-
Net Deferred Tax Asset							-
Guaranty Funds Rcbl\on Dep							-
Pay & Receive to/from Parents\Subs\Affil							-
AGG WI Non Invested Assets							-
Total Assets Excluding Separate Accounts	**28,872**	**921,331**	**5,044**	**(2,727)**	**7,481**	**(960,001)**	**-**
Separate Accounts							
Total Assets	**28,872**	**921,331**	**5,044**	**(2,727)**	**7,481**	**(960,001)**	**-**
LIABILITIES & EQUITY							
Life Reserves							-
Liab for Dep Type Contracts							-
Life Claims							-
Divs Apportioned for Payment							-
Prems/Annuity Cons Recd in Adv							-
Other Amts Payable - Reins							-
Interest Maintenance Reserve							-
Commissions Due and Accrued							-
Comm\Exp Allow Reins Assumed							-
General Expenses Due\Accrued							-
Transfers to SA Due\Accrued							-
Taxes\Lic\Fees Due\Accrued							-
Federal Income Taxes Due\Accr							-
Unearned Investment Income							-
Amts W\H by Co as Agent							-
Amounts Held for Agents Accts							-
Remittances\Items not Alloc							-
Asset Valuation Reserve							-
Funds held Unauth Cos							-
Payable to Parents\Subs\Affil							-
Derivative Liabilities							-
Payable for Securities							-
Payable for Securities Lending							-
AGG WI for Liabilities							-
Total Liabilities Excluding Separate Accounts		**-**	**-**	**-**	**-**	**-**	**-**
Separate Accounts							
Total Liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Common Capital Stock							-
Other than Spec Surplus Funds			128,070		14,882	(142,952)	-
Surplus Notes						-	-
Paid-in\Contributed Surplus							-
Unassigned Funds (Surplus)	48,969	1,025,376	1,121	-	41,686	(1,117,152)	-
Current Year Net Income							-
Total Unassigned Funds	**48,969**	**1,025,376**	**1,121**	**-**	**41,686**	**(1,117,152)**	**-**
Total Surplus	**48,969**	**1,025,376**	**129,191**	**-**	**56,568**	**(1,260,104)**	**-**
Total Liabilities & Equity	**48,969**	**1,025,376**	**129,191**	**-**	**56,568**	**(1,260,104)**	**-**
Assets in Excess of Liabilities	(20,097)	(104,045)	(124,147)	(2,727)	(49,087)	300,103	-

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VIAC							
Statutory Balance Sheet By Product Group							
6/30/2017							
($ in thousands)							
	Transfer Bonds to Cover Lifelines						
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							-
Bonds	(170,082)			170,082			-
Preferred Stocks							-
Common Stocks							-
Mortgage Loans							-
Real Estate							-
Cash							-
Contract Loans							-
Derivatives							-
Other Invested Assets							-
Receivable for Securities							-
Securities Lending Reinvested Collateral							-
AGG WI for Invested Assets							-
Subtotal - Cash & Invested Assets	(170,082)	-	-	170,082	-	-	-
Investment Income Due\Accrued							-
Life Premiums Uncollected							-
A&H Premiums Uncollected							-
Life Premiums Deferred							-
Amounts Recoverable from Reins							-
Funds Held							-
Other Amounts Rec							-
Net Deferred Tax Asset							-
Guaranty Funds Rcbl\on Dep							-
Pay & Receive to/from Parents\Subs\Affil							-
AGG WI Non Invested Assets	170,082			(170,082)			-
Total Assets Excluding Separate Accounts	-	-	-	-	-	-	-
Separate Accounts							
Total Assets	-	-	-	-	-	-	-
LIABILITIES & EQUITY							
Life Reserves							-
Liab for Dep Type Contracts							-
Life Claims							-
Divs Apportioned for Payment							-
Prems/Annuity Cons Recd in Adv							-
Other Amts Payable - Reins							-
Interest Maintenance Reserve							-
Commissions Due and Accrued							-
Comm\Exp Allow Reins Assumed							-
General Expenses Due\Accrued							-
Transfers to SA Due\Accrued							-
Taxes\Lic\Fees Due\Accrued							-
Federal Income Taxes Due\Accr							-
Unearned Investment Income							-
Amts W\H by Co as Agent							-
Amounts Held for Agents Accts							-
Remittances\Items not Alloc							-
Asset Valuation Reserve							-
Funds held Unauth Cos							-
Payable to Parents\Subs\Affil							-
Derivative Liabilities							-
Payable for Securities							-
Payable for Securities Lending							-
AGG WI for Liabilities							-
Total Liabilities Excluding Separate Accounts		-	-	-	-	-	-
Separate Accounts							
Total Liabilities		-	-	-	-	-	-
Common Capital Stock							-
Other than Spec Surplus Funds							-
Surplus Notes							-
Paid-in\Contributed Surplus							-
Unassigned Funds (Surplus)							-
Current Year Net Income							-
Total Unassigned Funds		-	-	-	-	-	-
Total Surplus		-	-	-	-	-	-
Total Liabilities & Equity		-	-	-	-	-	-
Assets in Excess of Liabilities	-	-	-	-	-	-	-

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VIAC
Statutory Balance Sheet By Product Group
6/30/2017
($ in thousands)

	CFT adjustment							Reinsurance of Retail Life				
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total	Life	Annuity	CBVA	RS	EB
ASSETS												
Bonds							-	(702,612)				
Preferred Stocks							-	(1,317)				
Common Stocks							-	-				
Mortgage Loans							-	(138,437)				
Real Estate							-	-				
Cash							-	71,700				
Contract Loans							-	(52,870)				
Derivatives							-	(201)				
Other Invested Assets							-	(3,606)				
Receivable for Securities							-	(5)				
Securities Lending Reinvested Collateral							-	-				
AGG WI for Invested Assets							-	-				
Subtotal - Cash & Invested Assets	-	-	-	-	-	-	-	(827,348)	-	-	-	-
Investment Income Due\Accrued							-					
Life Premiums Uncollected							-	289				
A&H Premiums Uncollected							-	72				
Life Premiums Deferred							-	(1,785)				
Amounts Recoverable from Reins							-	(96)				
Funds Held							-					
Other Amounts Rec							-	(1,774)				
Net Deferred Tax Asset							-					
Guaranty Funds Rcbl\on Dep							-					
Pay & Receive to/from Parents\Subs\Affil							-					
AGG WI Non Invested Assets							-					
Total Assets Excluding Separate Accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(830,642)**	**-**	**-**	**-**	**-**
Separate Accounts												
Total Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(830,642)**	**-**	**-**	**-**	**-**
LIABILITIES & EQUITY												
Life Reserves			(250,000)				(250,000)	(784,836)				
Liab for Dep Type Contracts							-	(67,398)				
Life Claims							-	(9,578)				
Divs Apportioned for Payment							-	(8,200)				
Prems/Annuity Cons Recd in Adv							-	(44)				
Other Amts Payable - Reins							-					
Interest Maintenance Reserve							-	(20,986)				
Commissions Due and Accrued							-					
Comm\Exp Allow Reins Assumed							-					
General Expenses Due\Accrued							-					
Transfers to SA Due\Accrued							-					
Taxes\Lic\Fees Due\Accrued							-					
Federal Income Taxes Due\Accr							-					
Unearned Investment Income							-					
Amts W\H by Co as Agent							-					
Amounts Held for Agents Accts							-					
Remittances\Items not Alloc							-					
Asset Valuation Reserve							-					
Funds held Unauth Cos			250,000				250,000					
Payable to Parents\Subs\Affil							-					
Derivative Liabilities							-					
Payable for Securities							-					
Payable for Securities Lending							-					
AGG WI for Liabilities							-					
Total Liabilities Excluding Separate Accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(891,042)**	**-**	**-**	**-**	**-**
Separate Accounts												
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(891,042)**	**-**	**-**	**-**	**-**
Common Capital Stock							-					
Other than Spec Surplus Funds							-					
Surplus Notes							-					
Paid-in\Contributed Surplus							-					
Unassigned Funds (Surplus)							-	60,400				
Current Year Net Income							-					
Total Unassigned Funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,400**	**-**	**-**	**-**	**-**
Total Surplus	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,400**	**-**	**-**	**-**	**-**
Total Liabilities & Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(830,642)**	**-**	**-**	**-**	**-**
Assets in Excess of Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

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VIAC		
Statutory Balance Sheet By Product Group		
6/30/2017		
($ in thousands)		
DESCRIPTION	Other	Total
ASSETS		
Bonds		(702,612)
Preferred Stocks		(1,317)
Common Stocks		-
Mortgage Loans		(138,437)
Real Estate		-
Cash		71,700
Contract Loans		(52,870)
Derivatives		(201)
Other Invested Assets		(3,606)
Receivable for Securities		(5)
Securities Lending Reinvested Collateral		-
AGG WI for Invested Assets		-
Subtotal - Cash & Invested Assets	-	(827,348)
Investment Income Due\Accrued		-
Life Premiums Uncollected		289
A&H Premiums Uncollected		72
Life Premiums Deferred		(1,785)
Amounts Recoverable from Reins		(96)
Funds Held		-
Other Amounts Rec		(1,774)
Net Deferred Tax Asset	16,334	16,334
Guaranty Funds Rcbl\on Dep		-
Pay & Receive to/from Parents\Subs\Affil		-
AGG WI Non Invested Assets		-
Total Assets Excluding Separate Accounts	**16,334**	**(814,308)**
Separate Accounts		
Total Assets	**16,334**	**(814,308)**
LIABILITIES & EQUITY		
Life Reserves		(784,836)
Liab for Dep Type Contracts		(67,398)
Life Claims		(9,578)
Divs Apportioned for Payment		(8,200)
Prems/Annuity Cons Recd in Adv		(44)
Other Amts Payable - Reins		-
Interest Maintenance Reserve		(20,986)
Commissions Due and Accrued		-
Comm\Exp Allow Reins Assumed		-
General Expenses Due\Accrued		-
Transfers to SA Due\Accrued		-
Taxes\Lic\Fees Due\Accrued		-
Federal Income Taxes Due\Accr	(48,494)	(48,494)
Unearned Investment Income		-
Amts W\H by Co as Agent		-
Amounts Held for Agents Accts		-
Remittances\Items not Alloc		-
Asset Valuation Reserve		-
Funds held Unauth Cos		-
Payable to Parents\Subs\Affil		-
Derivative Liabilities		-
Payable for Securities		-
Payable for Securities Lending		-
AGG WI for Liabilities		-
Total Liabilities Excluding Separate Accounts	**(48,494)**	**(939,536)**
Separate Accounts		
Total Liabilities	**(48,494)**	**(939,536)**
Common Capital Stock		-
Other than Spec Surplus Funds		-
Surplus Notes		-
Paid-in\Contributed Surplus		-
Unassigned Funds (Surplus)	64,828	125,228
Current Year Net Income		-
Total Unassigned Funds	**64,828**	**125,228**
Total Surplus	**64,828**	**125,228**
Total Liabilities & Equity	**16,334**	**(814,308)**
Assets in Excess of Liabilities	-	-

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VIAC							
Statutory Balance Sheet By Product Group							
6/30/2017							
($ in thousands)							
					Removal of EB		
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							
Bonds							-
Preferred Stocks							-
Common Stocks							-
Mortgage Loans							-
Real Estate							-
Cash						-	-
Contract Loans							-
Derivatives							-
Other Invested Assets							-
Receivable for Securities							-
Securities Lending Reinvested Collateral							-
AGG WI for Invested Assets							-
Subtotal - Cash & Invested Assets	-	-	-	-	-	-	-
Investment Income Due\Accrued					-		-
Life Premiums Uncollected					**90,660**		90,660
A&H Premiums Uncollected					-		-
Life Premiums Deferred					**(1,815)**		(1,815)
Amounts Recoverable from Reins					**(2,760)**		(2,760)
Funds Held					**(434,661)**		(434,661)
Other Amounts Rec					**(42,514)**		(42,514)
Net Deferred Tax Asset						**(4,737)**	(4,737)
Guaranty Funds Rcbl\on Dep							-
Pay & Receive to/from Parents\Subs\Affil							-
AGG WI Non Invested Assets							-
Total Assets Excluding Separate Accounts	**-**	**-**	**-**	**-**	**(391,090)**	**(4,737)**	**(395,827)**
Separate Accounts							
Total Assets	**-**	**-**	**-**	**-**	**(391,090)**	**(4,737)**	**(395,827)**
LIABILITIES & EQUITY							
Life Reserves					**(127,088)**		(127,088)
Liab for Dep Type Contracts							-
Life Claims					**(53,650)**		(53,650)
Divs Apportioned for Payment							-
Prems/Annuity Cons Recd in Adv							-
Other Amts Payable - Reins					**(1,332)**		(1,332)
Interest Maintenance Reserve							-
Commissions Due and Accrued							-
Comm\Exp Allow Reins Assumed					**(6,270)**		(6,270)
General Expenses Due\Accrued							-
Transfers to SA Due\Accrued							-
Taxes\Lic\Fees Due\Accrued							-
Federal Income Taxes Due\Accr						**(17,508)**	(17,508)
Unearned Investment Income							-
Amts W\H by Co as Agent							-
Amounts Held for Agents Accts							-
Remittances\Items not Alloc							-
Asset Valuation Reserve							-
Funds held Unauth Cos					**(153,663)**		(153,663)
Payable to Parents\Subs\Affil							-
Derivative Liabilities							-
Payable for Securities							-
Payable for Securities Lending							-
AGG WI for Liabilities							-
Total Liabilities Excluding Separate Accounts		**-**	**-**	**-**	**(342,003)**	**(17,508)**	**(359,511)**
Separate Accounts							
Total Liabilities		**-**	**-**	**-**	**(342,003)**	**(17,508)**	**(359,511)**
Common Capital Stock							-
Other than Spec Surplus Funds					(14,882)		(14,882)
Surplus Notes							-
Paid-in\Contributed Surplus						-	-
Unassigned Funds (Surplus)					(34,205)	12,772	(21,433)
Current Year Net Income							-
Total Unassigned Funds		**-**	**-**	**-**	**(34,205)**	**12,772**	**(21,433)**
Total Surplus		**-**	**-**	**-**	**(49,087)**	**12,772**	**(36,315)**
Total Liabilities & Equity		**-**	**-**	**-**	**(391,090)**	**(4,737)**	**(395,827)**
Assets in Excess of Liabilities	-	-	-	-	-	-	-

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VIAC								
Statutory Balance Sheet By Product Group								
6/30/2017								
($ in thousands)								
		Removal of Retirement Services (Lifelines)						
DESCRIPTION		Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS								
Bonds					(167,158)			(167,158)
Preferred Stocks								-
Common Stocks								-
Mortgage Loans								-
Real Estate								-
Cash					2,727			2,727
Contract Loans								-
Derivatives								-
Other Invested Assets								-
Receivable for Securities								-
Securities Lending Reinvested Collateral								-
AGG WI for Invested Assets								-
Subtotal - Cash & Invested Assets		-	-	-	(164,431)	-	-	(164,431)
Investment Income Due\Accrued								-
Life Premiums Uncollected								-
A&H Premiums Uncollected								-
Life Premiums Deferred								-
Amounts Recoverable from Reins								-
Funds Held								-
Other Amounts Rec								-
Net Deferred Tax Asset							292	292
Guaranty Funds Rcbl\on Dep								-
Pay & Receive to/from Parents\Subs\Affil								-
AGG WI Non Invested Assets								-
Total Assets Excluding Separate Accounts		**-**	**-**	**-**	**(164,431)**	**-**	**292**	**(164,140)**
Separate Accounts								
Total Assets		**-**	**-**	**-**	**(164,431)**	**-**	**292**	**(164,140)**
LIABILITIES & EQUITY								
Life Reserves								
Liab for Dep Type Contracts					(167,355)			(167,355)
Life Claims								-
Divs Apportioned for Payment								-
Prems/Annuity Cons Recd in Adv								-
Other Amts Payable - Reins								-
Interest Maintenance Reserve								-
Commissions Due and Accrued								-
Comm\Exp Allow Reins Assumed								-
General Expenses Due\Accrued								-
Transfers to SA Due\Accrued								-
Taxes\Lic\Fees Due\Accrued								-
Federal Income Taxes Due\Accr							978	978
Unearned Investment Income								-
Amts W\H by Co as Agent								-
Amounts Held for Agents Accts								-
Remittances\Items not Alloc								-
Asset Valuation Reserve								-
Funds held Unauth Cos								-
Payable to Parents\Subs\Affil								-
Derivative Liabilities								-
Payable for Securities								-
Payable for Securities Lending								-
AGG WI for Liabilities								-
Total Liabilities Excluding Separate Accounts		**-**	**-**	**-**	**(167,355)**	**-**	**978**	**(166,377)**
Separate Accounts								
Total Liabilities		**-**	**-**	**-**	**(167,355)**	**-**	**978**	**(166,377)**
Common Capital Stock								-
Other than Spec Surplus Funds								-
Surplus Notes								-
Paid-in\Contributed Surplus								-
Unassigned Funds (Surplus)					2,924		(686)	2,237
Current Year Net Income					-			-
Total Unassigned Funds		**-**	**-**	**-**	**2,924**	**-**	**(686)**	**2,237**
Total Surplus		**-**	**-**	**-**	**2,924**	**-**	**(686)**	**2,237**
Total Liabilities & Equity		**-**	**-**	**-**	**(164,431)**	**-**	**292**	**(164,140)**
Assets in Excess of Liabilities		-	-	-	-	-	0	-

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Statutory Balance Sheet By Product Group

6/30/2017

($ in thousands)

			Atlanta Property				
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							
Bonds							-
Preferred Stocks							-
Common Stocks							-
Mortgage Loans							-
Real Estate						(27,856)	(27,856)
Cash						42,802	42,802
Contract Loans							-
Derivatives							-
Other Invested Assets							-
Receivable for Securities							-
Securities Lending Reinvested Collateral							-
AGG WI for Invested Assets							-
Subtotal - Cash & Invested Assets	-	-	-	-	-	14,946	14,946
Investment Income Due\Accrued							-
Life Premiums Uncollected							-
A&H Premiums Uncollected							-
Life Premiums Deferred							-
Amounts Recoverable from Reins							-
Funds Held							-
Other Amounts Rec							-
Net Deferred Tax Asset						1,310	1,310
Guaranty Funds Rcbl\on Dep							-
Pay & Receive to/from Parents\Subs\Affil							-
AGG WI Non Invested Assets							-
Total Assets Excluding Separate Accounts	**-**	**-**	**-**	**-**	**-**	**16,256**	**16,256**
Separate Accounts							-
Total Assets	**-**	**-**	**-**	**-**	**-**	**16,256**	**16,256**
LIABILITIES & EQUITY							
Life Reserves							-
Liab for Dep Type Contracts							-
Life Claims							-
Divs Apportioned for Payment							-
Prems/Annuity Cons Recd in Adv							-
Other Amts Payable - Reins							-
Interest Maintenance Reserve							-
Commissions Due and Accrued							-
Comm\Exp Allow Reins Assumed							-
General Expenses Due\Accrued							-
Transfers to SA Due\Accrued							-
Taxes\Lic\Fees Due\Accrued							-
Federal Income Taxes Due\Accr						6,212	6,212
Unearned Investment Income							-
Amts W\H by Co as Agent							-
Amounts Held for Agents Accts							-
Remittances\Items not Alloc							-
Asset Valuation Reserve							-
Funds held Unauth Cos							-
Payable to Parents\Subs\Affil							-
Derivative Liabilities							-
Payable for Securities							-
Payable for Securities Lending							-
AGG WI for Liabilities							-
Total Liabilities Excluding Separate Accounts		**-**	**-**	**-**	**-**	**6,212**	**6,212**
Separate Accounts							-
Total Liabilities		**-**	**-**	**-**	**-**	**6,212**	**6,212**
Common Capital Stock							-
Other than Spec Surplus Funds							-
Surplus Notes							-
Paid-in\Contributed Surplus							-
Unassigned Funds (Surplus)						10,044	10,044
Current Year Net Income							-
Total Unassigned Funds		**-**	**-**	**-**	**-**	**10,044**	**10,044**
Total Surplus		**-**	**-**	**-**	**-**	**10,044**	**10,044**
Total Liabilities & Equity		**-**	**-**	**-**	**-**	**16,256**	**16,256**
Assets in Excess of Liabilities	-	-	-	-	-	-	-

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Statutory Balance Sheet By Product Group

6/30/2017

($ in thousands)

DESCRIPTION	Life	Annuity	Annuity Reinsurance: CBVA	Annuity Reinsurance: RS	Annuity Reinsurance: EB	Other	Total
ASSETS							-
Bonds		(13,544,561)					(13,544,561)
Preferred Stocks		(61,375)					(61,375)
Common Stocks		(1,654)					(1,654)
Mortgage Loans		(3,073,430)					(3,073,430)
Real Estate		-					-
Cash							-
Contract Loans		(9,183)					(9,183)
Derivatives							-
Other Invested Assets		(46,376)					(46,376)
Receivable for Securities		(596)					(596)
Securities Lending Reinvested Collateral		-					-
AGG WI for Invested Assets		(4,899)					(4,899)
Subtotal - Cash & Invested Assets	-	(16,742,074)	-	-	-	-	(16,742,074)
Investment Income Due\Accrued							-
Life Premiums Uncollected							-
A&H Premiums Uncollected							-
Life Premiums Deferred							-
Amounts Recoverable from Reins							-
Funds Held							-
Other Amounts Rec							-
Net Deferred Tax Asset						48,786	48,786
Guaranty Funds Rcbl\on Dep							-
Pay & Receive to/from Parents\Subs\Affil							-
AGG WI Non Invested Assets							-
Total Assets Excluding Separate Accounts	**-**	**(16,742,074)**	**-**	**-**	**-**	**48,786**	**(16,693,288)**
Separate Accounts							
Total Assets	**-**	**(16,742,074)**	**-**	**-**	**-**	**48,786**	**(16,693,288)**
LIABILITIES & EQUITY							
Life Reserves		(16,928,243)					(16,928,243)
Liab for Dep Type Contracts		(274,600)					(274,600)
Life Claims		(5,398)					(5,398)
Divs Apportioned for Payment							-
Prems/Annuity Cons Recd in Adv							-
Other Amts Payable - Reins							-
Interest Maintenance Reserve		10,953					10,953
Commissions Due and Accrued							-
Comm\Exp Allow Reins Assumed							-
General Expenses Due\Accrued							-
Transfers to SA Due\Accrued							-
Taxes\Lic\Fees Due\Accrued							-
Federal Income Taxes Due\Accr						26,159	26,159
Unearned Investment Income							-
Amts W\H by Co as Agent							-
Amounts Held for Agents Accts							-
Remittances\Items not Alloc							-
Asset Valuation Reserve							-
Funds held Unauth Cos		103,817					103,817
Payable to Parents\Subs\Affil							-
Derivative Liabilities							-
Payable for Securities							-
Payable for Securities Lending							-
AGG WI for Liabilities							-
Total Liabilities Excluding Separate Accounts		**(17,093,471)**	**-**	**-**	**-**	**26,159**	**(17,067,312)**
Separate Accounts							
Total Liabilities		**(17,093,471)**	**-**	**-**	**-**	**26,159**	**(17,067,312)**
Common Capital Stock							-
Other than Spec Surplus Funds							-
Surplus Notes							-
Paid-in\Contributed Surplus							-
Unassigned Funds (Surplus)		351,398				22,627	374,025
Current Year Net Income							-
Total Unassigned Funds	**-**	**351,398**	**-**	**-**	**-**	**22,627**	**374,025**
Total Surplus	**-**	**351,398**	**-**	**-**	**-**	**22,627**	**374,025**
Total Liabilities & Equity	**-**	**(16,742,073)**	**-**	**-**	**-**	**48,786**	**(16,693,287)**
Assets in Excess of Liabilities	-	(1)	-	-	-	-	(1)

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Statutory Balance Sheet By Product Group								
6/30/2017								
($ in thousands)								
	RR2 Recapture Impacts (Post CFT Release Impact)							
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other		Total
ASSETS								-
Bonds			1,095,639					1,095,639
Preferred Stocks								-
Common Stocks								-
Mortgage Loans								-
Real Estate								-
Cash						412,655	(a)	412,655
Contract Loans								-
Derivatives								-
Other Invested Assets								-
Receivable for Securities								-
Securities Lending Reinvested Collateral								-
AGG WI for Invested Assets								-
Subtotal - Cash & Invested Assets	-	-	1,095,639	-	-	412,655		1,508,294
Investment Income Due\Accrued								-
Life Premiums Uncollected								-
A&H Premiums Uncollected								-
Life Premiums Deferred								-
Amounts Recoverable from Reins								-
Funds Held								-
Other Amounts Rec								-
Net Deferred Tax Asset						-		-
Guaranty Funds Rcbl\on Dep								-
Pay & Receive to/from Parents\Subs\Affil								-
AGG WI Non Invested Assets								-
Total Assets Excluding Separate Accounts	**-**	**-**	**1,095,639**	**-**	**-**	**412,655**		**1,508,294**
Separate Accounts								
Total Assets	**-**	**-**	**1,095,639**	**-**	**-**	**412,655**		**1,508,294**
LIABILITIES & EQUITY								
Life Reserves			7,245,442					7,245,442
Liab for Dep Type Contracts								-
Life Claims								-
Divs Apportioned for Payment								-
Prems/Annuity Cons Recd in Adv								-
Other Amts Payable - Reins								-
Interest Maintenance Reserve								-
Commissions Due and Accrued								-
Comm\Exp Allow Reins Assumed								-
General Expenses Due\Accrued								-
Transfers to SA Due\Accrued								-
Taxes\Lic\Fees Due\Accrued								-
Federal Income Taxes Due\Accr						412,655		412,655
Unearned Investment Income								-
Amts W\H by Co as Agent								-
Amounts Held for Agents Accts								-
Remittances\Items not Alloc								-
Asset Valuation Reserve								-
Funds held Unauth Cos			(6,149,803)					(6,149,803)
Payable to Parents\Subs\Affil								-
Derivative Liabilities								-
Payable for Securities								-
Payable for Securities Lending								-
AGG WI for Liabilities								-
Total Liabilities Excluding Separate Accounts		**-**	**1,095,639**	**-**	**-**	**412,655**		**1,508,294**
Separate Accounts								
Total Liabilities		**-**	**1,095,639**	**-**	**-**	**412,655**		**1,508,294**
Common Capital Stock								-
Other than Spec Surplus Funds			(128,070)					(128,070)
Surplus Notes								-
Paid-in\Contributed Surplus						412,655	(a)	412,655
Unassigned Funds (Surplus)			128,070			(412,655)		(284,585)
Current Year Net Income								-
Total Unassigned Funds	**-**	**-**	**128,070**	**-**	**-**	**(412,655)**		**(284,585)**
Total Surplus		**-**	**-**	**-**	**-**	**-**		**-**
Total Liabilities & Equity		**-**	**1,095,639**	**-**	**-**	**412,655**		**1,508,294**
	(a) CBVA movement from RR2 is intended to be neutral. Form and structure of adjustment is TBD.							
Assets in Excess of Liabilities	-	-	-	-	-	-		-

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VIAC							
Statutory Balance Sheet By Product Group							
6/30/2017							
($ in thousands)							
	Preliminary Pro Forma						
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							
Bonds	(45,704)	293,401	6,643,696	2,924	-	1,160,000	8,054,317
Preferred Stocks	233	1,330	30,443	-	-	7,600	39,606
Common Stocks	-	36	-	-	-	15,084	15,120
Mortgage Loans	24,507	66,576	744,065	-	-	45,583	880,731
Real Estate	-	-	-	-	-	-	-
Cash	100,572	921,331	304,680	-	7,481	244,003	1,578,067
Contract Loans	-	-	7,856	-	-	-	7,856
Derivatives	36	239,265	533,316	-	-	30	772,647
Other Invested Assets	638	1,005	9,052	-	-	201,283	211,978
Receivable for Securities	1	13	199	-	-	23	236
Securities Lending Reinvested Collateral	-	-	-	-	-	108,798	108,798
AGG WI for Invested Assets	-	106	101	-	-	-	207
Subtotal - Cash & Invested Assets	80,283	1,523,063	8,273,408	2,924	7,481	1,782,404	11,669,562
Investment Income Due\Accrued	11,340	158,611	77,353	-	-	8,432	255,736
Life Premiums Uncollected	-	-	(464)	-	-	-	(464)
A&H Premiums Uncollected	-	-	-	-	-	-	-
Life Premiums Deferred	-	-	-	-	-	-	-
Amounts Recoverable from Reins	-	-	4,425	-	(14)	-	4,411
Funds Held	-	-	-	-	-	-	-
Other Amounts Rec	-	-	3,135	-	14	-	3,149
Net Deferred Tax Asset	-	-	-	-	-	291,924	291,924
Guaranty Funds Rcbl\on Dep	-	-	-	-	-	1,016	1,016
Pay & Receive to/from Parents\Subs\Affil	-	-	-	-	-	31,487	31,487
AGG WI Non Invested Assets	20,168	25,059	76,961	-	-	-	122,188
Total Assets Excluding Separate Accounts	**111,791**	**1,706,733**	**8,434,818**	**2,924**	**7,481**	**2,115,263**	**12,379,009**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Assets	**111,791**	**2,313,688**	**38,745,838**	**2,924**	**7,481**	**2,115,263**	**43,296,984**
LIABILITIES & EQUITY							
Life Reserves	-	-	8,007,609	-	-	6,127	8,013,736
Liab for Dep Type Contracts	-	-	91,158	-	-	68,989	160,147
Life Claims	-	(5,398)	5,398	-	-	-	-
Divs Apportioned for Payment	-	-	-	-	-	-	-
Prems/Annuity Cons Recd in Adv	-	-	-	-	-	-	-
Other Amts Payable - Reins	-	-	13,375	-	-	-	13,375
Interest Maintenance Reserve	-	-	50,062	-	-	(46,364)	3,698
Commissions Due and Accrued	-	2,198	-	-	-	-	2,198
Comm\Exp Allow Reins Assumed	-	-	-	-	-	-	-
General Expenses Due\Accrued	14	1,869	32	-	-	31,127	33,042
Transfers to SA Due\Accrued	-	-	(136,778)	-	-	-	(136,778)
Taxes\Lic\Fees Due\Accrued	(52)	(27)	(1)	-	-	32	(48)
Federal Income Taxes Due\Accr	(28)	-	-	-	-	443,912	443,884
Unearned Investment Income	1,204	-	-	-	-	-	1,204
Amts W\H by Co as Agent	109	3,666	12,631	-	-	8,607	25,013
Amounts Held for Agents Accts	-	4,669	(9)	-	-	266	4,926
Remittances\Items not Alloc	441	20,154	4,400	-	-	(2,499)	22,496
Asset Valuation Reserve	-	-	-	-	-	45,040	45,040
Funds held Unauth Cos	-	103,817	-	-	-	-	103,817
Payable to Parents\Subs\Affil	-	-	-	-	-	36,323	36,323
Derivative Liabilities	537	133,267	119,930	-	-	229	253,963
Payable for Securities	-	26,479	7,201	-	-	35,101	68,781
Payable for Securities Lending	-	-	-	-	-	108,798	108,798
AGG WI for Liabilities	193	39,266	130,619	-	-	767,230	937,308
Total Liabilities Excluding Separate Accounts	**2,418**	**329,960**	**8,305,627**	**-**	**-**	**1,502,918**	**10,140,923**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Liabilities	**2,418**	**936,915**	**38,616,647**	**-**	**-**	**1,502,918**	**41,058,898**
Common Capital Stock	-	-	-	-	-	2,500	2,500
Other than Spec Surplus Funds	-	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	435,000	435,000
Paid-in\Contributed Surplus	-	-	-	-	-	1,602,441	1,602,441
Unassigned Funds (Surplus)	109,369	1,376,774	129,191	2,924	7,481	(1,592,859)	32,879
Current Year Net Income	-	-	-	-	-	165,263	165,263
Total Unassigned Funds	**109,369**	**1,376,774**	**129,191**	**2,924**	**7,481**	**(1,427,596)**	**198,142**
Total Surplus	**109,369**	**1,376,774**	**129,191**	**2,924**	**7,481**	**612,345**	**2,238,083**
Total Liabilities & Equity	**111,787**	**2,313,689**	**38,745,838**	**2,924**	**7,481**	**2,115,262**	**43,296,980**
Assets in Excess of Liabilities	4	(1)	-	-	-	1	4

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VIAC		
Statutory Balance Sheet By Product Group		
6/30/2017		
($ in thousands)		
		Surplus
DESCRIPTION		**Notes**
ASSETS		
Bonds		
Preferred Stocks		
Common Stocks		
Mortgage Loans		
Real Estate		
Cash		(193)
Contract Loans		
Derivatives		
Other Invested Assets		
Receivable for Securities		
Securities Lending Reinvested Collateral		
AGG WI for Invested Assets		
Subtotal - Cash & Invested Assets		(193)
Investment Income Due\Accrued		
Life Premiums Uncollected		
A&H Premiums Uncollected		
Life Premiums Deferred		
Amounts Recoverable from Reins		
Funds Held		
Other Amounts Rec		
Net Deferred Tax Asset		(41)
Guaranty Funds Rcbl\on Dep		
Pay & Receive to/from Parents\Subs\Affil		
AGG WI Non Invested Assets		
Total Assets Excluding Separate Accounts		**(234)**
Separate Accounts		
Total Assets		**(234)**
LIABILITIES & EQUITY		
Life Reserves		
Liab for Dep Type Contracts		
Life Claims		
Divs Apportioned for Payment		
Prems/Annuity Cons Recd in Adv		
Other Amts Payable - Reins		
Interest Maintenance Reserve		
Commissions Due and Accrued		
Comm\Exp Allow Reins Assumed		
General Expenses Due\Accrued		
Transfers to SA Due\Accrued		
Taxes\Lic\Fees Due\Accrued		
Federal Income Taxes Due\Accr		(110)
Unearned Investment Income		
Amts W\H by Co as Agent		
Amounts Held for Agents Accts		
Remittances\Items not Alloc		
Asset Valuation Reserve		
Funds held Unauth Cos		
Payable to Parents\Subs\Affil		
Derivative Liabilities		
Payable for Securities		
Payable for Securities Lending		
AGG WI for Liabilities		120
Total Liabilities Excluding Separate Accounts		**10**
Separate Accounts		
Total Liabilities		**10**
Common Capital Stock		
Other than Spec Surplus Funds		
Surplus Notes		-
Paid-in\Contributed Surplus		
Unassigned Funds (Surplus)		(244)
Current Year Net Income		
Total Unassigned Funds		**(244)**
Total Surplus		**(244)**
Total Liabilities & Equity		**(234)**
Assets in Excess of Liabilities		-

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VIAC							
Statutory Balance Sheet By Product Group							
6/30/2017						-	
($ in thousands)							
	Transaction Pro Forma						
DESCRIPTION	Life	Annuity	CBVA	RS	EB	Other	Total
ASSETS							
Bonds	(45,704)	293,401	6,643,696	2,924	-	1,160,000	8,054,317
Preferred Stocks	233	1,330	30,443	-	-	7,600	39,606
Common Stocks	-	36	-	-	-	15,084	15,120
Mortgage Loans	24,507	66,576	744,065	-	-	45,583	880,731
Real Estate	-	-	-	-	-	-	-
Cash	100,572	921,331	304,680	-	7,481	243,810	1,577,874
Contract Loans	-	-	7,856	-	-	-	7,856
Derivatives	36	239,265	533,316	-	-	30	772,647
Other Invested Assets	638	1,005	9,052	-	-	201,283	211,978
Receivable for Securities	1	13	199	-	-	23	236
Securities Lending Reinvested Collateral	-	-	-	-	-	108,798	108,798
AGG WI for Invested Assets	-	106	101	-	-	-	207
Subtotal - Cash & Invested Assets	80,283	1,523,063	8,273,408	2,924	7,481	1,782,211	11,669,369
Investment Income Due\Accrued	11,340	158,611	77,353	-	-	8,432	255,736
Life Premiums Uncollected	-	-	(464)	-	-	-	(464)
A&H Premiums Uncollected	-	-	-	-	-	-	-
Life Premiums Deferred	-	-	-	-	-	-	-
Amounts Recoverable from Reins	-	-	4,425	-	(14)	-	4,411
Funds Held	-	-	-	-	-	-	-
Other Amounts Rec	-	-	3,135	-	14	-	3,149
Net Deferred Tax Asset	-	-	-	-	-	291,883	291,883
Guaranty Funds Rcbl\on Dep	-	-	-	-	-	1,016	1,016
Pay & Receive to/from Parents\Subs\Affil	-	-	-	-	-	31,487	31,487
AGG WI Non Invested Assets	20,168	25,059	76,961	-	-	-	122,188
Total Assets Excluding Separate Accounts	**111,791**	**1,706,733**	**8,434,818**	**2,924**	**7,481**	**2,115,029**	**12,378,776**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Assets	**111,791**	**2,313,688**	**38,745,838**	**2,924**	**7,481**	**2,115,029**	**43,296,751**
LIABILITIES & EQUITY							
Life Reserves	-	-	8,007,609	-	-	6,127	8,013,736
Liab for Dep Type Contracts	-	-	91,158	-	-	68,989	160,147
Life Claims	-	(5,398)	5,398	-	-	-	-
Divs Apportioned for Payment	-	-	-	-	-	-	-
Prems/Annuity Cons Recd in Adv	-	-	-	-	-	-	-
Other Amts Payable - Reins	-	-	13,375	-	-	-	13,375
Interest Maintenance Reserve	-	-	50,062	-	-	(46,364)	3,698
Commissions Due and Accrued	-	2,198	-	-	-	-	2,198
Comm\Exp Allow Reins Assumed	-	-	-	-	-	-	-
General Expenses Due\Accrued	14	1,869	32	-	-	31,127	33,042
Transfers to SA Due\Accrued	-	-	(136,778)	-	-	-	(136,778)
Taxes\Lic\Fees Due\Accrued	(52)	(27)	(1)	-	-	32	(48)
Federal Income Taxes Due\Accr	(28)	-	-	-	-	443,802	443,774
Unearned Investment Income	1,204	-	-	-	-	-	1,204
Amts W\H by Co as Agent	109	3,666	12,631	-	-	8,607	25,013
Amounts Held for Agents Accts	-	4,669	(9)	-	-	266	4,926
Remittances\Items not Alloc	441	20,154	4,400	-	-	(2,499)	22,496
Asset Valuation Reserve	-	-	-	-	-	45,040	45,040
Funds held Unauth Cos	-	103,817	-	-	-	-	103,817
Payable to Parents\Subs\Affil	-	-	-	-	-	36,323	36,323
Derivative Liabilities	537	133,267	119,930	-	-	229	253,963
Payable for Securities	-	26,479	7,201	-	-	35,101	68,781
Payable for Securities Lending	-	-	-	-	-	108,798	108,798
AGG WI for Liabilities	193	39,266	130,619	-	-	767,354	937,432
Total Liabilities Excluding Separate Accounts	**2,418**	**329,960**	**8,305,627**	**-**	**-**	**1,502,932**	**10,140,937**
Separate Accounts	-	606,955	30,311,020	-	-	-	30,917,975
Total Liabilities	**2,418**	**936,915**	**38,616,647**	**-**	**-**	**1,502,932**	**41,058,912**
Common Capital Stock	-	-	-	-	-	2,500	2,500
Other than Spec Surplus Funds	-	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	435,000	435,000
Paid-in\Contributed Surplus	-	-	-	-	-	1,602,441	1,602,441
Unassigned Funds (Surplus)	109,369	1,376,774	129,191	2,924	7,481	(1,593,104)	32,634
Current Year Net Income	-	-	-	-	-	165,263	165,263
Total Unassigned Funds	**109,369**	**1,376,774**	**129,191**	**2,924**	**7,481**	**(1,427,841)**	**197,897**
Total Surplus	**109,369**	**1,376,774**	**129,191**	**2,924**	**7,481**	**612,100**	**2,237,838**
Total Liabilities & Equity	**111,787**	**2,313,689**	**38,745,838**	**2,924**	**7,481**	**2,115,032**	**43,296,751**
Assets in Excess of Liabilities	4	(1)	-	-	-	(3)	0

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VIAC		
Statutory Balance Sheet By Product Group		
6/30/2017		
($ in thousands)		
DESCRIPTION		
ASSETS		
Bonds		
Preferred Stocks		
Common Stocks		
Mortgage Loans		
Real Estate		
Cash		
Contract Loans		
Derivatives		
Other Invested Assets		
Receivable for Securities		
Securities Lending Reinvested Collateral		
AGG WI for Invested Assets		
Subtotal - Cash & Invested Assets		
Investment Income Due\Accrued		
Life Premiums Uncollected		
A&H Premiums Uncollected		
Life Premiums Deferred		
Amounts Recoverable from Reins		
Funds Held		
Other Amounts Rec		
Net Deferred Tax Asset		
Guaranty Funds Rcbl\on Dep		
Pay & Receive to/from Parents\Subs\Affil		
AGG WI Non Invested Assets		
Total Assets Excluding Separate Accounts		
Separate Accounts		
Total Assets		
LIABILITIES & EQUITY		
Life Reserves		
Liab for Dep Type Contracts		
Life Claims		
Divs Apportioned for Payment		
Prems/Annuity Cons Recd in Adv		
Other Amts Payable - Reins		
Interest Maintenance Reserve		
Commissions Due and Accrued		
Comm\Exp Allow Reins Assumed		
General Expenses Due\Accrued		
Transfers to SA Due\Accrued		
Taxes\Lic\Fees Due\Accrued		
Federal Income Taxes Due\Accr		
Unearned Investment Income		
Amts W\H by Co as Agent		
Amounts Held for Agents Accts		
Remittances\Items not Alloc		
Asset Valuation Reserve		
Funds held Unauth Cos		
Payable to Parents\Subs\Affil		
Derivative Liabilities		
Payable for Securities		
Payable for Securities Lending		
AGG WI for Liabilities	Rounding Line	
Total Liabilities Excluding Separate Accounts		
Separate Accounts		
Total Liabilities		
Common Capital Stock		
Other than Spec Surplus Funds		
Surplus Notes		
Paid-in\Contributed Surplus		
Unassigned Funds (Surplus)		
Current Year Net Income		
Total Unassigned Funds		
Total Surplus		
Total Liabilities & Equity		
Assets in Excess of Liabilities		

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Project Indigo
VIAC Legal Entity
Infusion/Dividend Calculation
As of 6/30/17
(millions)

Pro Forma Statutory Surplus	2,238	
Plus: Pro Forma AVR	45	
Less: 1/2 ISP AVR Balance	(23)	
Less: Pro Forma DTA	(292)	
Adjusted Surplus		1,968
Buyer Calculation		
Original Target Surplus	1,979	
Negoitation Adjustment	(68)	
Put Back $85 million of surplus notes	85	
Adjusted Target Surplus		1,997
Infusion/ (Dividend)		29

RBC (in 000's)
RBC - 425% CAL After-tax

		RBC (Post Allocations for Corp charges and Covariance)					RBC (Pre-Corp
Legal Entity	BU	12/31/2016	3/31/2017	6/30/2017		BU	12/31/2016
RLI	AM	33,022	32,471	31,697		AM	35,510
	CBVA	8,514	8,965	9,286		CBVA	9,156
	CNO	50,321	48,747	47,085		CNO	50,321
*	Corp	2,091	2,080	2,080	* *	Corp	(138,855)
	EB	244,211	244,297	241,648		EB	264,558
	GRT	4,868	4,928	4,908		GRT	5,235
	IL	566,998	573,564	584,199		IL	636,014
	ISP	-	-	-		ISP	-
	RS	534,093	522,704	516,293		RS	582,179
	Total RBC	**1,444,118**	**1,437,756**	**1,437,196**		**Total RBC**	**1,444,118**
SLD							
	AM	4,795	4,413	4,476		AM	5,772
	CBVA	79	57	63		CBVA	95
	CNO	160,323	160,871	161,220		CNO	160,323
*	Corp	394	386	386	* *	Corp	(208,036)
	EB	151,022	171,229	172,703		EB	181,802
	GRT	-	-	-		GRT	-
	IL	492,201	492,787	507,038		IL	667,166
	ISP	7,674	5,774	268		ISP	9,340
	RS	126	110	115		RS	152
	Total RBC	**816,614**	**835,627**	**846,269**		**Total RBC**	**816,614**
VIAC							
	AM	1,268,285	1,265,976	1,268,481		AM	1,239,494
	CBVA	187,757	173,033	173,604		CBVA	185,488
	CNO	-	-	-		CNO	-
*	Corp	-	-	-	* *	Corp	34,517
	EB	64,981	62,353	62,619		EB	62,170
	GRT	-	-	-		GRT	-
	IL	68,480	68,485	66,295		IL	68,293
	ISP	20,113	9,123	-		ISP	19,654
	RS	-	-	-		RS	-
	Total RBC	**1,609,616**	**1,578,970**	**1,570,999**		**Total RBC**	**1,609,616**

Charges and Covariance)			RBC (including covariance allocation but excluding Corp allocations)			
3/31/2017	6/30/2017		BU	12/31/2016	3/31/2017	6/30/2017
34,863	33,968		AM	31,321	30,188	29,504
9,597	9,921		CBVA	8,076	8,456	8,759
48,747	47,085		CNO	50,321	48,747	47,085
(138,669)	(142,590)	*	Corp	252,513	266,918	273,006
263,571	260,170		EB	222,014	221,589	220,236
5,275	5,243		GRT	4,617	4,648	4,629
646,456	664,212		IL	407,500	400,326	396,263
-	-		ISP	-	-	-
567,916	559,187		RS	467,756	456,884	457,714
1,437,756	**1,437,196**		**Total RBC**	**1,444,118**	**1,437,756**	**1,437,196**

5,405	5,402		AM	4,194	3,859	3,855
70	76		CBVA	69	50	54
160,871	161,220		CNO	160,323	160,871	161,220
(232,698)	(229,231)	*	Corp	160,789	165,569	172,110
209,724	208,453		EB	132,088	149,713	148,757
-	-		GRT	-	-	-
684,949	699,873		IL	352,436	350,519	359,955
7,171	337		ISP	6,605	4,950	219
135	139		RS	110	96	99
835,627	**846,269**		**Total RBC**	**816,614**	**835,627**	**846,269**

1,224,482	1,219,093		AM	1,067,626	1,042,763	1,025,376
170,194	169,298		CBVA	150,555	131,302	129,191
-	-		CNO	-	-	-
49,022	59,006	*	Corp	262,269	289,221	310,895
58,963	58,872		EB	59,723	56,693	56,568
-	-		GRT	-	-	-
67,375	64,730		IL	52,502	51,913	48,969
8,934	-		ISP	16,941	7,078	-
-	-		RS	-	-	-
1,578,970	**1,570,999**		**Total RBC**	**1,609,616**	**1,578,970**	**1,570,999**

Indigo
CFT Release Impact Calculation
As of 6/30/17
($ in thousands)

Financial Statement Impacts Dr/(Cr)			
Balance Sheet	CFT IMPACT	Taxes	Total
Cash/Invested Assets	-		-
Deferred Tax			-
Total Assets	-	-	-
Life Reserves & Liability for Dep. Type Contracts	**250,000**		
Funds Held In Unathorized Companies	**(250,000)**		
Taxes Payable			
Total Liabilities	-	-	-
Special Surplus			
Surplus	-		
Total Liabilities & Surplus	-	-	-
	-		
P&L			
Ceded Premium - CRT			
Ceded Premium - Unauthorized			
Misc Revenue			
Change In Reserve	**(250,000)**		
Realized Gain			
Pre-Tax Gain	(250,000)	-	-
Taxes @35%	**-**		
Net Income	(250,000)	-	-

Impact From $250 million CFT Release		
	Dr.	Cr.
Reserve	250,000	
Chg in Reserve		250,000
(CFT Release no tax impact)		
Surplus	250,000	
Cash & Inv Assets		250,000
(Record EOD)		
Cash	250,000	
FWH Liability		250,000
(Record incremental FWH Contribution)		

Indigo
Life Reinsurance Calculation
As of 6/30/17
($ in thousands)

Source Data			
Ceded Reserves	784,836	**Data Source = Single S**	
		GAAP Statement Valu	
BV of non-contract loan assets supporting reserves	813,892	STAT Statement Value	
Contract Loans supporting reserves	52,870		
BV of assets supporting reserves	866,762		
IMR	20,986		
Pretax Ceding Commission	71,700		
Estimated Unrealized Gain %	8.9%	% calculated using GAAP reportec	

Financial Statement Impacts Dr/(Cr)			
Balance Sheet		Life	Corporate
Cash/Invested Assets	(827,348)	(827,348)	
Ceded Life Uncoll.	289	289	
Ceded A&H Uncoll.	72	72	
Life Premium Deferred	(1,785)	(1,785)	
Amounts Recoverable from Reins	(96)	(96)	
Other Amounts Rec	(1,774)	(1,774)	
Deferred Tax	16,334		16,334
Total Assets	(814,308)	(830,642)	16,334
Life Reserves & Liability for Dep. Type Contracts	784,836	784,836	
Liab for Dep Type Contracts	67,398	67,398	
Prems/Annuity Cons Recd in Adv	44	44	
Claim Liabilities	9,578	9,578	
Dividend Liability	8,200	8,200	
Interest Maint. Reserve	20,986	20,986	
Taxes Payable	48,494		48,494
Total Liabilities	939,536	891,042	48,494
Surplus	(125,228)	(60,400)	(64,828)
Total Liabilities & Surplus	814,308	830,642	(16,334)
P&L		11,300	
Ceded Premium-Reserve/IMR/Div/Claims Assets @ FV	813,892		
Ceded Premium-Contract Loans	52,870		
Ceded Premium-Existing IMR	98,974		
Ceded Premium-Bal Sheet Prem Accts	1,380		
Ceded Premium-Receivable Balances	1,870		

Ceding Commission	(71,700)	
Ceded Change In Reserve	(852,234)	
Ceded Claims	(9,578)	
Aggregate W.I.-IMR Balance	(20,986)	
Ceded Dividends	(8,200)	
Realized Gain	(66,688)	Assumes no IMR to VIAC - passed
Pre-Tax Gain	(60,400)	
Taxes @35%	(48,494)	
Net Income	(108,894)	

Accounting Entries

	Dr.	Cr.
Ceded Reserve	784,836	
Ceded Change In Reserve		784,836
(Record ceded reserves)		
Ceded Deposit Liability	67,398	
Ceded Change In Reserve		67,398
(Record ceded deposit liability)		
Ceded Claim Liabilities	9,578	
Ceded Claim Expense		9,578
(Record the ceded claim liability balance)		
Ceded Div Liability	8,200	
Ceded Div Expense		8,200
(Record the ceded dividend liability)		
Ceded Premium	96	
Amounts Recoverable from Reins		96
(transfer receivable with reinsurance transfer)		
Ceded Premium	1,774	
Other Amounts Rec		1,774
(transfer receivable with reinsurance transfer)		
Ceded Premium	813,892	
Cash & Invest Assets		747,204
Realized Gain		66,688
(Record non-contract loan asset transfer supporting reserves)		
Ceded Premium	52,870	
Cash & Invested Assets		52,870
(Record contract loan asset transfer supporting reserves)		
Ceded Premium	1,380	

Ceded Life Uncoll.	289		
Ceded A&H Uncoll.	72		
Life Premium Deferred		1,785	
Prems/Annuity Cons Recd in Adv	44		
(Record remaining Premium Effects on the Balance Sheet)			
IMR	20,986		
Agg. W.I. Expense		20,986	
(Record write-off of IMR balance)			
Ceded Premium	98,974		
Cash & Invested Assets		98,974	
(Record transfer of existing & Transaction IMR)			
Cash & Invested Assets	71,700		
Ceding Commission		71,700	
(Record ceding commission)			
Tax Expense - Book	21,140		
Tax Exp. - Temp $(54,504)		19,076	Reserves
Tax Exp - Temp $(64,035)		22,412	Invest
Tax Exp. - Temp $(59,430)		20,801	DAC
Tax Expense - Existing IMR		7,345	W/O of existing IMR originally in Pre-tax Inc
Taxes Payable	48,494		
(Record current taxes using Stat Pre-tax as proxy)			
Deferred Tax Asset	16,334		
Surplus		16,334	
(Record DTA increase at 15% cap)			

DESCRIPTION	Life	Life	
ASSETS			
Life Premiums Uncollected		(289)	Premium
A&H Premiums Uncollected		(72)	Premium
Life Premiums Deferred		1,785	Premium
Amounts Recoverable from Reins		96	Cash
Other Amounts Rec		1,774	Cash
LIABILITIES & EQUITY			

Life Reserves	(784,836)	Reserves
Liab for Dep Type Contracts	(67,398)	Reserves
Life Claims	(9,578)	Claims
Divs Apportioned for Payment	(8,200)	Dividend Expense
Prems/Annuity Cons Recd in Adv	(44)	Premiums
Net Insurance Liabilities	(866,762)	
Interest Maintenance Reserve	20,986	

ource Investment File

e of Invested Assets	1,084,270
of Invested Assets	995,428

d value/Stat reported value minus 1

Proof
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-
-

to RLI as part of reinsurance

Life reserves	784836
Deposit Liabilities	67398
Claim Liabilities	9578
Dividend Liability	8200
IMR Liability	
Prelim asset need	870012
Contract loans	-52870
Amounts Recoverable f	-96
Other	(1,380)
IMR Cash	
Other Amounts Rec	-1774
Net Assets	813892

Indigo
Lifelines Reinsurance Calculation
As of 6/30/17
($ in thousands)

Source Data

Ceded Reserves	167,355	
BV of non-contract loan assets supporting reserves	167,355	
Contract Loans supporting reserves	-	
BV of assets supporting reserves	167,355	
IMR	-	
Pretax Ceding Commission	1,800	
Estimated Unrealized Gain %	8.9%	% calculated using GAAP reportec

Financial Statement Impacts Dr/(Cr)

Balance Sheet			Life	Corporate
Cash/Invested Assets	(164,431)		(164,431)	
Deferred Tax	292			292
Total Assets	(164,140)		(164,431)	292
Life Reserves & Liability for Dep. Type Contracts	167,355		167,355	
Interest Maint. Reserve	-			
Taxes Payable	(978)			(978)
Total Liabilities	166,377		167,355	(978)
Surplus	(2,237)		(2,924)	686
Total Liabilities & Surplus	164,140		164,431	(292)

P&L

Ceded Premium-Reserve Assets @ FV	167,355	
Ceded Premium-Contract Loans	-	
Ceded Premium-Existing IMR	12,589	
Ceding Commission	(1,800)	
Ceded Change In Reserve	(167,355)	
Aggregate W.I.-IMR Balance	-	
Realized Gain	(13,713)	Assumes no IMR to VIAC - passed
Pre-Tax Gain	(2,924)	
Taxes @35%	978	
Net Income	(1,945)	

Accounting Entries

	Dr.	Cr.
Ceded Reserve	167,355	
Ceded Change In Reserve		167,355
(Record ceded reserves)		

Ceded Premium	167,355		
Cash & Invest Assets		153,642	
Realized Gain		13,713	
(Record non-contract loan asset transfer supporting reserves)			
Ceded Premium	-		
Cash & Invested Assets		-	
(Record contract loan asset transfer supporting reserves)			
IMR	-		
Agg. W.I. Expense		-	
(Record write-off of IMR balance)			
Ceded Premium	12,589		
Cash & Invested Assets		12,589	
(Record transfer of IMR)			
Cash & Invested Assets	1,800		
Ceding Commission		1,800	
(Record ceding commission)			
			DAC
Tax Expense temp ($129)	978		(128,863)
Taxes Payable		978	
(Record current taxes using Stat Pre-tax as proxy)			
Deferred Tax Asset	292		
Surplus		292	
(Record DTA increase at 15% cap)			

d value/Stat reported value minus 1

to RLI as part of reinsurance

Indigo
VIAC EB Unwind
As of 6/30/17
($ in thousands)

Source Data Dr/(Cr)	From RLI	To SLDI	To C_life	
Life Premium Uncollected - Assumed	**23,345**			
Life Premium Uncollected - Ceded		**(71,491)**	**(42,514)**	(114,005)
Life Premium Deferred - Assumed	**1,815**			
Reinsurance Recoverable Paid Claims		**2,746**		
FWH Asset	**434,661**			
Comission & Expense Allowance Due		**14**		
Expense Rating Refund Due			**42,514**	
Life Reserve Gross- Assumed	**(15,384)**			
Unearned Premium Rsv - Assumed	**(1,399)**			
Supp. Contracts with life conting. - assumed	**(46,055)**			
ADB Rsv. - Assumed	**(22)**			
Disabled Active Rsv - Assumed	**(132)**			
Disabled Disabled Rsv - Assumed	**(261,237)**			
Disabled Disabled Rsv - Ceded		**197,158**		
Misc Deficiency Rsv - Assumed	**(17)**			
Life Claims D&U - Assumed	**(22,957)**			
Life Claims D&U - Ceded		**68,587**		
IBNR Assumed	**(99,280)**			
Other Amounts Payable - Reinsurance		**(1,332)**		
Commission & Expense Allowance Pay - Assumed	**(6,270)**			
FWH Liability		**(153,663)**		
Unamortized Gain - Surplus		(14,882)		

Financial Statement Impacts Dr/(Cr)

Balance Sheet	**RLI**	**SLDI**	**C_Life**	**Total EB**
Premium D&U	(23,345)	71,491	42,514	**90,660**
Life Premium Deferred	(1,815)			**(1,815)**
Reinsurance Recoverable		(2,746)		**(2,746)**
FWH Asset	(434,661)			**(434,661)**
Comm & Exp Allowance		(14)		**(14)**
Exp Rating Refund			(42,514)	**(42,514)**
Deferred Tax				-
Total Assets	(459,821)	68,731	-	(391,090)
Reserves	324,246	(197,158)		**127,088**
Claims	122,237	(68,587)		**53,650**
Other Amts Payable		1,332		**1,332**
Comm & Exp Allow Payable	6,270			**6,270**
FWH Liability - Unauthorized		153,663		**153,663**
Taxes (Payable)/Rec				-
Total Liabilities	452,753	(110,750)	-	342,003

Special Surplus		14,882		14,882
Surplus	7,068	27,137		34,205
Total Liabilities & Surplus	459,821	(68,731)	-	391,090
		-		
P&L				
Premium	434,661	(153,663)		280,998
Misc Revenue		(14,882)		(14,882)
Change In Reserve	(324,246)	197,158		(127,088)
Misc Exp	(103,347)	(1,476)		(104,823)
Pre-Tax Gain	7,068	27,137	-	34,205
Taxes @35%			-	-
Net Loss/ (Income)	7,068	27,137	-	34,205

Accounting Entries	**RLI Recapture**		**SLDI Recapture**		**CL Termination**	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Ceded/Assumed Change In Reserve		**324,246**	**197,158**			
Ceded/Assumed Reserves	**324,246**			**197,158**		
(Record recapture of reserves)						
FWH Liability			**153,663**			
FWH Asset		**434,661**				
Ceded Premium	**434,661**			**153,663**		
(Record removal of FWH)						
Life Premium D&U		**23,345**	**71,491**		**42,514**	
life Premium Deferred		**1,815**				
Other Amounts Payable - Reinsurance			**1,332**			
Life Claims D&U/IBNR	**122,237**			**68,587**		
Reinsurance Rec - Pd Claims				**2,746**		
Exp. Rating Refund Due						**42,514**
Comm. & Exp Allow.	**6,270**			**14**		
Misc Expense		**103,347**		**1,476**		
(Close out remaining balances)						
Tax Expense Book Inc				17,180		
Tax Expense Temp ($937)			-	328		
Taxes Payable			17,508			
(Record current taxes using Stat Pre-tax as proxy, exclude unamortized gain write-off)						
Special Surplus Funds			14,882			
Misc Revenue				14,882		
(Reclass remaining Unamorized Gain)						

Surplus	4,737	
Deferred Tax Asset		4,737
(Record DTA change at 15% cap)		

Assume for the time being that uncollected for CL offsets the ERR

Corporate
(4,737)
(4,737)
17,508
17,508

(12,772)
4,737
-
(17,508)
(17,508)

Indigo
Sale of Atlanta Property Calculation
As of 6/30/17
($ in thousands)

Stat Book Value 6/30/17	27,856
Estimated FV from 12/31/16 Blue Book	42,802
Stat Pre-tax Gain	14,946

Financial Statement Impacts Dr/(Cr)

Balance Sheet	
Cash/Invested Assets	14,946
Deferred Tax	1,310
Total Assets	16,256
Taxes Payable	(6,212)
Total Liabilities	(6,212)
Surplus	(10,044)
Total Liabilities & Surplus	(16,256)
P&L	
Realized Gain	(14,946)
Pre-Tax Gain	(14,946)
Taxes @35%	6,212
Net Income	(8,734)

Accounting Entries

	Dr.	Cr.	
Cash & Invested Assets - Cash	42,802		
Cash & Invested Assets - Real Estate		27,856	
Realized Gain/(Loss)		14,946	
(Record sale of Atlanta Property)			
Tax Expense - Book Income	5,231		Property
Tax Expense - Temp Diff		(981)	2,802
Taxes Payable	(6,212)		
(Record current taxes using Stat Pre-tax as proxy)			

Deferred Tax Asset	1,310	
Surplus		1,310
(Record DTA increase at 15% cap)		

Corporate (Pre-tax)	Corporate (taxes)
14,946	
	1,310
14,946	1,310
	(6,212)
-	(6,212)
(14,946)	4,902
(14,946)	(1,310)

Name?	Name?	
		2,802

Indigo
Redemption of Certain Surplus Notes
As of 6/30/17
($ in thousands)

Par Value		35,000	With SLD
Int Rate	7.98%		
12/7/2029			
Anticipated Int		176	
Total		35,176	

Par Value		50,000	With SLDI
Int Rate	6.26%		
12/29/1934			
		17	
Total		50,017	

Par Value		350,000	with RLI & VRIAC
Int Rate	6.26%		
12/29/1934			
Total		120	

Dr. Surplus Notes	-	
Dr. NII	193	
Cr. Cash & Invested Assets		193
(Record estimate of redeemed surplus notes)		
Dr. Taxes Payable	68	
Cr. Tax Expense		68
Dr. Surplus	29	
Cr. Deferred Tax Asset		29
(Record DTA decrease at 15% cap)		
Dr. NII	120	
Cr. Misc Payable		120
(Record Int estimate on Notes per MTA)		
Dr. Taxes Payable	42	
Cr. Tax Exoense		42
(Record taxes on accrual)		

Dr. Surplus	12	
Cr. DTA		12

(DTA impact on interest accrual)

Indigo
Annuity Reinsurance Calculation
As of 6/30/17
($ in thousands)

Source Data		
Reserves	**16,928,243**	
Deposit Liabilities	**274,600**	
BV of non-contract loan assets supporting reserves	**17,193,660**	
Contract Loans supporting reserves	**9,183**	
BV of assets supporting reserves	**17,202,843**	
IMR	**(10,953)**	
Pretax Ceding Commission	**413,000**	
Estimated Unrealized Gain %	**4.3%**	**% calculated us**
IBNR	**5,398**	
Financial Statement Impacts Dr/(Cr)		
Balance Sheet		
Cash/Invested Assets	(16,742,073)	
Deferred Tax	48,786	
Total Assets	(16,693,287)	
Life Reserves & Liability for Dep. Type Contracts	16,928,243	
Deposit Liabilities	274,600	
Life Claims	5,398	
Interest Maint. Reserve	(10,953)	
FWH Liability	(103,817)	
Taxes Payable	(26,159)	
Total Liabilities	17,067,312	
Surplus	(374,025)	
Total Liabilities & Surplus	16,693,287	
P&L		
Ceded Premium	17,787,787	
Ceded Premium-Contract Loans	9,183	
Ceded Premium-Existing IMR	(16,851)	
Ceded Premium - IBNR	5,398	
Ceded Premium - Net derivative	103,817	
Ceding Commission	(345,500)	
Ceded IBNR	(5,398)	
Ceded Change In Reserve-Life	(16,928,243)	
Ceded Chg in Reserve Deposit	(274,600)	
Aggregate W.I.-IMR Balance	10,953	
Realized Gain	(697,944)	**Assumes no IM**
Pre-Tax Gain	(351,398)	
Taxes @35%	**26,159**	

Net Income		(325,239)

Accounting Entries

	Dr.	Cr.		
Ceded Reserve - Life	16,928,243			
Ceded Reserve- Deposit	274,600			
Ceded Chg in Res - Deposit		274,600		
Ceded Change In Reserve		16,928,243		
(Record ceded reserves)				
Ceded Premium	**16,919,060**			
Cash & Invest Assets		**16,228,091**		
Realized Gain		**690,969**		
(Record non-contract loan asset transfer supporting reserves)				
Ceded Premium	9,183			
Cash & Invested Assets		9,183		
(Record contract loan asset transfer supporting reserves)				
Agg. W.I. Expense	10,953			
IMR		10,953		
(Record write-off of IMR balance)				
Cash & Invested Assets	16,851			
Ceded Premium		16,851		
(Record transfer of IMR)				
Cash & Invested Assets	**345,500**			
Ceding Commission		**345,500**		
(Record ceding commission)				
Tax Expense Book	**#REF!**		**DAC (2 pieces)**	**Tax Reserve**
Tax Exp. - Temp		100,664	**(79,770,114)**	**(13,047,573)**
Tax Exp - Existing IMR	3,834		**W/O of existing IMR originally in Pre-ta**	
Taxes Payable		**#REF!**		
(Record current taxes using Stat Pre-tax as proxy)				
Deferred Tax Asset	**#REF!**			
Surplus		#REF!		
(Record DTA increase at 15% cap)				
Ceded Premium	690,969		**Part of 1st Ceded Prem**	
Cash & Invested Assets		690,969		
(Transfer Grossed Up Transactional IMR)				

Gray Area Has been supercedec amounts to the right

ENTITY	BUSINESS_UNIT	DUS	SECURITY_TYPE_ING	Derivative Assets	Trade Receivable	Deriv
GOLDEN	Annuities	3	OTC OPTION CALL BOUGHT	170,851,148	688,072	
		3	OTC OPTION CALL WRITTEN	-	1,159,124	
		3	OTC OPTION COLLAR	17,015,195	2,515,273	
		3	OTC OPTION CALL BOUGHT	666,146	-	
		3	OTC OPTION COLLAR	137,658	-	
		3J	OTC OPTION CALL BOUGHT	1,864,474	-	
				190,534,620	**4,362,469**	
		3	SWAPTION	3,530,043	131,850	
				3,530,043	**131,850**	
			Grand Total	**194,064,663**	**4,494,319**	

Market Ratio Calc	Stat	GAAP
Total Portfolio	**17,195,741**	**18,125,896**
Derivative Asset	**(239,265)**	**(476,769)**
Derivative Liability	**133,267**	**168,273**
Adj Portfolio	**17,089,743**	**17,817,400**

ing GAAP reported value/Stat reported value minus 1

Annuity	Corporate
(16,742,073)	
	48,786
(16,742,073)	48,786
16,928,243	
274,600	
5,398	
(10,953)	
(103,817)	
	(26,159)
17,093,471	(26,159)
(351,398)	(22,627)
16,742,073	(48,786)

R to VIAC - passed to Acme Jr. as part of reinsurance

d by

Accounting Entries

Ceded Reserve - Life
Ceded Reserve- Deposit
Ceded Chg in Res - Deposit
Ceded Change In Reserve
(Record ceded reserves)

Ceded Premium
Cash & Invest Assets
Realized Gain
(Record non-contract loan

Ceded Premium
Cash & Invested Assets
(Record contract loan asse

Agg. W.I. Expense
IMR
(Record write-off of IMR ba

Cash & Invested Assets
Ceded Premium
(Record transfer of IMR)

Tax Hedge	Investments	
(81,711,895)	**(113,081,554)**	**(287,611,136)**

ax Inc

Cash & Invested Assets
Ceding Commission
(Record ceding commissio

Tax Expense Book
Tax Exp. - Temp
Tax Exp - Existing IMR
Taxes Payable
(Record current taxes usin

Deferred Tax Asset
Surplus
(Record DTA increase at 15

Ceded Premium
Cash & Invested Assets
(Transfer Grossed Up Tran

Life Claims
Ceded IBNR
(Cede the existing IBNR bal

Pace 6.30.2017			
vative Liabilities	Trade Payable	AMORTIZATION YTD	RGL YTD
-	(1,989,993)	1,400,131	-
(93,082,319)	-	29,061,715	-
-	-	83,423,771	-
-	-	(73,305)	-
-	-	1,273,165	-
-	(157,843)	(56,361)	-
(93,082,319)	**(2,147,837)**	**115,029,117**	-
-	(51,800)	(3,618,798)	3,767,414
-	**(51,800)**	**(3,618,798)**	**3,767,414**
(93,082,319)	**(2,199,637)**	**111,410,319**	**3,767,414**

Ceded Premium
Cash & Invested Assets
(Transfer assets to cover IE

Ceded Premium
FWH Liability
(Transfer Derivative impac

Annuity	Corporate

0

	Dr.	Cr.	
	16,928,243		
	274,600		
:		274,600	
		16,928,243	
	17,089,843		
		16,391,899	
		697,944	
& derivatice net asset transfer supporting reserves)			
	9,183		
		9,183	
t transfer supporting reserves)			
	10,953		
		10,953	
alance)			
	16,851		
		16,851	
	345,500		
		345,500	
n)			
	122,989		
		100,664	
	3,834		
		26,159	
g Stat Pre-tax as proxy)			
	48,786		Part of 1st Ceded Prem
		48,786	
5% cap)			
	697,944		
		697,944	
sactional IMR)			

	5,398	
		5,398
lance)		
	5,398	
		5,398
3NR)		
	103,817	
		103,817
ts to a FWH Laibility see table to left)		

Indigo
CBVA Recapture Calculation
As of 6/30/17
($ in thousands)

Source Data	
Supp cont w/life contg ceded	2,393,081
AG43 reserves ceded	2,542,502
Supp cont wolc reserve ceded	2,317,970
3rd Party Ceded included in above	(8,111)
Total Reserves Ceded to RR2	7,245,442
Credit For Reinsurance Trust	1,735,751
Less: Additonal Assets to Balance to Zero VIAC gain/loss	(640,112)
Net CRT To Transfer	1,095,639
Funds Held In Unauthorized Companies	5,899,803
Increment from CFT release & infusion	250,000
Adjusted FWH	6,149,803
Unamortized Reinsurance Gain	128,070
Financial Statement Impacts Dr/(Cr)	
Balance Sheet	Current Balance
Cash/Invested Assets	1,095,639
Deferred Tax	(61,898)
Total Assets	1,033,741
Life Reserves & Liability for Dep. Type Contracts	**(7,245,442)**
Funds Held In Unathorized Companies	**6,149,803**
Taxes Payable	(412,655)
Total Liabilities	(1,508,294)
Special Surplus	128,070
Surplus	346,483
Total Liabilities & Surplus	(1,033,741)
	-
P&L	
Ceded Premium - CRT	**(1,095,639)**
Ceded Premium - Unauthorized	**(6,149,803)**
Misc Revenue	**(128,070)**
Change In Reserve	**7,245,442**
Realized Gain	**-**
Pre-Tax Gain	(128,070)
Taxes @35%	**412,655**
Net Income	284,585

Accounting Entries

	Dr.	Cr.	
Change In Reserves-Ceded	**7,245,442**		
Ceded Reserves		**7,245,442**	1
(Record ceded reserves)			
Cash & Invested Assets	**1,095,639**		
Ceded Premium		**1,095,639**	2
(Record CRT assets transfer from RR2 to VIAC)			
Funds Held in Unathorized	**6,149,803**		
Ceded Premium		**6,149,803**	3
(Record contract loan asset transfer supporting reserves)			
Tax Expense Temp Diff	**412,655**		
Taxes Payable		**412,655**	4
(Record current taxes using 1,169,064,714 as reserve diff)			
Deferred Tax Asset	**(61,898)**		
Surplus		(61,898)	5
(Record DTA increase at 15% cap)			
Special Surplus Funds	128,070		
Misc Revenue		128,070	6
(Reclass remaining Unamorized Gain)			

CFT	Net
	1,735,751
(250,000)	(890,112)
(250,000)	845,639

	Total		CBVA	Corporate
	1,095,639		1,095,639	
	(61,898)			(61,898)
-	1,033,741		1,095,639	(61,898)
	(7,245,442)		(7,245,442)	
-	6,149,803		6,149,803	
-	(412,655)			(412,655)
-	(1,508,294)		(1,095,639)	(412,655)
	128,070		128,070	
	346,483		(128,070)	474,553
-	(1,033,741)		(1,095,639)	61,898
				-
				250,000.0
				250,000.0

-	-
-	
-	-

	Financial St
	Balance Sh
7	Cash/Invest
	Deferred Ta
	Total Asset
8	Life Reserv
	Funds Held
	Taxes Payal
	Total Liabili
9	
	Surplus
	Total Liabili
10	**P&L**
	Ceded Pren
	Ceded Pren
11	Misc Reven
	Ceded Char
	Realized Ga
	Pre-Tax Gai
	Taxes @35
	Net Income

tatement Impacts Dr/(Cr)

eet	1	2	3	4	5	6	7
ted Assets	-	1,095,639	-	-	-	-	-
ax	-	-	-	-	(61,898)	-	-
:s	-	1,095,639	-	-	(61,898)	-	-
es & Liability for Dep. T	**(7,245,442)**	**-**	**-**	**-**	**-**	**-**	**-**
In Unathorized Compa	**-**	**-**	**6,149,803**	**-**	**-**	**-**	**-**
ble	-	-	-	(412,655)	-	-	-
ities	(7,245,442)	-	6,149,803	(412,655)	-	-	-
	7,245,442	(1,095,639)	(6,149,803)	412,655	61,898	-	-
ities & Surplus	-	(1,095,639)	-	-	61,898	-	-
	-	-	-	-	-	-	-
nium - CRT	**-**	**(1,095,639)**	**-**	**-**	**-**	**-**	**-**
nium - Unauthorized	**-**	**-**	**(6,149,803)**	**-**	**-**	**-**	**-**
ıue	**-**	**-**	**-**	**-**	**-**	**(128,070)**	**-**
ıge In Reserve	**7,245,442**	**-**	**-**	**-**	**-**	**-**	**-**
ıin	**-**	**-**	**-**	**-**	**-**	**-**	**-**
in	7,245,442	(1,095,639)	(6,149,803)	-	-	(128,070)	-
%	**-**	**-**	**-**	**412,655**	**-**	**-**	**-**
e	7,245,442	(1,095,639)	(6,149,803)	412,655	-	(128,070)	-
	-	-	-	-			

8	9	10					
-	-	-	-	-	-	1,095,639	
-	-	-	-	-	-	(61,898)	
-	-	-	-	-	-	1,033,741	
-	-	-	-	-	-	(7,245,442)	
-	-	-	-		-	6,149,803	-
-	-	-	-	-	-	(412,655)	
-	-	-	-	-	-	(1,508,294)	
-	-	-	-	-	#REF!	#REF!	#REF!
-	-	-	-	-	#REF!	#REF!	
-	-	-	-	-	#REF!	#REF!	
-	-	-	-	-	-	(1,095,639)	
-	-	-	-	-	-	(6,149,803)	
-	-	-	-	-	-	(128,070)	
-	-	-	-	-	-	7,245,442	
-	-	-	-	-	-	-	
-	-	-	-	-	-	(128,070)	
-	-	-	-	-	-	412,655	
-	-	-	-	-	-	284,585	

Indigo
RLI Annuity Cession to Acme Jr
As of 6/30/17
($ in thousands)

Source Data

Reserves	417,849	
Deposit liabilities	39,850	
Less CFT	(20,000)	
Ceded Reserves	437,699	
BV of assets supporting reserves	437,699	
Contract Loans supporting reserves	-	
BV of assets supporting reserves	437,699	
IMR	-	
Pretax Ceding Commission	(13,000)	
Estimated Unrealized Gain %	3.6%	% calculated using GAAI

Financial Statement Impacts Dr/(Cr)

Balance Sheet		Annuity
Cash/Invested Assets	(450,699)	(450,699)
Deferred Tax	-	
Total Assets	(450,699)	(450,699)
Life Reserves & Liability for Dep. Type Contracts	457,699	457,699
Interest Maint. Reserve		
Taxes (Payable)/Receivable	4,550	
Total Liabilities	462,249	457,699
Surplus	(11,550)	(7,000)
Total Liabilities & Surplus	450,699	450,699

P&L		
Ceded Premium-Reserve Assets @ FV	437,699	
Ceded Premium-Contract Loans		
Ceded Premium-Transactional IMR	15,368	
Ceding Commission	13,000	
Ceded Change In Reserve	(457,699)	
Aggregate W.I.-IMR Balance		
Realized Gain	(15,368)	Assumes no IMR to RLI -
Pre-Tax Gain	(7,000)	
Taxes @35%	(4,550)	
Net Income	(11,550)	

Accounting Entries

	Dr.	Cr.
Ceded Reserve	437,699	
Ceded Change In Reserve		437,699
(Record ceded reserves)		
Ceded Premium	437,699	
Cash & Invest Assets		422,331
Realized Gain		15,368
(Record non-contract loan asset transfer supporting reserves)		
Ceded Premium	15,368	
Cash & Invested Assets		15,368
(Record transfer of Transactional IMR)		
Cash & Invested Assets	(13,000)	
Ceding Commission		(13,000)
(Record ceding commission)		
Reserves	20,000	
Change in Reserves		20,000
(Release of CFT)		
Tax Expense		4,550
Taxes Payable	4,550	
(Record current taxes using Stat Pre-tax as proxy)		
Deferred Tax Asset		
Surplus		-
(Record DTA increase at 15% cap)		

› reported value/Stat reported value minus 1

Corporate
-
-
4,550
4,550
(4,550)
-

· passed to Acme Jr. as part of reinsurance

Indigo
VRIAC Sale of DSL to Acme
As of 6/30/17
($ in thousands)

	Stat	GAAP
Sales Proceed	52,529	52,529
Carrying Value	43,800	52,529
Pre-tax Gain/(Loss)	8,729	-
Taxes	3,055	-
Net Gain	5,674	-

Assumes it is sold for GAAP Equity

<u>EXHIBIT B-1</u>

Company Investment Management Agreement Term Sheet

[See attached.]

Project Indigo – Term Sheet for

Investment Management Agreement (the "Agreement")[1]

between

Voya Insurance and Annuity Company (the "Company")

and

Voya Investment Management LLC ("Voya")

Set forth below are the significant terms of the investment management agreement between Company and Voya, in connection with the transactions contemplated by the Master Transaction Agreement as of the Closing relating to the management by Voya of certain investment assets of Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Master Transaction Agreement.

Term	Description
Eligible Asset Classes	Eligible Asset Classes are expected to be comprised of the following: o Commercial Mortgage Loans ("CMLs") o Collateralized Mortgage Obligations – Bs ("CMO-Bs") o Corporate-Privates ("Privates") o Cash and Cash Equivalents ("Cash"); sufficient cash amounts must be contributed to and maintained in a treasury account for cash management and liquidity purposes. o Treasuries ("UST") o IG Corporates ("Corporates") o Asset-backed securities ("ABS") ▪ Agency and/or non-agency residential mortgage-backed securities ("RMBS") ▪ Commercial mortgage-backed securities ("CMBS") o Bank loans ("Bank Loans") o Emerging market debt ("EMD") o Schedule BA investments ("Schedule BA") (Subject to Company's discretion, as described below) o Collateralized loan obligations ("CLOs")

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1 *Subject to the terms of the Master Transaction Agreement, this term sheet is subject to completion of diligence regarding Voya and assets expected to be in the portfolio. Nothing herein shall be deemed a commitment to enter into an advisory arrangement. Additional terms may apply.*

	o Such other asset classes as may be determined by Company and agreed to by Voya from time to time.[2] Restricted Asset Classes: o Securities issued by Deloitte Touche Tohmatsu Limited or any of its affiliates, PricewaterhouseCoopers International Limited or any of its affiliates, Ernst & Young Global Limited or any of its affiliates and/or KPMG International Cooperative or any of its affiliates. o Any other restrictions will be set forth in the Investment Guidelines, as reasonably agreed by Voya. (subject to the terms set forth in "*Changes to Investment Guidelines*" below).
Asset Class Investment Mandate	• Investment Mandate: All investments backing variable annuity and payout business of Company and its insurer subsidiaries. For clarity, the mandate includes the general account assets (other than the assets backing the FA block at close) and does not include mutual funds held in separate accounts backing variable annuity business or Company assets managed by other managers, to the extent agreed to by Voya, subject to the terms provided below under "*Future Relationship with Voya*".

Level of Adviser Investment Discretion	Discretionary. Voya shall be permitted to make investments in accordance with the Investment Guidelines, subject to consent and/or notification of consultation rights of Company with respect to certain classes of assets, as provided below:
	o Company will have discretion as to investments in alternatives investments, covered by the following Schedules of the NAIC statutory annual statement form:
	  o Schedule BA Part 1: all, except for rated surplus debentures and working capital finance investments
	  o Schedule A Part 1: all
	  o Schedule D Part 2 Section 2: all
	  o Schedule D Part 1: any new investment in NAIC 5 or NAIC 6

Reinvestment Permitted	Voya will be permitted to make reinvestments of proceeds, subject to the Investment Guidelines.
Allocation Among Asset Classes	Voya shall present Company an investment strategy consistent with the Investment Guidelines intended to achieve the performance and yield targets and other objectives of the portfolio, and the parties shall agree upon such asset allocation strategy. Such strategy may be updated from time to time with the consent of Company.
Future Relationship with Voya	As long as this Agreement remains in effect and Voya is meeting the applicable performance thresholds set forth in this Agreement, then Voya shall, subject to any necessary regulatory approvals, have a right of first refusal to be asset manager of the general account (including uninsulated separate account) assets relating to variable annuity businesses and payout annuity businesses acquired in the future by Company, its immediate parent or sister companies, i.e., the subsidiaries of Company's immediate parent, or any other Affiliate that operates as a single business with Company, whether through stock purchase, reinsurance or otherwise, to the

2 Voya to propose additional asset classes and allocations to permit it to meet its performance and yield and other targets.

	extent that the seller or cedant of those businesses has not expressed a desire to retain asset management rights with respect to, and has not been retained to manage, such assets.[3]
Withdrawals	• Company shall be permitted to make withdrawals without restriction (subject to the terms described below) to, among other things, meet operational needs and hedging collateral requirements. • Permitted withdrawals are expected to be expressed as a dollar figure, which shall be adjusted by Company every quarter and provided to Voya. • Withdrawals may be from any asset class, provided that withdrawals from the CML, CMO-B and Privates mandates above a pre-agreed threshold may be subject to reasonable notice and timing requirements to be agreed by the parties.
Changes to Investment Guidelines	• Company shall be permitted to amend the Investment Guidelines with Voya's consent from time to time, in its discretion, provided such consent shall not be unreasonably withheld, conditioned or delayed. If in Company's reasonable determination a change to the Investment Guidelines is advisable as a result of a regulatory requirement or interpretation, such consent shall not be required.
Compliance Testing / Rebalancing	• Portfolio subject to ongoing compliance testing and rebalancing. • A reasonable period to reposition the portfolios to be agreed by the parties. • Voya to discuss any Active Breaches, as defined below, with Company and take immediate action to cure Active Breaches upon discovery of such Active Breach. Voya to discuss any Passive Breaches, as defined below, with Company, and must take corrective actions as may be agreed with or directed by Company. o "Active Breach" means any breaches that are directly caused by an act or omission of Voya. o "Passive Breach" means any breach that is not directly caused by an act or omission of Voya, including, without limitation, as a result of: (i) contributions being made to the account by Company during the term of the Agreement; (ii) withdrawals initiated by Company; (iii) changes in the Investments Guidelines that are initiated by Company and that when implemented cause the portfolio to be out of compliance and during an applicable repositioning period; and/or (iv) any events or circumstances outside the reasonable control of Voya including, but not limited to, changes in value or status of an investment following its acquisition.
Allocation Policies	• Voya to provide Company with a copy of its allocation policies, which shall be reasonably acceptable to Company.
Informational and Reporting Obligations	• Voya to provide a monthly portfolio report and summary (including, without limitation, an asset and cash reconciliation or report), servicing reports, valuation report and compliance certification to Company no later than the 5th business day after the end of each calendar month, provided that [list of specific reports to be provided by Voya post-signing] may be delivered no later than the 8th business day after the end of the calendar month.

[3] For the avoidance of doubt, assets backing future annuitizations of GMIB riders that are reinsured to Athene will not be in the scope of this mandate and subject to this Agreement, including this provision.

	• Voya shall provide, on a daily basis, a holdings report, trade blotter, and a daily trade file in a format acceptable to Company. • As necessary, reporting as to holdings that have declined in value more than 5% from prior valuation period; • Portfolio reviews; • As necessary, updates as to strategies and portfolio structure; • Updates as to events materially affecting Voya's ability to provide services hereunder; • Voya shall provide such other information and reports as may be reasonably requested by Company, including, without limitation, in connection with any audit of Company; • Voya to assist Company with information requirements and reporting relating to rating agency, regulatory, financial and other filing, disclosure or reporting requirements; • Voya to provide information and support to facilitate Company's impairment and filtering analyses and determinations; • Company shall be entitled to all transaction documentation. • Others to be discussed[4]
Securities and Management Services	• If the Securities and Management Services Agreement is terminated while the Agreement is still in effect, Voya shall continue to provide at no added expense to Company relative to the fees set forth in this Agreement any services covered under the Securities and Management Services Agreement that Voya customarily provides to third party institutional investment management clients with similar sized accounts.
Fees	• Company to pay quarterly management fees to Voya based on market value at the following per annum rates. [redacted] • With respect to assets managed by third party managers, including Existing Third-Party Managers (as defined below), retained pursuant to or in connection with this Agreement ("Third Party Managed Assets"), Voya shall not charge a management fee at the foregoing rates, but shall charge a management oversight and due diligence fee of [redacted], <u>provided</u> however, that without the approval of Company, such approval to not be unreasonably withheld, no more than [redacted] of the assets managed hereunder shall be

[4] NTD: parties to agree upon information and reporting services package meeting Company's requirements.

	Third Party Managed Assets; and provided further, that assets sourced directly by Company away from the mandate shall not be subject to the management fee or this fee. For the avoidance of doubt, all assets sourced by Voya or an Existing Third Party Manager on behalf of the Company shall be subject to the management oversight fee. • Rates on Cash to be agreed. Fees will not be payable on Cash above the minimum required amount specified in the Investment Guidelines. • Servicing fees to be discussed and consistent with market standards.
Expenses	• Voya will be responsible for its own costs and expenses, its own legal expenses (including in connection with the negotiation and execution of the Agreement), and all other costs and expenses incurred by it in performing its obligations under the Agreement. • Trading, clearing and custodial expenses shall be borne by Company. • Company shall bear all management fees and expenses, including performance-based compensation[5], payable to BlackRock Financial Management, Inc., J.P. Morgan Investment Management, Inc., Goldman Sachs Asset Management, L.P., Blackstone Alternative Asset Management L.P., and Pomona Management LLC (the "Existing Third-Party Managers) pursuant to their respective advisory agreements with Company. • Reimbursable expenses to be negotiated and mutually agreed upon.
Fees Relating to Origination or Otherwise Payable by Issuer/Obligors in a Transaction	• Company shall pay Voya a "Production Fee" (which means a one-time fee assessed at the close a transaction) with respect to investments in the classes of assets specified in the table below at the specified rates:

ASSET CLASS	BASIS POINT FEE
Private placements (investment grade)	[redacted]
Private placements (international investment grade)	[redacted]
Private placements (BIG)	[redacted]
Commercial mortgage loans	[redacted]

- Origination fees to be retained by the Company.
- Any amendment and other consent or waiver fees paid by the obligor/borrower will be split equally among the parties to this Agreement, except in the case of CMLs in special servicing, in which case Voya shall be entitled to keep any such modification fees paid with respect to such CMLs.

5 Handling of accrued performance based compensation to be discussed by the parties.

Voya's Ability to Utilize Affiliates and Appoint Agents or Sub-Advisers	• Voya shall not be permitted to delegate its advisory authority and other rights, powers, functions and obligations under the Agreement (other than to affiliates) or otherwise appoint any servicers or asset managers for the CMLs, asset managers, etc.) without the prior written consent of Company, which consent shall not be unreasonably withheld; *provided that*, such consent shall be revocable by Company at any time, subject to agreed upon prior notice provisions. • Voya shall be permitted to use third parties to provide administrative and/or operational services. • Upon any such delegation, Voya shall remain responsible for the fulfillment of its duties under the Agreement. With respect to other third-party services that are not contemplated to be performed by Voya under the Agreement, such as custody, audit, trading and brokerage services, Voya's responsibility shall be more limited and its potential liability shall be consistent with industry standards, subject to its use of reasonable care in selecting such providers. • Voya shall be fully responsible to Company for the acts and omissions of any third-parties or affiliates to whom it delegates its obligations under the Agreement and the fees and expenses payable to such third-parties or affiliates.
Valuation Issues	• Voya to provide copies of valuation policies which must be reasonably acceptable to Company. • Voya will not be a valuation agent for the account, but Voya will determine values for purposes of calculating fees. • Company may diligence such valuations and the parties shall agree to negotiate such disputes in good faith. If the parties cannot come to such an agreement, Company has the right to hire a third-party nationally recognized valuation firm to value the assets for which prices are challenged. If such third party valuation firm provides a valuation that is not within [X]% of the challenged price, Voya must revise the price(s) upon which the fees were charged and Voya must pay the fees for the third party valuation agent. • Upon the reasonable request by Company, Voya will provide backups to any such valuations, including fair valuation inputs (i.e., for Company's fair valuation process and support), including the key inputs used for such valuations, the sources of such valuation inputs and an understanding of any internal models used for such valuation inputs.

Term / Termination Rig ıts	• 5-year term, terminable at will thereafter.
	   o Notice provisions TBD.
	• Prior to the end of the expiration of the initial term, Company may terminate the Agreement, subject to certain termination provisions:
	   o <u>Termination for Cause</u>: for "cause", i.e., breach of fiduciary duty, gross negligence, willful misconduct, fraud, bad faith, breach of agreement, bankruptcy, violation of law, indictments, convictions, regulatory requirements and such other customary termination for cause events as the parties agree on;
	   o <u>Termination for Underperformance</u>: failure by Voya to achieve or maintain both of the performance and yield requirements described below under "Performance and Yield Requirements" (for the avoidance of doubt, failure to achieve or maintain either of the performance and yield requirements will lead to a termination event) during a rolling 12-month period, provided that Company's shall not have the right to terminate the Agreement under this "Underperformance" clause for a period of one year after the execution of the Agreement, provided further that Voya shall have the right to cure the "Underperformance" described herein within three months of a determination of an

	"Underperformance" event relating to the VA assets and within six months of a determination of an "Underperformance" event relating to the payout assets. o Repositioning periods TBD. o Performance Benchmark and Yield Requirements are inclusive of all asset classes, including those managed by other managers in connection with the mandate with Voya under this Agreement, including, without limitation, the Existing Third-Parties.
Vendor Management	Voya to provide reasonable due diligence information, including completing due diligence questionnaires, providing copies of relevant policies and procedures and other information in connection with appointment and provision of services hereunder, which process is updated on a yearly basis.
Ability to Oversee Voya and Related Inspection and Audit Rights	Company and their respective representatives shall have the right to conduct an audit of the relevant books, records and accounts of Voya in relation to the services provided during normal business hours upon giving reasonable notice of their intent to conduct such an audit. In the event of such audit, Voya shall comply with the reasonable requests of Company and their respective representatives, as applicable, and provide access to all books, records and accounts reasonably requested by the applicable party as necessary to the audit.
Indemnification	• Bilateral. • Standard of care to be agreed upon. • Customary exceptions to indemnification (e.g., willful misconduct carve out). • No liability for indirect, consequential, special, exemplary or punitive damages, except to indemnify such damages awarded against an indemnified party in a third party claim.
Investment Guidelines[6]	• To be negotiated and mutually agreed upon.
Performance Benchmark and Yield Requirement[7]	• The earned rate of the managed portfolio relating to the variable annuity business will be compared to the greater of Constant Maturity 10y Swap rate + 150 bps or [x] bps discount to a [mutually agreed market benchmark index]. • The earned rate of the managed portfolio relating to the payout business will be compared to the greater of 4.5% or [x] bps discount to a [mutually agreed market benchmark index]. • [With respect to a managed portfolio, earned rate defined as statutory investment income from amortization ("pull to par") and interest income offset by OTTI and all fees and expenses divided by the

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6 TBD: Parties to discuss how to coordinate Company policies (including changes and new policies) with Voya's managed assets policies for Watch Lists, impairments, etc.

7 Note: Parties to discuss benchmark in light of agreed portfolio characteristics. Effect of risk and capital constraints to be agreed upon by the parties. The parties discussed excluding assets over which the Company exercises discretion from the performance calculations. However, the parties agreed not to actively make this adjustment at this time and reserve the right to discuss further.

	average statutory asset balance over the quarter, based on the beginning and ending statutory asset balance for such quarter.] • The comparison will be made every month on a 12-month rolling basis. • Performance benchmarks will be re-set [by mutual agreement] at the end of initial term.] • [Asset performance must be in accordance with the Investment Guidelines using a WARF framework with an average rating of "BBB" on payouts and "A-" for the VA block. *Please see Appendix A to this Term Sheet.*[8]] • Performance Benchmark and Yield Requirements are inclusive of all asset classes, including those managed by other managers as described above under "*Term/Termination Rights*." • Performance calculations shall be net of all fees and expenses that are incurred by Company under or in connection with this Agreement, including those payable to Voya and other asset managers through or in connection with the mandate under this Agreement, including without limitation the fees and expenses paid or reimbursed to the Existing Third-Party Managers. •
Custodian	• Company shall select its custodian; provided that Company shall be responsible for incremental costs of Voya's connections to custodian if Company selects a custodian other than a custodian on an agreed upon list.
Non-Exclusivity of Services	• The parties acknowledge that Voya provides advisory services to other clients and agree that Voya may provide advice or take actions for them that differ from the advice given or actions taken for Company.
Governing Law and Jurisdiction	• The Agreement shall be governed by New York law (other than its rules regarding conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby) and subject to the jurisdiction of New York courts.
Assignment	• No party may assign its rights or obligations under the Agreement without the prior written consent of the other party; provided, that, subject to any consents required pursuant to the Investment Advisers Act of 1940, Voya may assign the agreement to its Affiliates that possess adequate resources and personnel to fulfill its obligations under the Agreement.

*Terms are applicable to all asset classes unless otherwise indicated in the Term Sheet above.

8 Note: broader risk and portfolio metrics to be agreed upon by the parties between signing and closing.

Appendix A

[Indigo WARF Logic][9]

9 Note: To be agreed upon between signing and closing.

EXHIBIT B-2

SMS Agreement Term Sheet

[See attached.]

EXHIBIT B-2

Project Indigo – Key Concepts for

Securities and Management Service Agreement (the "Agreement")[1]

between

Voya Insurance and Annuity Company (the "Company")

and

Voya Investment Management LLC or an Affiliate ("Voya")

Set forth below are the significant terms of the securities management service agreement between Company and Voya, in connection with the transactions contemplated by the Master Transaction Agreement as of the Closing relating to the management by Voya of certain investment assets of Company. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Master Transaction Agreement.

Term Sheet	
Term	**Description**
Assets and Entities Covered	• All Company assets managed by Voya (including Voya affiliates) and other managers pursuant to arrangements entered into under or in connection with the Investment Management Agreement (the "IMA") entered into between Voya and Company ("Voya-Managed Assets") • Company assets managed by other investment managers that are not appointed under or in connection with the IMA ("Non-Voya Managed Assets") (service levels and fees may differ on Non-Voya Managed Assets to the extent that there are materially different requirements imposed on Voya as a result of the relationship with the applicable other investment manager with respect to such assets; for clarity, Voya will only provide investment accounting related services with respect to such assets, except as otherwise agreed by the parties.) • Includes assets held in Company's uninsulated separate accounts. • Mutual fund accounting and reporting services will be handled in a separate ASA.
Locations From Which Services May Be Provided	• Atlanta • New York • Other (subject to approval by Company, not to be unreasonably withheld)

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1 *Term sheet is subject to completion of diligence. Additional terms may apply.*

Major Third-Party Providers and Systems	• Company shall select its custodian; provided that Company shall be responsible for incremental costs of Voya's connections to custodian if Company selects a custodian other than a custodian on an agreed upon list. • BlackRock Aladdin • Moody's, S&P, Fitch and SVO • SS&C CAMRA • OpenLink Findur • McCracken Strategy
Securities Management and Trading Services[2]	• Portfolio management and operational support (trade execution, servicing, reconciliations) • Trade execution and records (trading book of record) • Manage trading blotter • Trade confirmation and affirmation • Transaction processing. • Trade life cycle management (settlements, calls, coupons, resets, corporate actions, etc.) • Derivative life cycle management (terms) • Custody account management • Cash management process - Bank/custody reconciliation • Liquidity management • Aged receivables review and processing (including investigating principal, interest and trade items) • Margin requirements and maintenances for cleared, exchange-traded and OTC derivatives. • Monitor documentation for ISDA accounts, futures accounts, etc. • Manage collateral requirements and execution • Hedge regression and hedge effectiveness testing for effective accounting hedges • Collateral management
Reporting Services	**Daily reports**: • Trade Activity • Market prices • End of day portfolio and derivative holdings **Monthly reports:** • Detailed holdings

[2] NTD: As a general matter, trade execution services not required with respect to Company derivatives transactions. Parties to discuss information and linkages to enable Voya to provide services with respect to derivative transactions effected by Company.

	• Changes in NSRO ratings • Transactions • Portfolio composition • Collateral reports • Counterparty statements • Derivative holdings report • Derivative hedges • Performance reporting **<u>Quarterly reports:</u>** • Production of cash flows under a set of interest rate scenarios in a file format consistent with actuarial modelling requirements. Among other data elements, the output contains projected principal, interest and book values. • Such other services as may be agreed to by the parties
Accounting Support Services	• Audit support for US GAAP and statutory reporting • Manage accounting book of record (accounting sub ledger) • General ledger feeds (GAAP and STAT accounting basis) • Investment accounting data repository • Inventory reconciliation between trading ledger and accounting sub ledger • Inventory reconciliation between accounting sub ledger and accounting general ledger • Inventory reconciliation between accounting general ledger and investment data repository • Calculation and recognition of interest maintenance reserve and amortization schedule • Calculation and recognition of asset valuation reserve. • Prescribed practice application and general ledger feeds • Support all aspects of SEC reporting, including preparing schedules and exhibits • Support all aspects of statutory reporting, including preparing schedules and notes related to invested assets • Provide all investment related data for statutory audited financial statements • Income recognition; calculations and compliance under applicable accounting guidance • Projected cash flows used in income recognition process for AFS • Credit impairment analysis and recognition; qualitative and quantitative analysis and disclosures • Intent Impairment analysis and recognition; qualitative and quantitative analysis and disclosures • Generate fair values and fair value levels for invested assets including AFS securities and derivatives • Investment data for surveys (S&P, AM Best) • Provide information on new accounting standards and its implication on invested assets and derivatives (for Voya-Managed Assets) • For <u>Non-Voya Managed Assets, act in good faith to advise Company regarding Voya's</u>

	interpretations of accounting standards, guidance and appropriate policies • Provide information on hedge strategies and its impact on GAAP and statutory financial statements • Investment income forecast - GAAP and statutory investment 5-year investment results forecast • Analysis of income statement material movements and provide commentary on unusual items for AFS • Valuations analysis and commentary on material sector movements • Risk based capital schedules and analysis • Implement new accounting standards/compliance with regulatory guidance for invested assets, derivatives, as directed by Company • Such other services as may be agreed to by the parties • Voya to assist Company with information requirements and reporting relating to rating agency, regulatory, financial and other filing, disclosure or reporting requirements. • Fair valuation inputs (i.e., for Company's fair valuation process and support), including the key inputs used for such valuations, the sources of such valuation inputs and an understanding of any internal models used for such valuation inputs.
SOX and MAR Compliance Services	• Originate and maintain documentation of SOX controls and process flows • Ensure adequate control design while processing SOX documentation changes for business process changes such as new products or new systems, as well as ongoing changes due to new requirements • Remediate deficiencies and evaluate deficiencies for appropriate SOX rating • Formally evaluate all financial reporting significant SSAE SOC1 reports received • Such other services as may be agreed to by the parties.
Pricing Services	• ICE/IDC • JPMorgan Pricing Direct • Markit Valuation • Such other pricing sources as may be agreed by the parties
Market Data Services	• Subscription to market data used in derivative valuations, income generations. • Subscription to market data used in impairments process, including access to Intex data. • Such other services as may be agreed by the parties.
Compliance Services	• Compliance monitoring for credit and risk limits • Compliance monitoring for agreed upon regulatory compliance and reporting • Compliance monitoring for derivative use plan • Assistance with compliance monitoring of portfolio guidelines and restrictions set forth in investment management agreements between Company and its advisors; primary compliance responsibility resides with advisor • Provide support for statutory examinations • NAIC ratings maintenance and filing with SVO for invested assets • Support for filing with insurance regulator required derivative use plan and internal control document

	detailing derivative use • Parties to discuss whether any ERISA compliance or reporting services would be needed.
Additional Services	• Fair valuation inputs (i.e., for Company's fair valuation process and support), including the key inputs used for such valuations, the sources of such valuation inputs and an understanding of any internal models used for such valuation inputs. • Audit support (e.g., financial and/or regulatory support). • To be determined from time to time between the parties, at agreed upon price. • Voya to assist Company with information requirements and reporting relating to rating agency, regulatory, financial and other filing, disclosure or reporting requirements.
Audit Rights	• Company shall have the customary rights to audit Voya as necessary in relation to all services provided under the terms of the Agreement, subject to agreed upon provisions for prior notice, time and place, and number of audits annually. Company shall not be given access to (i) confidential information of other customers, (ii) Voya locations and operations unrelated to the services hereunder, (iii) Voya's internal costs, except if they are the basis on which Company is charged, or (iv) privileged information.
Limitation on Scope of Services	• Company will be responsible for its own financial and regulatory filings, financial statements, certifications, plans, projections, reports audits and analytics. • Voya will not provide legal services or public accounting or auditing services or advice. • Other service exclusions as agreed upon by the parties.
Modification of Services or Services Levels	• Parties may agree to modify or supplement the services from time to time. • Company will bear the cost of any modifications to Voya's operating systems, information technology and/or hardware or software, in each case to the extent that such modifications are required to accommodate or provide any additional services specifically requested by Company or required by changes in the Company's requirements (and in each such case, only to the extent that such expenses would be considered "client" expenses in accordance with industry practice, and Company shall only bear its pro rata portion as compared with other clients benefiting from such modifications) (collectively, "Pass-Through Expenses").[3] • In connection with its consideration of any such modification, Voya shall reasonably consult with Company with respect to the proposed modification, including consultation with respect to the costs and alternatives. • As requested by Company, Voya will use commercially reasonable efforts to comply with new or revised regulatory or other requirements that may become applicable to Company after the effective

[3] Note: The expenses listed herein are the only expenses that are expected to be borne by Company hereunder.

	date of the Agreement.
Scope of Authority	• Voya will be authorized to perform all acts necessary or appropriate to perform its obligations. • Voya may attach appropriate disclaimers or other explanatory labels to any inputs or information provided to a designee of Company.
Sub-contracting and Delegation	• Voya may, at its own expense, delegate any of its responsibilities, powers, discretions, duties and authority to an affiliate or, with prior written consent, to a non-affiliate, which consent shall not be unreasonably withheld; *provided that*, such consent over any sub-contractors, agents or delegates shall be revocable by Company at any time, subject to agreed upon prior notice provisions. In any event, Voya shall remain liable for acts or omissions of such sub-contractors or delegates if such acts or omissions were its own. • Voya shall bear no liability for and shall be fully protected against losses resulting from the performance or omissions of unaffiliated third parties; *provided*, that any unaffiliated third party agent or delegate selected by Voya shall have been selected and monitored with reasonable care. • (Liability and performance thresholds agreed upon and set forth below)
Recordkeeping	• Voya shall keep books and records with respect to services provided under the agreements. • Recordkeeping periods shall be agreed upon by the parties. • Customary provisions for access to books and records by Company, its accountants, auditors and other representatives.
Performance, Servicing and Liability Levels and Thresholds	• Services to be provided in material compliance with agreed upon service standards, including "key performance indicators," which are to be determined and negotiated, but consistent with industry practice and standards.
Force Majeure	• Consistent with industry practice.
Fees	• Fees on assets for which all Services[4] are provided under the Agreement (which assets are expected to be Company's general account assets, excluding any Non-Voya Managed Assets) are set forth in the table below (which reflects annualized rates):

AUM ($B)	Fee (bp) on Incremental AUM ($B)
0-10	[redacted]
10-20	[redacted]

[4] Note: "Services" means Securities Management and Trading Services, Reporting Services, Accounting Support Services, Sox and MAR Compliance Services, Pricing Services, Market Data Services, Compliance Services, and Additional Services.

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From signing until February 15, 2018 or such later date as the parties may agree (the "Decision Date"), Company will have an option to solicit bids/proposals from other third-party service providers for packages of services substantially similar to the Services; provided that (i) Voya shall be entitled to participate in the evaluation process for all bids/proposals solicited hereunder, including review of all documentation with respect to such proposals, evaluation of such proposals and provision of comments on the terms, completeness and quality of the proposed package of services;[5] and (ii) Voya will have the final right to match any such bona fide bid/proposal. If on or by the Decision Date (A) Company shall not have agreed to the fees quoted in the table above with respect to Voya-Managed Assets, (B) the parties shall not otherwise have agreed to the fee rates for such assets under the Agreement and (C) Voya shall not have agreed to match a bona fide bid/proposal presented under clause (ii) above, then either party shall have the right to decline to enter into the Agreement. In such case, Voya will agree to provide the Services as transition services for a period of not less than 120 days (unless otherwise agreed by Company) or more than 180 days (unless otherwise agreed by Voya); provided that during such transition period Company shall pay Voya (i) fees at a rate equal (1) the rate of the bid proposal accepted by the Company plus the rates specified in the table above for the Services divided by two and (2) Voya's reasonable expenses incurred in providing transition services, on a time and materials basis.
[--] bps on assets under management, including Non-Voya Managed Assets, for which only investment accounting related services are required.

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<td>Term / Termination Rights</td>
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Five (5) years ("Initial Term"), subject to the grounds for termination specified below. Key principles will include:

Company may terminate for Voya's underperformance (such underperformance concept to be agreed upon by the parties based upon specified performance metrics and key performance indicators), subject to an agreed-upon cure period of 90 days; provided that, if any such underperformance could put Company at risk for not meeting regulatory, tax or other critical requirements, such cure period shall be 30 days.
Company may terminate upon 30 days prior written notice if the modifications to the Pass-Through Expenses, individually or in the aggregate, result in the total cost of Services hereunder (inclusive of all fees and expenses) being materially higher than the market cost of such Services, as supported by quotations from two service providers not Affiliated with either party for the

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[5] Note: Voya will also provide NewCo with Voya's form of RFI reflecting information that it uses to evaluate third –party administrative service providers.

	same services; provided that (i) Voya shall have 30 days after receipt of such notice to cure the grounds for the termination, as Company deems appropriate in its reasonable discretion; and (ii) and such increased Pass-Through Expenses must be material in light of the total cost of the services provided hereunder. • If the Agreement is terminated within the Initial Term, Voya shall continue to provide the services to Company for a 120 day transition period (measured from the effective date of termination), or such lesser period as agreed to with Company, in order to assist Company in an orderly transition of the Services to a new service provider. Additionally, following any termination of the IMA within its "Initial Term" (as defined thereunder), either party may elect to terminate the Agreement, and in such case, Voya shall continue to provide the services to Company for such 120 day transition period subject to the same terms specified above, and any fees or expenses provided for under the Agreement will continue to be provided, accrued or paid, as applicable, until the end of the transition period. • Voya and Company may terminate the Agreement effective on or after the expiration of the Initial Term with 180 days prior written notice. For the avoidance of doubt, the services and any fees or expenses provided for under the Agreement will continue to be provided, accrued or paid, as applicable, until the effective date of termination. • Parties shall have rights to terminate this Agreement for "cause" at any time: "cause" shall include: material breach by the other party; material violation of applicable law; change of control of other party, without consent; for Voya, failure by Company to timely pay undisputed amounts; insolvency, liquidation, bankruptcy or commencement of bankruptcy/insolvency proceedings; action commenced against other party or affiliates involving scienter-based fraud, theft, or felony; parties to agree on notice and cure periods. • If any transition services are provided by Voya in connection with the termination of the Agreement, Company shall pay Voya its reasonable out of pocket expenses incurred in providing such transition services, on a time and materials basis, in addition to any other fees and expenses Voya is entitled to for providing the services under the Agreement during such transition period.
Representations and Warranties	• To be determined, but consistent with industry practice for service agreements.
Dispute Resolution Process	• To be negotiated, but consistent with industry standards.
Confidentiality	• Consistent with industry practice.
Indemnification	• Bilateral. • Consistent with industry practice. • Parties not entitled to indemnification for losses caused by their own breach of this Agreement, willful misconduct, gross negligence or bad faith. • Parties to discuss cap on Voya liability. • Voya's liability with respect to all claims in the aggregate arising out the Agreement to be limited to the greater of (i) $18 times the first month's fees, based on the base fee rate and AUM on the Effective Date or

	(ii) fees paid or payable for services (excluding taxes, out-of-pocket expenses and pass through expense) paid or payable during the 18 months immediately preceding the earliest event giving rise to such claim or, during the first 18 months of the term, not more than 18 times the average monthly fees paid or payable since the effective date. (the "Damages Cap").
	• The Damages Cap shall not apply to:
	  • Losses resulting from breach of data protection obligations;
	  • Losses resulting from breach of applicable law;
	  • Losses resulting from willful misconduct, gross negligence, bad faith or criminal conduct.
	  • No liability for indirect, consequential, special, exemplary or punitive damages.

Governing Law and Jurisdiction	• The Agreement shall be governed by New York law (other than its rules regarding conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby) and subject to the jurisdiction of New York courts.
Assignment	• No party may assign its rights or obligations under the Agreement without the prior written consent of the other party; provided, that Voya may assign the agreement to its Affiliates that possess adequate resources and personnel to fulfill its obligations under the Agreement.

EXHIBIT C

Form of CBVA Recapture Agreement

[See attached.]

EXHIBIT C

FORM OF RECAPTURE AND TERMINATION AGREEMENT

This RECAPTURE AND TERMINATION AGREEMENT (this "Agreement") is entered into on [________] by and between Roaring River II, Inc., a captive insurance company organized under the laws of the State of Arizona (the "Reinsurer"), and Voya Insurance and Annuity Company (f/k/a ING USA Annuity and Life Insurance Company), an insurance company organized under the laws of the State of Iowa (the "Ceding Company"). The Ceding Company and the Reinsurer are referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, the Ceding Company and Security Life of Denver International Limited ("**SLDI**") entered into that certain Automatic Reinsurance Agreement, effective as of June 30, 2008 (the "**Original Reinsurance Agreement**"), which was amended and restated by that certain Amended and Restated Automatic Reinsurance Agreement, effective as of July 1, 2009, and further amended and restated by the certain Restated Automatic Reinsurance Agreement, effective as of October 1, 2011, which was thereafter amended by that certain Amendment No. 1, effective as of June 30, 2014 and the Novation Agreement (as defined below) (such Original Reinsurance Agreement as amended and amended and restated prior to the date of this Agreement, the "**Reinsurance Agreement**"); and

WHEREAS, the Ceding Company, the Reinsurer and SLDI entered into that certain Release, Consent and Novation Agreement, dated as of July 1, 2016 (the "**Novation Agreement**"), whereby SLDI assigned and novated the Reinsurer, and the Reinsurer assumed by novation all of SLDI's right, title and interest in and to the Reinsurance Agreement; and

WHEREAS, the Ceding Company and the Reinsurer mutually agree that, in accordance with and subject to the terms of this Agreement, the Ceding Company will recapture all of the liabilities and obligations under the Policies ceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement; and

WHEREAS, the Ceding Company and the Reinsurer desire a full and final settlement, discharge and release of any and all of each of their respective liabilities, duties and obligations with respect to the Policies under the Reinsurance Agreement.

NOW, THEREFORE, in consideration of the agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

1. RECAPTURE AND TERMINATION

Section 1.1 Recapture. Effective as of 12:00 a.m. on [_________] (the "Effective

Date"), the Ceding Company recaptures 100% of the liabilities and obligations under the Policies ceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement (the "Recapture").

Section 1.2 Termination. The Parties agree that each of the Reinsurance Agreement and the Original Reinsurance Agreement is hereby terminated and commuted effective as of the Effective Date in accordance with and subject to the provisions of this Agreement.

ARTICLE II

RECAPTURE CONSIDERATION

Section 2.1 Recapture Consideration.

(a) Notwithstanding any provisions of the Reinsurance Agreement to the contrary, including Paragraph 9(f) thereof, the Parties agree that the Reinsurer shall pay to the Ceding Company on the date hereof the amount of $[ ], which the Parties agree is the amount of (i) the Net Settlement for the final Accounting Period (which may be a negative number), plus (ii) the Fair Market Value of the Funds Withheld Account Assets minus the Statutory Value of such assets, plus (iii) the Statutory Reserves as of the Effective Date (the "Terminal Accounting and Settlement"). The Parties agree and acknowledge that to the extent the calculation of the Terminal Accounting and Settlement was based on the Parties' best estimates as of the date hereof, notwithstanding the results of any subsequent calculations, such Terminal Accounting and Settlement shall be binding and the payment of such Terminal Accounting and Settlement shall constitute each Party's payment in full of its obligations to the other Party under the Reinsurance Agreement.

(b) The Terminal Accounting and Settlement shall be paid as follows:

(i) The Ceding Company shall withdraw the Funds Withheld Account Assets from the Funds Withheld Account, valued at Fair Market Value.

(ii) The Ceding Company shall then withdraw from the Trust Account assets valued at Fair Market Value equal to the balance of the Terminal Accounting and Settlement due following the payment in Section 2.1(b)(i) above.

(c) Following the payment of the Terminal Accounting and Settlement in accordance with Section 2.1(b), the Parties agree that the Funds Withheld Account will equal zero and that they will promptly terminate the Funds Withheld Trust Agreement and the Trust Agreement, each in accordance with its terms. The Ceding Company shall direct the trustee of the Trust Account to deliver any assets remaining in the Trust Account after completion of the withdrawal contemplated by Section 2.1(b)(ii) to the Reinsurer.

Section 2.2 Ceding Company Release of the Reinsurer with respect to the Policies. In consideration of the Terminal Accounting and Settlement and the release provided in Section 2.3, as of the Effective Date, the Ceding Company hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Reinsurer, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Ceding Company now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Policies, the Reinsurance Agreement, the Original Reinsurance Agreement or the Novation Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's current and future liabilities to the Ceding Company under and in connection with the Policies, the Reinsurance Agreement, the Original Reinsurance Agreement and the Novation Agreement, other than payment of the Terminal Accounting and Settlement as contemplated by Section 2.1(b).

Section 2.3 Reinsurer Release of the Ceding Company with respect to the Policies. In consideration of the Terminal Accounting and Settlement and the release provided in Section 2.2, as of the Effective Date, the Reinsurer hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Ceding Company, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Reinsurer now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Ceding Company, arising from, based upon, or in any way related to the Policies, the Reinsurance Agreement, the Original Reinsurance Agreement or the Novation Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Ceding Company's current and future liabilities to the Reinsurer under and in connection with the Policies, the Reinsurance Agreement, the Original Reinsurance Agreement and the Novation Agreement, other than the payment of the Terminal Accounting and Settlement as contemplated by Section 2.1(b).

Section 2.4 Covenant not to Bring Further Claims. Except with respect to enforcement of this Agreement, the Parties absolutely and unconditionally covenant and agree with each other, their respective successors and assigns, that upon full payment by the applicable Party of the amounts set forth in Section 2.1, neither of them will hereafter for any reason whatsoever, demand, claim or file suit or initiate arbitration proceedings against the other in respect of any matter relating to or arising out of the Reinsurance Agreement, the Original Reinsurance Agreement or the Novation Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Party that:

(a) it is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) it has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) the person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;

(d) the execution, delivery and performance of this Agreement is fully authorized by it;

(e) it has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(f) neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(g) there is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending action, agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(h) any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to be obtained in connection with this Agreement or to make this Agreement valid and binding has been obtained and is in full force and effect.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 4.2 Definitions. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

Section 4.3 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in this Agreement.

Section 4.4 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 4.5 Amendments. This Agreement may be amended only by written agreement of the Parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

Section 4.6 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, without giving effect to the choice of law provisions.

Section 4.7 Entire Agreement. This terms expressed herein constitute the entire agreement between the Parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

Section 4.8 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (a) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (b) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 4.9 Interpretation. Wherever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

Section 4.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

ROARING RIVER II, INC.

By____
Name:
Title:

By____
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By____
Name:
Title:

By____
Name:
Title:

EXHIBIT D
Form of RLI Administrative Services Agreement

[See attached.]

EXHIBIT D

FORM OF ADMINISTRATIVE SERVICES AGREEMENT (CEDED BUSINESS) [1]

by and between

VOYA INSURANCE AND ANNUITY COMPANY,
as Administrator,

and

RELIASTAR LIFE INSURANCE COMPANY

[1] Note to Draft: If the option to reinsure the business to ALRe is exercised, appropriate changes to the form will be made to reflect the terms of the Modified Coinsurance Agreement.

TABLE OF CONTENTS

ADMINISTRATIVE SERVICES AGREEMENT (CEDED BUSINESS)

This **ADMINISTRATIVE SERVICES AGREEMENT (CEDED BUSINESS)** (this "Agreement"), dated [●], 2018 (the "Effective Date"), is entered into by and between **RELIASTAR LIFE INSURANCE COMPANY**, an insurance company organized under the laws of the State of Minnesota (the "Ceding Company"), and **VOYA INSURANCE AND ANNUITY COMPANY**, an insurance company organized under the laws of the State of Iowa ("VIAC" or, in its role as third party administrator hereunder, the "Administrator").

Recitals

WHEREAS, Athene Holding Ltd., [NewCo] ("Buyer Parent"), and Voya Financial, Inc., the ultimate parent of the Ceding Company ("Seller"), have entered into that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, Seller will sell, and [NewCo], a wholly owned subsidiary of Buyer Parent, will purchase, all of the issued and outstanding shares of common stock of VIAC;

WHEREAS, the Ceding Company and Athene Annuity Life & Assurance Company ("the Reinsurer") have entered into (i) that certain Reinsurance Agreement, dated as of [●], 2018 (the "FA Reinsurance Agreement"), pursuant to which the Ceding Company ceded, on a coinsurance basis, and the Reinsurer accepted, the Non-SA Reinsured Policies and the Non-SA Reinsured Liabilities, and (ii) that certain Modified Coinsurance Agreement (FA Business), dated as of [●], 2018 (the "Modco Agreement", and collectively with the FA Reinsurance Agreement, the "Reinsurance Agreements"), pursuant to which the Ceding Company ceded, on a modified coinsurance basis, and the Reinsurer accepted, the SA Reinsured Policies and the SA Reinsured Liabilities; and

WHEREAS, the Ceding Company desires that the Administrator serve as the third-party administrator for the Ceding Company in order to provide certain of those administrative services with respect to the Reinsured Policies.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, the Ceding Company and the Administrator hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"**Administration Books and Records**" has the meaning set forth in Section 2.7(a).

"**Administrator**" has the meaning set forth in the preamble.

"**Administrator Indemnified Party**" has the meaning set forth in Section 4.2.

"**Affiliate**" means, with respect to any Person, at the time in question, any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "control", for purposes of this definition, means the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ability to exercise voting power through the ownership of more than fifty percent (50%) of the voting securities, on a fully diluted and converted basis, of the controlled Person, by contract or otherwise. For the avoidance of doubt, the Reinsurer and the Administrator shall not be considered "Affiliates" for purposes of this Agreement.

"**Agreement**" has the meaning set forth in the preamble.

"**Athene Administrative Account**" has the meaning set forth in Section 2.8(a).

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Authority pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"**Books and Records**" means all original files and records (or copies thereof), in whatever form (including computer-generated, recorded or stored records, and any database, magnetic or optical media), in the possession or under the control of the Ceding Company, the Administrator or any of their respective Affiliates which are related to or otherwise reasonably necessary for the administration of the Reinsured Liabilities.

"**Business Day**" means any day other than (i) a Saturday, (ii) a Sunday or (iii) a day on which banking institutions or trust companies in the City of New York, St. Paul, Minnesota or Des Moines, Iowa are authorized or required by Applicable Law to close.

"**Business Interruption**" has the meaning set forth in Section 2.14.

"**Buyer**" has the meaning set forth in the recitals.

"**Ceding Company**" has the meaning set forth in the preamble.

"**Ceding Company Indemnified Parties**" has the meaning set forth in Section 4.1.

"**Ceding Company Liability Cap**" means [the amount of service fees payable by RLI to the Administrator under this Agreement during the twelve (12) month period immediately prior to the date of the event giving rise to any Loss.]

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

"**Confidential Information**" has the meaning set forth in Section 11.10(b).

"**Coordinator**" has the meaning set forth in Section 2.15.

"**Daily Accounting Report**" means a daily accounting report in substantially the form as attached hereto as Exhibit A.

["**ECI**" has the meaning set forth in Section 2.6(b).]

"**Effective Date**" has the meaning set forth in the preamble.

"**FA Reinsurance Agreement**" has the meaning set forth in the recitals.

"**Governmental Authority**" means any domestic or foreign, federal, state or local governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority.

"**Indemnitee**" has the meaning specified in Section 4.5(a).

"**Indemnitor**" has the meaning specified in Section 4.5(a).

"**Legal Action**" has the meaning set forth in Section 5.3(a).

"**Licensed Names and Marks**" has the meaning set forth in Section 11.11.

"**Losses**" means any and all damages, losses, liabilities, obligations, costs, expenses (including reasonable attorneys' fees and expenses); provided, however, that "Losses" shall not include any amounts constituting consequential, special or punitive damages except as provided herein.

"**Master Agreement**" has the meaning set forth in the recitals.

"**Modco Agreement**" has the meaning set forth in the recitals.

"**Monthly Accounting Report**" means a monthly accounting report in substantially the form as attached hereto as Exhibit C.

"**Monthly Funding Amount**" has the meaning specified in the applicable Reinsurance Agreement.

"**New York Court**" has the meaning set forth in Section 11.14(a).

"**Non-Public Personal Information**" has the meaning set forth in Section 11.10(c).

"**Non-SA Reinsured Liabilities**" means the "Reinsured Liabilities" (as defined in the FA Reinsurance Agreement) in respect of the Non-SA Reinsured Policies.

"**Non-SA Reinsured Policies**" means the "TPA-Administered Policies" as defined in the FA Reinsurance Agreement.

"**Person**" means any natural person, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority or business organization.

"**Policyholder**" means any Person who or which is the owner of a Reinsured Policy or has the right to terminate or lapse the Reinsured Policy, effect changes of beneficiary or coverage limits, add or terminate Persons covered under such Reinsured Policy, make elections, or direct any other policy changes in such Reinsured Policy.

"**Regulatory Action**" has the meaning set forth in Section 5.1(a).

"**Reinsurance Agreement**" has the meaning set forth in the recitals.

"**Reinsured Liabilities**" means, collectively, the Non-SA Reinsured Liabilities and the Non-SA Reinsured Liabilities.

"**Reinsured Policies**" means, collectively, the Non-SA Reinsured Policies and the SA Reinsured Policies.

"**Reinsured Policies Report**" means a report setting forth *seriatim* information with respect to each of the Reinsured Policies, substantially in the form of attached hereto as Exhibit D.

"**Reinsurer**" has the meaning set forth in the recitals.

"**Reinsurer Indemnified Parties**" means the Reinsurer, its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns.

"**RLI Administrative Account**" has the meaning set forth in Section 2.8(a).

"**SA Reinsured Liabilities**" means the "Reinsured Liabilities" as defined in the Modco Agreement.

"**SA Reinsured Policies**" means the "Reinsured Policies" as defined in the Modco Agreement.

"**Scheduled Licenses**" has the meaning set forth in Section 3.2.

"**Security Assessment**" has the meaning set forth in Section 2.13.

"**Seller**" has the meaning set forth in the recitals.

"**Service Fee**" has the meaning set forth in Section 2.6.

"**Services**" means the services that the Administrator is to provide under this Agreement to the Ceding Company in respect of the Reinsured Policies, as more fully described in Article II and Schedule I attached hereto.

"**SOC**" has the meaning set forth in Section 2.13.

"**Subcontractor**" has the meaning set forth in Section 2.5.

"**Third Party Claim**" has the meaning set forth in Section 4.5(a).

"**Transaction Agreements**" has the meaning set forth in the Master Agreement.

"**Transition Services Agreement**" means that certain transition services agreement entered into between [Voya Services Company] and [NewCo] dated as of [●].

"**VIAC**" has the meaning set forth in the preamble.

"**Weekly Accounting Report**" means a weekly accounting report in substantially the form attached hereto as Exhibit B.

Section 1.2 Construction. For the purposes of this Agreement, (i) words (including capitalized terms defined herein) in the singular shall be held to include the plural and vice versa and words (including capitalized terms defined herein) of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement, unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation"; (iv) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (v) all references herein to "$" or "Dollars" shall refer to the coin or currency of the United States which as of the time of payment is the legal tender for the payment of public and private debts in the United States, unless otherwise specified; (vi) references to any Transaction Agreements shall be deemed to include all subsequent amendments, restatements, amendments and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendments and restatements, extensions, supplements and other modifications are not prohibited by any Transaction Agreement and are effected in accordance with the terms of the applicable agreement; and (vii) references to Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

Section 1.3 Headings. The Article and Section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE II

SERVICES

Section 2.1 Description of the Services. The Services shall consist of all administrative and other services necessary or appropriate with respect to the proper administration of the Reinsured Liabilities during the term of this Agreement including those items described herein or set forth on Schedule I attached hereto, all on the terms as set forth in this Agreement. Notwithstanding any other provision of this Agreement to the contrary, the Ceding Company shall have the right to direct the Administrator in connection with the Services to perform any action reasonably necessary to comply with Applicable Law, or to cease performing any action that constitutes a violation of Applicable Law.

Section 2.2 Commitment to Provide. The Ceding Company hereby appoints the Administrator to provide, and the Administrator agrees to provide the Ceding Company from and after the Effective Date during the term of this Agreement with, the Services. The Services shall be provided by the Administrator in all material respects in accordance with the terms of the Reinsured Policies. In addition, the Administrator shall provide the Services (i) in accordance with the applicable terms of this Agreement and the Reinsurance Agreements; (ii) in compliance with Applicable Law; (iii) with care, skill, expertise, prudence and diligence that would be expected from experienced and qualified personnel performing such duties in like circumstances; and (iv) subject to the foregoing, with the skill, diligence, care, effort and expertise that are at least equal in quality to the standards the Administrator applies in providing similar services in respect of annuity contracts issued by the Administrator in its own name.

Section 2.3 Transition Services. The Administrator shall have no liability to the Ceding Company for any failure in its performance of any particular Service or other obligation hereunder to the extent that such failure is a result of the failure of the Ceding Company or its Affiliates to provide to the Administrator or its Affiliates services required to be provided by the Ceding Company or its Affiliates under the Transition Services Agreement. The limitation of liability set forth in the preceding sentence shall not apply to the Reinsurer and the Administrator shall be fully liable to the Reinsurer for any failure to perform its obligations in connection with the terms hereof regardless of the performance of the Ceding Company or its Affiliates under the Transition Services Agreement. In any case, the Administrator shall be obligated to provide any such Service and perform any such obligation in accordance with the terms of this Agreement following the cure or remediation of any such failure of the Ceding Company or its Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement.

Section 2.4 Facilities, Personnel and Resources. To the extent not subcontracted to a Subcontractor, the Administrator shall at all times maintain sufficient facilities and trained personnel of the kind necessary to perform its obligations under this Agreement in accordance with the performance standards set forth herein. Without limiting the generality of the foregoing, the Administrator will have and maintain, from the Effective Date and thereafter during the term of this Agreement, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative or otherwise) as may be necessary or appropriate to discharge its obligations under the terms of this Agreement.

Section 2.5 Subcontracting. The Administrator may subcontract for the performance of any Services at the Administrator's sole expense (in each case, a "Subcontractor"), to an Affiliate, to the Reinsurer, or, with the prior written consent of the Ceding Company and the Reinsurer, which consent shall not be unreasonably withheld, conditioned or delayed, to a third party. In addition, each Subcontractor shall be duly licensed to the extent required under Applicable Law so as to permit the performances of the Services in compliance with Applicable Law. Notwithstanding the foregoing, no such subcontracting shall relieve the Administrator from any of its obligations or liabilities hereunder, and the Administrator shall remain responsible for all obligations, liabilities, actions and omissions of such Subcontractor with regards to the providing of such service or services as if provided by the Administrator. Unless specifically agreed in writing by the Ceding Company, neither Subcontractors nor their personnel shall have the power or authority to act as agent or attorney-in-fact of the Ceding Company or bind the Ceding Company in any way.

Section 2.6 Compensation.

(a) In consideration of the Services provided hereunder, the Administrator shall be entitled to a service fee, payable monthly in arrears by the Reinsurer pursuant to the terms of the Reinsurance Agreements, in respect of the Services as determined in accordance with Schedule II attached hereto (the "Service Fee"). The Service Fee will be reflected in the Monthly Accounting Report referenced in Section 2.9(c) and shall be due and payable on the [●] day of each calendar month or, if such day is not a Business Day, the next day that is a Business Day. The Reinsurer shall be required to make payment of the Service Fee by wire transfer of immediately available funds to accounts designated in advance in writing to the Reinsurer by the Administrator. Late payments shall bear interest at a per annum rate equal to [●] beginning on the first (1st) Business Day following the date on which the Service Fee is due and payable until the date such payment is actually made in full. The Administrator shall be a third-party beneficiary solely with respect to the rights of the Ceding Company to require the Reinsurer to pay the Service Fee (and any interest thereon) under each Reinsurance Agreement. The Administrator agrees that in no event shall the Ceding Company have any responsibility for the payment of any Services Fees.

(b) [Unless otherwise agreed to in writing by the parties to this Agreement, the Service Fee shall be increased by the percentage increase in the Employment Cost Index for total compensation, private industry workers, not seasonally adjusted, service, business services (the "ECI"), for the United States, as published by the Bureau of Labor Statistics of the Department of Labor. Such ECI increase, if any, shall be made initially on and as of [●] 1, 2019[2] and on and as of each [●] thereafter and shall equal the percentage increase between (i) the current ECI (i.e., the ECI as of the most recent date the ECI was published prior to such anniversary date) and (ii) the ECI as of the last adjustment made under this Section 2.6(b) (i.e. as of the most recent date the ECI was published prior to the last adjustment date (or, in the case of the first such instance, the most recent published date prior to [●], 2018)).]

Section 2.7 Books and Records; Other Information.

(a) On and after the Effective Time, the Administrator shall assume responsibility for maintaining accurate and complete books and records of all transactions pertaining to the Reinsured Policies and all data used by the Administrator in the performance of Services, including Books and Records transferred to the Administrator pursuant to Section 3.1, claims files and any documents relating to claims, any communications relating to any Reinsured Policy, any communications with any Governmental Authority, complaint logs and accounting and reporting ("Administration Books and Records"). The Administration Books and Records shall be

[2] Note to Draft: Date will be one year anniversary of Effective Date.

maintained (i) in accordance with any and all Applicable Laws and (ii) in an accessible format. The Administration Books and Records with respect to each Reinsured Policy must be maintained for at least the seven (7) year period following the termination of this Agreement (or such longer period as would comply with the records retention policies of the Administrator then in effect with regards to its own business). Following the end of such seven (7) year or longer period, as applicable, the Administration Books and Records may be destroyed only after the Administrator has given the Ceding Company and the Reinsurer at least sixty (60) days prior written notice of the Administration Books and Records the Administrator intends to destroy. During such sixty (60) day period, the Ceding Company or the Reinsurer may, at their respective sole cost and expense, have the right to take possession of such Administration Books and Records in the format maintained by the Administrator. The Administrator shall maintain the confidentiality of such Administration Books and Records, including compliance with Section 2.12, and such information shall be used only for purposes relating to the transactions contemplated under the Reinsurance Agreements.

(b) All Administration Books and Records pertaining to a Reinsured Policy shall be the property of the Ceding Company and shall be made available (including access to appropriate employees and representatives of the Administrator, so long as such access shall not unreasonably interfere with the regular performance of such employees' and representatives' duties to the Administrator) to the Ceding Company, the Reinsurer, auditors or other designees, and regulatory agencies, upon reasonable prior notice during normal business hours, for review, audit, inspection, examination and reproduction. Upon the reasonable request of the Ceding Company or the Reinsurer from time to time, the Administrator shall also make copies of Administration Books and Records available to the Ceding Company or the Reinsurer, as applicable, through electronic means. The Administrator shall have the right to retain copies of all such Administration Books and Records.

(c) The Administrator shall maintain facilities and procedures for safekeeping all Administration Books and Records relating to the Reinsured Policies or otherwise used in the performance of services under this Agreement consistent with those applicable to the books and records of the Administrator and its Affiliates with respect to annuity contracts issued by the Administrator or its Affiliates. The Administrator shall back up all of its computer files relating to the Reinsured Policies or otherwise used in the performance of services under this Agreement on the same basis and shall maintain back-up files in a manner consistent with the policies and procedures of the Administrator and its Affiliates regarding the back-up of computer files and storage of back-up files.

Section 2.8 Administrative Account.

(a) The Reinsurer has established, and shall during the term of this Agreement, maintain, an account with [Citibank, N.A.] for use by the Administrator in providing the Services with respect to the FA Reinsurance Agreement (the "Athene Administrative Account"). The Ceding Company has established, and shall during the term of this Agreement, maintain, an account with [Citibank, N.A.] for use by the Administrator in providing the Services with respect to the Modco Agreement (the "RLI Administrative Account"). The Administrator shall make payments constituting Non-SA Reinsured Liabilities from funds in the Athene Administrative Account and payments constituting SA Reinsured Liabilities from funds in the RLI Administrative

Account. In no event shall the Ceding Company have any obligation to deposit funds in the Athene Administrative Account.

(b) On a monthly basis or as more frequently as may be reasonably required in order to pay the Non-SA Reinsured Liabilities, the Administrator shall request that the Reinsurer deposit to the Athene Administrative Account funds in an amount sufficient to pay amounts then due or reasonably expected to became due during the next month for such Reinsured Liabilities. The Reinsurer shall be obligated pursuant to the terms of the Modco Agreement to deposit such amounts requested by the Administrator into the Administrative Account.

(c) On a monthly basis or as more frequently as may be reasonably required in order to pay the SA Reinsured Liabilities, the Administrator shall request that the Ceding Company deposit to the RLI Administrative Account funds in an amount sufficient to pay amounts then due or reasonably expected to became due during the next month for such Reinsured Liabilities. The Ceding Company or the Reinsurer, as applicable, shall be obligated pursuant to the terms of the Modco Agreement to deposit such amounts into the RLI Administrative Account.

(d) All premiums and other amounts collected by the Administrator pursuant to the authority granted hereunder and due to the Reinsurer under the Reinsurance Agreements shall be paid to the Reinsurer.

Section 2.9 Reporting and Settlements.[3]

(a) Each Business Day following the Effective Date, the Administrator shall provide the Ceding Company and the Reinsurer with the Daily Accounting Report with respect to each Reinsurance Agreement setting forth, among other things required by Exhibit A, the amount of payments made by the Administrator in accordance with Section 2.8 for the previous Business Day in respect of the applicable Reinsured Liabilities in the immediately preceding Business Day.

(b) On the third (3rd) Business Day following the end of each calendar week following the Effective Date, the Administrator shall provide the Ceding Company and the Reinsurer with the Weekly Accounting Report with respect to each Reinsurance Agreement setting forth, among other things required by Exhibit B, the amount of payments made by the Administrator in accordance with Section 2.8 for such calendar week in respect of claims for payment (including return of premium) of the applicable Reinsured Liabilities in the immediately preceding calendar week.

(c) On the fifth (5th) Business Day following the end of each calendar month following the Effective Date, the Administrator shall provide the Ceding Company and the Reinsurer with the Monthly Accounting Report with respect to each Reinsurance Agreement setting forth, among other things required by Exhibit C, the amount of payments made by the Administrator in accordance with Section 2.8 for such calendar month in respect of claims for payment (including

[3] Note to Draft: If the option to reinsure the business to ALRe is exercised, a quarterly report with the modco adjustment will be needed.

return of premium) of the applicable Reinsured Liabilities in the immediately preceding calendar month.

(d) On the third (3rd) Business Day following the end of each calendar month, the Administrator shall deliver to the Reinsurer the Reinsured Policies Report with respect to each Reinsurance Agreement setting forth, among other things required by Exhibit D, (i) a roll-forward of policy count and account values with respect to the applicable Reinsured Policies and (ii) a report setting forth *seriatim* information with respect to each of the applicable Reinsured Policies, which shall be redacted such that it does not include Non-Public Personal Information, in each case, as of the end of such calendar month. [4]

Section 2.10 Claim Denials. If the Administrator determines that a claim for payment under a Reinsured Policy either requires investigation or should be contested or denied, in whole or in part, the Administrator shall promptly, and in any event within two (2) Business Days of such determination, notify in writing the Ceding Company and the Reinsurer of such determination. The Administrator shall consult with the Reinsurer in connection with any claim for payment under a Reinsured Policy which the Administrator determines either requires investigation or should be contested or denied. Following such consultation, the Administrator shall follow the Reinsurer's direction, if any, with respect to the validity or amount of such contested claim.

Section 2.11 Power of Attorney.

(a) Subject to the terms and conditions set forth herein, the Ceding Company hereby appoints and names the Administrator, acting through its authorized officers and employees, as the Ceding Company's exclusive lawful attorney-in-fact, from and after the Effective Date for so long as the Administrator is authorized to perform the Services and solely to the extent necessary to provide the Services, (a) to do any and all lawful acts that the Ceding Company might have done with respect to the Reinsured Liabilities, and (b) to proceed by all lawful means (i) to perform any and all of the Ceding Company's obligations with respect to the Reinsured Liabilities, (ii) to enforce any right and defend (in the name of the Ceding Company, when necessary) against any liability arising from or relating to the Reinsured Liabilities, (iii) subject to the limitations set forth in Article V, to sue or defend (in the name of the Ceding Company, when necessary) any Regulatory Action or Legal Action arising from or relating to the Reinsured Liabilities, (iv) to collect any and all sums due or payable in respect of the Reinsured Liabilities, (v) to sign (in the Ceding Company's name, when necessary) vouchers, receipts, releases and other papers in connection with any of the foregoing matters, and (vii) to do everything necessary in connection with the satisfaction of the Administrator's obligations and the exercise of its rights under this Agreement, but in all cases only to the extent of the rights and authority granted to the Administrator pursuant to this Agreement and in accordance with the terms hereof.

[4] Following the signing of the Master Transaction Agreement, the parties thereto agree to cooperate in good faith to finalize the form and content of Exhibits A, B, C and D setting forth the contemplated reporting by the Administrator under this Agreement The parties agree that the Administrator will provide reports as reasonably required by the Reinsurer and the Ceding Company in order to allow them to properly administer, account for and accommodate any applicable financial reporting for the business reinsured. Timing of all reports to be agreed by the parties.

(b) In order to assist the Administrator in the performance of the Services hereunder, as reasonably requested by the Administrator in writing from time to time, the Ceding Company shall deliver to the Administrator, in the form reasonably requested by the Administrator in writing, evidence of its appointment of the Administrator as its attorney-in-fact with respect to all matters required, necessary or appropriate to administer the Reinsured Liabilities.

Section 2.12 Information Safeguards and Security Breaches. The Administrator shall maintain administrative, technical and physical safeguards that are reasonably designed to (a) ensure the security and confidentiality of Confidential Information of the Ceding Company; (b) protect against any anticipated threats or hazards to the security or integrity of such Confidential Information; (c) protect against unauthorized access to or use of such Confidential Information that could result in substantial harm or inconvenience to the Person that is the subject of such Confidential Information and (d) ensure the proper disposal of such Confidential Information, in each case not less than the standards required by Applicable Law. In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Administrator, the Administrator shall at its expense, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of the Ceding Company or the Administrator by Applicable Law and as reasonably requested by the Ceding Company to inform each impacted individual of such security breach and to implement curative action required by Applicable Law. As promptly as practicable, but in no event later than twenty-four (24) hours after becoming aware of a security breach, the Administrator shall notify the Ceding Company thereof.

Section 2.13 SOC Reports.

(a) Upon the Ceding Company's written request, but in no event more than once per contract year, the Administrator shall, and shall require its Subcontractors to, promptly complete, an industry standard information security audit and assessment process (the "Security Assessment"), which, if available, will include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type 2 for other facilities) relating to the Administrator and such Subcontractors. Promptly upon completion of the Security Assessment, the Administrator shall, and shall cause its Subcontractors to, take commercially reasonable steps to remediate, to the Ceding Company's and the Reinsurer's reasonable satisfaction, any material deficiencies identified by the Ceding Company or the Reinsurer as a result of the Security Assessment. The Administrator's failure to (a) remediate such material deficiencies or (b) at any time during the term of this Agreement, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Administrator's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Administrator. The Ceding Company's and the Reinsurer's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Administrator's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process. The Administrator anticipates that it will receive annual SOC Reports from its Subcontractors and that such SOC Reports will be prepared by one of the nationally-recognized accounting firms, and the Administrator shall use it commercially reasonable efforts to enforce any rights the Administrator has to receive any such SOC Reports from its Subcontractors. The Administrator shall provide to the Ceding Company and the Reinsurer such other publicly-available financial information concerning the Administrator and its Subcontractors as may be reasonably requested by the Ceding Company and the Reinsurer. Further, commencing on the date hereof and for as long as this Agreement is in effect, within twenty (20) days after the end of each calendar quarter, the Administrator shall deliver to the Ceding Company and the Reinsurer a completed quarterly management representation letter to the Ceding Company's Chief Accounting Officer and to the Reinsurer's Chief Accounting Officer, in such form as the Ceding Company or the Reinsurer may reasonably request, on accounting, reporting, internal controls and disclosure issues in support of the management representation letter to be issued by the Ceding Company or the Reinsurer to their respective independent accountants.

(b) The Administrator shall provide to the Ceding Company and the Reinsurer (i) access to the Administrator's Sarbanes-Oxley Act and Model Audit Rules control documentation and the results of any internal control testing performed by it with respect to the Reinsured Liabilities, and access to the books, records and employees of the Administrator for purposes of independently performing tests of the Administrator's documentation and controls, as reasonably requested by the Ceding Company or the Reinsurer from time to time; and (ii) prompt notice of significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Reinsured Liabilities. The Administrator shall use its commercially reasonable efforts to remedy, as promptly as reasonably practicable, significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Reinsured Liabilities.

(c) During the term of this Agreement, upon any reasonable request from the Ceding Company, the Reinsurer or their respective Representatives, subject to compliance with Applicable Law relating to the exchange of information and to the confidentiality requirements under Section 11.10, the Administrator shall (i) provide, or cause its Subcontractors to provide, to the Ceding Company, the Reinsurer, and their respective Representatives reasonable on-site and desk access during normal business hours to review the books and records (including any such materials developed on or after the Effective Date) under the control of the Administrator or a Subcontractor pertaining to the Reinsured Liabilities and the Services to be provided under this Agreement and the reinsurance to be provided under the Reinsurance Agreements; provided that such access shall not unreasonably interfere with the conduct of the business of the Administrator or the Subcontractor, and (ii) permit, or cause its Subcontractors to permit, the Ceding Company, the Reinsurer and their respective Representatives to make copies of such records, in each case at no cost to the Administrator. Access provided to the Ceding Company, the Reinsurer or their respective Representatives pursuant to this Section 2.13(c) shall be provided by the Administrator upon forty-eight (48) hours advance written notice or as otherwise reasonably requested by the Ceding Company or the Reinsurer.

The parties agree and acknowledge that reasonable access includes facilitating audits by the Ceding Company, the Reinsurer or their respective Representatives to comply with Applicable Laws relating to the Reinsured Liabilities.

Section 2.14 Disaster Recovery. The Administrator will implement a disaster recovery plan that is (a) consistent with current industry standards, (b) contains service level agreements for recovery time objectives and recovery point objectives to be agreed in good faith between the Ceding Company, the Reinsurer, and the Administrator, and (c) no less stringent than what the Administrator deploys for its own system and records, maintain its systems and records (including the Administration Books and Records) in accordance with such plan, and test such plan from time to time. Such disaster recovery plan will include, but not be limited to, the provision of an incremental backup of the Administrator's applicable systems no less than daily, a full backup of the Administrator's applicable systems no less than weekly, and a second full backup of the Administrator's applicable systems no less than monthly. The daily backups will be stored by the Administrator for at least one (1) week, the weekly backups will be stored by the Administrator for at least one (1) month, and the monthly backups will be stored by the Administrator for at least one (1) year. The backups of the Administrator's applicable systems will be stored at a facility outside of the Administrator's facility. In the event of a Business Interruption, the Administrator will implement its disaster recovery plan. The term "Business Interruption" means (i) any material interruption or interference with the Administrator's ability to continue to provide Services, including any temporary loss of Policyholder information or adverse effect on the Administrator's operating environment or telecommunications infrastructure used to provide the Services or (ii) any event, whether anticipated or unanticipated, which disrupts the normal course of business operations.

Section 2.15 Coordinators. As of the Effective Date, each party shall appoint and provide written notice to the other party pursuant to Section 11.1, of the name, title and contact information for an individual who shall be a current officer or employee of such party or an Affiliate thereof and shall serve as such party's primary contact with respect to issues that may arise out of the scope or performance of this Agreement (each, a "Coordinator"). The parties may replace their respective Coordinator by giving notice pursuant to Section 11.1 to the other party stating the name, title and contact information for the new Coordinator. Each Coordinator will have primary responsibility on behalf of its respective party, to communicate and coordinate with the other Coordinator with respect to this Agreement. The Coordinators shall meet, either in person or telephonically, from time to time as necessary or appropriate to discuss open issues related to this Agreement and performance hereunder.

Section 2.16 Policy Changes. The Administrator shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision of the Reinsured Policies, except to the extent initiated by a Policyholder pursuant to the terms of the Reinsured Policies or as required by Applicable Law.

ARTICLE III

CEDING COMPANY RESPONSIBILITIES

Section 3.1 Books and Records; Other Information. On the Effective Date, the Ceding Company shall promptly transfer to the Administrator all Books and Records related to the Reinsured Liabilities. Further, the Ceding Company shall, and shall cause its designees (other than the Administrator) to, provide the Administrator with access to all other information, in the possession or control of the Ceding Company and such designees which pertains to, and which the Administrator reasonably requests in connection with, any claim, loss or obligations arising out of any Reinsured Liabilities; provided, however, that nothing herein shall require the Ceding Company to disclose any information to the Administrator or its representatives if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any Applicable Law or contract (including any confidentiality agreement to which the Ceding Company or any of its Affiliates is a party) (it being understood that the Ceding Company shall use its reasonable best efforts to enable such information to be furnished or made available to the Administrator or its representatives without so jeopardizing privilege or contravening such Applicable Law or contract) or require the Ceding Company to disclose its tax records (other than premium tax filings) or any personnel or related records.

Section 3.2 Licenses. [The Ceding Company hereby grants to the Administrator, and the Administrator hereby accepts, a non-exclusive, perpetual, royalty-free, non-transferable license to use those items set forth on Schedule III attached hereto (the "Scheduled Licenses") solely in connection with the performance by the Administrator of the Services hereunder. Except as otherwise agreed upon in writing or under the terms and provisions of the Transaction Agreements, the Ceding Company agrees that it will not interfere with the use by the Administrator of any of the Scheduled Licenses following the Effective Date.][5]

Section 3.3 Other Services. The Ceding Company shall (a) forward to the Administrator all mail, notices, communications and other correspondence received by the Ceding Company in respect of the Reinsured Liabilities as promptly as practicable following the Ceding Company's receipt thereof [and (b) maintain all records regarding any Reinsured Liabilities that are terminated prior to the Effective Date.]

ARTICLE IV

INDEMNIFICATION

Section 4.1 Administrator Indemnification. From and after the Effective Date, the Administrator shall indemnify and defend the Ceding Company and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, a "Ceding Company Indemnified Party" and collectively, with each other Ceding Company Indemnified Party, the "Ceding Company Indemnified Parties") and the Reinsurer Indemnified Parties and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Ceding Company Indemnified Parties or the Reinsurer Indemnified Parties directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Administrator under this Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, the Reinsurer or their respective permitted designees, (iv) Losses arising from security breaches as described in Section 2.12 to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the

[5] Note to Draft: Subject to further review.

prior written consent of, the Ceding Company, the Reinsurer or their respective permitted designees, (v) any breach or violation of any Applicable Law by the Administrator or any of its Affiliates in connection with this Agreement (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Ceding Company, the Reinsurer or their respective permitted designees), (vi) solely with regard to the Reinsurer Indemnified Parties, any Reinsurer Extra-Contractual Obligation caused by, arising from or related to any act of, or failure to act by, the Administrator, or (vii) any enforcement of this indemnity.

Section 4.2 Ceding Company Indemnification. From and after the Effective Date, the Ceding Company shall indemnify and defend the Administrator and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Administrator Indemnified Party" and collectively, with each other Administrator Indemnified Party, the "Administrator Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Administrator Indemnified Parties, directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Ceding Company during the term of this Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Ceding Company during the term of this Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Ceding Company or its designees under this Agreement, (iv) any breach or violation of any Applicable Law by the Ceding Company (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Administrator), or (iv) any enforcement of this indemnity.

Section 4.3 Limitation of Administrator Liability. The Administrator's liability to the Ceding Company Indemnified Parties in respect of Losses incurred by the Ceding Company Indemnified Parties hereunder shall in the aggregate not exceed the Ceding Company Liability Cap; provided, that the limitation on liability herein shall not apply to Losses that arise as a direct result of the gross negligence or willful misconduct of the Administrator.

Section 4.4 Indemnification Procedures.

(a) If any Person entitled to indemnification under Section 4.1 or Section 4.2 (the "Indemnitee") receives notice of assertion or commencement of any a claim or demand made by, or an action, proceeding or investigation instituted by, the Reinsurer or any Person not a party to this Agreement (a "Third Party Claim") against such Indemnitee in respect of which the party required to indemnify such Indemnitee under Section 4.1 or Section 4.2 (the "Indemnitor") may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor prompt written notice (but in no event later than 30 days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Loss (to the extent practicable) and shall reference the specific sections of this Agreement that form the basis of such claim; provided, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay. Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) Business Days 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 may assume the defense thereof with counsel selected by the Indemnitor. 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. 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. All of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense of any Third Party Claim, and, if the Indemnitor assumes such defense, such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information that 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, conditioned or delayed), and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided 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 full and complete release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any non-monetary relief or 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 as provided in this Section 4.4(b) 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 V

REGULATORY ACTIONS AND LEGAL ACTIONS

Section 5.1 Regulatory Actions.

(a) If the Administrator or the Ceding Company receives notice of, or otherwise becomes aware of, any Regulatory Action, such party shall promptly notify the Reinsurer and the other party thereof. The term "Regulatory Action" shall mean any examination or action initiated by a Governmental Authority related to the Reinsured Liabilities.

(b) The Administrator shall initially respond to and resolve all Regulatory Actions relating to the Reinsured Liabilities; provided, however, that the Administrator shall provide its proposed response to the Ceding Company and the Reinsurer for their prior review and comment and shall consider in good faith any recommendations made by the Ceding Company and the Reinsurer.

(c) Except as set forth in Sections 5.1(b) and 5.2, the Administrator shall supervise and control the defense and/or settlement of all Regulatory Actions, at its own cost and expense, and in the name of the Ceding Company when necessary.

(d) At the Ceding Company's or the Reinsurer's request, the Administrator shall provide the Ceding Company or the Reinsurer with a report of any pending Regulatory Actions covered under this Section 5.1, summarizing the nature of any such pending Regulatory Actions, the alleged actions or omissions, if any, giving rise to such Regulatory Actions and copies of any files or other documents that the Ceding Company or the Reinsurer may reasonably request in connection with its review of such matters, other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege.

Section 5.2 Defense of Regulatory Actions.

(a) Notwithstanding anything in this Agreement to the contrary, each of the Ceding Company and the Reinsurer shall have the right to engage their own respective legal representation, at their own respective cost and expense, and to each participate fully in the defense of any Regulatory Actions without waiving any right to indemnification that may be available under Article IV hereof. The Administrator, the Ceding Company and the Reinsurer shall cooperate with each other with respect to the administration of any Regulatory Actions.

(b) Notwithstanding anything in this Agreement to the contrary, the Ceding Company, upon written notice to the Administrator, shall have the right at any time to assume sole and exclusive control over the response, defense, settlement or other resolution of any Regulatory Action; provided, that the Ceding Company shall be solely responsible for all costs and expenses related thereto and any increased liability of the Administrator hereunder and the Reinsurer under the Reinsurance Agreements resulting from the Ceding Company's control thereof. The Administrator shall have the right, at its sole expense, to engage its own separate legal representation and to participate fully in, but not control, any such defense, settlement, or compromise assumed by the Ceding Company. Notwithstanding the foregoing, the Ceding Company shall not settle or compromise any such Regulatory Action without the Administrator's prior written consent (not to be unreasonably withheld, delayed or conditioned) unless (i) there is no finding or admission of any violation of Applicable Law or any violation of the rights of any Person by the Administrator, the Reinsurer or any of their respective Affiliates, (ii) the Ceding Company pays all settlement amounts with respect thereto, and (iii) the terms of the proposed settlement of the Regulatory Action do not impose injunctive or any other equitable relief or result in any restriction or condition which could reasonably be expected to have a material adverse effect on the Reinsured Policies or any other business of the Administrator or the Reinsurer.

Section 5.3 Notice of Litigation.

(a) The Administrator shall promptly notify the Ceding Company and the Reinsurer of any litigation, arbitration or other legal proceeding (other than a Regulatory Action) that has been instituted or threatened in writing under any Reinsured Liabilities or that names the Ceding Company as a party and is related to any Reinsured Liabilities (each, a "Legal Action") and in no event more than five (5) Business Days after receipt or notice thereof.

(b) The Ceding Company shall promptly notify the Administrator and the Reinsurer of any Legal Action made, brought or threatened in writing to be made or brought against the Ceding Company after the Effective Date to the extent known to it and not made against or served on the Administrator as administrator hereunder, and in no event more than five (5) Business Days after receipt or notice thereof, and shall promptly furnish to the Administrator copies of all pleadings in connection therewith.

Section 5.4 Defense of Litigation.

(a) Subject to Section 5.4(b), the Administrator shall supervise and control the investigation, contest, defense and settlement of all Legal Actions, at its own cost and expense, and in the name of the Ceding Company when necessary; provided, that the Administrator shall provide its proposed response to the Ceding Company and the Reinsurer for its prior review and comment and shall follow any directions of the Reinsurer. In giving such direction, the Reinsurer shall consider in good faith any recommendations made by the Ceding Company.

(b) Notwithstanding anything in this Agreement to the contrary, the Ceding Company and the Reinsurer shall each have the right to engage their own separate legal representation, at their own expense, and to participate fully in, but not control, the defense of any Legal Action relating to the Reinsured Policies with respect to which the Ceding Company is a named party to the extent that such Legal Action, if successful, could (in the Ceding Company's reasonable opinion) materially interfere with the business, assets, liabilities, obligations, financial condition, results of operations or reputation of the Ceding Company other than the Reinsured Liabilities. The Administrator, the Ceding Company and the Reinsurer shall use commercially reasonable efforts to cooperate with each other with respect to the administration of any such Legal Action. The Administrator shall not settle or compromise any Legal Action without the Ceding Company's and the Reinsurer's prior written consent (not to be unreasonably withheld, delayed or conditioned) unless (i) there is no finding or admission of any violation of Applicable Law or any violation of the rights of any Person by the Ceding Company and the Reinsurer, (ii) the Administrator obtains a complete release for the Ceding Company, the Reinsurer and their respective affiliates that are parties to such Legal Action, and (iii) the sole relief provided is monetary damages that are paid in full by the Reinsurer.

(c) The Administrator shall keep the Ceding Company and the Reinsurer informed of the progress of all pending Legal Actions and, at the Ceding Company's or the Reinsurer's request (which requests shall be reasonable in their frequency and nature as reasonably determined by the

Administrator), provide to the Ceding Company and the Reinsurer a report summarizing the nature of any pending Legal Action, the alleged actions or omissions, if any, giving rise to such Legal Action and copies of any files or other documents that the Ceding Company or the Reinsurer may reasonably request in connection with its review of such matters, in each case other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege.

ARTICLE VI

NOTIFICATION TO POLICYHOLDERS AND CONTRACTHOLDERS

Section 6.1 Notification to Policyholders and Contractholders. To the extent required by Applicable Law or as required for the efficient performance of the Services, the Administrator agrees to send to Policyholders a written notice prepared by the Administrator and reasonably acceptable to the Ceding Company to the effect that the Administrator has been appointed by the Ceding Company to provide the Services. The Administrator shall provide such notice at a time and in a manner reasonably acceptable to the Ceding Company, the Reinsurer and the Administrator and in all events in accordance with Applicable Law.

ARTICLE VII

COOPERATION

Section 7.1 Cooperation. The Ceding Company, the Reinsurer and the Administrator shall cooperate to the extent reasonably possible with each other and shall execute and provide such additional documentation as may become necessary or appropriate to enable each other to fully carry out their respective responsibilities under this Agreement and to effectuate the intention of the Ceding Company, the Reinsurer and the Administrator under the Reinsurance Agreements and this Agreement.

ARTICLE VIII

DURATION; TERMINATION

Section 8.1 Duration. This Agreement shall commence at the Effective Time and continue with respect to each Reinsured Policy until no further Services in respect of such Reinsured Policy are required, unless this Agreement is earlier terminated under Section 8.2.

Section 8.2 Termination.

(a) This Agreement is subject to immediate termination at the option of the Ceding Company upon written notice to the Administrator, on the occurrence of any of the following events:

(i) A voluntary or involuntary proceeding is commenced in any jurisdiction by or against the Administrator for the purpose of conserving, rehabilitating or liquidating the Administrator;

(ii) There is a material breach by the Administrator or any applicable Subcontractor of any material term or condition of this Agreement that is not cured by the Administrator or such Subcontractor within thirty (30) days after receipt of written notice from the Ceding Company of such breach;

(iii) Any license required to be held by the Administrator under Applicable Laws to provide the Services in any material respect (A) shall be revoked and not reinstated within sixty (60) days of receipt of notice of such revocation by the Administrator or (B) shall expire and not be reinstated within sixty (60) days; or

(iv) Each Reinsurance Agreement is recaptured or terminated.

(b) This Agreement may be terminated at any time upon the mutual written consent of the Ceding Company, the Reinsurer and the Administrator, which writing shall state the effective date of termination.

(c) In the event that this Agreement is terminated under Section 8.2(a)(i), (ii) or (iii), the Ceding Company shall select a third-party administrator that is reasonably acceptable to the Reinsurer to perform the services required by this Agreement. The Administrator shall pay all reasonable fees and charges imposed by the selected administrator and shall bear all reasonable transition costs associated with the transition of the performance of the services required under this Agreement to such administrator, including the expense of providing Policyholder notices as provided in Section 6.1.

(d) In the event that this Agreement is terminated, the Administrator shall cooperate fully in the transfer of services and the Administration Books and Records maintained by the Administrator pursuant to this Agreement (or, where appropriate, copies thereof) to the third-party administrator selected pursuant to Section 8.2(c) or the Ceding Company so that such third-party administrator or the Ceding Company will be able to perform the services required under this Agreement.

(e) Notwithstanding anything herein to the contrary, following termination of this Agreement for any reason, at the Ceding Company's option and subject to the payment by the Ceding Company to the Administrator of the fees described in Section 2.5 for the Services hereunder, the Administrator shall continue to perform the Services in accordance with the terms of this Agreement for a period not to exceed nine (9) months from the date of such termination.

ARTICLE IX

INABILITY TO PERFORM SERVICES; ERRORS

Section 9.1 Inability to Perform Services. In the event that the Administrator is unable to perform, or cause to be performed, all or a portion of the Services for any reason for a period that could reasonably be expected to exceed ten (10) days or such shorter period as may be required by Applicable Law, the Administrator shall as promptly as reasonably practicable provide notice to the Ceding Company and the Reinsurer of its inability to perform the applicable Services and the Ceding Company, the Reinsurer and the Administrator shall cooperate in good faith to determine how to provide or otherwise obtain an alternative means of providing such Services. The Administrator shall be responsible for all fees, costs and expenses incurred in order to obtain such alternative means of providing the applicable Services and in order to restore such Services.

Section 9.2 Errors. The Administrator shall, at its own expense, correct any errors in the Services caused by it as promptly as reasonably practicable following notice of such errors from the Ceding Company or any other Person or upon discovery thereof by the Administrator.

ARTICLE X

INSURANCE COVERAGE

Section 10.1 Insurance Coverage. Without limiting the Administrator's undertaking to indemnify and hold the Ceding Company harmless as set forth herein, during the term of this Agreement, the Administrator shall obtain and maintain cyber, errors and omissions and fidelity bond insurance with limits of at least ten million dollars ($10,000,000) from an insurer or insurers with policyholder ratings of at least "A-" and financial ratings of at least "VII" in the then latest edition of Best's Insurance Guide; provided that the obligation to obtain and maintain cyber insurance in accordance with the foregoing shall not commence until the completion of the migration of the Business IT Systems (as defined in the Master Agreement).

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notice. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed duly given at the time when (i) received by the receiving party if mailed by United States registered or certified mail, return receipt requested; (ii) received by the receiving party if mailed by overnight express mail; (iii) sent by the sending party by means of electronic mail, followed by confirmation mailed by first-class mail or overnight express mail; or (iv) delivered to the receiving party in person or by commercial courier. All such notices and communications shall be sent or delivered to the parties as follows:

if to the Ceding Company:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Administrator:

Voya Insurance and Annuity Company
[Address]
Attention: [●]

Telephone: [●]
Email: [●]

If to the Reinsurer:

Athene Annuity & Life Assurance Company
7770 Mills Civic Parkway
West Des Moines, Iowa 50266
Attention: Erik H. Askelsen
Telephone: (515) 241-3160
Email: easkelsen@athene.com

All notices or other communications delivered to a party to this Agreement pursuant to the terms herein shall also be delivered to the Reinsurer at the address and upon the terms set forth in this Section 11.1.

Section 11.2 Assignment. This Agreement shall not be assigned by any party hereto without the prior written approval of the Reinsurer and the other party hereto; provided, however, that the Administrator may subcontract its rights and obligations to perform Services under this Agreement in accordance with Section 2.5. Subject to the foregoing, the rights and obligations of the parties under this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective designees, subcontractors, transferees, successors and permitted assigns.

Section 11.3 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 11.4 Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation (including that of joint venture or partnership) between either party hereto and any other Person.

Section 11.5 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Agreement, and this Agreement and the Reinsurance Agreements, including the Schedules and Exhibits attached hereto and thereto, contain the sole and entire agreement between the parties with respect to the subject matter hereof.

Section 11.6 Waiver. Any term or condition of this Agreement may be waived at any time by the Reinsurer and the party which is entitled to the benefit thereof by a writing executed by, in the case of the Ceding Company, [the President, Chief Executive Officer or an Executive Vice President] and, in the case of the Administrator, [the President, Chief Operating Officer or a Vice President]; provided, however, that any waiver under this Section 11.6 shall also require the prior written consent of the Reinsurer. A waiver on any one occasion shall not be deemed to be a waiver of the same term or condition or any other term or condition on any future occasion.

Section 11.7 Amendment. This Agreement may be modified or amended only by a writing duly executed by the Reinsurer and each of the parties hereto.

Section 11.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 11.9 Third Party Beneficiaries. The Reinsurer shall be an express third party beneficiary to this Agreement and shall be entitled to enforce any of the Ceding Company's rights provided hereunder with respect to the performance by the Administrator of the Services. Other than the Reinsurer and the parties specified in Sections 4.1 and 4.2, this Agreement is intended solely for the benefit of the parties hereto and their permitted successors and assigns, and it is not the intention of the parties to confer any rights as a third party beneficiary to this Agreement upon any other Person.

Section 11.10 Treatment of Confidential Information.

(a) Each party may come into possession or knowledge of Confidential Information of the other in connection with the obligations to be performed by such party under this Agreement.

(b) "Confidential Information" with respect to a party, means any and all information provided by, made available by or obtained on behalf of, such party, any of its Affiliates or Representatives, on, before or after the date hereof, including, with respect to the Ceding Company, Non-Public Personal Information and all data relating to the contractholders of the Reinsured Policies (including their rights and obligations under the Reinsured Policies) which is maintained, processed or generated by the Ceding Company or the Reinsurer in connection with administration of the Reinsured Liabilities; provided that Confidential Information does not include information that (i) is generally available to the public other than as a result of a disclosure by the receiving party in violation of its confidentiality obligation, (ii) is independently developed by the receiving party, its Affiliates or any of its Representatives without use or access to the disclosing party's Confidential Information, or (iii) is rightfully obtained by the receiving party from a third party without, to the knowledge of the receiving party, breach by such third party of a duty of confidentiality of any nature to the disclosing party; provided that the foregoing exceptions shall not supersede the obligations of the receiving party with respect to any Non-Public Personal Information. For the avoidance of doubt, as between the Ceding Company and the Administrator, Confidential Information of the Administrator includes the foregoing categories of information relating to the business or operations of, or provided by or on behalf of, any of the Administrator's Subcontractors, whether such information is provided to the Ceding Company on, before or after the date hereof.

(c) "Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to the Ceding Company's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, (ii) any such personally identifiable information or data that the Administrator or its Representatives or Subcontractors collect or derive from interactions with the Ceding Company's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Reinsured Policies, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

(d) The Ceding Company and the Administrator agree to hold each other's Confidential Information in strictest confidence and to take all reasonable steps to ensure that Confidential Information is not disclosed in any form by any means by such party, its Affiliates or by any of its Representative or Subcontractors to third parties of any kind, other than the Representatives performing services for such party who need access to such Confidential Information in the course and scope of providing such services, except as is authorized by the other party in advance and in compliance with all Applicable Law. If any Confidential Information needs to be disclosed as required by Applicable Law or court order, the disclosing party shall (if permitted by Applicable Law) provide prompt notice to the other party prior to such disclosure so that such other party may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(e) The Administrator may disclose the Ceding Company's Confidential Information to the Administrator's Subcontractors with a reasonable need to know, subject to such Subcontractor first being obligated to information security, confidentiality and limited use restrictions no less protective of the Ceding Company's Confidential Information than the provisions in this Agreement. Further, the Ceding Company will negotiate in good faith and diligently to agree to additional confidentiality and limited use terms and conditions as may reasonably be required by the Administrator's Subcontractors whose confidential information may be disclosed to the Ceding Company in connection with the Services. Until such time as such additional confidentiality terms and conditions are agreed to in writing by the Ceding Company, the Administrator may be limited by its contractual obligations with its Subcontractors in sharing certain Confidential Information with the Ceding Company.

(f) The Administrator (and its Subcontractors) may use the Ceding Company's Confidential Information; provided that such party shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of the Ceding Company's Confidential Information which are no less rigorous than those maintained by the Administrator (or such Subcontractor) for its own information of a similar nature (but not less than using a reasonable standard of care), and in compliance with the terms of the Privacy and Security Addendum in the form attached as Exhibit E hereto.

(g) Further to the foregoing, the Administrator shall, and shall cause its Representatives, Affiliates, and Subcontractors to, protect the confidentiality of the Ceding Company's Confidential Information (including the Non-Public Personal Information) by:

(i) holding all such information transmitted to them by or on behalf of the Ceding Company in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of such information;

(iii) using such information solely in connection with carrying out the Administrator's obligations under this Agreement and in compliance with the Ceding Company's consumer privacy notices;

(iv) disclosing such information to third parties only as necessary to perform services under this Agreement and in compliance with the Ceding Company's consumer privacy notices; and

(v) disclosing such information as may be required by Applicable Law or court order; provided that the Administrator (or its Subcontractors) as applicable shall (if permitted by Applicable Law) provide prompt notice to the Ceding Company prior to such disclosure so that the Ceding Company may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

Section 11.11 Trademarks. The Administrator hereby acknowledges that the Ceding Company has adopted and is using the names and marks listed on Schedule IV hereto in connection with the Reinsured Policies (collectively, the "Licensed Names and Marks"). The Ceding Company and the Administrator agree as follows:

(a) The Ceding Company[6] hereby grants to the Administrator and the Administrator hereby accepts a limited, non-exclusive, non-transferable (except to Subcontractors as permitted below), royalty-free license to use the Licensed Names and Marks in connection with the Services, subject to the terms and conditions set forth in this Agreement. The Administrator is granted no rights to use the Licensed Names and Marks, other than those rights specifically described and expressly licensed in this Agreement and no right is granted hereunder for the use of the Licensed Names and Marks in connection with any services other than the Services. None of the rights licensed to the Administrator under this Section 11.11 may be assigned, sublicensed or otherwise transferred by the Administrator (other than to Subcontractors), nor shall such rights inure to the benefit of any trustee in bankruptcy, receiver or successor of the Administrator, whether by operation of law or otherwise, without the prior written consent of the Ceding Company, and any assignment, sublicense or other transfer without such consent shall be null and void.

(b) The Administrator agrees that it will use the Licensed Names and Marks in a manner that is consistent with the manner in which the Ceding Company used them prior to the date hereof and, otherwise, only in accordance with the performance and usage standards established by the Ceding Company and communicated to the Administrator in writing (including graphic standards as prescribed by the Ceding Company). The Administrator shall have no right to use the Licensed Names and Marks in connection with advertisements, brochures, audio or visual presentations, or any other materials used in the sale or advertising of the Administrator's services.

(c) The Administrator agrees not to use the Licensed Names and Marks in partial form without the prior written consent of the Ceding Company, which the Ceding Company may withhold at its sole discretion. The Administrator agrees not to adopt or use any trademarks, service mark, logo or design confusingly similar to the Licensed Names and Marks. It is understood that the Ceding Company retains the right, in its sole discretion, to modify the Licensed Names and Marks, upon reasonable prior notice to the Administrator, subject to a reasonable

[6] NTD: To be revised/conformed to reflect Voya entity with ownership of Names and Marks.

period to enable the Administrator to transition to the use of the modified Licensed Names and Marks.

(d) The Administrator acknowledges that all rights in the Licensed Names and Marks and the goodwill attached thereto belong exclusively to the Ceding Company. All uses of the Licensed Names and Marks by the Administrator shall inure solely to the benefit of the Ceding Company and any registration of the Licensed Names and Marks shall be registered by the Ceding Company in its name, it being understood that the present license shall not in any way affect the ownership by the Ceding Company of the Licensed Names and Marks, each of which shall continue to be the exclusive property of the Ceding Company. At its option, the Ceding Company may, in its own name and at its own expense, maintain appropriate trademark and service mark protection for the Licensed Names and Marks. The Administrator shall not at any time during the term of this Agreement or at any time thereafter do or cause to be done any act contesting the validity of the Licensed Names and Marks, contesting or in any way impairing or tending to impair the Ceding Company's entire right, title and interest in the Licensed Names and Marks and the registrations thereof or adversely affecting the value of the Licensed Names and Marks. The Administrator shall not represent that it has any right, title or interest in the reputation and good will of the Ceding Company. The Administrator shall not represent that it has any right, title or interest in the Licensed Names and Marks other than the rights expressly granted by this Agreement.

(e) The right to institute and prosecute actions for infringement of the Licensed Names and Marks is reserved exclusively to the Ceding Company, and the Ceding Company shall have the right to join the Administrator in any such actions as a formal party. Any such action shall be conducted at the Ceding Company's expense. The Administrator shall provide prompt written notice to the Ceding Company of any infringement or unauthorized use of the Licensed Names and Marks of which it is aware, and agrees to assist the Ceding Company at the Ceding Company's expense in any such action brought by the Ceding Company. It is understood, however, that the Ceding Company is not obligated to institute and prosecute any such actions in any case in which it, in its sole judgment, may consider it inadvisable to do so.

(f) The agreements and covenants contained in this **Error! Reference source not found.** shall continue in effect until such time as this Agreement is terminated pursuant to Article VIII or such longer period that the Administrator continues to perform the Services pursuant to Section 8.2(e). As promptly after termination of this Agreement (or such longer period that the Administrator continues to perform the Services pursuant to Section 8.2(e)) as is reasonably practicable, the Administrator shall discontinue all use of the Licensed Names and Marks. Upon termination, all of the Administrator's rights to the Licensed Names and Marks shall revert to and continue to reside with and be owned exclusively by the Ceding Company.

Section 11.12 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of the Ceding Company, the Reinsurer or the Administrator under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 11.13 Survival. Upon termination of this Agreement for any reason whatsoever, Article IV, and Sections 2.7, 11.1, 11.3, 11.7, 11.9, 11.10, 11.12 and 11.14 shall survive such termination.

Section 11.14 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 11.1, 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, without the necessity of posting bond or other undertaking, 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 11.14.

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

RELIASTAR LIFE INSURANCE COMPANY

By: ________________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ________________________________
Name:
Title:

SCHEDULE I

Services[7][8]

[**I.   Policyholder Services**

Providing all policy administration functions including, but not limited to, call center, inforce processing, customer disbursements (including payouts), agent licensing, policy accounts, and reconciliations.

Establishing bank accounts in the name of the Administrator for the benefit of the Ceding Company for the collection of premium, loan payments due under the Reinsured Policies and claim and benefit payments.

Collecting premiums and loan payments due under the Reinsured Policies and handling any returned items. Maintaining billing registers or other proof of billings, both as to timing and to address mailed.

Providing toll-free call center for telephone customer service relating to the Reinsured Policies and maintaining adequate documentation of all such communications.

Maintaining applications, account value (including credited interest rates), Policyholder, premium and other necessary records, including all computer records, so as to enable the Ceding Company to determine, at any time, the true and accurate status of the annuities in force under the Reinsured Policies.

Responding to general inquiries from Policyholders, beneficiaries and other authorized Persons regarding the Reinsured Policies.

Producing appropriate manual and automatic correspondence to Policyholders. [Processing Reinsured Policy loan requests and Reinsured Policy loan repayments. Processing of surrender, withdrawal, maturity, and other benefit payments.][9]

Calculation and processing of annuitizations (including the calculation and processing of any other elections made by Policyholders) upon request or upon default at maturity, under the terms of the Reinsured Policies. Processing of Reinsured Policy changes requested by Policyholders that arise in the normal course of doing business, including, but not limited to, name changes, address changes, beneficiary changes, ownership changes, assignments, the exercise of purchase options or contractual rights under the terms of the Reinsured Policies and similar transactions.

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[7] Note to Draft: Scope of services listed in Schedule I subject to further review and discussion among the parties. Will need to add separate account provisions.

[8] Note to Draft: Scope of services listed in Schedule I subject to change if Buyer elects under Section 5.31 of the MTA to have Athene Life Re Ltd as Reinsurer.

[9] Note to Draft: To be determined whether this is applicable.

Providing annual statements for deferred annuity and any other Reinsured Policies that require these. Producing upon request any contractually-required projections.

Preparing and delivering replacement or duplicate policy forms, certificates and endorsements relating to the Reinsured Policies.

Ensuring that any non-guaranteed elements (including any guaranteed rate setting) do not breach the provisions of any Reinsured Policy or any Applicable Law.

Providing a periodic electronic feed, at agreed upon frequency, of premium and other commissionable events by Reinsured Policy to facilitate payment of commissions to producer agents.

Providing information to support state reporting requirements for agent contracting and commissions.

Managing, responding and consulting with the Ceding Company, pursuant to the processes described in Article V, consumer, Department of Insurance or other complaints.

Maintaining complaint log that contains all required data elements and providing a copy to the Ceding Company within [five (5) Business Days] after month-end and upon request to satisfy external inquiries. Gathering and providing information required by a Ceding Company to respond to levies, subpoenas or other regulatory inquiries.

Completing communications and remediation processes, and tracking same, related to the Reinsured Policies as dictated by Governmental Authorities.

Performing all information reporting, withholding, and notice functions in accordance with all applicable requirements of the Code, Treasury Regulations, and forms issued by the Internal Revenue Service, including administering all penalty notices relating to prior years' reporting.

Providing unclaimed property and escheatment review services.

Communicating to, and cooperating with, any applicable insurance regulators of the Ceding Company in connection with any market conduct exams.

Providing other administrative services as the Ceding Company may reasonably request in writing in connection with the maintenance, support and administration of the Reinsured Liabilities, or as may be required under Applicable Law.

II. Claims Processing Services

Receiving, recording and evaluating death claims submitted.

Corresponding with claimants or their representatives on claims, including providing appropriate claims forms with all required language, sending Explanation of Benefits at payment, if applicable, and sending all follow-ups.

Subject to Sections 2.8 and 2.10, payment of death benefits, including calculation and payment of any post-mortem interest.

Consulting with the Ceding Company and the Reinsurer, prior to denying any claim, in accordance with Section 2.10.

Calculating and processing settlement options as requested by claimants for death proceeds.

For annuity claims, processing spousal continuations and deferrals as requested by beneficiaries.

Maintaining claims register that contains data sufficient to understand the status of claims at any time as well as to provide reporting as required. Providing daily, weekly and monthly reports to the Ceding Company and the Reinsurer on death claims (pending, paid, resisted, partial payments, etc.).

In the event of non-payment of a claim on account of incomplete or insufficient data, receipt of the claim shall be confirmed with, and the reason for nonpayment shall be communicated to, the claimant within [thirty (30)] days from date of receipt of the claim form or the period prescribed by Applicable Law, whichever is less.

Identifying, collecting and tracking reinsurance recoverables from the Reinsurer; sending all required or requested claims papers to the Reinsurer to ensure timely claims recoveries.

Providing other administrative services as the Ceding Company may reasonably request in writing in connection with the claims handling for the Reinsured Liabilities, or as may be required by Applicable Law and agreed to by the Ceding Company other than requests required by Applicable Law.

III. Company-Related Services

A. Reinsurance Services

Maintaining all records in respect of the Reinsurance Agreements to the extent relating to the Reinsured Liabilities, calculating appropriate allowances under the Reinsured Policies, paying reinsurance premiums when due, handling inquiries, and otherwise processing all reinsurance transactions under the Reinsured Policies.

Calculating and submitting reinsurance statements to the Reinsurer for services related to the reinsurance provided by them.

Coordinating with the Ceding Company to review and execute any changes requested by the Reinsurer regarding the reinsurance coverage provided by the Reinsurance Agreements.

B. Financial Reporting Services

Services Provided to the Ceding Company

Calculating reserves on GAAP, Statutory and Tax bases on the Reinsured Policies in a manner consistent with past practice on not less than a calendar month basis (with such calculation to be delivered to the Ceding Company no later than the fifth (5th) Business Day after the applicable month-end), and otherwise as may reasonably be required by the Ceding Company from time to time in order to comply with the Ceding Company's financial reporting requirements and obligations.

Providing monthly data file to the Ceding Company containing a level of detail which supports statutory balance sheet and income statement requirements. Information supplied includes, but is not limited to, premium, paid claims, pending claims and surrenders. Data file in form of a trial balance will support direct vs. ceded vs. assumed differentiation as required for statutory balance sheet and income statement reporting.

Providing monthly data file to the Ceding Company in order to augment the monthly data file delivered pursuant to the immediately preceding paragraph, such file to contain information regarding the reinsurance coverage provided by the Reinsurer broken down by contract reference and such additional level of detail as may be mutually agreed to by the parties, which will tie back to reinsurance information on the general ledger.

Annually providing sufficient detail regarding reinsurance, including by line of insurance business and reinsurance treaty or contract reference, to support completion of Schedule S which will tie back to reinsurance information on general ledger.

Providing written notice of any changes in the reserve basis or reserve methodology used in calculating statutory reserves.

Providing Monthly Trial Balance by the fifth (5th) Business Day to facilitate standard reporting needs and minimize ad hoc requests, detailing:

- Month's Cash transactions, Accrual is format to support GAAP vs. Stat reporting;
- Level required to support statutory line of business (individual vs. group) (net as to reinsurance); and
- Indicator for direct and ceded, product, premiums/deposits by state.

Reporting of such information with respect to the Reinsured Policies as the Ceding Company may reasonably require from time to time for statutory filings, tax filings and reporting purposes no later than the fifth (5th) Business Day after the applicable quarter-end.

Providing quarterly reporting on RBC in the Administrator's standard format by the tenth (10th) Business Day after the applicable quarter-end.

Providing annual information for regulatory required reporting by [February 7th][10] of each year, unless otherwise specified below, including but not limited to:

[10] Note to Draft: Subject to further Athene review.

- RBC support;
- Exhibits 5 and 7 support;
- Exhibit of Life Insurance support;
- Schedules F, S, and T support;
- Blue Book Footnote detail support;
- Rating agency survey information; and
- Operational detail in support of annual Market Conduct Survey (by March 15th).

Preparing the following statutory annual statement exhibits no later than January 25th of each year:

- Analysis of Increase in Reserves
- Exhibit 5, Interrogatories and Exhibit 5A
- Exhibit 7, Deposit Type Contracts Exhibit
- Exhibit 8, Claims Exhibits
- Exhibit of Life/Annuity
- Exhibit of Number of policies, Contracts, Income Payable, etc
- Schedule F
- Schedule S
- Notes to Financial Statements (as applicable)
- General Interrogatories (as applicable)
- Interest Sensitive Life Exhibit
- XXX/AXXX Reinsurance Exhibit
- Support for Direct Business (State) Pages

Performing reconciliation of suspense, cash, and bank accounts related to Reinsured Policies.

Providing assistance and supporting documentation as needed with regard to any inquiries or audit requests from regulators in a timely manner.

Providing data reliance certification for annual Actuarial Opinion regulatory requirement.

Services Provided to the Ceding Company for the benefit of the Reinsurer

Calculating reserves on a statutory basis on the Reinsured Policies, including, but not limited to providing reports on (a) monthly statutory reserves for (1) actual quarterly balance, (2) monthly quarterly balance, (3) monthly roll forwards of account values, (4) quarterly roll forwards of reserves, or (5) claims liabilities; and (b) calculating tax reserves including for the following: (1) actual quarterly balance, (2) claim liabilities and (3) any requested tax-related comparisons, in each case, in a manner consistent with past practice on not less than a calendar month basis (with such calculation to be delivered to the Reinsurer no later than the fifth (5th) Business Day after the applicable month-end), and otherwise as may reasonably be required by the Reinsurer in order to comply with the Reinsurer's financial reporting requirements and obligations for statutory purposes.

Providing existing quarterly seriatim valuation results data files and summaries.

Providing spreadsheets on a quarterly basis (or other support) used to determine or report actuarial liabilities not included in seriatim results data files.

Providing data reliance certification for annual Actuarial Opinion regulatory requirement.

Reporting of such information with respect to the Reinsured Policies as the Reinsurer may reasonably require from time to time for statutory filings, tax filings, including for premium taxes, and reporting purposes no later than the fifth (5th) Business Day after the applicable quarter-end.

C. General Services

Conducting reviews of, advising on relevancy of, and implementing all new Applicable Laws determined to be relevant in all fifty (50) states with respect to the Reinsured Liabilities.

Providing year-end data required to complete annual market conduct survey forms by March 15th of each year.

Providing all other services necessary to perform filings required to be made with a Governmental Authority, if such services are not otherwise available to the Ceding Company.

Monitoring policy contract compliance with all Applicable Laws.

Subject to Section 2.7, making available records relating to the Reinsured Policies for audit by the Ceding Company upon reasonable notice and during regular business hours. Such records shall include, but not be limited to, Policyholder records, in force listings, premium records, consumer and regulatory complaint logs, sample correspondence, claims records and other Books and Records maintained on behalf of the Ceding Company.

Providing the Ceding Company privacy notices to Policyholders pursuant to the Gramm-Leach-Bliley Act, HIPAA and any other Applicable Law.

Providing information necessary to allow the Ceding Company to complete the Annual Life & Annuity Market Conduct Annual Statement (MCAS).

Providing standard supplies and infrastructure needed for the administration of the Reinsured Policies.

Implementing crediting rate changes or other changes to non-guaranteed elements as directed by the Ceding Company in accordance with the Reinsurance Agreements.

Providing reports of transactions pertaining to the Reinsured Policies as reasonably requested by the Ceding Company.

Providing a monthly feed in an agreed-upon format to the Ceding Company of data required to update the Ceding Company's agent website with at least the following information: policy number, in-force status, agent of record and current paid-to-date.

Subject to Section 2.9, providing information upon request as reasonably necessary for the Ceding Company to complete and file the requisite tax returns required to be filed in connection with the Reinsured Policies.

Maintaining compliant anti-money laundering program and managing compliance with monitoring requirements. Conducting annual anti-money laundering and fraud training, including California claims training for all relevant employees.

Managing privacy breaches and compliance with internal and external regulations, tax reporting and state standards for areas including claims handling, transaction handling and call center. Reporting any occurrence of any privacy incidents and providing monthly summary report related to all such incidents.

Providing metrics for agent oversight function.

Providing services related to OFAC compliance. In connection therewith, the Administrator shall not process any premium payment or pay any claim with respect to the Reinsured Policies if such actions are prohibited under any Applicable Law, including regulations promulgated by the Office of Foreign Assets Control of the U.S. Treasury Department implementing U.S. economic and trade sanctions against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in the proliferation of weapons of mass destruction.

IV. EXISTING HEDGE ADMINISTRATION[11]

[•]

[11] Note to Draft: Administration of the Existing Hedges to be discussed.

SCHEDULE II

Service Fee

[To come.]

SCHEDULE III

Scheduled Licenses

[To come.]

SCHEDULE IV

Licensed Names and Marks

<u>EXHIBIT E-1</u>

Form of Company FA Business Reinsurance Agreement

[See attached.]

EXHIBIT E-1

REINSURANCE AGREEMENT

between

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

and

VOYA INSURANCE AND ANNUITY COMPANY

effective as of [●]

Treaty Number [●]

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REINSURANCE AGREEMENT

This REINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa (the "Ceding Company"), and Athene Annuity & Life Assurance Company, a reinsurance company organized under the Laws of the State of Delaware (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller") have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer"), will purchase, all of the issued and outstanding shares of common stock of the Ceding Company;

WHEREAS, in connection with the closing of the sale of the Ceding Company to the Buyer, the Ceding Company and the Reinsurer, an indirect wholly owned subsidiary of AHL, wish to enter into a coinsurance transaction with respect to certain fixed annuity business of the Ceding Company; and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing. For the avoidance of doubt, the Ceding Company and the Reinsurer shall not be deemed "Affiliates" for purposes of this Agreement.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Applicable Tax Gross-Up Percentage" shall mean, (a) with respect to the Pre-Tax Reform Existing IMR, 65%, (b) with respect to the Post-Tax Reform Existing IMR, one minus the highest federal tax rate applicable to United States corporations at the time such interest maintenance reserves were established, and (c) with respect to the New Effective Date IMR, one minus the highest federal tax rate applicable to United States corporations as of the Effective Date.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in Des Moines, Iowa or Wilmington, Delaware.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceded IMR" shall mean, collectively, as of any date of determination, the amount of the Existing IMR that remains unamortized as of such date and the amount of the New Effective Date IMR that remains unamortized as of such date, in each case, determined in accordance with Delaware SAP.

"Ceded Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company Required Initial Premium" shall have the meaning specified in Section 3.02(a).

"Daily Accounting Report" shall have the meaning specified in Section 7.01(a).

"Delaware SAP" shall mean the statutory accounting principles and practices prescribed or permitted for Delaware life insurance companies by the Delaware Department of Insurance, consistently applied by the Reinsurer.

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated Company Ceding Commission" shall have the meaning specified in the Master Agreement.

"Estimated Company Required Initial Premium" shall have the meaning specified in Section 3.02(b).

"Excluded Liabilities" shall mean (a) all Extra-Contractual Obligations other than Reinsurer Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing in advance by the Reinsurer, (c) any liabilities other than Reinsured Liabilities and (d) any ex gratia payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

"Existing Hedge Proceeds" shall have the meaning specified in Section 8.01(a).

"Existing Hedges" shall mean all derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies that remain in full force and effect as of the Effective Date.[1] For the avoidance of doubt, following the expiration or exercise of any Existing Hedge, such expired or exercised hedge shall no longer be considered an Existing Hedge.

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Iowa SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company or any of its Affiliates or any of the directors, officers, employees, agents, representatives, annuity producers, administrators, service providers, successors or assigns of the Ceding Company or any of its Affiliates, whether or not intentional, negligent, in bad faith or otherwise relating to (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation of the Ceding Company in respect of taxes.

"Factual Information" shall have the meaning specified in Section 16.01(d).

"Fair Market Value" shall mean, as of any date of determination, (a) with respect to any Existing Hedge, the market value of such Existing Hedge on such date of determination as determined in accordance with the Iowa SAP, and (b) with respect to any other asset, the market

[1] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

value of such asset on such date of determination as determined in accordance with Schedule IV attached hereto.

"Final Company Ceding Commission" shall have the meaning specified in the Master Agreement.

"Funds Withheld Account" shall have the meaning specified in Section 8.02.

"Funds Withheld Amount" shall mean, as of any date of determination, the aggregate Fair Market Value of the Existing Hedges, as of such date.

"Governmental Entity" shall mean 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.

"Initial Premium Assets" shall have the meaning specified in Section 3.02(c).

"Interim Net Settlement Amount" shall have the meaning specified in Section 7.03(a).

"Iowa SAP" shall mean the statutory accounting principles and practices prescribed or permitted for Iowa life insurance companies by the Iowa Insurance Division, consistently applied by the Ceding Company; provided, that, for purposes of calculating the Net Statutory Reserves as of the Effective Date, Iowa SAP as applied by the Ceding Company shall include the methodology for calculating indexed annuity product reserves set forth in Iowa Administrative Code Section 191-97.

"Law" shall mean any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Monthly Accounting Period" shall have the meaning specified in Section 7.01(c).

"Monthly Accounting Report" shall have the meaning specified in Section 7.01(c).

"Net Settlement Amount" shall have the meaning specified in Section 7.03(b).

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Iowa SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Iowa SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Iowa SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Iowa SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"New Effective Date IMR" shall mean any new interest maintenance reserve that is created on the Effective Date as a result of the transactions contemplated by this Agreement, determined in accordance with Iowa SAP.

"Non-Public Personal Information" shall have the meaning specified in Section 17.10(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

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

"Policy Expenses" shall have the meaning specified in Section 5.01.

"Pre-Tax Reform Existing IMR" shall mean the portion of the Existing IMR established prior to any change after the date of the Master Agreement to the highest federal tax rate applicable to United States corporations.

"Post-Tax Reform Existing IMR" shall mean the portion of the Existing IMR established after any change after the date of the Master Agreement to the highest federal tax rate applicable to United States corporations.

"Proprietary Information" shall have the meaning specified in Section 17.10(a).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall mean the date on which the liability of the Reinsurer with respect to all of the Reinsured Policies is terminated pursuant to Section 11.02 or the effective date of the rejection of this Agreement by any Receiver or of a recapture in full.

"Recapture Payment" shall have the meaning specified in Section 11.03(a).

"Receiver" shall have the meaning specified in Section 11.03(a).

"Reinsurance Credit Event" shall have the meaning specified in Section 9.01.

"Reinsurance Premiums" shall mean the Quota Share of the premiums and other fees, amounts, payments, collections and recoveries received by the Ceding Company with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of (a) liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations and other contractual benefits under the Reinsured Policies, (b) the Reinsurer Extra-Contractual Obligations, (c) liabilities with respect to premium taxes payable by the Ceding Company to the extent relating to premiums with respect to the Reinsured Policies that are issued after the Effective Date and (d) premium taxes and guaranty fund assessments payable by the Ceding Company to the extent relating to premiums received by the Ceding Company with respect to the Reinsured Policies; provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all fixed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any riders that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, (b) all fixed indexed annuity contracts assumed by the Ceding Company pursuant to the reinsurance agreements listed on Schedule I,[2] (c) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) or (b) above or (d) below, and (d) all fixed annuity contracts of the type referenced in clause (a) above that are issued by the Ceding Company during the [forty-five (45) days] following the Effective Date, including any amendments or endorsements attached thereto.

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Reinsurer Extra-Contractual Obligations" shall mean Extra-Contractual Obligations relating to the Reinsured Policies to the extent caused by, arising from or related to any act of, or failure to act by, the Reinsurer or any of its Affiliates following the Effective Date.

"Seller" shall have the meaning specified in the Recitals hereto.

"Statutory Carrying Value" shall mean, as of the relevant date of determination, with respect to the Existing Hedges, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Iowa SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03(a).

"Treasury Regulations" shall mean all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the portion of the Final Company Ceding Commission allocated by the Reinsurer to this Agreement, multiplied by (b)(i) the Ceded Reserves as of the Recapture Effective Date, divided by (ii) the Ceded Reserves as of the Effective Date; provided, however, that as of any date of determination on or following the tenth anniversary of the Effective Date, the Unamortized Ceding Commission will be zero.

"Weekly Accounting Report" shall have the meaning specified in Section 7.01(b).

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, unless otherwise indicated.

[2] **Note to Draft**: To determine mechanism for retroceding any assumed business that is supported by assets in a trust account (e.g., Allianz business).

(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) 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 and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure (i) on a funds withheld basis, a portion of the Reinsured Liabilities equal to the Funds Withheld Amount, and (ii) on a coinsurance basis, all other Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies, subject in each case to the Ceding Company's duty to adhere to its obligations pursuant to Article X.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any such terminations, amendments, modifications or waivers made without the prior written consent of the Reinsurer shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Ceding Company shall pay to the Reinsurer all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. The Ceding Company will be responsible for establishing contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies; provided, that the Reinsurer shall be permitted to provide recommendations regarding the contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered to a class of policy owners and in which a Reinsured Policy or a portion of a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer in good faith to develop and implement a conservation program with respect to the Reinsured Policies.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the Ceded IMR shall be ceded to and maintained and calculated by the Reinsurer.

Section 2.10 Valuation of Liabilities. The Reinsurer shall calculate the statutory reserves and tax reserves with respect to the Reinsured Policies.[3]

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of Reinsurance Premiums and the Company Required Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the Company Required Initial Premium shall be payable in accordance with Section 7.03.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall pay to the Reinsurer in accordance with this Section 3.02 an initial premium (the "Company Required Initial Premium") equal to:

(i) the Ceded Reserves as of the Effective Date, plus

(ii) the Pre-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the Post-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

(iv) the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

(v) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto, minus

[3] **Note to Draft**: Athene may require the Ceding Company to perform reserve calculations pursuant to a transition services agreement for a specified transitional period before taking over this function.

(vi) the Quota Share of the aggregate Statutory Carrying Value of the Existing Hedges as of the Effective Date (for the avoidance of doubt, determined immediately prior to giving effect to the cession of the Reinsured Liabilities to the Reinsurer hereunder), plus

(vii) $67.5 million.

(b) The amount of the Company Required Initial Premium actually paid on the Effective Date (such estimated amount, the "Estimated Company Required Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(c) To effectuate the payment of the Estimated Company Required Initial Premium, the Ceding Company shall transfer to the Reinsurer assets with an aggregate Fair Market Value equal to such Estimated Company Required Initial Premium. A list of the assets so transferred to the Reinsurer (the "Initial Premium Assets"), including an estimate of the Fair Market Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.[4] The Initial Premium Assets shall be assigned or endorsed in blank by the Ceding Company to the Reinsurer in order to transfer to the Reinsurer absolutely and unequivocally all right, title and interest in such assets.

(d) The Estimated Company Required Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Reinsurer shall pay to the Ceding Company on the Effective Date the portion of the Estimated Company Ceding Commission allocated by the Reinsurer to this Agreement. The Estimated Company Ceding Commission shall be subject to a post-Effective Date adjustment in accordance with the Master Agreement.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Policy Expenses. On a monthly basis, the Reinsurer shall pay the Ceding Company an administrative expense fee ("Policy Expenses") to cover the cost of providing all administrative and other services necessary or appropriate in connection with the administration of the Reinsured Policies and the Reinsured Liabilities in an amount calculated in accordance with Schedule II attached hereto. The Policy Expenses shall be payable by the Reinsurer to the Ceding Company in accordance with Section 7.03.

---

[4] **Note to Draft**: This schedule will be attached at closing.

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Reinsured Liabilities. Subject to Sections 6.02 and 6.03, the Reinsurer shall pay to the Ceding Company the Reinsured Liabilities in accordance with Section 7.03.

Section 6.02 Claims Settlement.

(a) Subject to Section 6.02(b) and 6.03, the Ceding Company shall be responsible for the settlement of claims with respect to the Reinsured Liabilities in accordance with Article X, applicable Law and the terms and conditions of the Reinsured Policies.

(b) The Ceding Company shall notify the Reinsurer in writing if the Ceding Company determines that a claim for payment under a Reinsured Policy either requires investigation or should be contested or denied. The Reinsurer and the Ceding Company shall consult in good faith regarding the disposition of any such claim. The Reinsurer may, but shall not be required to, recommend to the Ceding Company how to handle such claim. In the event of any disagreement between the Ceding Company and the Reinsurer as to the validity or amount of such a claim, the Reinsurer shall have final authority over the disposition of such claim.

Section 6.03 Recoveries. Subject to Section 6.02(b), if the Ceding Company obtains any recoveries in respect of a claim with respect to the Reinsured Liabilities paid by it in accordance with the terms of any Reinsured Policy, the Ceding Company shall promptly pay to the Reinsurer the Quota Share of such recoveries.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting.

(a) Each Business Day, the Ceding Company shall deliver to the Reinsurer a daily accounting report (a "Daily Accounting Report") substantially in the form set forth in Exhibit A for the immediately preceding Business Day. The parties shall from time to time amend Exhibit A as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(b) Within three (3) Business Days following the end of each calendar week, the Ceding Company shall deliver to the Reinsurer a weekly accounting report (a "Weekly Accounting Report") substantially in the form set forth in Exhibit B for the immediately preceding calendar week. The parties shall from time to time amend Exhibit B as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(c) Within five (5) Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a monthly accounting report (a

"Monthly Accounting Report") substantially in the form set forth in Exhibit C for the immediately preceding calendar month (a "Monthly Accounting Period"). The parties shall from time to time amend Exhibit C as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(d) Within three (3) Business Days following the end of each Monthly Accounting Period, the Ceding Company shall deliver to the Reinsurer a report of the Reinsured Policies in the form specified by the Reinsurer, which shall include, among other things, (i) a roll-forward of policy count and account values with respect to the Reinsured Policies and (ii) a report setting forth *seriatim* information with respect to each of the Reinsured Policies, including the information identified on Exhibit D, which shall be redacted such that it does not include Non-Public Personal Information, in each case, as of the end of such Monthly Accounting Period.

(c) The Ceding Company shall deliver to the Reinsurer: (i) within five (5) Business Days following the filing of the Ceding Company's unaudited annual statement with the Iowa Insurance Division but no later than March 20 of each year, a copy of such unaudited annual statement; (ii) within five (5) Business Days of the filing of the Ceding Company's audited annual statutory financial statements with the Iowa Insurance Division but no later than June 20 of each year, a copy of such annual statutory financial statements; (iii) within five (5) Business Days following the filing of the Ceding Company's unaudited quarterly statutory financial statements with the Iowa Insurance Division but no later than sixty (60) calendar days following the end of each calendar quarter, a copy of such unaudited quarterly statutory financial statements; and (iv) a report of the Existing Hedges and the effectiveness thereof in a form mutually agreed upon by the Ceding Company and the Reinsurer.

(d) Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the Reinsured Policies which the Reinsurer requires in order to complete its financial statements.

(e) The Ceding Company acknowledges that timely and correct compliance with the reporting requirements of this Agreement are a material element of the Ceding Company's responsibilities hereunder and an important basis of the Reinsurer's ability to reinsure the risks hereunder. Consistent and material non-compliance with reporting requirements, including extended delays, will constitute a material breach of the terms of this Agreement.

Section 7.02 Reinsurer Reporting.

(a) Within ten (10) Business Days following the end of each calendar quarter and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth (i) the Ceded Reserves, determined on a *seriatim* basis, and (ii) the Ceded IMR, in each case, as of the end of such calendar quarter or such Recapture Effective Date, as applicable.

(b) The Reinsurer shall deliver to the Ceding Company: (i) within five (5) Business Days following the filing of the Reinsurer's unaudited annual statement with the Delaware Department of Insurance but no later than May 20 of each year, a copy of such unaudited annual statement; (ii) within five (5) Business Days of the filing of the Reinsurer's audited annual statutory financial statements with the Delaware Department of Insurance but no later than June 20 of each year, a copy of such annual statutory financial statements; and (iii) within five (5) Business Days following the filing of the Reinsurer's unaudited quarterly statutory financial statements with the Delaware Department of Insurance but no later than sixty (60) calendar days following the end of each calendar quarter, a copy of such unaudited quarterly statutory financial statements.

Section 7.03 Settlements.

(a) An interim net balance payable under this Agreement for each calendar week (as set forth in the applicable Weekly Accounting Report, the "Interim Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Weekly Accounting Report delivered with respect to such period. Each Interim Net Settlement Amount shall be payable as follows:

(i) If the Interim Net Settlement Amount with respect to any period is positive, then the Ceding Company shall pay to the Reinsurer an amount equal to such Interim Net Settlement Amount on the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer; or

(ii) If the Interim Net Settlement Amount with respect to any period is negative, then the Reinsurer shall pay to the Ceding Company an amount equal to the absolute value of such Interim Net Settlement Amount within [two (2)] Business Days following the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer.

All Interim Net Settlement Amounts paid during any Monthly Accounting Period shall be reflected in the Monthly Accounting Report with respect to such Monthly Accounting Period and taken into account in determining the Net Settlement Amount with respect to such Monthly Accounting Period.

(b) The net balance payable under this Agreement for each Monthly Accounting Period (as set forth in the applicable Monthly Accounting Report, the "Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Monthly Accounting Report delivered with respect to such Monthly Accounting Period. Each Net Settlement Amount shall be payable as follows:

(i) if the Net Settlement Amount indicated in the Monthly Accounting Report is positive, then the Ceding Company shall pay to the Reinsurer, by wire transfer of immediately available funds on the date of delivery of such Monthly Accounting Report to the Reinsurer, an amount equal to such Net Settlement Amount; or

(ii) if the Net Settlement Amount indicated in a Monthly Accounting Report is negative, then the Reinsurer shall pay to the Ceding Company, by wire transfer of immediately available funds within five (5) Business Days following the delivery of such Monthly Accounting Report to the Reinsurer, an amount equal to the absolute value of such Net Settlement Amount.

(c) Except as otherwise set forth herein, any amount due under this Agreement shall be paid by wire transfer of immediately available funds to the account or accounts designated by the recipient thereof.

ARTICLE VIII

HEDGING; FUNDS WITHHELD ACCOUNT

Section 8.01 Existing Hedges.

(a) The Ceding Company hereby assigns to the Reinsurer, as of the Effective Date, a fractional interest in the gross proceeds in respect of all Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant hedge counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant hedge counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto.

(b) Any Existing Hedge Proceeds shall be attributed to the Funds Withheld Account and reflected in the Monthly Accounting Report for the applicable Monthly Accounting Period. The Ceding Company shall pay to the Reinsurer any Existing Hedge Proceeds in accordance with Section 7.03.

(c) Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.

Section 8.02 Funds Withheld Account. On the Effective Date, (a) the Ceding Company shall (i) establish on its books a funds withheld account (the "Funds Withheld Account"), (ii) allocate to such Funds Withheld Account the Quota Share of the Existing Hedges, and (iii) establish and maintain on its books an account payable to the Reinsurer in the amount of the Funds Withheld Amount, and (b) the Reinsurer shall establish on its books an account receivable from the Ceding Company in the amount of the Funds Withheld Amount as of such date.

ARTICLE IX

CREDIT FOR REINSURANCE

Section 9.01 Credit for Reinsurance. The Reinsurer shall maintain in full force and effect at all times during the term of this Agreement all Permits that are necessary to ensure that the Ceding Company will receive credit on its statutory financial statements in its domiciliary State for the reinsurance provided pursuant to this Agreement. If the Reinsurer fails to maintain all such Permits or the Ceding Company otherwise does not receive credit on its statutory financial statements in its domiciliary State for the reinsurance provided pursuant to this Agreement (a

"Reinsurance Credit Event"), then the Reinsurer shall promptly take such steps as are necessary to: (a) restore such Permits; (b) become accredited as a reinsurer in the domiciliary State of the Ceding Company; or (c) establish a qualified reinsurance trust or provide a letter of credit or other form of collateral permitted under applicable Law, in each case, such that the Ceding Company shall be able to obtain credit on its statutory financial statements in its domiciliary State for the reinsurance provided by this Agreement, it being understood that the Reinsurer shall have the sole discretion to elect among the methods available to it. All such steps shall be completed no later than the end of the calendar quarter in which such Reinsurance Credit Event occurs.

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration. The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services, including reporting under Article VII, with respect to the Reinsured Policies and the Existing Hedges. The Ceding Company shall conduct its administration and claims practices with respect to the Reinsured Policies and the Existing Hedges (a) with a level of skill, diligence and expertise that would reasonably be expected from experienced and qualified personnel performing such duties in similar circumstances, (b) in accordance with applicable Law and the terms of the Reinsured Policies, and (c) in a manner no less favorable to the Reinsurer, the Reinsured Polices and the Existing Hedges than those used by the Ceding Company with respect to other policies of the Ceding Company not reinsured by the Reinsurer hereunder or other hedges of the Ceding Company. The Ceding Company shall not outsource any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer. If the Reinsurer consents to any outsourcing of any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

Section 10.02 Record-Keeping.

(a) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the Reinsured Policies in accordance with industry standards of insurance record-keeping. In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates. The Ceding Company and the Reinsurer further agree that in the event of the termination of this Agreement, any such records in the possession of the Reinsurer shall promptly be duplicated and forwarded to the Ceding Company unless otherwise instructed.

(b) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the Reinsured Policies, including associated documentation, and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to Article VII shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. This Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) Recapture for Non-Payment or Other Material Breach. Either party may cause the Reinsured Policies to be recaptured in full and this Agreement to be terminated as to all Reinsured Policies if (i) the other party fails to pay any amounts due under this Agreement within thirty (30) calendar days following written notice of non-payment from the non-defaulting party or (ii) such other party otherwise materially breaches this Agreement and fails to cure such material breach within thirty (30) calendar days following written notice thereof from the non-breaching party.

(c) Recapture for Insolvency of Reinsurer. The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event that the Reinsurer becomes insolvent (as set forth in Article XIV) by promptly providing the Reinsurer or its Authorized Representative with written notice of recapture, to be effective as of the date on which the Reinsurer's insolvency is established by the authority responsible for such determination. Any requirement for a notification period prior to the termination of this Agreement shall not apply under such circumstances.

Section 11.03 Recapture Payment.

(a) In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company (a "Receiver")), a net accounting and settlement as to any balance due under this Agreement shall be undertaken by the Ceding Company in accordance with Article VII, which calculations shall be as of the Recapture Effective Date. Within five (5) Business Days following the Recapture Effective Date, the Ceding Company shall deliver to the Reinsurer a final Monthly Accounting Report as of the Recapture Effective Date (the "Terminal Accounting Report"), and the final Net Settlement Amount set forth in such Terminal Accounting Report shall be paid in accordance with Section 7.03. In addition, within ten (10) Business Days after Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth the amount of the Recapture Payment. Within fifteen (15) Business Days after the Recapture Effective Date, the Reinsurer shall pay to the Ceding Company an amount (the "Recapture Payment") equal to:

(i) the Ceded Reserves, plus

(ii) the amount of the Pre-Tax Reform Existing IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the amount of the Post-Tax Reform Existing IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, plus

(iv) the amount of the New Effective Date IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, minus

(v) the Unamortized Ceding Commission;

in each case, as of the Recapture Effective Date. The Reinsurer may, at its option, pay the Recapture Payment in cash by wire transfer of immediately available funds or in kind with assets with an aggregate fair market value (determined in accordance with a methodology agreed to by the Ceding Company and the Reinsurer that is substantially similar to the methodology set forth on Schedule IV) equal to such amount.

(b) The Reinsurer's right to terminate the reinsurance provided hereunder will not prejudice its right to collect premiums, and applicable interest as specified in Section 17.02, for the period during which such reinsurance was in force, through and including any notice period.

Section 11.04 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. In the event a payment is corrected, the party receiving the payment shall be entitled to interest in accordance with Section 17.02. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Negotiation.

(a) Within fifteen (15) calendar days after the Reinsurer or the Ceding Company has given the other party written notification of a specific dispute arising out of or relating to this Agreement, each party will appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(b) If the officers cannot resolve the dispute within thirty (30) calendar days of their first meeting, the dispute will be submitted to formal arbitration pursuant to Section 13.02, unless the parties agree in writing to extend the negotiation period for an additional thirty (30) calendar days.

Section 13.02 Arbitration; Waiver of Trial by Jury.

(a) It is the intention of the Reinsurer and the Ceding Company that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. If the Reinsurer and the Ceding Company cannot mutually resolve a dispute that arises out of or relates to this Agreement, including the validity of this Agreement, and the dispute cannot be resolved through the negotiation process, then the dispute will be finally settled by arbitration in accordance with the provisions of this Section 13.02.

(b) To initiate arbitration, either the Ceding Company or the Reinsurer will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought.

(c) Any arbitration pursuant to this Section 13.02 will be conducted before a panel of three (3) arbitrators who will be current or former officers of life insurance or reinsurance companies other than the parties to this Agreement, their Affiliates or subsidiaries, or other professionals with experience in life insurance or reinsurance; provided, that such professionals shall not have performed services for either party or its Affiliates within the previous five (5) years. Each of the arbitrators will be familiar with the prevailing customs and practices for reinsurance in the life insurance and reinsurance industry in the United States. Each of the parties will appoint one arbitrator and the two (2) so appointed will select the third arbitrator who shall be independent and impartial. If either party refuses or fails to appoint an arbitrator within sixty (60) calendar days after the other party has given written notice to such party of its arbitrator appointment, the party that has given notice may appoint the second arbitrator. If the two (2) arbitrators do not agree on a third arbitrator within thirty (30) calendar days of the appointment of the second arbitrator, then the third arbitrator shall be selected by the ARIAS-U.S. Umpire Selection Procedure (available at www.ARIAS-US.org), subject to the arbitrator qualification requirements of this paragraph.

(d) Each arbitration hearing under this Agreement will be held on the date set by the arbitrators at a mutually agreed upon location. In no event will this date be later than six (6) months after the appointment of the third arbitrator. As soon as possible, the arbitrators will establish arbitration procedures as warranted by the facts and issues of the particular case. Notwithstanding Section 17.17, the arbitration and this Section 13.02 shall be governed by Title 9 (Arbitration) of the United States Code.

(e) The arbitrators will base their decision on the terms and conditions of this Agreement and the customs and practices of the insurance and reinsurance industries rather than on strict interpretation of the law. The decision of the arbitrators will be made by majority rule and will be final and binding on both parties, unless (i) the decision was procured by corruption, fraud or other undue means; (ii) there was evident partiality by an arbitrator or corruption in any of the arbitrators or misconduct prejudicing the rights of any party; or (iii) the arbitrators exceeded their powers. Subject to the preceding sentence, neither party may seek judicial review of the decision of the arbitrators. The arbitrators shall enter an award which shall do justice between the parties and the award shall be supported by written opinion. The parties agree that the federal courts in the State of Iowa, or the State courts of such State, have jurisdiction to hear any matter relating to compelling arbitration or enforcing the judgment of an arbitral panel, and the parties hereby consent to such jurisdiction. Each party hereby waives, to the fullest extent permitted by Law, any objection it may now or hereafter have to the laying of such venue, or any claim that a proceeding has been brought in an inconvenient forum. In addition, the Ceding Company and the Reinsurer hereby consent to service of process out of such courts at the addresses set forth in Section 17.06.

(f) Unless the arbitrators decide otherwise, each party will bear the expense of its own arbitration activities, including its appointed arbitrator and any outside attorney and witness fees. The parties will jointly bear the expense of the third arbitrator.

(g) Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. In any such event, the reinsurance being provided hereunder shall be payable immediately upon demand, with reasonable provision for verification, on the basis of claims allowed against the Ceding Company by any court of competent jurisdiction or by any liquidator, receiver or statutory successor. In any such event, the liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer. For the avoidance of doubt, the Reinsurer will be liable only for benefits reinsured as benefits become due under the terms of the Reinsured Policies and will not be or become liable for any amounts or reserves to be held by the Ceding Company as to the Reinsured Policies or for any damages or payments resulting from the termination or restructuring of the Reinsured Policies, in each case, that are not otherwise expressly covered by this Agreement.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 DAC Tax Election. The Ceding Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Ceding 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 hereto 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 Ceding 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 2018;

(e) The Reinsurer will submit to the Ceding 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 Ceding Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) calendar days of the Ceding Company's receipt of the Reinsurer's calculation. If the Ceding Company does not so notify the Reinsurer, the Ceding Company will report the amount of net consideration as determined by the Reinsurer in the Ceding Company's tax return for the previous calendar year;

(g) If the Ceding Company contests the Reinsurer's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) calendar days of the date on which the Ceding Company submits its alternative calculation.

Both the Ceding Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

Section 15.03 Tax Treatment. The parties hereto acknowledge and agree that the transaction contemplated by this Agreement constitutes an "applicable asset acquisition" as defined in Section 1060 of the Code and the regulations thereunder. Within thirty (30) calendar days following the Effective Date, the Reinsurer shall deliver a schedule setting forth an allocation of the consideration paid by the Reinsurer for federal income tax purposes among the assets acquired by the Reinsurer pursuant to this transaction. The parties shall negotiate in good faith to resolve any disagreements with respect to such schedule. Each party shall file all tax returns and Form 8594 in a manner consistent with the schedule as ultimately agreed.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Iowa and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Factual Information Relating to the Reinsured Policies. The information relating to the business reinsured under this Agreement and the Reinsured Policies that was supplied by or on behalf of the Ceding Company to the Reinsurer or any of the Reinsurer's representatives in connection with this Agreement (such information, the "Factual Information"), as of the date supplied (or if later corrected or supplemented prior to the date hereof, as of the date corrected or supplemented), did not contain any untrue statement of a material fact or omit to state any material fact necessary to make such Factual Information, taken as a whole, not misleading in light of the circumstances under which the statements contained therein were made, and was otherwise complete and accurate in all material respects. The Factual Information was compiled in a commercially reasonable manner given its intended purpose.

(e) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(e), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Iowa SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(f) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

Section 16.02 Covenants of the Ceding Company.

(a) Investigations. To the extent permitted by applicable Law, the Ceding Company shall promptly notify the Reinsurer, in writing, of any and all investigations of the Ceding Company conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Ceding Company of its obligations under this Agreement; provided, however, that the Ceding Company may withhold any notice otherwise required to be delivered pursuant to this Section 16.02(a) to the extent that the delivery thereof to the Reinsurer would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Ceding Company shall prepare its financial statements as required by, and in accordance with, Iowa SAP.

(c) Existence; Conduct of Business. The Ceding Company shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(e) Governmental Notices. The Ceding Company shall provide the Reinsurer, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Investigations. To the extent permitted by applicable Law, the Reinsurer shall promptly notify the Ceding Company, in writing, of any and all investigations of the Reinsurer conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Reinsurer of its obligations under this Agreement; provided, however, that the Reinsurer may withhold any notice otherwise required to be delivered pursuant to this Section 16.04(a) to the extent that the delivery thereof to the Ceding Company would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Reinsurer shall prepare its financial statements as required by, and in accordance with, Delaware SAP.

(c) Existence; Conduct of Business. The Reinsurer shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

(e) Governmental Notices. The Reinsurer shall provide the Ceding Company, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Interest. All amounts due and payable by the Ceding Company or the Reinsurer under this Agreement that remain unpaid for more than fifteen (15) calendar days from the date due hereunder will incur interest from the date due hereunder. Except as otherwise set forth in this Agreement, such interest shall accrue at a rate equal to six percent (6%) per annum, calculated on a 30/360 basis.

Section 17.03 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement.

(b) The rights provided under this Section 17.03 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.04 No Third-Party Beneficiaries. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.05 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.06 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.,* FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Annuity & Life Assurance Company
7770 Mills Civic Parkway
West Des Moines, Iowa 50266
Attention: Erik H. Askelsen
Telephone: (515) 342-3160
Email: easkelsen@athene.com

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.06.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.07 Consent to Jurisdiction. Subject to the terms and conditions of Article XIII, each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.06, constitute good, proper and sufficient service thereof. This Section 17.07 is not intended to conflict with or override Article XIII.

Section 17.08 Service of Process. The Reinsurer hereby designates the Iowa Insurance Commissioner as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.06. This Section 17.08 is not intended to conflict with or override Article XIII.

Section 17.09 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours, at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges, or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to any two (2) such inspections in any calendar year shall be borne by the Ceding Company; provided, that if any breach of this Agreement by the Ceding Company has occurred, the expenses relating to all such inspections shall be borne by the Ceding Company.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.10 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except (i) to the extent necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.11 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.12 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.13 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 17.14 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.15 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.16 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.17 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the State of Iowa without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.18 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDERS

[To come]

SCHEDULE II

POLICY EXPENSES

The Policy Expenses with respect to each Monthly Accounting Period shall be an amount equal to:

[●].[5]

[5] **Note to Draft**: Policy Expenses formula to come.

SCHEDULE III

INITIAL PREMIUM ASSETS

[To come]

SCHEDULE IV

ASSET VALUATION METHODOLOGY

The Fair Market Value of any asset shall be the end-of-day price on the day prior to the closing date of the reinsurance transaction determined in accordance with the following pricing matrix, whereby Security Type is determined by the Ceding Company's "ASSET_CLASS_CATEGORY" classification and "FLAG_AGENCY" field.[6]

ASSET_CLASS_CATEGORY	FLAG_AGENCY	Primary Source	Secondary Source	Tertiary Source	Quaternary Source
ABS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
ABS-FLOATER		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CLO		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMBS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMO-B	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-B	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
COMMERCIAL MORTGAGES		DebtX	Analyst/Trader		
EMD-CORPORATE		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EMD-SOVEREIGN		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EQUITY SECURITIES		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
LIMITED PARTNERSHIPS		NAV Statement	Analyst/Trader		
MUNICIPAL		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PRIVATE-BIG		See Private Placement Process	Analyst/Trader		
PRIVATE-IG		See Private Placement Process	Analyst/Trader		
PUBLIC-BIG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PUBLIC-IG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
SHORT-TERM		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
US TREASURY		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader

Commercial Mortgages shall be priced by DebtX. The Reinsurer will be responsible for requesting Debt X pricing, and the Ceding Company agrees that it shall provide all relevant information and inputs necessary to permit Debt X to price the Commercial Mortgages (DebtX Fields are listed in Schedule A hereto).

Limited Partnerships and similar alternative investments will be valued based on most recent NAV, adjusted for any inflows/outflows since the last reported NAV Statement from the fund. The Ceding Company agrees to provide the most recent NAV Statement and any other Fund correspondence since the date of the most recent NAV Statement to the Reinsurer, where such NAV Statement shall value the investment as of a date no older than 150 calendar days prior to delivery of asset to the Reinsurer.

Private Placements shall be valued consistent with the Ceding Company's internal policies for such assets, provided that the Reinsurer reserves the right to challenge any Private Placement price using Brokers quotes from any of SeaPort Global Securities LLC, StoneCastle Securities LLC or

[6] These are fields from seriatim holdings file. Data room file 2.5.1 – Single Source by USGAAP Entity RLI SLD VIAC_06302017.

J.P. Morgan Securities Inc., and where any such Broker quote is lower than the Ceding Company's price by 3.5 points or more, the parties agree that such Broker quote shall be used as the value for such asset in lieu of the Ceding Company's price for such asset. In cases where a Broker may provide a spread in lieu of a price with respect to a Private Placement, such spread shall be converted to a price by applying such spread to the interpolated U.S. Treasury curve[7] as of close of business on the Business Day before the Effective Date.

Any position which is valued via the Analyst/Trader protocol shall be valued by the Ceding Company, consistent with the Ceding Company's valuation policy. The Ceding Company agrees to provide the Reinsurer documentation supporting such valuation, including valuation methodology, inputs and assumptions and any other information necessary for the Reinsurer to re-perform the measurement, and to the extent that there are differences, the parties agree in good faith to come to an agreed-upon valuation.

Additionally, the Ceding Company shall also agree to provide any valuation source with all information reasonably required by such valuation source to price any of the assets.

For any asset for which the Ceding Company would normally use a pricing service (the "Ceding Company Pricing Service") that is different from the pricing service to be used hereunder (the "Reinsurer Pricing Service"), the Ceding Company reserves the right to challenge the price provided by the Reinsurer Pricing Service by directly presenting such challenge to the Reinsurer Pricing Service. In the event that (i) the Reinsurer Pricing Service accepts the Ceding Company's challenge, and (ii) the accepted challenge results in a change to the challenged price of 3.5 points or more, the price determined pursuant to such challenge process shall be used to value the asset.

[7] Daily treasury rate published online by the U.S. Treasury Department (treasury.gov).

SCHEDULE A – DEBTX FIELDS

As Of Date

Loan Number

Original Loan Date

Current Loan Amount

Maturity Date

Modified Loan

Modified Loan Date

Modified Loan Amount

Unpaid Principal Balance

Rate Type

Payment Amount

Next Payment Due Date

Paid Through Date

Balloon Date

Balloon Payment

Percent Owned

Lien Position

Borrower Name

Property Name

Property Address

Property City

Property State

Property Zip Code

Remaining Future Funding

Total Maturity Balance

Type of Jr Lien Allowed

Jr Lien Balance

Margin

Initial Rate Cap

Lifetime Rate Floor

Rate Adjustment Frequency

First Interest Rate Adjustment Date

Prepayment Penalty Type

Prepayment Penalty Term

Prepayment Penalty Structure

Call Feature

Call Frequency

Next Call Date

Origination Amortization Term- Months

Original Stated Term- Balloon Term

Interest Period

I/OConverts P&I- Amort Schedule

Current Property Value As of Date

Current LTV

Current Property Value

Current Property Value Source

Current LTV Combined

Property Type

Single Tenant

Tenant Name

Ground Lease

Recourse To Borrower

Guaranty Type

Credit Tenant/Tenant Lease

Current Net Cash Flow Reserve

Current Net Cash Flow

Occupancy Percentage

As of Date for Occupancy

Current NOI

Current NOI Date

Current DSCR Source

Debt Reserve Services

Current DSCR

Current DSCR- As of Date

Cross Default

Crossed Loan Number

Current Interest Rate

Payment Structure

Original Appraised Value

Original Appraised Value Source

Orig LTV

Orig LTVCombined

Prior Liens

Interest Accrual Basis

ARM Index

ARM Next Rate Change Date

Initial Maturity Date

Lockout Provision

Lockout End Date

EXHIBIT A

DAILY ACCOUNTING REPORT

[To come]

EXHIBIT B

WEEKLY ACCOUNTING REPORT

[To come]

EXHIBIT C

MONTHLY ACCOUNTING REPORT

[To come]

EXHIBIT D

SERIATIM INFORMATION FIELDS

[To come.]

EXHIBIT E-2

Form of Company FA Business Modified Coinsurance Agreement

[See attached.]

EXHIBIT E-2

Form of Company FA Business Modified Coinsurance Agreement

[See attached.]

MODIFIED COINSURANCE AGREEMENT (SEPARATE ACCOUNT FA BUSINESS)

between

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

and

VOYA INSURANCE AND ANNUITY COMPANY

effective as of [●]

Treaty Number [●]

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Schedules

Exhibits

MODIFIED COINSURANCE AGREEMENT (SEPARATE ACCOUNT FA BUSINESS)

This MODIFIED COINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa (the "Ceding Company"), and Athene Annuity & Life Assurance Company, a reinsurance company organized under the Laws of the State of Delaware (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd. ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller") have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer"), will purchase, all of the issued and outstanding shares of common stock of the Ceding Company;

WHEREAS, in connection with the closing of the sale of the Ceding Company to the Buyer, the Ceding Company and the Reinsurer, an indirect wholly owned subsidiary of AHL, wish to enter into a modified coinsurance transaction with respect to certain separate account fixed indexed annuity business of the Ceding Company; and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a modified coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing. For the avoidance of doubt, the Ceding Company and the Reinsurer shall not be deemed "Affiliates" for purposes of this Agreement.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in Des Moines, Iowa or Wilmington, Delaware.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company Required SA Business Initial Premium" shall have the meaning specified in Section 3.02(a).

"Daily Accounting Report" shall have the meaning specified in Section 7.01(a).

"Delaware SAP" shall mean the statutory accounting principles and practices prescribed or permitted for Delaware life insurance companies by the Delaware Department of Insurance, consistently applied by the Reinsurer

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated Company Ceding Commission" shall have the meaning specified in the Master Agreement.

"Estimated Company Required SA Business Initial Premium" shall have the meaning specified in Section 3.02(c).

"Estimated Company SA Business Ceding Commission" shall mean the portion of the Estimated Company Ceding Commission allocated to this Agreement by the Reinsurer.

"Excluded Liabilities" shall mean (a) all Extra-Contractual Obligations other than Reinsurer Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing in advance by the Reinsurer, (c) any liabilities other than Reinsured Liabilities and (d) any *ex gratia* payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

"Existing Hedge Proceeds" shall have the meaning specified in Section 9.01.

"Existing Hedges" shall mean all derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies that remain in full force and effect as of the Effective Date.[1]

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Iowa SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company or any of its Affiliates or any of the directors, officers, employees, agents, representatives, annuity producers, administrators, service providers, successors or assigns of the Ceding Company or any of its Affiliates, whether or not intentional, negligent, in bad faith or otherwise relating to (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation of the Ceding Company in respect of taxes.

"Factual Information" shall have the meaning specified in Section 16.01(d).

"Final Company SA Business Ceding Commission" shall mean the portion of the Final Company Ceding Commission allocated to this Agreement by the Reinsurer.

"Governmental Entity" shall mean 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.

"Hedge Counterparty" shall mean, with respect to each Existing Hedge, the counterparty of the Ceding Company with respect to such Existing Hedge.

"IMR" shall mean the interest maintenance reserve relating to the Reinsured Liabilities, determined in accordance with Iowa SAP, consisting of the after-tax unamortized deferred gains and losses in respect of the assets maintained in the Modco Account.

[1] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

"Initial Modco Assets" shall have the meaning specified in Section 3.02(b).

"Interim Net Settlement Amount" shall have the meaning specified in Section 7.03(a).

"Investment Management Agreement" shall have the meaning specified in Section 8.03.

"Investment Manager" shall have the meaning specified in Section 8.03.

"Iowa SAP" shall mean the statutory accounting principles and practices prescribed or permitted for Iowa life insurance companies by the Iowa Insurance Division, consistently applied by the Ceding Company; provided, that, for the avoidance of doubt, Iowa SAP as applied by the Ceding Company shall include the methodology for calculating indexed annuity product reserves set forth in Iowa Administrative Code Section 191-97.

"Law" shall mean any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Modco Account" shall have the meaning specified in Section 8.01(a).

"Modco Adjustment" shall mean, as of any date of determination, an amount equal to (a) the Modco Reserves as of such date, plus (b) the IMR as of such date, minus (c) the Statutory Carrying Value of the assets maintained in the Modco Account as of such date, minus (d) any amounts due and unpaid by the Ceding Company under Section 7.03(a) or (b).

"Modco Excess Withdrawals" shall have the meaning specified in Section 8.01(c).

"Modco Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Monthly Accounting Period" shall have the meaning specified in Section 7.01(c).

"Monthly Accounting Report" shall have the meaning specified in Section 7.01(c).

"Net Settlement Amount" shall have the meaning specified in Section 7.03(b).

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Iowa SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Iowa SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Iowa SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Iowa SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"Non-Public Personal Information" shall have the meaning specified in Section 17.10(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

"Permitted Assets" shall mean (a) any assets into which the investment portfolio of the Separate Account may be invested pursuant to applicable Law and (b) the Existing Hedges.

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

"Policy Expenses" shall have the meaning specified in Section 5.01.

"Proprietary Information" shall have the meaning specified in Section 17.10(a).

"Quarterly Accounting Period" shall have the meaning specified in Section 7.01(d).

"Quarterly Accounting Report" shall have the meaning specified in Section 7.01(d).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall mean the date on which the liability of the Reinsurer with respect to all of the Reinsured Policies is terminated pursuant to Section 11.02 or the effective date of the rejection of this Agreement by any Receiver or of a recapture in full.

"Receiver" shall have the meaning specified in Section 11.03(a).

"Reinsurance Premiums" shall mean the Quota Share of the premiums and other fees, amounts, payments, collections and recoveries received by the Ceding Company with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of (a) liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations and other contractual benefits under the Reinsured Policies, (b) the Reinsurer Extra-Contractual Obligations, (c) liabilities with respect to premium taxes payable by the Ceding Company to the extent relating to premiums with respect to the Reinsured Policies that are issued after the Effective Date and (d) premium taxes and guaranty fund assessments payable by the Ceding Company to the extent relating to premiums received by the Ceding Company with respect to the Reinsured Policies; provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all separate account fixed indexed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any riders that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, (b) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) above or (c) below, and (c) all separate account fixed indexed annuity contracts of the type referenced in clause (a) above that are issued by the Ceding Company during the [forty-five (45) days] following the Effective Date, including any amendments or endorsements attached thereto.

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Reinsurer Extra-Contractual Obligations" shall mean Extra-Contractual Obligations relating to the Reinsured Policies to the extent caused by, arising from or related to any act of, or failure to act by, the Reinsurer or any of its Affiliates following the Effective Date.

"Seller" shall have the meaning specified in the Recitals hereto.

"Separate Account" shall mean the separate account in which assets are maintained by the Ceding Company to support the Ceding Company's payment obligations with respect to the Reinsured Policies.[2]

"Statutory Carrying Value" shall mean, with respect to any asset, as of the relevant date of determination, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Iowa SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03(a).

"Treasury Regulations" shall mean all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Trustee" shall have the meaning specified in Section 8.01(a).

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the Final Company SA Business Ceding Commission, multiplied by (b)(i) the Modco Reserves as of the Recapture Effective Date, divided by (ii) the Modco Reserves as of the Effective Date; provided, however, that as of any date of determination on or following the tenth anniversary of the Effective Date, the Unamortized Ceding Commission will be zero.

"Weekly Accounting Report" shall have the meaning specified in Section 7.01(b).

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) The term "including" means "including but not limited to."

[2] **Note to Draft**: To be confirmed whether there is more than one separate account.

(d) Whenever used in this Agreement, the masculine gender shall include the feminine and neutral genders and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure, on a modified coinsurance basis, the Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies, subject in each case to the Ceding Company's duty to adhere to its obligations pursuant to Article X.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any such terminations, amendments, modifications or waivers made without the prior written consent of the Reinsurer shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Ceding Company shall pay to the Reinsurer all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. The Ceding Company will be responsible for establishing contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies; provided, that the Reinsurer shall be permitted to provide recommendations regarding the contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered to a class of policy owners and in which a Reinsured Policy or a portion of a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer in good faith to develop and implement a conservation program with respect to the Reinsured Policies.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the IMR shall be ceded to and calculated by the Reinsurer and maintained in the Modco Account.

Section 2.10 Valuation of Liabilities. The Reinsurer shall calculate the statutory and tax reserves with respect to the Reinsured Policies.[3]

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of Reinsurance Premiums and the Company Required SA Business Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the Company Required SA Business Initial Premium shall be payable in accordance with Section 7.03.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall [transfer into][allocate to] the Modco Account Permitted Assets, including the Existing Hedges, with an aggregate Statutory Carrying Value as of the Effective Date equal to the initial premium (the "Company Required SA Business Initial Premium"), which shall equal:

(i) the Modco Reserves as of the Effective Date, plus

(ii) the Existing IMR, minus

(iii) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto.

(b) A list of the assets to be so deposited (the "Initial Modco Assets"), including the Statutory Carrying Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.

(c) The amount of the Company Required SA Business Initial Premium actually deposited into the Modco Account on the Effective Date (such estimated amount, the "Estimated Company Required SA Business Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(d) The Estimated Company Required SA Business Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement. Any such adjustment payable by the Ceding Company shall be promptly deposited into the Modco Account.

[3] **Note to Draft**: Athene may require the Ceding Company to perform reserve calculations pursuant to a transition services agreement for a specified transitional period before taking over this function.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Reinsurer shall pay to the Ceding Company the Estimated Company SA Business Ceding Commission on the Effective Date. The Estimated Company SA Business Ceding Commission shall be subject to a post-Effective Date adjustment in accordance with the Master Agreement.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Policy Expenses. On a monthly basis, the Reinsurer shall pay the Ceding Company an administrative expense fee ("Policy Expenses") to cover the cost of providing all administrative and other services necessary or appropriate in connection with the administration of the Reinsured Policies and the Reinsured Liabilities in an amount calculated in accordance with Schedule II attached hereto. The Policy Expenses shall be payable by the Reinsurer to the Ceding Company in accordance with Section 7.03.

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Reinsured Liabilities. Subject to Sections 6.02 and 6.03, the Reinsurer shall pay to the Ceding Company the Reinsured Liabilities in accordance with Section 7.03.

Section 6.02 Claims Settlement.

(a) Subject to Section 6.02(b) and 6.03, the Ceding Company shall be responsible for the settlement of claims with respect to the Reinsured Liabilities in accordance with Article X, applicable Law and the terms and conditions of the Reinsured Policies.

(b) The Ceding Company shall notify the Reinsurer in writing if the Ceding Company determines that a claim for payment under a Reinsured Policy either requires investigation or should be contested or denied. The Reinsurer and the Ceding Company shall consult in good faith regarding the disposition of any such claim. The Reinsurer may, but shall not be required to, recommend to the Ceding Company how to handle such claim. In the event of any disagreement between the Ceding Company and the Reinsurer as to the validity or amount of such a claim, the Reinsurer shall have final authority over the disposition of such claim.

Section 6.03 Recoveries. Subject to Section 6.02(b), if the Ceding Company obtains any recoveries in respect of a claim with respect to the Reinsured Liabilities paid by it in accordance with the terms of any Reinsured Policy, the Ceding Company shall promptly pay to the Reinsurer the Quota Share of such recoveries.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting.

(a) Each Business Day, the Ceding Company shall deliver to the Reinsurer a daily accounting report (a "Daily Accounting Report") substantially in the form set forth in Exhibit A for the immediately preceding Business Day. The parties shall from time to time amend Exhibit A as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(b) Within three (3) Business Days following the end of each calendar week, the Ceding Company shall deliver to the Reinsurer a weekly accounting report (a "Weekly Accounting Report") substantially in the form set forth in Exhibit B for the immediately preceding calendar week. The parties shall from time to time amend Exhibit B as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(c) Within five (5) Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a monthly accounting report (a "Monthly Accounting Report") substantially in the form set forth in Exhibit C for the immediately preceding calendar month (a "Monthly Accounting Period"). The parties shall from time to time amend Exhibit C as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(d) Within [thirteen (13)] Business Days following the end of each calendar quarter, the Ceding Company shall deliver to the Reinsurer a quarterly accounting report (a "Quarterly Accounting Report") substantially in the form set forth in Exhibit D for the immediately preceding calendar quarter (a "Quarterly Accounting Period"). The parties shall from time to time amend Exhibit D as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(e) Within three (3) Business Days following the end of each Monthly Accounting Period, the Ceding Company shall deliver to the Reinsurer, as of the end of such Monthly Accounting Period or the Recapture Effective Date, as applicable, (i) a report of the Reinsured Policies in the form specified by the Reinsurer, which shall include, among other things, a roll-forward of policy count and account values with respect to the Reinsured Policies, (ii) a report setting forth *seriatim* information with respect to each of the Reinsured Policies, including the information identified on Exhibit E, which shall be redacted such that it does not include Non-Public Personal Information, (iii) a report of the assets held in the Modco Account and an investment accounting report which shall include holdings, book value roll forward and income reports, in each case, on a CUSIP level, and (iv) a report of the Existing Hedges and the effectiveness thereof in a form mutually agreed upon by the Ceding Company and the Reinsurer.

(f) The Ceding Company shall deliver to the Reinsurer: (i) within five (5) Business Days following the filing of the Ceding Company's unaudited annual statement with the

Iowa Insurance Division but no later than March 20 of each year, a copy of such unaudited annual statement; (ii) within five (5) Business Days of the filing of the Ceding Company's audited annual statutory financial statements with the Iowa Insurance Division but no later than June 20 of each year, a copy of such annual statutory financial statements; and (iii) within five (5) Business Days following the filing of the Ceding Company's unaudited quarterly statutory financial statements with the Iowa Insurance Division but no later than sixty (60) calendar days following the end of each calendar quarter, a copy of such unaudited quarterly statutory financial statements.

(g) Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the Reinsured Policies which the Reinsurer requires in order to complete its financial statements.

(h) The Ceding Company acknowledges that timely and correct compliance with the reporting requirements of this Agreement are a material element of the Ceding Company's responsibilities hereunder and an important basis of the Reinsurer's ability to reinsure the risks hereunder. Consistent and material non-compliance with reporting requirements, including extended delays, will constitute a material breach of the terms of this Agreement.

Section 7.02 Reinsurer Reporting.

(a) Within ten (10) Business Days following the end of each Quarterly Accounting Period and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth (i) the Modco Reserves, determined on a *seriatim* basis, and (ii) the IMR, in each case, as of the end of such Quarterly Accounting Period or such Recapture Effective Date, as applicable.

(b) The Reinsurer shall deliver to the Ceding Company: (i) within five (5) Business Days following the filing of the Reinsurer's unaudited annual statement with the Delaware Department of Insurance but no later than March 20 of each year, a copy of such unaudited annual statement; (ii) within five (5) Business Days of the filing of the Reinsurer's audited annual statutory financial statements with the Delaware Department of Insurance but no later than June 20 of each year, a copy of such annual statutory financial statements; and (iii) within five (5) Business Days following the filing of the Reinsurer's unaudited quarterly statutory financial statements with the Delaware Department of Insurance but no later than sixty (60) calendar days following the end of each calendar quarter, a copy of such unaudited quarterly statutory financial statements.

Section 7.03 Settlements.

(a) An interim net balance payable under this Agreement for each calendar week (as set forth in the applicable Weekly Accounting Report, the "Interim Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Weekly Accounting Report delivered with respect to such period. Each Interim Net Settlement Amount shall be payable as follows:

(i) If the Interim Net Settlement Amount with respect to any period is positive, then the Ceding Company shall deposit into the Modco Account an amount equal to such Interim Net Settlement Amount on the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer; or

(ii) If the Interim Net Settlement Amount with respect to any period is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account an amount equal to the absolute value of such Interim Net Settlement Amount within [two (2)] Business Days following the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer.

All Interim Net Settlement Amounts paid during any Monthly Accounting Period shall be reflected in the Monthly Accounting Report with respect to such Monthly Accounting Period and taken into account in determining the Net Settlement Amount with respect to such Monthly Accounting Period.

(b) The net balance payable under this Agreement for each Monthly Accounting Period (as set forth in the applicable Monthly Accounting Report, the "Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Monthly Accounting Report delivered with respect to such Monthly Accounting Period. Each Net Settlement Amount shall be payable as follows:

(i) if the Net Settlement Amount indicated in the Monthly Accounting Report is positive, then the Ceding Company shall deposit into the Modco Account, on the date of delivery of such Monthly Accounting Report to the Reinsurer, an amount equal to such Net Settlement Amount; or

(ii) if the Net Settlement Amount indicated in a Monthly Accounting Report is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account, on the date that is five (5) Business Days following the delivery of the Monthly Accounting Report to the Reinsurer, an amount equal to the absolute value of such Net Settlement Amount; provided, that if the absolute value of such negative Monthly Net Settlement Amount is greater than the fair market value of the assets in the Modco Account as of the last day of the relevant Monthly Accounting Period, then the Reinsurer shall pay the amount of such difference to the Ceding Company no later than five (5) Business Days after the receipt by the Reinsurer of the applicable Monthly Accounting Report.

(c) The Modco Adjustment payable under this Agreement for each Quarterly Accounting Period (as set forth in the applicable Quarterly Accounting Report) shall be payable as follows:

(i) if the Modco Adjustment is positive, then the Reinsurer shall pay to the Ceding Company for immediate deposit into the Modco Account such positive amount no later than five (5) Business Days after the receipt by the Reinsurer of the applicable Quarterly Accounting Report; and

(ii) if the Modco Adjustment is negative, then, on the date of delivery of the Quarterly Accounting Report to the Reinsurer, the Ceding Company shall withdraw assets with a Statutory Carrying Value equal to the absolute value of such negative amount from the Modco Account and pay the absolute value of such negative amount to the Reinsurer.

(d) Except as otherwise set forth herein, any amount due under this Agreement shall be paid by wire transfer of immediately available funds to the account or accounts designated by the recipient thereof.

ARTICLE VIII

MODCO ACCOUNT

Section 8.01 Modco Account.

(a) As of the Effective Date, the Ceding Company shall establish a modified coinsurance account (the "Modco Account") on the books and records of the Ceding Company, which shall consist of the assets maintained by the Ceding Company in the Separate Account[, which shall be held in a trust account established by the Ceding Company pursuant to that certain Trust Agreement, dated as of the date hereof, among the Ceding Company, the Reinsurer and Citibank, N.A. (as trustee of such trust account, the "Trustee"),][4] and the Existing Hedges.[5] The Modco Account and the assets maintained therein will be owned and maintained by the Ceding Company and will be used exclusively for the purposes set forth in this Agreement. The assets maintained in the Modco Account shall be invested in and consist only of Permitted Assets, and the Permitted Assets shall be valued, for the purposes of this Agreement, according to their Statutory Carrying Value. In accordance with Iowa SAP, the Ceding Company elects to cede all capital gains and losses in respect of the assets maintained in the Modco Account to the Reinsurer on a gross basis.

(b) Notwithstanding any other provision hereof, assets held in the Modco Account may be withdrawn by the Ceding Company at any time and shall be utilized and applied by the Ceding Company or any of its successors in interest by operation of law, including any liquidator, rehabilitator, receiver or conservator of the Ceding Company, without diminution because of insolvency on the part of the Ceding Company or the Reinsurer, only for the following purposes:

(i) to reimburse the Ceding Company for the Quota Share of premiums which are returned to the owners of the Reinsured Policies because of cancellations of such Reinsured Policies;

(ii) to reimburse the Ceding Company for the Reinsured Liabilities paid pursuant to the provisions of the Reinsured Policies;

[4] **Note to Draft**: To be confirmed that the assets in the Separate Account do not support any liabilities other than the Reinsured Liabilities.

[5] **Note to Draft**: To be determined whether the Separate Account assets will be held in a trust account.

(iii) to pay any Interim Net Settlement Amount, Net Settlement Amount and other undisputed amounts due to the Ceding Company under this Agreement; and

(iv) to pay any Modco Adjustment due from the Ceding Company to the Reinsurer;

provided, however, that, other than withdrawals made by the Ceding Company for the purpose of effectuating the payment of the Interim Net Settlement Amounts, Net Settlement Amounts and Modco Adjustments, the Ceding Company shall not withdraw funds from the Modco Account until the expiration of any payment period afforded the Reinsurer hereunder, and then only upon providing the Reinsurer with written notice at least five (5) Business Days prior to such withdrawal.

(c) The Ceding Company shall promptly return to the Modco Account any assets withdrawn in excess of the actual amounts required in paragraphs (i) through (iv) immediately above or any amounts that are subsequently determined not to be due under such paragraphs ("Modco Excess Withdrawals"). The Ceding Company shall also pay interest on any Modco Excess Withdrawals at a rate determined in accordance with Section 17.02 from and including the date of withdrawal to but excluding the date on which the Modco Excess Withdrawal is returned to the Modco Account. Any Modco Excess Withdrawals shall be held by the Ceding Company or any successor in interest of the Ceding Company in trust for the benefit of the Reinsurer and shall at all times be maintained separate and apart from any assets of the Ceding Company, for the sole purposes described in paragraphs (i) through (iv) immediately above.

(d) Determinations of statutory impairments of assets maintained in the Modco Account shall be made by the Ceding Company and shall be (i) based upon the statutory rules and guidelines and the impairment policy used by the Ceding Company and its auditors for purposes of calculating statutory impairments reflected in the Ceding Company's statutory financial statements and (ii) subject to consultation between the Reinsurer and the Ceding Company. The Ceding Company shall promptly notify the Reinsurer in writing if the Ceding Company determines that any assets maintained in the Modco Account have become impaired for purposes of determining Statutory Carrying Value. Such notice shall describe any such assets, the reason for the impairment and the effect on Statutory Carrying Value of such assets.

(e) The Reinsurer shall bear the administrative costs and expenses related to the establishment and maintenance of the Modco Account, including [the fees of the Trustee and] the fees of any investment manager appointed pursuant to Section 8.03 (including any sub-investment manager appointed in accordance with the Investment Management Agreement). The Ceding Company shall promptly forward to the Reinsurer any invoice it receives relating to such costs and expenses. On the fifth (5th) Business Day following the date on which it delivers such invoice to the Reinsurer, the Ceding Company shall authorize the withdrawal of the amount of such costs and expenses from the Modco Account; provided, that if such amount is greater than the Statutory Carrying Value of the assets in the Modco Account, then the Reinsurer shall pay the amount of such difference to the Ceding Company no later than eight (8) Business Days following the delivery of such invoice to the Reinsurer.

(f) The performance of the assets maintained in the Modco Account, including of all investment income paid or accrued, investment gains or losses, defaults and/or statutory impairments, will inure to the sole benefit or cost of the Reinsurer.

Section 8.02 Credit for Reinsurance. The Ceding Company shall own the Modco Account and the assets maintained therein, and the Reinsurer will not be required to provide reserve credit in respect of the Reinsured Liabilities ceded hereunder on a modified coinsurance basis.

Section 8.03 Investment Management. Pursuant to an investment management agreement (the "Investment Management Agreement"), the Ceding Company shall appoint Athene Asset Management, L.P. as investment manager to provide investment management services with respect to the assets maintained in the Modco Account (the "Investment Manager"). The Ceding Company shall not amend, modify or change the terms of the Investment Management Agreement, including the investment guidelines attached as an exhibit thereto, or remove or replace the Investment Manager without the prior written consent of the Reinsurer. In the event that the Investment Manager is removed or resigns, the Ceding Company shall appoint a replacement investment manager as directed by the Reinsurer. The replacement investment manager shall accept its appointment by entering into an investment management agreement in a form acceptable to the Ceding Company and the Reinsurer, and substantially similar to the Investment Management Agreement.

ARTICLE IX

HEDGING

Section 9.01 Existing Hedges. The Ceding Company hereby assigns to the Reinsurer a fractional interest in the gross proceeds in respect of the Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant Hedge Counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant Hedge Counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto. The Existing Hedge Proceeds shall be attributed to the Modco Account and reflected in the applicable Weekly Accounting Report. The Ceding Company shall pay the Existing Hedge Proceeds to the Reinsurer in accordance with Section 7.03.

Section 9.02 Other Hedging. Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration. The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services, including reporting under Article VII, with respect to the Reinsured Policies, the Separate Account and the Existing Hedges. The Ceding Company shall conduct its administration and claims practices with respect to the Reinsured Policies (a) with a level of skill, diligence and expertise that would reasonably be expected from experienced and qualified personnel performing such duties in similar circumstances, (b) in accordance with applicable Law and the terms of the Reinsured Policies, and (c) in a manner no less favorable to the Reinsurer and the Reinsured Polices than those used by the Ceding Company with respect to other policies of the Ceding Company not reinsured by the Reinsurer hereunder or other hedges of the Ceding Company. The Ceding Company shall not outsource any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer. If the Reinsurer consents to any outsourcing of any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

Section 10.02 Record-Keeping.

(a) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the Reinsured Policies in accordance with industry standards of insurance record-keeping. In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates. The Ceding Company and the Reinsurer further agree that in the event of the termination of this Agreement, any such records in the possession of the Reinsurer shall promptly be duplicated and forwarded to the Ceding Company unless otherwise instructed.

(b) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the Reinsured Policies and the Separate Account, including associated documentation, and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to Article VII shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. This Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) Recapture for Non-Payment or Other Material Breach. Either party may cause the Reinsured Policies to be recaptured in full and this Agreement to be terminated as to all Reinsured Policies if (i) the other party fails to pay any amounts due under this Agreement within thirty (30) calendar days following written notice of non-payment from the non-defaulting party or (ii) such other party otherwise materially breaches this Agreement and fails to cure such material breach within thirty (30) calendar days following written notice thereof from the non-breaching party.

(c) Recapture for Insolvency of Reinsurer. The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event that the Reinsurer becomes insolvent (as set forth in Article XIV) by promptly providing the Reinsurer or its Authorized Representative with written notice of recapture, to be effective as of the date on which the Reinsurer's insolvency is established by the authority responsible for such determination. Any requirement for a notification period prior to the termination of this Agreement shall not apply under such circumstances.

Section 11.03 Recapture Payment.

(a) In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company (a "Receiver")), a net accounting and settlement as to any balance due under this Agreement shall be undertaken by the Ceding Company in accordance with Article VII, which calculations shall be as of the Recapture Effective Date. Within thirteen (13) Business Days following the Recapture Effective Date, the Ceding Company shall deliver to the Reinsurer a final Monthly Accounting Report and Quarterly Accounting Report, each as of the Recapture Effective Date (collectively, the "Terminal Accounting Report"), and the final Net Settlement Amount and final Modco Adjustment set forth in such Terminal Accounting Report shall be paid in accordance with Section 7.03. In addition, within five (5) Business Days following the Recapture Effective Date, the Ceding Company shall pay to the Reinsurer an amount equal to the Unamortized Ceding Commission in cash by wire transfer of immediately available funds.

(b) The Reinsurer's right to terminate the reinsurance provided hereunder will not prejudice its right to collect premiums, and applicable interest as specified in Section 17.02, for the period during which such reinsurance was in force, through and including any notice period.

Section 11.04 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. In the event a payment is corrected, the party receiving the payment shall be entitled to interest in accordance with Section 17.02. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Negotiation.

(a) Within fifteen (15) calendar days after the Reinsurer or the Ceding Company has given the other party written notification of a specific dispute arising out of or relating to this Agreement, each party will appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(b) If the officers cannot resolve the dispute within thirty (30) calendar days of their first meeting, the dispute will be submitted to formal arbitration pursuant to Section 13.02, unless the parties agree in writing to extend the negotiation period for an additional thirty (30) calendar days.

Section 13.02 Arbitration; Waiver of Trial by Jury.

(a) It is the intention of the Reinsurer and the Ceding Company that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. If the Reinsurer and the Ceding Company cannot mutually resolve a dispute that arises out of or relates to this Agreement, including the validity of this Agreement, and the dispute cannot be resolved through the negotiation process, then the dispute will be finally settled by arbitration in accordance with the provisions of this Section 13.02.

(b) To initiate arbitration, either the Ceding Company or the Reinsurer will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought.

(c) Any arbitration pursuant to this Section 13.02 will be conducted before a panel of three (3) arbitrators who will be current or former officers of life insurance or reinsurance companies other than the parties to this Agreement, their Affiliates or subsidiaries, or other professionals with experience in life insurance or reinsurance; provided, that such professionals shall not have performed services for either party or its Affiliates within the previous five (5) years. Each of the arbitrators will be familiar with the prevailing customs and practices for reinsurance in the life insurance and reinsurance industry in the United States. Each of the parties will appoint one arbitrator and the two (2) so appointed will select the third arbitrator who shall be independent and impartial. If either party refuses or fails to appoint an arbitrator within sixty (60) calendar days after the other party has given written notice to such party of its arbitrator appointment, the party that has given notice may appoint the second arbitrator. If the two (2) arbitrators do not agree on a third arbitrator within thirty (30) calendar days of the appointment of the second arbitrator, then the third arbitrator shall be selected by the ARIAS-U.S. Umpire Selection Procedure (available at www.ARIAS-US.org), subject to the arbitrator qualification requirements of this paragraph.

(d) Each arbitration hearing under this Agreement will be held on the date set by the arbitrators at a mutually agreed upon location. In no event will this date be later than six (6) months after the appointment of the third arbitrator. As soon as possible, the arbitrators will establish arbitration procedures as warranted by the facts and issues of the particular case. Notwithstanding Section 17.17, the arbitration and this Section 13.02 shall be governed by Title 9 (Arbitration) of the United States Code.

(e) The arbitrators will base their decision on the terms and conditions of this Agreement and the customs and practices of the insurance and reinsurance industries rather than on strict interpretation of the law. The decision of the arbitrators will be made by majority rule and will be final and binding on both parties, unless (i) the decision was procured by corruption, fraud or other undue means; (ii) there was evident partiality by an arbitrator or corruption in any of the arbitrators or misconduct prejudicing the rights of any party; or (iii) the arbitrators exceeded their powers. Subject to the preceding sentence, neither party may seek judicial review of the decision of the arbitrators. The arbitrators shall enter an award which shall do justice between the parties and the award shall be supported by written opinion. The parties agree that the federal courts in the State of Iowa, or the State courts of such State, have jurisdiction to hear any matter relating to compelling arbitration or enforcing the judgment of an arbitral panel, and the parties hereby consent to such jurisdiction. Each party hereby waives, to the fullest extent permitted by Law, any objection it may now or hereafter have to the laying of such venue, or any claim that a proceeding has been brought in an inconvenient forum. In addition, the Ceding Company and the

Reinsurer hereby consent to service of process out of such courts at the addresses set forth in Section 17.06.

(f) Unless the arbitrators decide otherwise, each party will bear the expense of its own arbitration activities, including its appointed arbitrator and any outside attorney and witness fees. The parties will jointly bear the expense of the third arbitrator.

(g) Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. In any such event, the reinsurance being provided hereunder shall be payable immediately upon demand, with reasonable provision for verification, on the basis of claims allowed against the Ceding Company by any court of competent jurisdiction or by any liquidator, receiver or statutory successor. In any such event, the liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer. For the avoidance of doubt, the Reinsurer will be liable only for benefits reinsured as benefits become due under the terms of the Reinsured Policies and will not be or become liable for any amounts or reserves to be held by the Ceding Company as to the Reinsured Policies or for any damages or payments resulting from the termination or restructuring of the Reinsured Policies, in each case, that are not otherwise expressly covered by this Agreement.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 DAC Tax Election. The Ceding Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Ceding 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 hereto 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 Ceding 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 2018;

(e) The Reinsurer will submit to the Ceding 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 Ceding Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) calendar days of the Ceding Company's receipt of the Reinsurer's calculation. If the Ceding Company does not so notify the Reinsurer, the Ceding Company will report the amount of net consideration as determined by the Reinsurer in the Ceding Company's tax return for the previous calendar year;

(g) If the Ceding Company contests the Reinsurer's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) calendar days of the date on which the Ceding Company submits its alternative calculation.

Both the Ceding Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

Section 15.03 Tax Treatment. The parties hereto acknowledge and agree that the transaction contemplated by this Agreement constitutes an "applicable asset acquisition" as defined in Section 1060 of the Code and the regulations thereunder. Within thirty (30) calendar days following the Effective Date, the Reinsurer shall deliver a schedule setting forth an allocation of the consideration paid by the Reinsurer for federal income tax purposes among the assets acquired by the Reinsurer pursuant to this transaction. The parties shall negotiate in good faith to resolve any disagreements with respect to such schedule. Each party shall file all tax returns and Form 8594 in a manner consistent with the schedule as ultimately agreed.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Iowa and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Factual Information Relating to the Reinsured Policies. The information relating to the business reinsured under this Agreement and the Reinsured Policies that was supplied by or on behalf of the Ceding Company to the Reinsurer or any of the Reinsurer's representatives in connection with this Agreement (such information, the "Factual Information"), as of the date supplied (or if later corrected or supplemented prior to the date hereof, as of the date corrected or supplemented), did not contain any untrue statement of a material fact or omit to state any material fact necessary to make such Factual Information, taken as a whole, not misleading in light of the circumstances under which the statements contained therein were made, and was otherwise complete and accurate in all material respects. The Factual Information was compiled in a commercially reasonable manner given its intended purpose.

(e) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(e), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Iowa SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(f) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(g) Separate Account. The Separate Account has been maintained in accordance with applicable Law. No plan of operations with respect to the Separate Account was required to be filed and approved by any Governmental Entity.

Section 16.02 Covenants of the Ceding Company.

(a) Investigations. To the extent permitted by applicable Law, the Ceding Company shall promptly notify the Reinsurer, in writing, of any and all investigations of the Ceding Company conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Ceding Company of its obligations under this Agreement; provided, however, that the Ceding Company may withhold any notice otherwise required to be delivered pursuant to this Section 16.02(a) to the extent that the delivery thereof to the Reinsurer would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Ceding Company shall prepare its financial statements as required by, and in accordance with, Iowa SAP.

(c) Existence; Conduct of Business. The Ceding Company shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(e) Governmental Notices. The Ceding Company shall provide the Reinsurer, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

(f) Restrictions on Liens. The Ceding Company shall not create, incur, assume or suffer to exist any liens on the assets in the Modco Account, including the Existing Hedges (whether owned on the date of this Agreement or hereafter acquired), or on any interest therein or the proceeds thereof.

(g) Plan of Operations. The Ceding Company shall not establish, amend or otherwise modify any plan of operations with respect to the Separate Account without the prior written approval of the Reinsurer.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Investigations. To the extent permitted by applicable Law, the Reinsurer shall promptly notify the Ceding Company, in writing, of any and all investigations of the Reinsurer conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance deparment examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Reinsurer of its obligations under this Agreement; provided, however, that the Reinsurer may withhold any notice otherwise required to be delivered pursuant to this Section 16.04(a) to the extent that the delivery thereof to the Ceding Company would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Reinsurer shall prepare its financial statements as required by, and in accordance with, Delaware SAP.

(c) Existence; Conduct of Business. The Reinsurer shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

(e) Governmental Notices. The Reinsurer shall provide the Ceding Company, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Interest. All amounts due and payable by the Ceding Company or the Reinsurer under this Agreement that remain unpaid for more than fifteen (15) calendar days from the date due hereunder will incur interest from the date due hereunder. Except as otherwise set forth in this Agreement, such interest shall accrue at a rate equal to six percent (6%) per annum, calculated on a 30/360 basis.

Section 17.03 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement.

(b) The rights provided under this Section 17.03 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.04 No Third-Party Beneficiaries. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.05 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.06 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.*, FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii).

All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Annuity & Life Assurance Company
7770 Mills Civic Parkway
West Des Moines, Iowa 50266
Attention: Erik H. Askelsen
Telephone: (515) 342-3160
Email: easkelsen@athene.com

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.06.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.07 Consent to Jurisdiction. Subject to the terms and conditions of Article XIII, each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.06, constitute good, proper and sufficient service thereof. This Section 17.07 is not intended to conflict with or override Article XIII.

Section 17.08 Service of Process. The Reinsurer hereby designates the Iowa Insurance Commissioner as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.06. This Section 17.08 is not intended to conflict with or override Article XIII.

Section 17.09 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours, at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges, the Separate Account, the assets maintained in the Modco Account or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to any two (2) such inspections in any calendar year shall be borne by the Ceding Company; provided, that if any breach of this Agreement by the Ceding Company has occurred, the expenses relating to all such inspections shall be borne by the Ceding Company.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.10 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.11 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.12 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.13 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 17.14 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.15 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.16 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.17 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the State of Iowa without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.18 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDERS

[To come]

SCHEDULE II

POLICY EXPENSES

The Policy Expenses with respect to each Monthly Accounting Period shall be an amount equal to:

[●][6]

[6] **Note to Draft**: Policy Expenses formula to come.

SCHEDULE III

INITIAL MODCO ASSETS

[To come]

EXHIBIT A

DAILY ACCOUNTING REPORT

[To come]

EXHIBIT B

WEEKLY ACCOUNTING REPORT

[To come]

EXHIBIT C

MONTHLY ACCOUNTING REPORT

[To come]

EXHIBIT D

QUARTERLY ACCOUNTING REPORT

[To come]

EXHIBIT E

SERIATIM INFORMATION FIELDS

[To come]

<u>EXHIBIT E-3</u>

Form of RLI FA Business Reinsurance Agreement

[See attached.]

EXHIBIT E-3

REINSURANCE AGREEMENT (FA BUSINESS)

between

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

and

RELIASTAR LIFE INSURANCE COMPANY

effective as of [●]

Treaty Number [●]

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REINSURANCE AGREEMENT (FA BUSINESS)

This REINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between ReliaStar Life Insurance Company, an insurance company organized under the Laws of the State of Minnesota (the "Ceding Company"), and Athene Annuity & Life Assurance Company, a reinsurance company organized under the Laws of the State of Delaware (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd. ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller"), the ultimate parent of the Ceding Company, have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer") will purchase, all of the issued and outstanding shares of common stock of Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa ("VIAC");

WHEREAS, in connection with the closing of the sale of VIAC to the Buyer, the Ceding Company and the Reinsurer, an indirect wholly-owned subsidiary of AHL, wish to enter into a coinsurance transaction with respect to certain fixed annuity business of the Ceding Company;

WHEREAS, the Ceding Company and VIAC have entered into that certain Administrative Services Agreement, dated as of [●] (the "Administrative Services Agreement"), pursuant to which VIAC has agreed to perform certain administrative services with respect to the TPA-Administered Policies (as defined below); and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Administration Books and Records" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Account" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Services Agreement" shall have the meaning specified in the Recitals hereto.

"Administrator" shall mean VIAC, in its capacity as the administrator pursuant to the Administrative Services Agreement or any successor appointed in accordance with Section 10.01(a).

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Applicable Tax Gross-Up Percentage" shall mean, one minus the highest federal tax rate applicable to United States corporations as of the Effective Date or, in the event of a recapture pursuant to Section 11.02, the Recapture Effective Date.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in New York, New York or Wilmington, Delaware.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceded IMR" shall mean, collectively, as of any date of determination, the amount of the Existing IMR that remains unamortized as of such date, and the amount of the New Effective Date IMR that remains unamortized as of such date, in each case, determined in accordance with Reinsurer SAP.

"Ceded Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Ceding Company Domiciliary State" shall mean the State of Minnesota, or, if the Ceding Company changes its state of domicile to another state within the United States, such other state.

"Ceding Company Domiciliary State SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Ceding Company Domiciliary State consistently applied by the Ceding Company.

"Ceding Company Extra-Contractual Obligations" shall mean Extra-Contractual Obligations (a) caused by, arising from or related to any act, error or omission prior to the Effective Date or (b) arising on or after the Effective Date to the extent caused by, arising from or related to any act of, or failure to act by, the Ceding Company or any of its Affiliates (for the avoidance of doubt, excluding the Administrator) following the Effective Date, other than actions taken by the Ceding Company to implement the Reinsurer's recommendations with respect to the Non-Guaranteed Elements.

"Ceding Company Indemnified Party" and "Ceding Company Indemnified Parties" shall have the meaning specified in Section 12.02.

"Ceding Company Liability Cap" shall have the meaning assigned to such term in the Administrative Services Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated RLI Required Initial Premium" shall have the meaning specified in Section 3.02(b).

"Excluded Liabilities" shall mean (a) all Ceding Company Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing by the Reinsurer or made by the Administrator, and (c) any ex gratia payments made by the Ceding Company (for the avoidance of doubt, other than ex gratia payments made by the Administrator or approved in writing by the Reinsurer).

"Existing Hedge Proceeds" shall have the meaning specified in Section 8.01(a).

"Existing Hedges" shall mean those derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies set forth on Schedule V, to the extent that such derivatives and other hedges remain in full force and effect as of the Effective Date.[1] For the avoidance of doubt, following the expiration or exercise of any Existing Hedge, such expired or exercised hedge shall no longer be considered an Existing Hedge.

[1] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Ceding Company Domiciliary State SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations arising out of or relating to the Reinsured Policies (other than liabilities or obligations arising under the express terms and conditions, and within the applicable policy limits, of the Reinsured Policies), including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages, as well as all legal fees and expenses relating thereto, including the costs of any settlement or arbitration award, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise (actual or alleged) arising out of or relating to the Reinsured Policies, including (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation in respect of taxes.

"Fair Market Value" shall mean, as of any date of determination, (a) with respect to any Existing Hedge, the market value of such Existing Hedge on such date of determination as determined in accordance with the Ceding Company Domiciliary State SAP, and (b) with respect to any other asset, the market value of such asset on such date of determination as determined in accordance with Schedule IV attached hereto.

"Foreign Account Tax Compliance Act" or "FATCA" shall have the meaning specified in Section 10.02.

"Funds Withheld Account" shall have the meaning specified in Section 8.02(a).

"Funds Withheld Amount" shall mean, as of any date of determination, the aggregate Fair Market Value of the Existing Hedges, as of such date.

"Governmental Entity" shall mean 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.

"Initial Premium Assets" shall have the meaning specified in Section 3.02(c).

"Law" shall mean any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Entity pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"Losses" shall have the meaning assigned to such term in the Administrative Services Agreement.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Monthly Funding Amount" shall mean an amount sufficient to increase the balance in the Administrative Account to an amount estimated in good faith by the Reinsurer to be required to pay amounts payable by the Administrator under the terms of the Administrative Services Agreement in respect of the Reinsured Liabilities during the immediately following month, not to exceed $[●][2] per month.

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Ceding Company Domiciliary State SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Ceding Company Domiciliary State SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"New Effective Date IMR" shall mean any new interest maintenance reserve that is created on the Effective Date as a result of the transactions contemplated by this Agreement, determined in accordance with Ceding Company Domiciliary State SAP.

"Non-Guaranteed Elements" shall have the meaning specified in Section 2.05.

"Non-Public Personal Information" shall have the meaning specified in Section 17.08(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

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

"Policy Expenses" shall have the meaning specified in Section 5.02.

"Producer" shall mean any agent, broker, producer, distributor or representative who solicited, sold, marketed, produced or serviced any of the Reinsured Policies.

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[2] **Note to Draft**: Parties to discuss based on monthly claims projections.

"Proprietary Information" shall have the meaning specified in Section 17.08(a).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall have the meaning specified in Section 11.02(b).

"Recapture Payment" shall have the meaning specified in Section 11.03.

"Recapture Triggering Event" shall mean,

(a) with respect to the Reinsurer, any of the following occurrences:

(i) there has been a failure by the Reinsurer to pay any undisputed amounts due hereunder to the Ceding Company or the Administrator and such breach has not been cured within thirty (30) calendar days after the Reinsurer's receipt of written notice thereof from the Ceding Company;

(ii) a Reinsurance Credit Event (A) has occurred and is continuing and (B) the Reinsurer has not remedied such event on or prior to the date that is forty-five (45) calendar days after the Reinsurer receives notice in writing from the Ceding Company of such event; or

(iii) the Reinsurer has been placed into liquidation, rehabilitation, conservation, supervision, receivership or similar proceedings (whether voluntary or involuntary), or there has been instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or assume control of its operations; and

(b) with respect to the Ceding Company, a failure by the Ceding Company to pay any undisputed amounts due hereunder to the Reinsurer and such breach has not been cured within thirty (30) calendar days after the Ceding Company's receipt of written notice thereof from the Reinsurer.

"Reinsurance Credit Event" shall have the meaning specified in Section 9.01(a).

"Reinsurance Premiums" shall mean the Quota Share of the premiums, policy loan principal and interest payments, and other fees, amounts, payments, collections and recoveries received by the Ceding Company or collected by the Administrator with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of:

(a) all liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations, policy loans, dividends and any other contractual benefits under the Reinsured Policies;

(b) all claims expenses, including litigation expenses, to the extent incurred at or after the Effective Date by the Ceding Company and relating to the Reinsured Liabilities in respect of the TPA-Administered Policies, other than such expenses incurred by the Ceding Company in connection with the exercise by the Ceding Company of its participation rights under Article V of the Administrative Services Agreement;

(c) all liabilities arising out of or resulting from changes to the terms and conditions of the Reinsured Policies made by the Administrator or agreed to in writing by the Reinsurer or mandated by applicable Law;

(d) all commissions and other compensation payable with respect to premium paid on or after the Effective Date under the Reinsured Policies to or for the benefit of Producers;

(e) all contractual benefits arising under the Reinsured Policies payable to a Governmental Entity pursuant to any applicable escheat or unclaimed property law;

(f) all premium taxes and guaranty fund assessments payable by the Ceding Company with respect to premium paid on or after the Effective Date under the Reinsured Policies; and

(g) the Reinsurer Extra-Contractual Obligations;

provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all fixed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any rider forms that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, and (b) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) above.[3]

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Reinsurer Domiciliary State" shall mean the State of Delaware or, if the Reinsurer changes its state of domicile to another state within the United States, such other state.

"Reinsurer Extra-Contractual Obligations" shall mean all Extra-Contractual Obligations other than Ceding Company Extra-Contractual Obligations.

"Reinsurer SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Reinsurer Domiciliary State, consistently applied by the Reinsurer.

[3] **Note to Draft**: Parties to consider whether to add a process for dealing with policy forms discovered following the Effective Date.

"RLI-Administered Policies" shall mean those Reinsured Policies issued by the Ceding Company on the policy forms designated on Schedule I as being administered by the Ceding Company.

"RLI Ceding Commission" shall have the meaning specified in the Master Agreement.

"RLI Daily Accounting Report" shall have the meaning specified in Section 7.01(b)(i).

"RLI Interim Net Settlement Amount" shall have the meaning specified in Section 7.05(b)(i).

"RLI Monthly Accounting Report" shall have the meaning specified in Section 7.01(b)(iii).

"RLI Net Settlement Amount" shall have the meaning specified in Section 7.05(b)(ii).

"RLI Non-SA Business Ceding Commission" shall mean $[●], being the portion of the RLI Ceding Commission allocated by the parties to this Agreement.

"RLI Required Initial Premium" shall have the meaning specified in Section 3.02(a).

"RLI Weekly Accounting Report" shall have the meaning specified in Section 7.01(b)(ii).

"Seller" shall have the meaning specified in the Recitals hereto.

"Service Fees" shall have the meaning specified in the Administrative Services Agreement.

"Statutory Carrying Value" shall mean, as of the relevant date of determination, with respect to the Existing Hedges, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Ceding Company Domiciliary State SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03.

"Third Party Actuary" shall mean a nationally recognized accounting or actuarial firm mutually agreed upon by the parties hereto; provided, that if the parties are unable to mutually agree, they shall jointly request the President of the Society of Actuaries to appoint, within ten (10) Business Days from the date of such request, a nationally recognized accounting or actuarial firm with actuarial expertise independent of both the Ceding Company and the Reinsurer and their respective Affiliates to serve as the Third Party Actuary. In the event that the President of the Society of Actuaries declines to so make such appointment, the parties shall jointly request the American Arbitration Association to make such appointment.

"TPA-Administered Policies" shall mean those Reinsured Policies issued by the Ceding Company on the policy forms designated on Schedule I as being administered by the Administrator.

"TPA Daily Accounting Report" shall mean the Daily Accounting Report as such term is defined in the Administrative Services Agreement.

"Treasury Regulations" shall mean all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the RLI Non-SA Business Ceding Commission, multiplied by (b)(i) the Ceded Reserves as of the Recapture Effective Date, divided by (ii) the Ceded Reserves as of the Effective Date.

"VIAC" shall have the meaning specified in the Recitals hereto.

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) 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 and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement, the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure (i) on a funds withheld basis, a portion of the Reinsured Liabilities equal to the Funds Withheld Amount, and (ii) on a coinsurance basis, all other Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement, the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies. Without limiting the Reinsurer's rights under the Administrative Services Agreement or this Agreement, the Reinsurer acknowledges that the Administrator will make decisions with respect to the payment of Reinsured Liabilities in respect of the TPA-Administered Policies under the Administrative Services Agreement and the Ceding Company will make decisions with respect to the payment of Reinsured Liabilities in respect of RLI-Administered Policies under this Agreement, which decisions will be binding on the Reinsurer. In addition, the Reinsurer shall comply with the provisions of the Administrative Services Agreement applicable to it.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any terminations, amendments, modifications or waivers made by the Ceding Company in violation of Section 2.02(a) shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Reinsurer shall be entitled to all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. From and after the Effective Date, the Ceding Company shall establish all contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies (the "Non-Guaranteed Elements"); provided, that the Reinsurer shall be permitted to provide recommendations regarding the Non-Guaranteed Elements and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered on a targeted basis to policy owners of the Reinsured Policies in which a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them that is not reinsured under this Agreement. Notwithstanding the foregoing, but subject to Section 5.15 of the Master Agreement, neither the Ceding Company nor its Affiliates shall be prohibited from maintaining for issuance any existing products of the Ceding Company or its Affiliates that are offered to their respective clients generally or any products that are developed and offered generally by the Ceding Company or its Affiliates not specifically directed to the policyholders of the Reinsured Policies nor shall the Ceding Company or any of its Affiliates be prohibited from engaging in general solicitation or marketing efforts not targeted at policy owners of the Reinsured Policies.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer to develop and implement a conservation or policyholder outreach program with respect to the Reinsured Policies, at the sole expense of the Reinsurer.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the Ceded IMR shall be ceded to and maintained and calculated by the Reinsurer.

Section 2.10 Acts of the Administrator. Notwithstanding any provision of this Agreement to the contrary, no act or failure to act by the Administrator shall be considered the act or failure to act by the Ceding Company for any purpose of this Agreement unless such act or failure to act is at the written direction of the Ceding Company.

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of the RLI Required Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the RLI Required Initial Premium shall be payable in accordance with Section 7.05 and the Administrative Services Agreement.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall pay to the Reinsurer in accordance with this Section 3.02 an initial premium (the "RLI Required Initial Premium") equal to:

(i) the Ceded Reserves as of the Effective Date, plus

(ii) the Existing IMR,[4] divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

(iv) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto, minus

(v) the Quota Share of the aggregate Statutory Carrying Value of the Existing Hedges as of the Effective Date (for the avoidance of doubt, determined immediately prior to giving effect to the cession of the Reinsured Liabilities to the Reinsurer hereunder).

(b) The amount of the RLI Required Initial Premium actually paid on the Effective Date (such estimated amount, the "Estimated RLI Required Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(c) To effectuate the payment of the Estimated RLI Required Initial Premium, the Ceding Company shall transfer to the Reinsurer assets with an aggregate Fair Market Value equal to such Estimated RLI Required Initial Premium. A list of the assets so transferred (the "Initial Premium Assets"), including an estimate of the Fair Market Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.[5] The Initial Premium Assets shall be assigned or endorsed in blank by the Ceding Company to the Reinsurer in order to transfer to the Reinsurer absolutely and unequivocally all right, title and interest in such assets.

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[4] **Note to Draft**: If the Existing IMR is negative, it would reduce the Initial Premium.

[5] **Note to Draft**: This schedule will be attached at closing.

(d) The Estimated RLI Required Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Ceding Company shall pay to the Reinsurer on the Effective Date the absolute value of the RLI Non-SA Business Ceding Commission.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Service Fees. The Reinsurer shall pay directly to the Administrator all Service Fees payable to the Administrator pursuant to the Administrative Services Agreement.

Section 5.02 Policy Expenses. On a monthly basis, the Reinsurer shall pay the Ceding Company an administrative expense fee ("Policy Expenses") to cover the cost of providing all administrative and other services necessary or appropriate in connection with the administration of the RLI-Administered Policies and the Reinsured Liabilities in respect of such RLI-Administered Policies in an amount calculated in accordance with Schedule II attached hereto. The Policy Expenses shall be payable by the Reinsurer to the Ceding Company in accordance with Section 7.05(b).

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Payment of Reinsured Liabilities for TPA-Administered Policies. In accordance with the terms of the Administrative Services Agreement, the Administrator shall pay, without duplication, directly on a gross basis, all Reinsured Liabilities in respect of the TPA-Administered Policies. The Reinsurer's obligations with respect to such Reinsured Liabilities shall be satisfied to the extent of any direct payments of such Reinsured Liabilities by the Administrator pursuant to the Administrative Services Agreement.

Section 6.02 Funding of the Administrative Account. Within [●] Business Days following the end of each calendar month, the Reinsurer shall deposit into the Administrative Account sufficient funds such that, following such deposit, the balance of the Administrative Account is no less than the applicable Monthly Funding Amount. Upon receipt of written notice from the Administrator that additional funds are required to pay Reinsured Liabilities in respect of the TPA-Administered Policies, the Reinsurer shall, within [●] Business Days following receipt of such notice, deposit into the Administrative Account such additional funds.

Section 6.03 Payment of Reinsured Liabilities for RLI-Administered Policies. Subject to Sections 6.04 and 6.05, the Reinsurer shall pay to the Ceding Company the Reinsured Liabilities in respect of the RLI-Administered Policies in accordance with Section 7.05(b).

Section 6.04 Claims Settlement for RLI-Administered Policies.

(a) Subject to Section 6.04(b) and 6.05, the Ceding Company shall be responsible for the settlement of claims with respect to the Reinsured Liabilities in respect of the RLI-Administered Policies in accordance with Section 10.01(c), applicable Law and the terms and conditions of such RLI-Administered Policies.

(b) The Ceding Company shall notify the Reinsurer in writing if the Ceding Company determines that a claim for payment under an RLI-Administered Policy should be contested or denied. The Reinsurer and the Ceding Company shall consult in good faith regarding the disposition of any such claim. The Reinsurer may, but shall not be required to, recommend to the Ceding Company how to handle such claim. In the event of any disagreement between the Ceding Company and the Reinsurer as to the validity or amount of such a claim, the Reinsurer shall have final authority over the disposition of such claim.

Section 6.05 Recoveries for RLI-Administered Policies. Subject to Section 6.04(b), if the Ceding Company obtains any recoveries in respect of a claim with respect to any Reinsured Liabilities in respect of the RLI-Administered Policies paid by the Reinsurer, the Ceding Company shall promptly pay to the Reinsurer the Quota Share of such recoveries.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting.

(a) Ceding Company Reporting for TPA-Administered Policies. Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the TPA-Administered Policies which the Reinsurer reasonably requires in order to complete its financial statements and is readily available to the Ceding Company.

(b) Ceding Company Reporting for RLI-Administered Policies.[6]

(i) [Each Business Day, the Ceding Company shall, or shall cause its designee to, deliver to the Reinsurer a daily accounting report (an "RLI Daily Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit A for the immediately preceding Business Day. The parties shall from time to time amend Exhibit A as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(ii) Within [three (3)] Business Days following the end of each calendar week, the Ceding Company shall deliver to the Reinsurer a weekly accounting report (an "RLI Weekly Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit B for the immediately preceding calendar

[6] **Note to Draft**: Parties to further discuss reporting obligations with respect to RLI-Administered Policies.

week. The parties shall from time to time amend Exhibit B as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(iii) Within [three (3)] Business Days following the end of each calendar month, the Ceding Company shall, or shall cause its designee to, deliver to the Reinsurer a monthly accounting report (an "RLI Monthly Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit C for the immediately preceding calendar month. The parties shall from time to time amend Exhibit C as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(iv) Within [three (3)] Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a report of the RLI-Administered Policies in the form set forth in Exhibit D attached hereto, which shall include, among other things, (i) a roll-forward of policy count and account values with respect to the RLI-Administered Policies and (ii) a report setting forth *seriatim* information with respect to each of the RLI-Administered Policies, which shall be redacted such that it does not include Non-Public Personal Information, in each case, as of the end of such calendar month.

(v) Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the RLI-Administered Policies available to the Ceding Company which the Reinsurer requires in order to complete its financial statements.]

Section 7.02 Reinsurer Reporting. Without limiting the Ceding Company's right to dispute any such calculations, the Ceding Company acknowledges and agrees that the Reinsurer shall calculate the Ceded Reserves and the Ceded IMR following the Effective Date for purposes of this Agreement.[7] Within [●] Business Days following the end of each calendar quarter and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company and the Administrator a report setting forth (i) the Ceded Reserves, determined on a *seriatim* basis, and (ii) the Ceded IMR, in each case, as of the end of such calendar quarter or such Recapture Effective Date, as applicable.

Section 7.03 Mutual Reporting. Each party shall provide written notice to the other party of the occurrence of any Recapture Triggering Event with respect to the disclosing party or any Reinsurance Credit Event within five (5) Business Days learning of any such occurrence. In addition, each party shall promptly respond to the other party's reasonable inquiries from time to time concerning the determination of whether a Recapture Triggering Event has occurred with respect to the responding party or a Reinsurance Credit Event has occurred.

Section 7.04 Reports by the Administrator. The Administrator shall provide to the Ceding Company and the Reinsurer periodic accounting and other reports with respect to the

[7] **Note to Draft**: Athene may require the Administrator to perform reserve calculations for a specified transitional period before taking over this function.

TPA-Administered Policies and the Existing Hedges as specified in the Administrative Services Agreement.

Section 7.05 Settlements.

(a) Settlements for TPA-Administered Policies. Except as otherwise set forth herein or in the Administrative Services Agreement, on an ongoing basis (i) amounts owed hereunder by the Reinsurer to the Ceding Company shall be settled through the direct payment of Reinsured Liabilities in respect of the TPA-Administered Policies by the Administrator under the Administrative Services Agreement, and (ii) amounts owed hereunder by the Ceding Company to the Reinsurer in respect of the TPA-Administered Policies shall be settled through the direct collection of such amounts by the Administrator and payment of such amounts to the Reinsurer under the Administrative Services Agreement.

(b) Settlements for RLI-Administered Policies.[8]

(i) [An interim net balance payable under this Agreement for each calendar week with respect to the RLI-Administered Policies (as set forth in the applicable RLI Weekly Accounting Report, the "RLI Interim Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the RLI Weekly Accounting Report delivered with respect to such period. Each RLI Interim Net Settlement Amount shall be payable as follows:

(1) If the RLI Interim Net Settlement Amount with respect to any period is positive, then the Ceding Company shall pay to the Reinsurer an amount equal to such RLI Interim Net Settlement Amount on the date on which such RLI Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer; or

(2) If the RLI Interim Net Settlement Amount with respect to any period is negative, then the Reinsurer shall pay to the Ceding Company an amount equal to the absolute value of such RLI Interim Net Settlement Amount within [two (2)] Business Days following the date on which such RLI Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer.

All RLI Interim Net Settlement Amounts paid during any calendar month shall be reflected in the RLI Monthly Accounting Report with respect to such calendar month and taken into account in determining the RLI Net Settlement Amount with respect to such calendar month.

(ii) The net balance payable under this Agreement for each calendar month with respect to the RLI-Administered Policies (as set forth in the applicable RLI Monthly Accounting Report, the "RLI Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the RLI Monthly Accounting Report

[8] **Note to Draft**: Parties to further discuss settlements with respect to RLI-Administered Policies.

delivered with respect to such calendar month. Each RLI Net Settlement Amount shall be payable as follows:

(1) if the RLI Net Settlement Amount indicated in the RLI Monthly Accounting Report is positive, then the Ceding Company shall pay to the Reinsurer, by wire transfer of immediately available funds on the date of delivery of such RLI Monthly Accounting Report to the Reinsurer, an amount equal to such RLI Net Settlement Amount; or

(2) if the RLI Net Settlement Amount indicated in an RLI Monthly Accounting Report is negative, then the Reinsurer shall pay to the Ceding Company, by wire transfer of immediately available funds within five (5) Business Days following the delivery of such RLI Monthly Accounting Report to the Reinsurer, an amount equal to the absolute value of such RLI Net Settlement Amount.

(iii) Except as otherwise set forth herein, any amount due under this Section 7.05(b) shall be paid by wire transfer of immediately available funds to the account or accounts designated by the recipient thereof.]

ARTICLE VIII

HEDGING; FUNDS WITHHELD ACCOUNT

Section 8.01 Existing Hedges.

(a) The Ceding Company hereby assigns to the Reinsurer, as of the Effective Date, a fractional interest in the gross proceeds in respect of all Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant hedge counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant hedge counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto.

(b) Any Existing Hedge Proceeds shall be attributed to the Funds Withheld Account and reflected in the applicable TPA Daily Accounting Report. The Reinsurer shall be entitled to all Existing Hedge Proceeds. The Administrator shall collect and pay to the Reinsurer such Existing Hedge Proceeds in accordance with the terms of the Administrative Services Agreement.

(c) Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.

Section 8.02 Funds Withheld Account. On the Effective Date, (a) the Ceding Company shall (i) establish on its books a funds withheld account (the "Funds Withheld Account"), (ii) allocate to such Funds Withheld Account the Quota Share of the Existing Hedges, and (iii) establish and maintain on its books an account payable to the Reinsurer in the amount of the Funds Withheld Amount, and (b) the Reinsurer shall establish on its books an account receivable from the Ceding Company in the amount of the Funds Withheld Amount as of such date.

ARTICLE IX

CREDIT FOR REINSURANCE

Section 9.01 Credit for Reinsurance.

(a) The Reinsurer shall use reasonable best efforts to maintain in full force and effect at all times during the term of this Agreement all Permits that are necessary to ensure that the Ceding Company will receive credit on its statutory financial statements in the Ceding Company Domiciliary State for the reinsurance provided pursuant to this Agreement. If the Reinsurer fails to maintain all such Permits or the Ceding Company otherwise does not receive credit on its statutory financial statements in the Ceding Company Domiciliary State for the reinsurance provided pursuant to this Agreement (a "Reinsurance Credit Event"), then the Reinsurer shall promptly take such steps as are necessary to: (a) restore such Permits; (b) become accredited as a reinsurer in the Ceding Company Domiciliary State; or (c) establish a qualified reinsurance trust or provide a letter of credit or other form of collateral permitted under applicable Law, in each case, such that the Ceding Company shall be able to obtain credit on its statutory financial statements in the Ceding Company Domiciliary State for the reinsurance provided by this Agreement, it being understood that the Reinsurer shall have the sole discretion to elect among the methods available to it. All such steps shall be completed no later than the end of the calendar quarter in which such Reinsurance Credit Event occurs.

(b) Notwithstanding anything contained in this Section 9.01 to the contrary, in the event that (i) there is a repeal of or amendment or other modification to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173) that would authorize a Governmental Entity in any jurisdiction of the United States where the Ceding Company is licensed or accredited to transact business to apply the applicable rules for credit for reinsurance in such jurisdiction to the Ceding Company, and (ii) the Ceding Company reasonably determines that it is obligated under applicable Law to comply with such rules in order to receive statutory financial statement credit in any such jurisdiction for the reinsurance provided pursuant to this Agreement, then Section 9.01(a) shall automatically be deemed to be amended without any action by the parties to require that the Reinsurer shall take all steps necessary so as to enable the Ceding Company to obtain full and complete statutory financial statement credit for the reinsurance provided by this Agreement in any such jurisdiction in addition to, and to the same extent as, the Ceding Company Domiciliary State.

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration.

(a) Pursuant to the Administrative Services Agreement, the Administrator shall administer the TPA-Administered Policies and Existing Hedges on behalf of the Ceding Company. In the event of a termination of the Administrative Services Agreement, other than by reason of the termination of this Agreement, the Ceding Company shall delegate the administration of the Reinsured Liabilities in respect of such TPA-Administered Policies to a third-party administrator reasonably acceptable to the Reinsurer. The Ceding Company and such replacement third-party administrator shall enter into an administrative services agreement on substantially similar terms and conditions as the Administrative Services Agreement and pursuant to which such replacement third-party administrator agrees to provide services substantially similar to the services set forth in the Administrative Services Agreement. In the event of any such delegation in accordance with this Section 10.01(a), such replacement shall be the "Administrator" as defined in this Agreement and the new administrative services agreement shall be the "Administrative Services Agreement" as defined in this Agreement. The Ceding Company shall consult with the Reinsurer in good faith prior to any termination of the Administrative Services Agreement.

(b) The Reinsurer hereby acknowledges that the Ceding Company has retained VIAC as the Ceding Company's designee to provide all claims, administrative and other services with respect to the TPA-Administered Policies and Existing Hedges in accordance with the Administrative Services Agreement. The Ceding Company shall not amend or waive any of its rights thereunder that would reasonably be expected to affect the Reinsurer's rights or obligations with respect to the TPA-Administered Policies or the Reinsured Liabilities in respect of such TPA-Administered Policies without the prior written consent of the Reinsurer (such consent not to be unreasonably withheld, conditioned or delayed). Other than pursuant to the Administrative Services Agreement, the Ceding Company shall not outsource any administrative functions with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer, other than (i) any outsourcing of functions to Cognizant Technology Solutions or Cognizant Worldwide Ltd. in effect on the Effective Date and (ii) any other outsourcing of functions other than claims and policy administration in effect on the Effective Date. If the Reinsurer consents to any such outsourcing of any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement other than to VIAC, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

(c) The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services, including applicable reporting under Article VII, with respect to the RLI-Administered Policies. The Ceding Company shall conduct its administration and claims practices with respect to such RLI-Administered Policies (i) with a level of skill, diligence and expertise that would reasonably be expected from experienced and qualified personnel performing such duties in similar circumstances, (ii) in accordance with applicable Law and the terms of such RLI-Administered Policies, and (iii) in a manner at least equal in quality to those used by the Ceding Company with respect to other annuity contracts of the Ceding Company not reinsured by the Reinsurer hereunder.

Section 10.02 The Foreign Account Tax Compliance Act. Both the Reinsurer and the Ceding Company agree to provide all information necessary to comply (or permit the other party to comply) with Sections 1471 – 1474 of the Code, (the "Foreign Account Tax Compliance Act" or "FATCA") and any Treasury Regulations or other guidance issued pursuant thereto, including, without limitation, Forms W-9, Forms W-8BEN-E, and any information necessary for the Reinsurer or the Ceding Company to enter into an agreement described in Section 1471(b) of the Code and to comply with the terms of that agreement or to comply with the terms of any inter-governmental agreements between the United States and any other jurisdictions relating to FATCA. This information shall be provided upon execution of this Agreement, promptly upon reasonable demand by either party and promptly upon learning that any such information previously provided has become obsolete or incorrect.

Section 10.03 Anti-Money Laundering. The Ceding Company has established and will maintain reasonable policies and procedures to comply in all material respects with applicable Laws relating to anti-money laundering and anti-terrorism financing activities including, without limitation, the U.S.A. Patriot Act, the lists promulgated or maintained by the United States Department of Treasury naming specially designated nationals or blocked Persons, and any other Laws that impose sanctions or prohibit or restrict transactions or relations with designated Persons.

Section 10.04 Record-Keeping.

(a) The Ceding Company shall maintain, in accordance with insurance industry standards of insurance record-keeping, all books and records relating to the TPA-Administered Policies, other than the Administration Books and Records.

(b) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the RLI-Administered Policies in accordance with industry standards of insurance record-keeping. In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates.

(c) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the RLI-Administered Policies including associated documentation and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to Article VII shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. Unless the Reinsured Policies are recaptured in accordance with Section 11.02, this Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event of the occurrence of a Recapture Triggering Event with respect to the Reinsurer by promptly providing the Reinsurer or its Authorized Representative with written notice of such recapture, specifying a recapture date (the "Recapture Effective Date").

(c) The Reinsurer may terminate this Agreement and cause the Reinsured Policies to be recaptured in full in the event of a Recapture Triggering Event with respect to the Ceding Company by promptly providing the Ceding Company or its Authorized Representative with written notice of such recapture, specifying a Recapture Effective Date.

Section 11.03 Recapture Payment. In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company), a net accounting and settlement as to any balance due under this Agreement with respect to the TPA-Administered Policies shall be undertaken by the Administrator and a net accounting and settlement as to any balance due under this Agreement with respect to the RLI-Administered Policies shall be undertaken by the Ceding Company, in each case, which calculations shall be as of the Recapture Effective Date. Within fifteen (15) Business Days following the Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth the amount of the Recapture Payment (the "Terminal Accounting Report"). Within three (3) Business Days after the finalization of the Terminal Accounting Report in accordance with Section 11.04, the Reinsurer shall pay to the Ceding Company an amount (the "Recapture Payment") equal to:

(i) the Ceded Reserves, plus

(ii) the amount of the Existing IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the amount of the New Effective Date IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, minus

(iv) solely in the event of a recapture other than pursuant to Section 11.02(c), the Unamortized Ceding Commission;

in each case, as of the Recapture Effective Date and as set forth in the Terminal Accounting Report. The Reinsurer may, at its option, pay the Recapture Payment in cash by wire transfer of immediately available funds or in kind with assets with an aggregate fair market value (determined in accordance with a methodology agreed to by the Ceding Company and the Reinsurer that is substantially similar to the methodology set forth on Schedule IV) equal to such amount.

Section 11.04 Determination of Recapture Payment.

(a) After the receipt by the Ceding Company from the Reinsurer of the Terminal Accounting Report provided for in Section 11.03, and until such time as such report is finalized pursuant to this Section 11.04, the Ceding Company and its authorized representatives shall have, upon prior written notice, reasonable access during normal business hours to the working papers of the Reinsurer relating to such report and the items set forth thereon. The Ceding Company shall have the right to review such report and comment hereon for a period of thirty (30) calendar days after receipt of such report. Any changes in such reports that are agreed to by the parties within such thirty (30) calendar day review period shall be incorporated into a final report. In the event the Ceding Company does not dispute such report within such thirty (30) calendar day review period, such report shall be deemed final.

(b) In the event that a dispute arises regarding any item or items in the Terminal Accounting Report within such thirty (30) calendar day review period, each of the parties shall appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(c) In the event that the officers are unable to resolve such dispute within twenty (20) calendar days, each of the parties shall prepare separate written reports of such item or items remaining in dispute and refer such reports to the Third Party Actuary within ten (10) calendar days after the expiration of such twenty (20) calendar day resolution period.

(d) The Third Party Actuary shall resolve within thirty (30) calendar days the dispute regarding such item or items in Terminal Accounting Report; provided, however, that the dollar amount of each item in dispute shall be determined within the range of dollar amounts proposed by the Ceding Company and the Reinsurer.

(e) The determinations by the Third Party Actuary as to the items in dispute shall be in writing and shall be final and binding on the parties. The fees, costs and expenses of retaining the Third Party Actuary shall be shared equally by the Ceding Company and the Reinsurer.

Section 11.05 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS; INDEMNIFICATION

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

Section 12.02 Administrator Indemnification Obligations. From and after the Effective Date, the Reinsurer shall indemnify and defend the Ceding Company and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, a "Ceding Company Indemnified Party" and collectively, with each other Ceding Company Indemnified Party, the "Ceding Company Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Ceding Company Indemnified Parties directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Administrator under the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (iv) Losses arising from security breaches as described in Section 2.12 of the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (v) any breach or violation of any applicable Law by the Administrator or any of its Affiliates in connection with the Administrative Services Agreement (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Ceding Company, or its permitted designees), or (vi) any enforcement of this indemnity; provided, that such indemnification shall apply only to the extent that such Loss exceeds the Ceding Company Liability Cap.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Consent to Jurisdiction. Each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.05, constitute good, proper and sufficient service thereof.

Section 13.02 Service of Process. The Reinsurer hereby designates the Insurance Commissioner of the Ceding Company Domiciliary State as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.05.

Section 13.03 Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. The liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 DAC Tax Election. The Ceding Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Ceding 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 hereto 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 Ceding 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 2018;

(e) The Reinsurer will submit to the Ceding 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 Ceding Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) calendar days of the Ceding Company's receipt of the Reinsurer's calculation. If the Ceding Company does not so notify the Reinsurer, the Ceding Company will report the amount of net consideration as determined by the Reinsurer in the Ceding Company's tax return for the previous calendar year;

(g) If the Ceding Company contests the Reinsurer's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) calendar days of the date on which the Ceding Company submits its alternative calculation.

Both the Ceding Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

Section 15.03 Tax Treatment. The parties hereto acknowledge and agree that the transaction contemplated by this Agreement constitutes an "applicable asset acquisition" as defined in Section 1060 of the Code and the regulations thereunder. Within thirty (30) calendar days following the Effective Date, the Reinsurer shall deliver a schedule setting forth an allocation of the consideration paid by the Reinsurer for federal income tax purposes among the assets acquired by the Reinsurer pursuant to this transaction. The parties shall negotiate in good faith to resolve any disagreements with respect to such schedule. Each party shall file all tax returns and Form 8594 in a manner consistent with the schedule as ultimately agreed.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Minnesota and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(d), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Ceding Company Domiciliary State SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(e) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

Section 16.02 Covenants of the Ceding Company.

(a) Investigations. To the extent permitted by applicable Law, the Ceding Company shall promptly notify the Reinsurer, in writing, of any and all investigations of the Ceding Company conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that would not otherwise reasonably be expected to adversely affect the performance by the Ceding Company of its obligations under this Agreement in any material respect; provided, however, that the Ceding Company may withhold any notice otherwise required to be delivered pursuant to this Section 16.02(a) to the extent that the delivery thereof to the Reinsurer would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Existence; Conduct of Business. The Ceding Company shall use reasonable best efforts to do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(c) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(d) Governmental Notices. The Ceding Company shall provide the Reinsurer, within [five (5)] Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity and a written summary of any material oral communication with any Governmental Entity, in each case, solely with respect to the RLI-Administered Policies.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement; provided that the Reinsurer may not set off or recoup any such balance or balances against amounts required to be deposited into the Administrative Account pursuant to Section 6.02.

(b) Except as otherwise set forth in Section 17.02(a), the rights provided under this Section 17.02 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.03 No Third-Party Beneficiaries. The Administrator shall be an express third-party beneficiary with respect to Section 5.01. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and, solely with respect to Section 5.01, the Administrator, and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.04 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.05 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.*, FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Annuity & Life Assurance Company
7770 Mills Civic Parkway
West Des Moines, Iowa 50266
Attention: Erik H. Askelsen
Telephone: (515) 342-3160
Email: easkelsen@athene.com

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.05.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.06 Good Faith. Each of the Ceding Company and the Reinsurer hereby covenants and agrees that it shall act in utmost good faith and deal fairly with each other in order to accomplish the objectives of this Agreement; provided, that each party absolutely and irrevocably waives resort to the duty of "utmost good faith" or any similar principle in connection with the formation of this Agreement or the Administrative Services Agreement.

Section 17.07 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to such inspections shall be borne by the Reinsurer.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.08 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.09 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.10 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.11 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 17.12 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.13 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.14 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.15 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the Ceding Company Domiciliary State without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.16 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

RELIASTAR LIFE INSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDER FORMS

[To come]

SCHEDULE II

POLICY EXPENSES

The Policy Expenses with respect to each calendar month shall be an amount equal to [●].[9]

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[9] **Note to Draft**: Parties to discuss.

SCHEDULE III

INITIAL PREMIUM ASSETS

[To come]

SCHEDULE IV

ASSET VALUATION METHODOLOGY

The Fair Market Value of any asset shall be the end-of-day price on the day prior to the closing date of the reinsurance transaction determined in accordance with the following pricing matrix, whereby Security Type is determined by the Ceding Company's "ASSET_CLASS_CATEGORY" classification and "FLAG_AGENCY" field.[10]

ASSET_CLASS_CATEGORY	FLAG_AGENCY	Primary Source	Secondary Source	Tertiary Source	Quaternary Source
ABS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
ABS-FLOATER		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CLO		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMBS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMO-B	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-B	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
COMMERCIAL MORTGAGES		DebtX	Analyst/Trader		
EMD-CORPORATE		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EMD-SOVEREIGN		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EQUITY SECURITIES		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
LIMITED PARTNERSHIPS		NAV Statement	Analyst/Trader		
MUNICIPAL		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PRIVATE-BIG		See Private Placement Process	Analyst/Trader		
PRIVATE-IG		See Private Placement Process	Analyst/Trader		
PUBLIC-BIG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PUBLIC-IG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
SHORT-TERM		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
US TREASURY		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader

Commercial Mortgages shall be priced by DebtX. The Reinsurer will be responsible for requesting Debt X pricing, and the Ceding Company agrees that it shall provide all relevant information and inputs necessary to permit Debt X to price the Commercial Mortgages (DebtX Fields are listed in Schedule A hereto).

Limited Partnerships and similar alternative investments will be valued based on most recent NAV, adjusted for any inflows/outflows since the last reported NAV Statement from the fund. The Ceding Company agrees to provide the most recent NAV Statement and any other Fund correspondence since the date of the most recent NAV Statement to the Reinsurer, where such NAV Statement shall value the investment as of a date no older than 150 calendar days prior to delivery of asset to the Reinsurer.

Private Placements shall be valued consistent with the Ceding Company's internal policies for such assets, provided that the Reinsurer reserves the right to challenge any Private Placement price

[10] These are fields from seriatim holdings file. Data room file 2.5.1 – Single Source by USGAAP Entity RLI SLD VIAC_06302017.

using Brokers quotes from any of SeaPort Global Securities LLC, StoneCastle Securities LLC or J.P. Morgan Securities Inc., and where any such Broker quote is lower than the Ceding Company's price by 3.5 points or more, the parties agree that such Broker quote shall be used as the value for such asset in lieu of the Ceding Company's price for such asset. In cases where a Broker may provide a spread in lieu of a price with respect to a Private Placement, such spread shall be converted to a price by applying such spread to the interpolated U.S. Treasury curve[11] as of close of business on the Business Day before the Effective Date.

Any position which is valued via the Analyst/Trader protocol shall be valued by the Ceding Company, consistent with the Ceding Company's valuation policy. The Ceding Company agrees to provide the Reinsurer documentation supporting such valuation, including valuation methodology, inputs and assumptions and any other information necessary for the Reinsurer to re-perform the measurement, and to the extent that there are differences, the parties agree in good faith to come to an agreed-upon valuation.

Additionally, the Ceding Company shall also agree to provide any valuation source with all information reasonably required by such valuation source to price any of the assets.

For any asset for which the Ceding Company would normally use a pricing service (the "Ceding Company Pricing Service") that is different from the pricing service to be used hereunder (the "Reinsurer Pricing Service"), the Ceding Company reserves the right to challenge the price provided by the Reinsurer Pricing Service by directly presenting such challenge to the Reinsurer Pricing Service. In the event that (i) the Reinsurer Pricing Service accepts the Ceding Company's challenge, and (ii) the accepted challenge results in a change to the challenged price of 3.5 points or more, the price determined pursuant to such challenge process shall be used to value the asset.

[11] Daily treasury rate published online by the U.S. Treasury Department (treasury.gov).

SCHEDULE A – DEBTX FIELDS

As Of Date

Loan Number

Original Loan Date

Current Loan Amount

Maturity Date

Modified Loan

Modified Loan Date

Modified Loan Amount

Unpaid Principal Balance

Rate Type

Payment Amount

Next Payment Due Date

Paid Through Date

Balloon Date

Balloon Payment

Percent Owned

Lien Position

Borrower Name

Property Name

Property Address

Property City

Property State

Property Zip Code

Remaining Future Funding

Total Maturity Balance

Type of Jr Lien Allowed

Jr Lien Balance

Margin

Initial Rate Cap

Lifetime Rate Floor

Rate Adjustment Frequency

First Interest Rate Adjustment Date

Prepayment Penalty Type

Prepayment Penalty Term

Prepayment Penalty Structure

Call Feature

Call Frequency

Next Call Date

Origination Amortization Term- Months

Original Stated Term- Balloon Term

Interest Period

I/OConverts P&I- Amort Schedule

Current Property Value As of Date

Current LTV

Current Property Value

Current Property Value Source

Current LTV Combined

Property Type

Single Tenant

Tenant Name

Ground Lease

Recourse To Borrower

Guaranty Type

Credit Tenant/Tenant Lease

Current Net Cash Flow Reserve

Current Net Cash Flow

Occupancy Percentage

As of Date for Occupancy

Current NOI

Current NOI Date

Current DSCR Source

Debt Reserve Services

Current DSCR

Current DSCR- As of Date

Cross Default

Crossed Loan Number

Current Interest Rate

Payment Structure

Original Appraised Value

Original Appraised Value Source

Orig LTV

Orig LTVCombined

Prior Liens

Interest Accrual Basis

ARM Index

ARM Next Rate Change Date

Initial Maturity Date

Lockout Provision

Lockout End Date

SCHEDULE V

EXISTING HEDGES

[To come]

EXHIBIT A

<u>RLI DAILY ACCOUNTING REPORT</u>

[To come]

EXHIBIT B

RLI WEEKLY ACCOUNTING REPORT

[To come]

EXHIBIT C

RLI MONTHLY ACCOUNTING REPORT

[To come]

EXHIBIT D

RLI-ADMINISTERED POLICIES REPORT/SERIATIM INFORMATION FIELDS

[To come]

EXHIBIT E-4

Form of RLI FA Business Modified Coinsurance Agreement

[See attached.]

EXHIBIT E-4

MODIFIED COINSURANCE AGREEMENT (SEPARATE ACCOUNT FA BUSINESS)

between

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

and

RELIASTAR LIFE INSURANCE COMPANY

effective as of [●]

Treaty Number [●]

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Schedules

Exhibits

MODIFIED COINSURANCE AGREEMENT (SEPARATE ACCOUNT FA BUSINESS)

This MODIFIED COINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between ReliaStar Life Insurance Company, an insurance company organized under the Laws of the State of Minnesota (the "Ceding Company"), and Athene Annuity & Life Assurance Company, a reinsurance company organized under the Laws of Delaware (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd. ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller"), the ultimate parent of the Ceding Company, have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer"), will purchase, all of the issued and outstanding shares of common stock of Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa ("VIAC");

WHEREAS, in connection with the closing of the sale of VIAC to [●], the Ceding Company and the Reinsurer, an indirect wholly owned subsidiary of AHL, wish to enter into a modified coinsurance transaction with respect to certain separate account fixed indexed annuity business of the Ceding Company;

WHEREAS, the Ceding Company and VIAC have entered into that certain Administrative Services Agreement, dated as of [●] (the "Administrative Services Agreement"), pursuant to which VIAC has agreed to perform certain administrative services with respect to the Reinsured Policies (as defined below); and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a modified coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Administration Books and Records" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Account" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Services Agreement" shall have the meaning specified in the Recitals hereto.

"Administrator" shall mean VIAC, in its capacity as the administrator pursuant to the Administrative Services Agreement or any successor appointed in accordance with Section 10.01(a).

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Applicable Tax Gross-Up Percentage" shall mean, one minus the highest federal tax rate applicable to United States corporations as of the Effective Date or, in the event of a recapture pursuant to Section 11.02, the Recapture Effective Date.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in New York, New York or Wilmington, Delaware.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Ceding Company Domiciliary State" means the State of Minnesota, or, if the Ceding Company changes its state of domicile to another state within the United States, such other state.

"Ceding Company Domiciliary State SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Ceding Company Domiciliary State consistently applied by the Ceding Company.

"Ceding Company Extra-Contractual Obligations" shall mean Extra-Contractual Obligations (a) caused by, arising from or related to any act, error or omission prior to the Effective Date or (b) arising on or after the Effective Date to the extent caused by, arising from or related to any act of, or failure to act by, the Ceding Company or any of its Affiliates (for the avoidance of doubt, excluding the Administrator) following the Effective Date, other than actions taken by the Ceding Company to implement the Reinsurer's recommendations with respect to the Non-Guaranteed Elements.

"Ceding Company Indemnified Party" and "Ceding Company Indemnified Parties" shall have the meaning specified in Section 12.02.

"Ceding Company Liability Cap" shall have the meaning assigned to such term in the Administrative Services Agreement.

"Custody Account" shall have the meaning specified in Section 8.01(a).

"Daily Accounting Report" shall have the meaning specified in the Administrative Services Agreement.

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated RLI Required SA Business Initial Premium" shall have the meaning specified in Section 3.02(c).

"Excluded Liabilities" shall mean (a) all Ceding Company Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing by the Reinsurer or made by the Administrator, and (c) any *ex gratia* payments made by the Ceding Company (for the avoidance of doubt, other than *ex gratia* payments made by the Administrator or approved in writing by the Reinsurer).

"Existing Hedge Proceeds" shall have the meaning specified in Section 9.01(a).

"Existing Hedges" shall mean those derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies set forth on Schedule III, to the extent that such derivatives and other hedges remain in full force and effect as of the Effective Date.[1]

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Ceding Company Domiciliary State SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations arising out of or relating to the Reinsured Policies (other than liabilities or obligations arising under the express terms and conditions, and within the applicable policy limits, of the Reinsured Policies), including

[1] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages, as well as all legal fees and expenses relating thereto, including the costs of any settlement or arbitration award, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise (actual or alleged) arising out of or relating to the Reinsured Policies, including (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation in respect of taxes.

"Foreign Account Tax Compliance Act" or "FATCA" shall have the meaning specified in Section 10.02.

"Governmental Entity" shall mean 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.

"IMR" shall mean the interest maintenance reserve relating to the Reinsured Liabilities, determined in accordance with Ceding Company Domiciliary State SAP, consisting of the after-tax unamortized deferred gains and losses in respect of the assets maintained in the Modco Account.

"Initial Modco Assets" shall have the meaning specified in Section 3.02(b).

"Investment Management Agreement" shall have the meaning specified in Section 8.03.

"Investment Manager" shall have the meaning specified in Section 8.03.

"Law" shall mean any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Entity pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"Loss" and "Losses" shall have the meaning set forth in the Administrative Services Agreement.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Modco Account" shall have the meaning specified in Section 8.01(a).

"Modco Adjustment" shall mean, as of any date of determination, an amount equal to (a) the Modco Reserves as of such date, plus (b) the IMR as of such date, minus (c) the Statutory Carrying Value of the assets maintained in the Modco Account as of such date.

"Modco Excess Withdrawals" shall have the meaning specified in Section 8.01(b).

"Modco Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Monthly Funding Amount" shall mean an amount sufficient to increase the balance in the Administrative Account to an amount estimated in good faith by the Reinsurer to be required to pay amounts payable by the Administrator under the terms of the Administrative Services Agreement in respect of the Reinsured Liabilities during the immediately following month, not to exceed $[●][2] per month.

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Ceding Company Domiciliary State SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Ceding Company Domiciliary State SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"Non-Guaranteed Elements" shall have the meaning specified in Section 2.05.

"Non-Public Personal Information" shall have the meaning specified in Section 17.08(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

"Permitted Assets" shall mean (a) cash and any securities or other assets qualifying as admitted assets of the Ceding Company under the applicable Laws of the State of domicile of the Ceding Company, applying all applicable qualitative and quantitative limitations as though the Modco Account is a stand-alone life insurance company domiciled in the Ceding Company Domiciliary State, and (b) the Existing Hedges.

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

[2] **Note to Draft**: Parties to discuss based on monthly claims projections.

"Producer" shall mean any agent, broker, producer, distributor or representative who solicited, sold, marketed, produced or serviced any of the Reinsured Policies.

"Proprietary Information" shall have the meaning specified in Section 17.08(a).

"Quarterly Accounting Report" shall have the meaning specified in the Administrative Services Agreement.

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall have the meaning specified in Section 11.02(b).

"Recapture Triggering Event" shall mean,

(a) with respect to the Reinsurer, any of the following occurrences:

(i) there has been a failure by the Reinsurer to pay any undisputed amounts due hereunder to the Ceding Company or the Administrator and such breach has not been cured within thirty (30) calendar days after the Reinsurer's receipt of written notice thereof from the Ceding Company; or

(ii) the Reinsurer has been placed into liquidation, rehabilitation, conservation, supervision, receivership or similar proceedings (whether voluntary or involuntary), or there has been instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or assume control of its operations; and

(b) with respect to the Ceding Company, a failure by the Ceding Company to pay any undisputed amounts due hereunder to the Reinsurer and such breach has not been cured within thirty (30) calendar days after the Ceding Company's receipt of written notice thereof from the Reinsurer.

"Reinsurance Premiums" shall mean the Quota Share of the premiums, policy loan principal and interest payments, and other fees, amounts, payments, collections and recoveries received by the Ceding Company or collected by the Administrator with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of:

(a) all liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations, policy loans, dividends and any other contractual benefits under the Reinsured Policies;

(b) all claims expenses, including litigation expenses, to the extent incurred at or after the Effective Date by the Ceding Company and relating to the Reinsured Liabilities, other than such expenses incurred by the Ceding Company in connection with the exercise by the Ceding Company of its participation rights under Article V of the Administrative Services Agreement;

(c) all liabilities arising out of or resulting from changes to the terms and conditions of the Reinsured Policies made by the Administrator or agreed to in writing by the Reinsurer or mandated by applicable Law;

(d) all commissions and other compensation payable with respect to premium paid on or after the Effective Date under the Reinsured Policies to or for the benefit of Producers;

(e) all contractual benefits arising under the Reinsured Policies payable to a Governmental Entity pursuant to any applicable escheat or unclaimed property law;

(f) all premium taxes and guaranty fund assessments payable by the Ceding Company with respect to premium paid on or after the Effective Date under the Reinsured Policies; and

(g) the Reinsurer Extra-Contractual Obligations;

provided, that in no event shall “Reinsured Liabilities” include any Excluded Liabilities.

“Reinsured Policies” shall mean (a) all separate account fixed indexed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any rider forms that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, and (b) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) above.

“Reinsurer” shall have the meaning specified in the Preamble hereto.

“Reinsurer Extra-Contractual Obligations” shall mean all Extra-Contractual Obligations other than Ceding Company Extra-Contractual Obligations.

“RLI Ceding Commission” shall have the meaning specified in the Master Agreement.

“RLI SA Business Ceding Commission” shall mean $[●], being the portion of the RLI Ceding Commission allocated by the parties to this Agreement.

“RLI Required SA Business Initial Premium” shall have the meaning specified in Section 3.02(a).

“Seller” shall have the meaning specified in the Recitals hereto.

"Separate Account" shall mean the separate account in which assets are maintained by the Ceding Company to support the Ceding Company's payment obligations with respect to the Reinsured Policies.[3]

"Service Fees" shall have the meaning specified in the Administrative Services Agreement.

"Statutory Carrying Value" shall mean, with respect to any asset, as of the relevant date of determination, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Ceding Company Domiciliary State SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03.

"Third Party Actuary" shall mean a nationally recognized accounting or actuarial firm mutually agreed upon by the parties hereto; provided, that if the parties are unable to mutually agree, they shall jointly request the President of the Society of Actuaries to appoint, within ten (10) Business Days from the date of such request, a nationally recognized accounting or actuarial firm with actuarial expertise independent of both the Ceding Company and the Reinsurer and their respective Affiliates to serve as the Third Party Actuary. In the event that the President of the Society of Actuaries declines to so make such appointment, the parties shall jointly request the American Arbitration Association to make such appointment.

"Treasury Regulations" shall mean all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the RLI SA Business Ceding Commission, multiplied by (b)(i) the Modco Reserves as of the Recapture Effective Date, divided by (ii) the Modco Reserves as of the Effective Date.

"VIAC" shall have the meaning specified in the Recitals hereto.

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) 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 and vice versa.

[3] **Note to Draft**: To be confirmed whether there is more than one separate account.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement, the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure, on a modified coinsurance basis, the Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement, the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies. Without limiting the Reinsurer's rights under the Administrative Services Agreement, the Reinsurer acknowledges that the Administrator will make decisions with respect to the payment of Reinsured Liabilities under the Administrative Services Agreement, which decisions will be binding on the Reinsurer. In addition, the Reinsurer shall comply with the provisions of the Administrative Services Agreement applicable to it.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any terminations, amendments, modifications or waivers made by the Ceding Company in violation of Section 2.02(a) shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Reinsurer shall be entitled to all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. From and after the Effective Date, the Ceding Company shall establish all contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies (the "Non-Guaranteed Elements"); provided, that the Reinsurer shall be permitted to provide recommendations regarding the Non-Guaranteed Elements and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered on a targeted basis to policy owners of the Reinsured Policies in which a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them that is not reinsured under this Agreement. Notwithstanding the foregoing, but subject to Section 5.15 of the Master Agreement, neither the Ceding Company nor its Affiliates shall be prohibited from maintaining for issuance any existing products of the Ceding Company or its Affiliates that are offered to their respective clients generally or any products that are developed and offered generally by the Ceding Company or its Affiliates not specifically directed to the policyholders of the Reinsured Policies nor shall the Ceding Company or any of its Affiliates be prohibited from engaging in general solicitation or marketing efforts not targeted at policy owners of the Reinsured Policies.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer to develop and implement a conservation or policyholder outreach program with respect to the Reinsured Policies, at the sole expense of the Reinsurer.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the IMR shall be ceded to the Reinsurer and maintained in the Modco Account.

Section 2.10 Acts of the Administrator. Notwithstanding any provision of this Agreement to the contrary, no act or failure to act by the Administrator shall be considered the act or failure to act by the Ceding Company for any purpose of this Agreement unless such act or failure to act is at the written direction of the Ceding Company.

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of the RLI Required SA Business Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the RLI Required SA Business Initial Premium shall be payable in accordance with Section 7.05 and the Administrative Services Agreement.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall allocate to the Modco Account Permitted Assets, including the Existing Hedges, with an aggregate Statutory Carrying Value as of the Effective Date equal to the initial premium (the "RLI Required SA Business Initial Premium"), which shall equal:

(i) the Modco Reserves as of the Effective Date, plus

(ii) the Existing IMR,[4] divided by the Applicable Tax Gross-Up Percentage, minus

(iii) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto.

(b) A list of the Permitted Assets to be so deposited (the "Initial Modco Assets"), including the Statutory Carrying Value of each such asset as of the Effective Date, is set forth on Schedule II attached hereto.

[4] **Note to Draft**: If the Existing IMR is negative, it would reduce the Initial Premium.

(c) The amount of the RLI Required SA Business Initial Premium allocated to the Modco Account on the Effective Date (such estimated amount, the "Estimated RLI Required SA Business Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(d) The Estimated RLI Required SA Business Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement. Any such adjustment shall be promptly deposited into or withdrawn from the Modco Account, as applicable, by the Ceding Company.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Ceding Company shall pay to the Reinsurer the absolute value of the RLI SA Business Ceding Commission on the Effective Date.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Service Fees. The Reinsurer shall pay directly to the Administrator, on behalf of the Ceding Company, all Service Fees payable to the Administrator pursuant to the Administrative Services Agreement.

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Payment of Reinsured Liabilities. In accordance with the terms of the Administrative Services Agreement, the Administrator shall pay, without duplication, directly on a gross basis, all Reinsured Liabilities. The Reinsurer's obligations with respect to the Reinsured Liabilities shall be satisfied to the extent of any direct payments of the Reinsured Liabilities by the Administrator pursuant to the Administrative Services Agreement.

Section 6.02 Funding of the Administrative Account. Within [●] Business Days following the end of each calendar month, the Ceding Company shall cause to be transferred from the Modco Account sufficient funds such that, following such deposit, the balance of the Administrative Account is no less than the applicable Monthly Funding Amount.[5] Upon receipt of written notice from the Administrator that additional funds are required to pay Reinsured Liabilities, the Ceding Company shall, within [●] Business Days following receipt of such notice, cause to be transferred from the Modco Account into the Administrative Account such additional funds; provided, however, that (a) the aggregate funds transferred from the Modco Account into the Administrative Account in any given calendar month shall not exceed $[●]. To the extent

[5] **Note to Draft**: If this Modco Agreement is used, then the Administrative Account will be an account owned by RLI.

additional transfers of funds are required into the Administrative Account above $[●] in any given month or there are insufficient funds in the Modco Account to satisfy any transfer into the Administrative Account required pursuant to this Section 6.02, then, upon receipt of written notice thereof, the Reinsurer shall deposit into the Administrative Account such additional funds or the amount of such deficiency, as applicable.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting. Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the Reinsured Policies which the Reinsurer reasonably requires in order to complete its financial statements and is readily available to the Ceding Company.

Section 7.02 Reinsurer Reporting. Without limiting the Ceding Company's right to dispute any such calculations, the Ceding Company acknowledges and agrees that the Reinsurer shall calculate the Modco Reserves and the IMR for purposes of this Agreement.[6] Within [●] Business Days following the end of each calendar quarter and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company and the Administrator a report setting forth (i) the Modco Reserves, determined on a *seriatim* basis, and (ii) the IMR, in each case, as of the end of such calendar quarter or such Recapture Effective Date, as applicable.

Section 7.03 Mutual Reporting. Each party shall provide written notice to the other party of the occurrence of any Recapture Triggering Event with respect to the disclosing party within five (5) Business Days learning of any such occurrence. In addition, each party shall promptly respond to the other party's reasonable inquiries from time to time concerning the determination of whether a Recapture Triggering Event has occurred with respect to the responding party.

Section 7.04 Reports by the Administrator. The Administrator shall provide to the Ceding Company and the Reinsurer periodic accounting and other reports with respect to the Reinsured Policies as specified in the Administrative Services Agreement.

Section 7.05 Settlements.

(a) Except as otherwise set forth herein or in the Administrative Services Agreement, on an ongoing basis (i) amounts owed hereunder by the Reinsurer to the Ceding Company shall be settled through the direct payment of Reinsured Liabilities by the Administrator under the Administrative Services Agreement, and (ii) amounts owed hereunder by the Ceding Company to the Reinsurer shall be settled through the direct collection of such amounts by the Administrator and payment of such amounts to the Modco Account or the Reinsurer under the Administrative Services Agreement.

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[6] **Note to Draft**: Athene may require the Administrator to perform reserve calculations for a specified transitional period before taking over this function.

(b) Modco Adjustments shall be payable each calendar quarter as follows:

(i) if the Modco Adjustment is positive, then the Reinsurer shall pay to the Ceding Company for immediate deposit into the Modco Account such positive amount no later than five (5) Business Days after the receipt by the Reinsurer of the applicable Quarterly Accounting Report; and

(ii) if the Modco Adjustment is negative, then, on the date of delivery of the Quarterly Accounting Report to the Reinsurer, the Ceding Company shall withdraw assets with a Statutory Carrying Value equal to the absolute value of such negative amount from the Modco Account and pay the absolute value of such negative amount to the Reinsurer.

ARTICLE VIII

MODCO ACCOUNT

Section 8.01 Modco Account.

(a) As of the Effective Date, the Ceding Company shall establish a modified coinsurance account (the "Modco Account") on the books and records of the Ceding Company. Permitted Assets allocated to the Modco Account shall be maintained in the Separate Account and shall be deposited by the Ceding Company into a custody account maintained by the Ceding Company at [●] (the "Custody Account"), pursuant to the Custody Agreement attached as Exhibit A hereto. The Modco Account and the Permitted Assets maintained therein will be owned and maintained by the Ceding Company and will be used exclusively for the purposes set forth in this Agreement. The assets maintained in the Modco Account shall be invested in and consist only of Permitted Assets, and the Permitted Assets shall be valued, for the purposes of this Agreement, according to their Statutory Carrying Value.

(b) The Ceding Company shall have the right to withdraw assets from the Modco Account at fair market value to the extent the Reinsurer fails to pay any undisputed amount due to the Ceding Company under this Agreement. The Ceding Company shall promptly return to the Modco Account any assets withdrawn by the Ceding Company or its Affiliates in excess of the actual amounts payable from the Modco Account hereunder ("Modco Excess Withdrawals"). The Ceding Company shall also pay interest on any Modco Excess Withdrawals at a rate equal to six percent (6%) per annum, calculated on a 30/360 basis from and including the date of withdrawal to but excluding the date on which the Modco Excess Withdrawal is returned to the Modco Account. Any Modco Excess Withdrawals shall be held by the Ceding Company or any successor in interest of the Ceding Company in trust for the benefit of the Reinsurer and shall at all times be maintained separate and apart from any assets of the Ceding Company or its designee, for the sole purposes described herein.

(c) Determinations of statutory impairments of assets maintained in the Modco Account shall be made by the Ceding Company and shall be (i) based upon the statutory rules and guidelines and the impairment policy used by the Ceding Company and its auditors for purposes of calculating statutory impairments reflected in the Ceding Company's statutory financial statements and (ii) subject to consultation between the Reinsurer and the Ceding Company. The Ceding Company shall promptly notify the Reinsurer in writing if the Ceding Company determines that any assets maintained in the Modco Account have become impaired for purposes of determining Statutory Carrying Value. Such notice shall describe any such assets, the reason for the impairment and the effect on Statutory Carrying Value of such assets.

(d) The Reinsurer shall bear the administrative costs and expenses related to the establishment and maintenance of the Modco Account, including the fees of [●], as custodian of the Custody Account, and the fees of any investment manager appointed pursuant to Section 8.03 (including any sub-investment manager appointed in accordance with the Investment Management Agreement). The Ceding Company shall, or shall cause the Administrator to, promptly forward to the Reinsurer any invoice it receives relating to such costs and expenses.

(e) The performance of the assets maintained in the Modco Account, including of all investment income, capital gains or losses, defaults and/or statutory impairments, will inure to the sole benefit or cost of the Reinsurer. Each such item shall be determined in accordance with Ceding Company Domiciliary State SAP. Investment income and realized capital gains and losses shall be allocated to the Modco Account.

Section 8.02 Credit for Reinsurance. The Ceding Company shall own the Modco Account and the assets maintained therein, and the Reinsurer will not be required to provide reserve credit in respect of the Reinsured Liabilities ceded hereunder on a modified coinsurance basis.

Section 8.03 Investment Management. Pursuant to an investment management agreement, substantially in the form attached as Exhibit B hereto (the "Investment Management Agreement"),[7] the Ceding Company shall appoint Athene Asset Management, L.P. as investment manager to provide investment management services with respect to the assets maintained in the Modco Account (the "Investment Manager"). The Ceding Company shall not amend, modify or change the terms of the Investment Management Agreement, including the investment guidelines attached as an exhibit thereto, or remove or replace the Investment Manager without the prior written consent of the Reinsurer or for cause in accordance with the terms of such agreement. In the event that the Investment Manager is removed or resigns, the Ceding Company shall appoint a replacement investment manager reasonably acceptable to the Reinsurer. The replacement investment manager shall accept its appointment by entering into an investment management agreement in a form acceptable to the Ceding Company and the Reinsurer, and substantially similar to the Investment Management Agreement.

[7] **Note to Draft**: Form of IMA to be negotiated prior to closing.

ARTICLE IX

HEDGING

Section 9.01 Existing Hedges.

(a) The Ceding Company hereby assigns to the Reinsurer, as of the Effective Date, a fractional interest in the gross proceeds in respect of all Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant hedge counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant hedge counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto.

(b) Any Existing Hedge Proceeds shall be attributed to the Modco Account and reflected in the applicable Daily Accounting Report. The Administrator shall collect and deposit into the Modco Account such Existing Hedge Proceeds in accordance with the terms of the Administrative Services Agreement.

(c) Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration.

(a) Pursuant to the Administrative Services Agreement, the Administrator shall administer the Reinsured Policies, the Separate Account and Existing Hedges on behalf of the Ceding Company. In the event of a termination of the Administrative Services Agreement, other than by reason of the termination of this Agreement, the Ceding Company shall delegate the administration of the Reinsured Liabilities to a third-party administrator reasonably acceptable to the Reinsurer. The Ceding Company and such replacement third-party administrator shall enter into an administrative services agreement on substantially similar terms and conditions as the Administrative Services Agreement and pursuant to which such replacement third-party administrator agrees to provide services substantially similar to the services set forth in the Administrative Services Agreement. In the event of any such delegation in accordance with this Section 10.01(a), such replacement shall be the "Administrator" as defined in this Agreement and the new administrative services agreement shall be the "Administrative Services Agreement" as defined in this Agreement. The Ceding Company shall consult with the Reinsurer in good faith prior to any termination of the Administrative Services Agreement.

(b) The Reinsurer hereby acknowledges that the Ceding Company has retained VIAC as the Ceding Company's designee to provide all claims, administrative and other services with respect to the Reinsured Policies and the Existing Hedges in accordance with the Administrative Services Agreement. The Ceding Company shall not amend or waive any of its rights thereunder that would reasonably be expected to affect the Reinsurer's rights or obligations with respect to the Reinsured Policies or the Reinsured Liabilities without the prior written consent of the Reinsurer (such consent not to be unreasonably withheld, conditioned or delayed). Other than pursuant to the Administrative Services Agreement, the Ceding Company shall not outsource any administrative functions with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer, other than any outsourcing of functions other than (i) any outsourcing of functions to Cognizant Technology Solutions or Cognizant Worldwide Ltd. in effect on the Effective Date and (ii) any other outsourcing of claims and policy administration in effect on the Effective Date. If the Reinsurer consents to any such outsourcing of any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement other than to VIAC, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

Section 10.02 The Foreign Account Tax Compliance Act. Both the Reinsurer and the Ceding Company agree to provide all information necessary to comply (or permit the other party to comply) with Sections 1471 – 1474 of the Code, (the "Foreign Account Tax Compliance Act" or "FATCA") and any Treasury Regulations or other guidance issued pursuant thereto, including, without limitation, Forms W-9, Forms W-8BEN-E, and any information necessary for the Reinsurer or the Ceding Company to enter into an agreement described in Section 1471(b) of the Code and to comply with the terms of that agreement or to comply with the terms of any inter-governmental agreements between the United States and any other jurisdictions relating to FATCA. This information shall be provided upon execution of this Agreement, promptly upon reasonable demand by either party and promptly upon learning that any such information previously provided has become obsolete or incorrect.

Section 10.03 Anti-Money Laundering. The Ceding Company has established and will maintain reasonable policies and procedures to comply in all material respects with applicable Laws relating to anti-money laundering and anti-terrorism financing activities including, without limitation, the U.S.A. Patriot Act, the lists promulgated or maintained by the United States Department of Treasury naming specially designated nationals or blocked Persons, and any other Laws that impose sanctions or prohibit or restrict transactions or relations with designated Persons.

Section 10.04 Record-Keeping. The Ceding Company shall maintain, in accordance with insurance industry standards of insurance record-keeping, all books and records relating to the Reinsured Policies, other than Administration Books and Records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. Unless the Reinsured Policies are recaptured in accordance with Section 11.02, this Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event of the occurrence of a Recapture Triggering Event with respect to the Reinsurer by promptly providing the Reinsurer or its Authorized Representative with written notice of such recapture, specifying a recapture date (the "Recapture Effective Date").

(c) The Reinsurer may terminate this Agreement and cause the Reinsured Policies to be recaptured in full in the event of a Recapture Triggering Event with respect to the Ceding Company by promptly providing the Ceding Company or its Authorized Representative with written notice of such recapture, specifying a Recapture Effective Date.

Section 11.03 Recapture Payment. In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company), a net accounting and settlement as to any balance due under this Agreement shall be undertaken by the Administrator, which calculations shall be as of the Recapture Effective Date. Within [●] Business Days following the Recapture Effective Date, the Administrator shall deliver to the Ceding Company and the Reinsurer a final Monthly Accounting Report and Quarterly Accounting Report, each as of the Recapture Effective Date (collectively, the "Terminal Accounting Report"). Within three (3) Business Days after the finalization of the Terminal Accounting Report in accordance with Section 11.04, (a) the final net settlement amount and final Modco Adjustment set forth in such Terminal Accounting Report shall be paid, (b) in the event of a recapture other than pursuant to Section 11.02(c), the Reinsurer shall pay to the Ceding Company an amount equal to the Unamortized Ceding Commission in cash by wire transfer of immediately available funds, and (c) thereafter, all assets in the Modco Account shall be released to the Ceding Company.

Section 11.04 Determination of Final Terminal Accounting Report.

(a) After the receipt by the Ceding Company and the Reinsurer from the Administrator of the Terminal Accounting Report provided for in Section 11.03, and until such time as such report is finalized pursuant to this Section 11.04, each of the Ceding Company and the Reinsurer and their respective authorized representatives shall have, upon prior written notice, reasonable access during normal business hours to the working papers of the other party and the Administrator relating to such report and the items set forth thereon. Each of the Ceding Company and the Reinsurer shall have the right to review such report and comment hereon for a period of thirty (30) calendar days after receipt of such report. Any changes in such reports that are agreed to by the parties within such thirty (30) calendar day review period shall be incorporated into a final report. In the event neither the Ceding Company nor the Reinsurer disputes such report within such thirty (30) calendar day review period, such report shall be deemed final.

(b) In the event that a dispute arises regarding any item or items in the Terminal Accounting Report within such thirty (30) calendar day review period, each of the parties shall appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(c) In the event that the officers are unable to resolve such dispute within twenty (20) calendar days, each of the parties shall prepare separate written reports of such item or items remaining in dispute and refer such reports to the Third Party Actuary within ten (10) calendar days after the expiration of such twenty (20) calendar day resolution period.

(d) The Third Party Actuary shall resolve within thirty (30) calendar days the dispute regarding such item or items in Terminal Accounting Report; provided, however, that the dollar amount of each item in dispute shall be determined within the range of dollar amounts proposed by the Ceding Company and the Reinsurer.

(e) The determinations by the Third Party Actuary as to the items in dispute shall be in writing and shall be final and binding on the parties. The fees, costs and expenses of retaining the Third Party Actuary shall be shared equally by the Ceding Company and the Reinsurer

Section 11.05 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS; INDEMNIFICATION

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

Section 12.02 Administrator Indemnification Obligations. From and after the Effective Date, the Reinsurer shall indemnify and defend the Ceding Company and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, a "Ceding Company Indemnified Party" and collectively, with each other Ceding Company Indemnified Party, the "Ceding Company Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Ceding Company Indemnified Parties directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Administrator under the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (iv) Losses arising from security breaches as described in Section 2.12 of the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (v) any breach or violation of any applicable Law by the Administrator or any of its Affiliates in connection with the Administrative Services Agreement (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Ceding Company, or its permitted designees), or (vi) any enforcement of this indemnity; provided, that such indemnification shall apply only to the extent that such Loss exceeds the Ceding Company Liability Cap.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Consent to Jurisdiction. Each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.05, constitute good, proper and sufficient service thereof.

Section 13.02 Service of Process. The Reinsurer hereby designates the Insurance Commissioner of the Ceding Company Domiciliary State as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.05.

Section 13.03 Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. The liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 DAC Tax Election. The Ceding Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Ceding 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 hereto 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 Ceding 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 2018;

(e) The Reinsurer will submit to the Ceding 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 Ceding Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) calendar days of the Ceding Company's receipt of the Reinsurer's calculation. If the Ceding Company does not so notify the Reinsurer, the Ceding Company will report the amount of net consideration as determined by the Reinsurer in the Ceding Company's tax return for the previous calendar year;

(g) If the Ceding Company contests the Reinsurer's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) calendar days of the date on which the Ceding Company submits its alternative calculation.

Both the Ceding Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

Section 15.03 Tax Treatment. The parties hereto acknowledge and agree that the transaction contemplated by this Agreement constitutes an "applicable asset acquisition" as defined in Section 1060 of the Code and the regulations thereunder. Within thirty (30) calendar days following the Effective Date, the Reinsurer shall deliver a schedule setting forth an allocation of the consideration paid by the Reinsurer for federal income tax purposes among the assets acquired by the Reinsurer pursuant to this transaction. The parties shall negotiate in good faith to resolve any disagreements with respect to such schedule. Each party shall file all tax returns and Form 8594 in a manner consistent with the schedule as ultimately agreed.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Minnesota and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or

(iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(d), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Ceding Company Domiciliary State SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(e) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(f) Separate Account. The Separate Account has been maintained in all material respects in accordance with applicable Law. No plan of operations with respect to the Separate Account was required to be filed and approved by any Governmental Entity.

Section 16.02 Covenants of the Ceding Company.

(a) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(b) Restrictions on Liens. The Ceding Company shall not create, incur, assume or suffer to exist any liens on the assets in the Modco Account, including the Existing Hedges (whether owned on the date of this Agreement or hereafter acquired), or on any interest therein or the proceeds thereof.

(c) Plan of Operations. The Ceding Company shall not establish, amend or otherwise modify any plan of operations with respect to the Separate Account without the prior written approval of the Reinsurer.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement; provided that the Reinsurer may not set off or recoup any such balance or balances against amounts required to be deposited into the Administrative Account pursuant to Section 6.02.

(b) Except as otherwise set forth in Section 17.02(a), the rights provided under this Section 17.02 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.03 No Third-Party Beneficiaries. The Administrator shall be an express third-party beneficiary with respect to Section 5.01. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and, solely with respect to Section 5.01, the Administrator, and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.04 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.05 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.,* FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Annuity & Life Assurance Company
7770 Mills Civic Parkway
West Des Moines, Iowa 50266
Attention: Erik H. Askelsen
Telephone: (515) 342-3160
Email: easkelsen@athene.com

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.05.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.06 Good Faith. Each of the Ceding Company and the Reinsurer hereby covenants and agrees that it shall act in utmost good faith and deal fairly with each other in order to accomplish the objectives of this Agreement; provided, that each party absolutely and irrevocably waives resort to the duty of "utmost good faith" or any similar principle in connection with the formation of this Agreement or the Administrative Services Agreement.

Section 17.07 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges, the Separate Account, the assets maintained in the Modco Account or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to such inspections shall be borne by the Reinsurer.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.08 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.09 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.10 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.11 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 17.12 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.13 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.14 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.15 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the Ceding Company Domiciliary State without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.16 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

RELIASTAR LIFE INSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDER FORMS

[To come]

SCHEDULE II

INITIAL MODCO ASSETS

[To come]

SCHEDULE III

EXISTING HEDGES

[To come]

EXHIBIT A

CUSTODY AGREEMENT

[To come]

EXHIBIT B

INVESTMENT MANAGEMENT AGREEMENT

[To come]

EXHIBIT F-1

Form of Recapture and Termination Agreement (Canada Life)

[See attached.]

EXHIBIT F-1

FORM OF RECAPTURE AND TERMINATION AGREEMENT

This RECAPTURE AND TERMINATION AGREEMENT (this "Agreement") is entered into on [________] by and between Voya Insurance and Annuity Company (f/k/a ING USA Annuity and Life Insurance Company), an insurance company organized under the laws of the State of Iowa (the "Ceding Company"), and The Canada Life Assurance Company, a Canadian insurance company, on behalf of its U.S. branch in the State of Michigan (the "Reinsurer"). The Ceding Company and the Reinsurer are referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Ceding Company and the Reinsurer are parties to that certain Monthly Renewable Term Reinsurance Agreement, effective as of June 30, 2009 (as amended, the "Reinsurance Agreement"), pursuant to which the Ceding Company retrocedes to the Reinsurer, and the Reinsurer reinsures from the Ceding Company on a monthly renewable term basis 90% of the Ceding Company's net amount at risk under certain group life insurance policies that are reinsured by the Ceding Company from its affiliate, ReliaStar Life Insurance Company, covering life and accidental death and dismemberment (the "Policies");

WHEREAS, the Ceding Company and the Reinsurer mutually agree that, in accordance with and subject to the terms of this Agreement, the Ceding Company will recapture all of the liabilities and obligations under the Policies retroceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement; and

WHEREAS, the Ceding Company and the Reinsurer desire a full and final settlement, discharge and release of any and all of each of their respective liabilities, duties and obligations with respect to the Policies under the Reinsurance Agreement.

NOW, THEREFORE, in consideration of the agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

RECAPTURE AND TERMINATION

Section 1.1 Recapture. Effective as of 12:00 a.m. on [_________] (the "Effective Date"),[1] the Ceding Company recaptures 100% of the liabilities and obligations under the Policies retroceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement (the "Recapture").

Section 1.2 Termination. The Parties agree that the Reinsurance Agreement is hereby terminated and commuted effective as of the Effective Date in accordance with and subject to the provisions of this Agreement.

[1] NTD: To be the first day of the quarter during which the Closing occurs.

ARTICLE II

RECAPTURE CONSIDERATION

Section 2.1 Recapture Consideration. The Parties shall calculate and settle the terminal accounting and settlement amount calculated as of the Effective Date in accordance with Section 4 of Article XIV of the Reinsurance Agreement and Schedule A hereto (the "Terminal Accounting and Settlement"). Notwithstanding the provisions of Section 4 of the Reinsurance Agreement, the Parties agree that no supplemental accounting will be prepared or settled.

Section 2.2 Ceding Company Release of the Reinsurer with respect to the Policies. In consideration of the Terminal Accounting and Settlement pursuant to Section 2.1 and the release provided in Section 2.3, the Ceding Company hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Reinsurer, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Ceding Company now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Policies or the Reinsurance Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's current and future liabilities to the Ceding Company under and in connection with the Policies and the Reinsurance Agreement, other than payment of the Terminal Accounting and Settlement.

Section 2.3 Reinsurer Release of the Ceding Company with respect to the Policies. In consideration of the Terminal Accounting and Settlement pursuant to Section 2.1 and the release provided in Section 2.2, the Reinsurer hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Ceding Company, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Reinsurer now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Ceding Company, arising from, based upon, or in any way related to the Policies or the

Reinsurance Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Ceding Company's current and future liabilities to the Reinsurer under and in connection with the Policies and the Reinsurance Agreement, other than the payment of the Terminal Accounting and Settlement.

Section 2.4 Waiver of Notices. The Parties hereby acknowledge and agree to the Effective Date for the Recapture, notwithstanding anything to the contrary set forth in the Reinsurance Agreement. The Parties hereby further waive any and all notice requirements under the Reinsurance Agreement in connection with the transactions contemplated under this Agreement, including the 90-day written notice for recapture under Section 2.a. of Article XIV of the Reinsurance Agreement, if applicable.

Section 2.5 Covenant not to Bring Further Claims. Except with respect to enforcement of this Agreement, the Parties absolutely and unconditionally covenant and agree with each other, their respective successors and assigns, that upon full payment by the applicable Party of the sums set forth in Section 2.1, neither of them will hereafter for any reason whatsoever, demand, claim or file suit or initiate arbitration proceedings against the other in respect of any matter relating to or arising out of the Reinsurance Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Party that:

(a) it is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) it has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) the execution, delivery and performance of this Agreement is fully authorized by it;

(d) it has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(e) neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(f) there is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(g) any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to make this Agreement valid and binding has been obtained and is in full force and effect.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 4.2 Definitions. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

Section 4.3 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in this Agreement.

Section 4.4 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 4.5 Amendments. This Agreement may be amended only by written agreement of the Parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

Section 4.6 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, without giving effect to the choice of law provisions.

Section 4.7 Entire Agreement. This terms expressed herein constitute the entire agreement between the Parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

Section 4.8 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 4.9 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 4.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

VOYA INSURANCE AND ANNUITY COMPANY

By______________________________________
Name:
Title:

By______________________________________
Name:
Title:

THE CANADA LIFE ASSURANCE COMPANY

By______________________________________
Name:
Title:

By______________________________________
Name:
Title:

SCHEDULE A

Terminal Accounting and Settlement

The Terminal Accounting and Settlement will be calculated on an Agreement-to-Date basis, as;

a. Reinsurance Premium; less
b. Claims; less
c. Experience Refund; less
d. Settlement Amounts paid by the Ceding Company in prior Settlement Periods of the current Agreement Year; plus
e. Settlement Amounts (absolute value) paid by the Reinsurer in prior Settlement Periods of the current Agreement Year; plus
f. Loss Carry Forward balance as of the Effective Date

If the Terminal Accounting and Settlement amount is positive, then the Ceding Company shall pay such amount to the Reinsurer, and if the Terminal Accounting and Settlement amount is negative, then the Reinsurer shall pay the absolute value of such amount to the Ceding Company, in each case, on the date hereof.

<u>EXHIBIT F-2</u>

Form of Recapture and Termination Agreement (SLDI)

[See attached.]

EXHIBIT F-2

FORM OF RECAPTURE AND TERMINATION AGREEMENT

This RECAPTURE AND TERMINATION AGREEMENT (this "Agreement") is entered into on [________] by and between Voya Insurance and Annuity Company (f/k/a ING USA Annuity and Life Insurance Company), an insurance company organized under the laws of the State of Iowa (the "Ceding Company"), and Security Life of Denver International Limited, a Bermuda domiciled insurance company (the "Reinsurer"). The Ceding Company and the Reinsurer are referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Ceding Company and the Reinsurer are parties to that certain Coinsurance Funds Withheld Retrocession Agreement, effective as of October 1, 2010 (the "Retrocession Agreement"), pursuant to which the Ceding Company retrocedes to the Reinsurer, and the Reinsurer reinsures from the Ceding Company, 100% of the Ceding Company's net liabilities for death claims under certain group life insurance policies that are reinsured by the Ceding Company from its affiliate, ReliaStar Life Insurance Company, (the "Policies") that are incurred at the time when no premiums were required to be paid because the insured was disabled;

WHEREAS, the Ceding Company and the Reinsurer mutually agree that, in accordance with and subject to the terms of this Agreement, the Ceding Company will recapture all of the liabilities and obligations under the Policies retroceded by the Ceding Company to the Reinsurer under the Retrocession Agreement; and

WHEREAS, the Ceding Company and the Reinsurer desire a full and final settlement, discharge and release of any and all of each of their respective liabilities, duties and obligations with respect to the Policies under the Retrocession Agreement.

NOW, THEREFORE, in consideration of the agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

RECAPTURE AND TERMINATION

Section 1.1 Recapture. Effective as of 12:00 a.m. on [_________] (the "Effective Date"),[1] the Ceding Company recaptures 100% of the liabilities and obligations under the Policies retroceded by the Ceding Company to the Reinsurer under the Retrocession Agreement (the "Recapture").

Section 1.2 Termination. The Parties agree that the Retrocession Agreement is hereby terminated and commuted effective as of the Effective Date in accordance with and subject to the provisions of this Agreement.

[1] NTD: To be the first day of the quarter during which the Closing occurs.

ARTICLE II

RECAPTURE CONSIDERATION

Section 2.1 Recapture Consideration. The Parties shall calculate and settle on the date hereof the Net Settlement Amount for the final Accounting Period of the Retrocession Agreement (the "Terminal Accounting and Settlement"). In addition, the Reinsurer shall owe to the Ceding Company an amount equal to the Statutory Reserves as of the Effective Date, and the Ceding Company shall owe to the Reinsurer an amount equal to the excess of the Statutory Reserves over the Funds Withheld Balance as of the Effective Date. Such amounts shall be netted and shall be settled through a release of the Fund Withheld Balance to the Ceding Company. The Ceding Company shall return any Letters of Credit maintained by the Reinsurer for the Ceding Company's benefit in connection with the Retrocession Agreement to the issuing bank for cancellation.

Section 2.2 Ceding Company Release of the Reinsurer with respect to the Policies. In consideration of the Terminal Accounting and Settlement pursuant to Section 2.1 and the release provided in Section 2.3, the Ceding Company hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Reinsurer, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Ceding Company now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Policies or the Retrocession Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's current and future liabilities to the Ceding Company under and in connection with the Policies and the Retrocession Agreement, other than payment of the Terminal Accounting and Settlement.

Section 2.3 Reinsurer Release of the Ceding Company with respect to the Policies. In consideration of the Terminal Accounting and Settlement pursuant to Section 2.1 and the release provided in Section 2.2, the Reinsurer hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Ceding Company, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Reinsurer now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Ceding Company, arising from, based upon, or in any way related to the Policies or the Retrocession Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Ceding Company's current and future liabilities to the Reinsurer under and in connection with the Policies and the Retrocession Agreement, other than the payment of the Terminal Accounting and Settlement.

Section 2.4 Waiver of Notices. The Parties hereby acknowledge and agree to the Effective Date for the Recapture, notwithstanding anything to the contrary set forth in the Retrocession Agreement. The Parties hereby further waive any and all notice requirements under the Retrocession Agreement in connection with the transactions contemplated under this Agreement, including the 90-day written notice for recapture under Section 23.3(ii) of the Retrocession Agreement, if applicable.

Section 2.5 Covenant not to Bring Further Claims. Except with respect to enforcement of this Agreement, the Parties absolutely and unconditionally covenant and agree with each other, their respective successors and assigns, that after the date hereof and upon full payment by the applicable Party of the sum set forth in Section 2.1, neither of them will hereafter for any reason whatsoever, demand, claim or file suit or initiate arbitration proceedings against the other in respect of any matter relating to or arising out of the Retrocession Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Party that:

(a) it is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) it has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) the execution, delivery and performance of this Agreement is fully authorized by it;

(d) it has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(e) neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(f) there is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(g) any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to make this Agreement valid and binding has been obtained and is in full force and effect.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 4.2 Definitions. Capitalized terms used but not defined herein shall have the meaning set forth in the Retrocession Agreement.

Section 4.3 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in this Agreement.

Section 4.4 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 4.5 Amendments. This Agreement may be amended only by written agreement of the Parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

Section 4.6 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, without giving effect to the choice of law provisions.

Section 4.7 Entire Agreement. This terms expressed herein constitute the entire agreement between the Parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

Section 4.8 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 4.9 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 4.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

VOYA INSURANCE AND ANNUITY COMPANY

By____
Name:
Title:

By____
Name:
Title:

SECURITY LIFE OF DENVER INTERNATIONAL LIMITED

By____
Name:
Title:

By____
Name:
Title:

EXHIBIT F-3

Form of Recapture and Termination Agreement (RLI)

[See attached.]

EXHIBIT F-3

FORM OF RECAPTURE AND TERMINATION AGREEMENT

This RECAPTURE AND TERMINATION AGREEMENT (this "Agreement") is entered into on [________] by and between ReliaStar Life Insurance Company, an insurance company organized under the laws of the State of Minnesota (the "Ceding Company"), and Voya Insurance and Annuity Company (f/k/a ING USA Annuity and Life Insurance Company), an insurance company organized under the laws of the State of Iowa (the "Reinsurer"). The Ceding Company and the Reinsurer are referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Ceding Company and the Reinsurer are parties to that certain Coinsurance Funds Withheld Reinsurance Agreement, effective as of December 31, 2008 (the "Original Reinsurance Agreement"), which was amended and restated by that certain Amended and Restated Coinsurance Funds Withheld Reinsurance Agreement, effective as of October 1, 2010 (such Original Reinsurance Agreement as amended and restated prior to the date of this Agreement, the "Reinsurance Agreement"), pursuant to which the Ceding Company cedes to the Reinsurer, and the Reinsurer reinsures from the Ceding Company, 100% of the Ceding Company's net liabilities under certain group life insurance policies that are issued by the Ceding Company covering life and accidental death and dismemberment (the "Policies"), pursuant to the terms set forth in the Reinsurance Agreement;

WHEREAS, the Ceding Company and the Reinsurer mutually agree that, in accordance with and subject to the terms of this Agreement, the Ceding Company will recapture all of the liabilities and obligations under the Policies ceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement;

WHEREAS, the Ceding Company and the Reinsurer desire a full and final settlement, discharge and release of any and all of each of their respective liabilities, duties and obligations with respect to the Policies under the Reinsurance Agreement.

NOW, THEREFORE, in consideration of the agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

RECAPTURE AND TERMINATION

Section 1.1 Recapture. Effective as of 12:00 a.m. on [_________] (the "Effective Date"),[1] the Ceding Company recaptures 100% of the liabilities and obligations under the Policies ceded by the Ceding Company to the Reinsurer under the Reinsurance Agreement (the "Recapture").

[1] NTD: To be the first day of the quarter during which the Closing occurs.

Section 1.2 Termination. The Parties agree that each of the Reinsurance Agreement and the Original Reinsurance Agreement is hereby terminated and commuted effective as of the Effective Date in accordance with and subject to the provisions of this Agreement.

ARTICLE II

RECAPTURE CONSIDERATION

Section 2.1 Recapture Consideration. The Parties shall calculate and settle on the date hereof the Net Settlement Amount for the final Accounting Period of the Reinsurance Agreement (the "Terminal Accounting and Settlement"). In addition, the Reinsurer shall owe to the Ceding Company an amount equal to the Aggregate Reserves as of the Effective Date, which will be settled through a release of the assets in the Funds Withheld Account to the Ceding Company (the "Aggregate Reserves Release"). The Parties agree and acknowledge that to the extent the calculation of the Terminal Accounting and Settlement was based on the Parties' best estimates as of the date hereof, notwithstanding the results of any subsequent calculations, such Terminal Accounting and Settlement shall be binding and the payment of such Terminal Accounting and Settlement shall, together with the Aggregate Reserve Release, constitute each Party's payment in full of its obligations to the other Party under the Reinsurance Agreement.

Section 2.2 Ceding Company Release of the Reinsurer with respect to the Policies. In consideration of the Terminal Accounting and Settlement and any other payments pursuant to Section 2.1 and the release provided in Section 2.3, as of the Effective Date, the Ceding Company hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Reinsurer, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Ceding Company now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Policies, the Reinsurance Agreement or the Original Reinsurance Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's current and future liabilities to the Ceding Company under and in connection with the Policies, the Reinsurance Agreement and the Original Reinsurance Agreement, other than payment of the Terminal Accounting and Settlement.

Section 2.3 Reinsurer Release of the Ceding Company with respect to the Policies. In consideration of the Terminal Accounting and Settlement and any other payments pursuant to Section 2.1 and the release provided in Section 2.2, as of the Effective Date, the Reinsurer hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Ceding Company, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Reinsurer now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Agreement have, own, or hold or claim to have, own, or hold, against the Ceding Company, arising from, based upon, or in any way related to the Policies, the Reinsurance Agreement or the Original Reinsurance Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Ceding Company's current and future liabilities to the Reinsurer under and in connection with the Policies, the Reinsurance Agreement and the Original Reinsurance Agreement, other than payment of the Terminal Accounting and Settlement.

Section 2.4 Waiver of Notices. The Parties hereby acknowledge and agree to the Effective Date for the Recapture, notwithstanding anything to the contrary set forth in the Reinsurance Agreement. The Parties hereby further waive any and all notice, consent and delivery requirements contained in the Reinsurance Agreement, including the 90-day written notice and delivery of such notice by courier with verification of signed receipt by the other Party for termination under Section 23.2 of the Reinsurance Agreement, and the 90-day written notice for recapture under Section 23.3(ii) of the Reinsurance Agreement, if applicable.

Section 2.5 Covenant not to Bring Further Claims. Except with respect to enforcement of this Agreement, the Parties absolutely and unconditionally covenant and agree with each other, their respective successors and assigns, that upon full payment by the applicable Party of the amounts set forth in Section 2.1, neither of them will hereafter for any reason whatsoever, demand, claim or file suit or initiate arbitration proceedings against the other in respect of any matter relating to or arising out of the Reinsurance Agreement or the Original Reinsurance Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Party that:

(a) it is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) it has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) the person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;

(d) the execution, delivery and performance of this Agreement is fully authorized by it;

(e) it has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(f) neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(g) there is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending action, agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(h) any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to be obtained in connection with this Agreement or to make this Agreement valid and binding has been obtained and is in full force and effect.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 4.2 Definitions. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

Section 4.3 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in this Agreement.

Section 4.4 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 4.5 Amendments. This Agreement may be amended only by written agreement of the Parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

Section 4.6 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without giving effect to the choice of law provisions.

Section 4.7 Entire Agreement. This terms expressed herein constitute the entire agreement between the Parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

Section 4.8 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (a) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (b) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 4.9 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 4.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

RELIASTAR LIFE INSURANCE COMPANY

By____
Name:
Title:

By____
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By____
Name:
Title:

By____
Name:
Title:

EXHIBIT G-1

Form of Retained Business Administrative Services Agreement

[See attached.]

FORM OF ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)[1]

by and among

VOYA INSURANCE AND ANNUITY COMPANY,
as Administrator,

and

SECURITY LIFE OF DENVER, VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY, AND VOYA INSTITUTIONAL TRUST COMPANY,
collectively, as Recipient

[1] Note to Draft: At Closing, ReliaStar Life Insurance Company ("RLI") and Voya Insurance and Annuity Company (the "Company") will enter into an RPS Administrative Services Agreement, pursuant to which RLI will provide the Company with certain administrative services, on the same terms and conditions of this Agreement, except RLI shall be the Administrator and the Company shall be the Recipient. At Closing, ReliaStar Life Insurance Company ("RLI") and Voya Insurance and Annuity Company (the "Company") will enter into a Funds Management Administrative Services Agreement, pursuant to which RLI will provide the Company with certain administrative services, on the same terms and conditions of this Agreement, except RLI shall be the Administrator and the Company shall be the Recipient.

ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)

This **ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)** (this "Agreement"), dated [●], 2018, is entered into by and among, on the one hand, **SECURITY LIFE OF DENVER, VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY, AND VOYA INSTITUTIONAL TRUST COMPANY** (collectively "Recipients" and each a "Recipient"), and **VOYA INSURANCE AND ANNUITY COMPANY** ("VIAC" or, in its role as third party administrator hereunder, the "Administrator"), on the other hand.

Recitals

WHEREAS, Athene Holding Ltd, [NewCo] ("Buyer"), and Voya Financial, Inc., an affiliate of Recipients ("Seller"), have entered into that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, Seller will sell, and Buyer will purchase, all of the issued and outstanding shares of common stock of VIAC; and

WHEREAS, Recipients desire that the Administrator serve as the third-party administrator for Recipients in order to provide certain services, including administrative services with respect to the Administered Products (as defined below).

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, Recipients and the Administrator hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"**Abandoned**" and "**Abandonment**" have the meaning set forth in Section 2.14.

"**Additional Services**" has the meaning set forth in Section 2.1(b).

"**Administered Products**" means (a) all policies issued by Recipient on the policy forms that are listed on Schedule I and in force as of the Closing Date and all riders, amendments and endorsements applicable thereto, (b) I/O Products, and (c) all supplementary contracts issued by Recipient on or following the Closing Date related to any policy referenced in (a) above.

"**Administered Products Block**" means each block of Administered Products as listed on Schedule II.

"**Administration Books and Records**" has the meaning set forth in Section 2.6(a).

"**Administrative Account**" has the meaning set forth in Section 2.7(a).

"**Administrator**" has the meaning set forth in the preamble.

"**Administrator Indemnified Party**" has the meaning set forth in Section 4.2.

"**Affiliate**" means, with respect to any Person, at the time in question, any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "control", for purposes of this definition, means the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ability to exercise voting power through the ownership of more than fifty percent (50%) of the voting securities, on a fully diluted and converted basis, of the controlled Person, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Authority pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"**Books and Records**" means all original files and records (or copies thereof), in whatever form (including computer-generated, recorded or stored records, and any database, magnetic or optical media), in the possession or under the control of Recipient, the Administrator or any of their respective Affiliates which are related to or otherwise reasonably necessary for the administration of the Administered Products or the provision or receipt of the Services.

"**Business Day**" means any day other than (i) a Saturday, (ii) a Sunday or (iii) a day on which banking institutions or trust companies in the City of New York are authorized or required by Applicable Law to close.

"**Business Interruption**" has the meaning set forth in Section 2.15.

"**Buyer**" has the meaning set forth in the recitals.

"**Closing Date**" has the meaning set forth in the Master Agreement.

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

"**Commencement Date**" has the meaning set forth in Section 2.1(a).

"**Confidential Information**" has the meaning set forth in Section 8.10.

"**Coordinator**" has the meaning set forth in Section 2.11.

"**Customer**" means any Person that is the owner of an Administered Product or has the right to terminate or lapse an Administered Product, effect changes of beneficiary or coverage limits or investment options, add or terminate Persons covered under an Administered Product or direct any other policy changes in an Administered Product.

"**Designated Senior Executives**" has the meaning set forth in Section 2.16.

"**Direct Costs**" means the costs of (a) full-time employees providing or supporting the Services determined on the basis of total compensation including salary, bonus, long-term incentives and other employee benefits, and (b) any information technology infrastructure or systems used to provide the Services.

"**Dispute**" has the meaning set forth in Section 2.16(a).

"**Dollars**" has the meaning set forth in Section 1.2(v).

"**Force Majeure Event**" has the meaning set forth in Section 2.17.

"**Governmental Authority**" means any domestic or foreign, federal, state or local governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority.

"**I/O Products**" means the Select Advantage and Mutual Fund Express products.

"**Indemnitee**" has the meaning set forth in Section 4.3(a).

"**Indemnitor**" has the meaning set forth in Section 4.3(a).

"**IP Claim**" has the meaning set forth in Section 4.1(g).

"**Legal Action**" has the meaning set forth in Section 5.2(b).

"**Licensed Names and Marks**" has the meaning set forth in Section 3.4.

"**Losses**" means any and all damages, losses, liabilities, obligations, costs, expenses (including reasonable attorneys' fees and expenses); provided, however, that "Losses" shall not include any amounts constituting consequential, special or punitive damages except as provided herein.

"**Master Agreement**" has the meaning set forth in the recitals.

"**New York Court**" has the meaning set forth in Section 8.13(a).

"**Non-Public Personal Information**" has the meaning set forth in Section 8.10(c).

"**Person**" means any natural person, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority or business organization.

"**Recipient**" has the meaning set forth in the preamble.

"**Recipient Indemnified Parties**" has the meaning set forth in Section 4.1.

"**Regulatory Action**" has the meaning set forth in Section 5.1.

"**Representatives**" means, with respect to a party or any of their respective Affiliates, such Person's directors, officers, employees, agents, subcontractors and advisors (including investment bankers and counsel).

"**Retained Books and Records**" has the meaning set forth in Section 3.1.

"**Security Assessment**" has the meaning set forth in Section 2.10.

"**Seller**" has the meaning set forth in the recitals.

"**Service Fees and Expenses**" has the meaning set forth in Section 2.5(a).

"**Services**" means the services that the Administrator is to provide under this Agreement to Recipient in respect of the Administered Products, as more fully described in ARTICLE II and Schedule III attached hereto.

"**Service Term**" has the meaning set forth in Section 2.2.

"**Significant Service Shortfall**" has the meaning set forth in Section 2.13.

"**SOC**" has the meaning set forth in Section 2.10.

"**Subcontractor**" has the meaning set forth in Section 2.4.

"**Third Party Claim**" has the meaning set forth in Section 4.3(a).

"**Transaction Agreements**" has the meaning set forth in the Master Agreement.

"**Transition Services Agreement**" means that certain Transition Services Agreement, dated as of [●], by and between [Voya Services Company] and [NewCo].[2]

"**Unauthorized Access**" has the meaning set forth in Section 8.10(h).

"**VIAC**" has the meaning set forth in the preamble.

Section 1.2 Construction. For the purposes of this Agreement, (i) words (including capitalized terms defined herein) in the singular shall be held to include the plural and vice versa and words (including capitalized terms defined herein) of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement, unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation"; (iv) all references

[2] Note to Draft: Parties to Transition Services Agreement to be confirmed.

to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (v) all references herein to "$" or "Dollars" shall refer to the coin or currency of the United States which as of the time of payment is the legal tender for the payment of public and private debts in the United States, unless otherwise specified; (vi) references to any Transaction Agreements shall be deemed to include all subsequent amendments, restatements, amendments and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendments and restatements, extensions, supplements and other modifications are not prohibited by any Transaction Agreement and are effected in accordance with the terms of the applicable agreement; and (vii) references to Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

Section 1.3 Headings. The Article and Section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE II

SERVICES

Section 2.1 Services Overview.

(a) Description of the Services. The Services shall consist of the services described in this Agreement or on Schedule III attached hereto, subject to the terms, conditions and limitations of this Agreement. Schedule III shall set forth the start date on which the provision of each Service shall commence (the "Commencement Date"). Recipient, in its sole discretion, may designate any Affiliate or designated third party to receive a Service; provided, that the Administrator shall not be required to perform any such Service for an Affiliate not a party hereto if the Administrator reasonably determines that its provision of such Services to such Affiliate (i) will violate Applicable Law, or (ii) is reasonably likely to require the Administrator to take actions with regard to any Governmental Authority which it reasonably determines could have a material adverse impact on its business; provided, further, that in no event shall the Administrator be required to perform any Services designated to an Affiliate of Recipient organized or incorporated in the State of New York. Any additional incremental cost to the Administrator caused by such change shall be borne by Recipient. Notwithstanding any other provision of this Agreement to the contrary, Recipient shall have the right to direct the Administrator in connection with the Services to perform any action necessary to comply with Applicable Law, or to cease performing any action that constitutes a violation of Applicable Law.

(b) Additional Services. The parties each have used commercially reasonable efforts to identify and describe the Services. However, the parties acknowledge and agree that there may be services which are not identified on Schedule III that (a) were used in the Excluded Business (as defined in the Master Agreement) in the twelve (12) months prior to the effective date of the Master Agreement, (b) had been performed by the employees then-currently employed by, or Business IT Systems (as defined in the Master Agreement) then-used by, the Administrator or any of its Affiliates at the time of the request, (c) are necessary for the administration of the Administered Products after the Closing Date and (d) cannot be performed by the Recipient with its remaining assets and employees and those of its Affiliates using commercially reasonable efforts (the "Additional Services"). Recipient may provide written notice to the Administrator requesting such Additional Services setting forth in reasonable detail a description of the requested Additional Service(s), the proposed start date or dates, (w) at any time during the first one hundred and twenty (120) days following the Closing Date, (x) in the case of a recurring service provided on a quarterly basis, within thirty (30) days following the last day of the first full calendar quarter after the Closing Date, (y) in the case of a recurring service provided on a semiannual basis, within thirty (30) days following the last day of the second full calendar quarter after the Closing Date, and (z) in the case of a recurring service provided on an annual basis, within thirty (30) days following the last day of the first full calendar year after the Closing Date. The Administrator shall be afforded a reasonable period of time to notify Recipient of the Service Fees and Expenses based on the Administrator's actual cost and to commence providing any Additional Service after such service becomes a Service. For the avoidance of doubt, the Administrator's obligations to perform Additional Services shall be subject to additional limitations set forth in Section 2.2. Any Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to Schedule III as applicable, shall constitute an amendment to this Agreement which shall be signed by the parties and shall thereafter be considered a Service.

Section 2.2 Commitment to Provide. Recipient hereby appoints the Administrator to provide, and the Administrator hereby agrees to provide to Recipient, from and after the Commencement Date for the applicable Service and during the term for such Service (the "Service Term"), the Services. The Services shall be provided by the Administrator in all material respects in accordance with the terms of the Administered Products. In addition, the Administrator shall provide the Services (a) in accordance with the applicable terms of this Agreement; (b) in compliance with Applicable Law, including the maintenance by the Administrator of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Services under this Agreement; (c) with care, skill, expertise, prudence and diligence that would be expected from experienced and qualified personnel performing such duties in like circumstances; and (d) subject to the foregoing, in accordance with the skill, diligence, care, effort and expertise that are at least equal in quality to the standards the Administrator applies in providing similar services in respect of annuity contracts and, to the extent there are any, other products similar to the Administered Products, issued by the Administrator in its own name.

Section 2.3 Facilities, Personnel and Resources. To the extent not subcontracted to a Subcontractor, the Administrator shall at all times maintain sufficient facilities and trained personnel of the kind necessary to perform its obligations under this Agreement in accordance with the performance standards set forth herein. Without limiting the generality of the foregoing, the Administrator will have and maintain, from the date hereof and thereafter during the term of this Agreement, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative or otherwise) as may be necessary or appropriate to discharge its obligations under the terms of this Agreement.

Section 2.4 Subcontracting. The Administrator may subcontract for the performance of any Services at the Administrator's sole expense (except as set forth in Section 2.5(b)) to an Affiliate or, with prior written consent of Recipient, which consent shall not be unreasonably withheld, conditioned or delayed, to a third party (in each case, a "Subcontractor"). In addition, each Subcontractor shall be duly licensed to the extent required under Applicable Law so as to permit the performances of the Services in compliance with Applicable Law. Notwithstanding the foregoing, no such subcontracting shall relieve the Administrator from any of its obligations or liabilities hereunder, the Administrator shall remain responsible for all obligations, liabilities, actions and omissions of such Subcontractor with regards to the providing of such service or services as if provided by the Administrator. Unless specifically agreed in writing by Recipient, neither Subcontractor nor its personnel shall have the power or authority to act as agent or attorney-in-fact of Recipient or bind Recipient in any way.

Section 2.5 Compensation.

(a) Recipient shall pay to the Administrator the Administrator's actual Direct Costs, allocable general corporate overhead, and, subject to Section 2.5(b), costs of vendors and approved Subcontractors) for providing the Services (the "Service Fees and Expenses"), with the methodologies for allocations of general corporate overhead charged to the Recipient being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the Closing Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs. Each Recipient shall be jointly and severally liable for all Service Fees and Expenses and any other amounts due from a Recipient to the Administrator hereunder. The Administrator shall invoice Recipient on a monthly basis in arrears for Service Fees and Expenses. Each monthly invoice shall list all Services and Service Fees and Expenses in the format of Schedule IV. 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 thirty (30) days after the date of receipt of the monthly invoice. Should Recipient dispute any portion of the amount due from it on any invoice or require any adjustment to an invoiced amount, then Recipient shall notify the Administrator in writing of the nature and basis of the dispute or adjustment within thirty (30) days of receiving the invoice using, if necessary, the dispute resolution procedures set forth in Section 2.16. The parties shall use commercially reasonable efforts to resolve the dispute prior to the payment due date.

(b) Recipient shall reimburse the Administrator for all of its reasonable and documented out-of-pocket expenses actually incurred in connection with the provision of the Services to the Recipient, including the fees of any Subcontractors for which the Recipient has consented to the subcontracting to such Subcontractor (such consent not to be unreasonably withheld, conditioned or delayed) and the costs and expenses of any travel, including transportation, lodging and meals, of any employee or agent of the Administrator, its Affiliates or its permitted Subcontractors who is required to travel to any location other than the Administrator's facilities in connection with the performance of the Services; provided, that (i) such travel has been approved in writing by Recipient; and (ii) such costs and expenses of travel are incurred in accordance with Recipient's generally applicable travel policies that have been provided in writing to the Administrator.

Section 2.6 Books and Records; Other Information.

(a) On and after the Closing Date, the Administrator shall assume responsibility for maintaining accurate and complete books and records of all transactions pertaining to the Administered Products and all data used by the Administrator in the performance of Services, including claims (as identified in Schedule III hereto) files and any documents relating to such claims, any communications relating to any Administered Product, any communications with any Governmental Authority, complaint logs, and accounting and reporting, in each case, other than Retained Books and Records ("Administration Books and Records"). The Administration Books and Records shall be maintained (i) in accordance with any and all Applicable Laws and (ii) in an accessible format. The Administration Books and Records with respect to each Administered Product must be maintained for at least the seven (7) year period following the termination of this Agreement (or such longer period as would comply with the records retention policies of the Administrator then in effect with regards to its own business). Following the end of such seven (7) year or longer period, as applicable, the Administration Books and Records may be destroyed only after the Administrator has given Recipient at least sixty (60) days prior written notice of the Administration Books and Records the Administrator intends to destroy. During such sixty (60) day period, Recipient may, at its sole cost and expense, have the right to take possession of such Administration Books and Records in the format maintained by the Administrator. The Administrator shall maintain the confidentiality of such Administration Books and Records, including compliance with Section 8.10, and such information shall be used only for purposes relating to the transactions contemplated under this Agreement.

(b) All Administration Books and Records pertaining to an Administered Product shall be the property of Recipient and shall be made available (including access to appropriate employees and representatives of the Administrator, so long as such access shall not unreasonably interfere with the regular performance of such employees' and representatives' duties to the Administrator) to Recipient, auditors or other designees, and regulatory agencies, upon reasonable prior notice during normal business hours, for review, audit, inspection, examination and reproduction. Upon the reasonable request of Recipient from time to time, that Administrator shall also make copies of Administration Books and Records available to Recipient through electronic means. The Administrator shall have the right to retain copies of all such Administration Books and Records.

(c) The Administrator shall maintain facilities and procedures for safekeeping all Administration Books and Records relating to the Administered Products or otherwise used in the performance of services under this Agreement consistent with those applicable to the books and records of the Administrator and its Affiliates with respect to annuity contracts issued by the Administrator or its Affiliates. To the extent required by the Services, the Administrator shall back up all of its computer files relating to the Administered Products or otherwise used in the performance of services under this Agreement on the same basis and shall maintain back-up files in a manner consistent with the policies and procedures of the Administrator and its Affiliates regarding the back-up of computer files and storage of back-up files.

Section 2.7 Payments and Collections.

(a) The Administrator has established, and shall during the term of this Agreement, shall maintain, one account with [Citibank, N.A.] for each Recipient for use by the Administrator in providing the Services (each, an "Administrative Account"). The Administrator shall make payments concerning the Administered Products from funds in the Administrative Account.

(b) On a monthly basis or as more frequently as may be reasonably required in order to pay the liabilities under the Administered Products, the Administrator shall request that the

Recipient deposit to the Administrative Account funds in an amount sufficient to pay amounts then due or reasonably expected to became due during the next month for Administered Products. The Recipient shall, at all times, maintain sufficient funds in the Administrative Account to pay all Administered Products as they become due.

(c) All premiums and other amounts collected by the Administrator pursuant to the authority granted hereunder and due to the Recipient shall be paid to the Recipient.

(d) Recipient check stock shall be used for all payments made in respect of the Administered Products and the Services.

Section 2.8 Power of Attorney.

(a) Subject to the terms and conditions set forth herein, Recipient hereby appoints and names the Administrator, acting through its authorized officers and employees, as Recipient's exclusive lawful attorney-in-fact, from and after the Closing Date for so long as the Administrator is authorized to perform the Services and solely to the extent necessary to provide the Services, (a) to do any and all lawful acts that Recipient might have done with respect to the Administered Products, and (b) to proceed by all lawful means (i) to perform any and all of Recipient's obligations with respect to the Administered Products, (ii) to collect any and all sums due or payable in respect of the Administered Products, (iii) to sign (in Recipient's name, when necessary) vouchers, receipts, releases and other papers in connection with any of the foregoing matters, (iv) to take actions necessary to maintain the Administered Products in compliance with Applicable Law and (v) to do everything necessary in connection with the satisfaction of the Administrator's obligations and the exercise of its rights under this Agreement, but in all cases only to the extent of the rights and authority granted to the Administrator pursuant to this Agreement and in accordance with the terms hereof.

(b) In order to assist the Administrator in the performance of the Services hereunder, as reasonably requested by the Administrator in writing from time to time, Recipient shall deliver to the Administrator, in the form reasonably requested by the Administrator in writing, evidence of its appointment of the Administrator as its attorney-in-fact with respect to all matters required, necessary or appropriate to perform the Services.

Section 2.9 Information Safeguards and Security Breaches. The Administrator shall (to the extent it has the ability to access Confidential Information of a Recipient) maintain administrative, technical and physical safeguards that are reasonably designed to (a) ensure the security and confidentiality of such Confidential Information; (b) protect against any anticipated threats or hazards to the security or integrity of such Confidential Information; (c) protect against unauthorized access to or use of such Confidential Information that could result in substantial harm or inconvenience to the Person that is the subject of such Confidential Information and (d) ensure the proper disposal of such Confidential Information, in each case not less than the standards required by Applicable Law. In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Administrator, the Administrator shall, at its expense, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of the Recipient or the Administrator by Applicable Law and as reasonably requested by the Recipient to inform each impacted individual of such security breach and to implement curative action required by Applicable Law. As promptly as reasonably practicable, but in no event later than forty-eight (48) hours after becoming aware of a security breach, the Administrator shall notify the affected Recipient(s) thereof.

Section 2.10 SOC Reports.

(a) Following the six (6) month anniversary of the completion of the migration of the applicable Business IT Systems (as defined in the Master Agreement), upon a Recipient's written request, but in no event more than once per contract year, the Administrator shall, and shall require its Subcontractors to, promptly complete, an industry standard information security audit and assessment process (the "Security Assessment"), which, if available, will include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type II for other facilities) relating to the Administrator and such Subcontractors. Promptly upon completion of the Security Assessment, the Administrator shall, and shall cause its Subcontractors to, take commercially reasonable steps to remediate, to Recipient's reasonable satisfaction, any material deficiencies identified by Recipient as a result of the Security Assessment. The Administrator's failure to (a) remediate such material deficiencies or (b) at any time during the term of this Agreement, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Administrator's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Administrator. Recipient's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Administrator's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process. The Administrator anticipates that it will receive annual SOC Reports from its Subcontractors and that such SOC Reports will be prepared by one of the nationally-recognized accounting firms, and the Administrator shall use it commercially reasonable efforts to enforce any rights the Administrator has to receive any such SOC Reports from its Subcontractors. The Administrator shall provide to Recipient such other publicly-available financial information concerning the Administrator and its Subcontractors as may be reasonably requested by Recipient. Further, commencing on the date hereof and for as long as this Agreement is in effect, within twenty (20) days after the end of each calendar quarter, the Administrator shall deliver to Recipient a completed quarterly management representation letter to Recipient's Chief Accounting Officer, in the such form as Recipient may reasonably request, on accounting, reporting, internal controls and disclosure issues in support of the management representation letter to be issued by Recipient to its independent accountants.

(b) The Administrator shall provide to each Recipient (i) access to the Administrator's Sarbanes-Oxley Act and Model Audit Rules control documentation and the results of any internal control testing performed by it with respect to the Administered Products, and access to the books, records and employees of the Administrator for purposes of independently performing tests of the Administrator's documentation and controls, as reasonably requested by Recipient from time to time; and (ii) prompt notice of significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Administered Products. The Administrator shall use its commercially reasonable efforts to remedy, as promptly as reasonably practicable, significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Administered Products.

(c) During the term of this Agreement, upon any reasonable request from Recipient or its Representatives, subject to compliance with Applicable Law relating to the exchange of information and to the confidentiality requirements under Section 8.10, the Administrator shall (i) provide, or cause its Subcontractors to provide, to Recipient and its Representatives reasonable on-site and desk access during normal business hours to review the books and records (including any such materials developed on or after the Closing Date) under the control of the Administrator or a Subcontractor pertaining to the Administered Products and the Services to be provided under this Agreement; provided that such access shall not unreasonably interfere with the conduct of the business of the Administrator or the Subcontractor, and (ii) permit, or cause its Subcontractors to permit, Recipient and its Representatives to make copies of such records, in each case at no cost to the Administrator. Access provided to Recipient or its Representatives pursuant to this Section 2.10 shall be provided by the Administrator upon forty-eight (48) hours advance written notice or as otherwise reasonably requested by Recipient. The parties agree and acknowledge that reasonable access includes facilitating audits by Recipient or its Representatives to comply with Applicable Laws relating to the Administered Products.

Section 2.11 Coordinators. As of the Closing Date, the Administrator and Recipient shall appoint and provide written notice to the other party pursuant to Section 8.1, of the name, title and contact information for an individual who shall be a current officer or employee of such party or an Affiliate thereof and shall serve as such party's primary contact with respect to issues that may arise out of the scope or performance of this Agreement (each, a "Coordinator"). The parties may replace their respective Coordinator by giving notice pursuant to Section 8.1 to the other party stating the name, title and contact information for the new Coordinator. Each Coordinator will have primary responsibility on behalf of its respective party, to communicate and coordinate with the other Coordinator with respect to this Agreement. The Coordinators shall meet, either in person or telephonically, from time to time as necessary or appropriate to discuss open issues related to this Agreement and performance hereunder.

Section 2.12 Transition Services. The Administrator shall have no obligation to perform any particular Service or other obligation to the extent that it is unable to provide such Service or perform such obligation as a result of the failure of Recipient or its Affiliates to provide to the Administrator or its Affiliates services required to be provided by Recipient or its Affiliates under the Transition Services Agreement. Such nonperformance by the Administrator of any such Service or other obligation shall not be deemed to be a breach of this Agreement, shall not create liability for the Administrator under this Agreement, and the provisions of Section 4.1 shall be inapplicable thereto; provided that (a) the Administrator shall be obligated to provide any such Service and perform any such obligation in accordance with the terms of this Agreement following the cure or remediation of any such failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement, and (b) the Administrator shall, in any event, use commercially reasonable efforts to perform such Service despite any failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement.

Section 2.13 Shortfall in Services. If Recipient provides the Administrator with written notice of the occurrence of any Significant Service Shortfall (as defined below) in the Services, as reasonably determined by Recipient in good faith, the Administrator shall use commercially reasonable efforts to rectify such Significant Service Shortfall as soon as reasonably possible. For purposes of this Section 2.13, a "Significant Service Shortfall" shall be deemed to have occurred if the timing or quality of performance of one or more Services provided by the Administrator hereunder falls below the standard required by Section 2.2 hereof; provided that the Administrator's obligations under this Agreement shall be relieved to the extent, and for the duration of, any Force Majeure Event as set forth in Section 2.17. Any dispute as to whether a Significant Service Shortfall occurred shall be resolved in accordance with Section 2.16(a).

Section 2.14 Abandonment; Maintenance. The Administrator shall not Abandon (as defined below) any of the Services for which it is responsible. The parties agree that if the Administrator breaches or threatens to breach the foregoing covenant, Recipient may be irreparably harmed, and Recipient shall be entitled to apply to a court of competent jurisdiction for an injunction compelling specific performance by the Administrator of its obligations under this Agreement. "Abandon" or "Abandonment" means the threatened or actual intentional refusal by the Administrator to provide or perform any material element(s) of the Services in breach of its obligations under this Agreement. Notwithstanding the foregoing, the Administrator shall have the right to: (a) shut down temporarily for routine maintenance the operation of any facilities or systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable for general maintenance purposes, provided that the Administrator gives Recipient at least seven (7) days prior written notice of such scheduled maintenance, which shall occur outside of normal business hours or at other time mutually agreed by the parties, (b) shut down for emergency purposes the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator shall notify Recipient as soon as is commercially reasonable thereafter and shall use commercially reasonable efforts not to materially disrupt the operation of Recipient, and (c) shut down temporarily for "escalated" or "high priority" purposes (*e.g.*, system security updates/patches) the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator gives Recipient the same prior notice that it gives for any such maintenance to its internal clients and Affiliates.

Section 2.15 Disaster Recovery Program. The Administrator will implement a disaster recovery plan that is (a) consistent with current industry standards, (b) contains service level agreements for recovery time objectives and recovery point objectives to be agreed in good faith between the parties, and (c) no less stringent than what the Administrator deploys for its own system and records, maintain its systems and records (including the Administration Books and Records) in accordance with such plan, and test such plan from time to time. Such disaster recovery plan will include, but not be limited to, the provision of an incremental backup of the

Administrator's applicable systems no less than daily, a full backup of the Administrator's applicable systems no less than weekly, and a second full backup of the Administrator's applicable systems no less than monthly. The daily backups will be stored by the Administrator for at least one (1) week, the weekly backups will be stored by the Administrator for at least one (1) month, and the monthly backups will be stored by the Administrator for at least one (1) year. The backups of the Administrator's applicable systems will be stored at a facility outside of the Administrator's facility. In the event of a Business Interruption, the Administrator will implement its disaster recovery plan. The term "Business Interruption" means (i) any material interruption or interference with the Administrator's ability to continue to provide Services, including any temporary loss of Customer information or adverse effect on the Administrator's operating environment or telecommunications infrastructure used to provide the Services or (ii) any event, whether anticipated or unanticipated, which disrupts the normal course of business operations.

Section 2.16 Dispute Resolution.

(a) Amicable Resolution. The parties mutually desire that friendly collaboration will continue between them during the term of this Agreement. 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 and Expenses hereunder), then the Coordinators shall seek to resolve the Dispute amicably. If the Coordinators are unable to resolve a Dispute in a timely manner, then either Coordinator, by written request to the other, may request that such Dispute be referred for resolution to a designated senior executive of each party ("Designated Senior Executives"), which Designated Senior Executives will have fifteen (15) days to resolve such Dispute. If the Designated Senior Executives for each party do not agree to a resolution of such Dispute within fifteen (15) days after the reference of the matter to them, either party may bring an action regarding such dispute.

(b) Non-Exclusive Remedy. Nothing in this Section 2.16 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 Section 2.14 or Section 8.10, (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 8.13. 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 2.16(a).

Section 2.17 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 any of the following circumstances or events beyond the reasonable control of the party relying on such circumstance or event: changes in Applicable Law, riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism (each, a "Force Majeure Event"), then (a) the party shall give written notice to the other party, (b) 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 (c) the affected party shall be excused from its obligations to the extent limited by such Force Majeure

Event 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. Recipient shall be relieved of the obligation to pay any Service Fees and Expenses and other amounts for the provision of the Services obligations limited by such Force Majeure Event throughout the duration of such Force Majeure Event.

Section 2.18 Notification to Customers. To the extent required by Applicable Law or as required for the efficient performance of the Services, the Administrator agrees to send to Customers a written notice prepared by the Administrator and reasonably acceptable to Recipient to the effect that the Administrator has been appointed by Recipient to provide the Services. The Administrator shall provide such notice at a time and in a manner reasonably acceptable to Recipient and the Administrator and in all events in accordance with Applicable Law.

ARTICLE III

RESPONSIBILITIES

Section 3.1 Books and Records; Other Information. On the Commencement Date of any Services with respect to an Administered Product, Recipient shall promptly transfer to the Administrator all Books and Records related to such Administered Product except for any such Books and Records that Recipient is required to retain under Applicable Law (the "Retained Books and Records"). On the Closing Date, the Recipient shall provide the Administrator with a copy of any Retained Books and Records. Further, Recipient shall, and shall cause its designees to, provide the Administrator with access to all information in the possession or control of Recipient and such designees which pertains to, and which the Administrator requests in connection with, any claim, loss or obligations arising out of the Administered Products; provided, however, that nothing herein shall require Recipient to disclose information to the Administrator or its representatives if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any Applicable Law or contract (including any confidentiality agreement to which Recipient or any of its Affiliates is a party) (it being understood that Recipient shall use its reasonable best efforts to enable such information to be furnished or made available to the Administrator or its representatives without so jeopardizing privilege or contravening such Applicable Law or contract) or require Recipient to disclose its tax records (other than premium tax filings) or any personnel or related records; provided, further, the Administrator shall comply with all Applicable Laws with respect to the use and disclosure of such information. In addition, Recipient shall make all such Books and Records and other information contemplated in this Section 3.1 available for inspection and copying by the Administrator upon at least one (1) Business Day's prior notice by the Administrator to Recipient during regular business hours.

Section 3.2 Additional Documentation. On and after the Commencement Date for any Services with respect to an Administered Product, Recipient shall, and shall, if applicable, cause its designees to, cooperate with the Administrator and provide such access to Representatives of Recipient and such additional documentation, information, computer and hard copy files and data (including Books and Records, or copies thereof, which have not previously been provided to the Administrator) as may be necessary or appropriate to assist in the administration of such

Administered Product of Recipient and to enable the Administrator to fully carry out its responsibilities under this Agreement.

Section 3.3 Licenses. Recipient hereby grants to the Administrator, and the Administrator hereby accepts, a non-exclusive, royalty-free, non-transferable license during the applicable Services Term, to use those items set forth on Schedule V attached hereto solely as necessary for the performance by the Administrator of the Services hereunder.

Section 3.4 Trademarks. Administrator hereby acknowledges that Recipients have adopted and is using the names and marks listed on Schedule V hereto in connection with the Administered Products (collectively, the "Licensed Names and Marks"). Recipients and Administrator agree as follows:

(a) Each Recipient hereby grants to the Administrator and Administrator hereby accepts a limited, non-exclusive, non-transferable (except to Subcontractors as permitted below), royalty-free license to use the Licensed Names and Marks solely as necessary to provide the Services, subject to the terms and conditions set forth in this Agreement. The Administrator is granted no rights to use the Licensed Names and Marks, other than those rights specifically described and expressly licensed in this Agreement and no right is granted hereunder for the use of the Licensed Names and Marks in connection with any services other than the Services. None of the rights licensed to the Administrator under this Section 3.4 may be assigned, sublicensed or otherwise transferred by the Administrator (other than to Subcontractors), nor shall such rights inure to the benefit of any trustee in bankruptcy, receiver or successor of the Administrator, whether by operation of law or otherwise, without the prior written consent of Recipient, and any assignment, sublicense or other transfer without such consent shall be null and void.

(b) The Administrator agrees that it will use the Licensed Names and Marks in a manner that is consistent with the manner in which Recipient used them prior to the date hereof and, otherwise, only in accordance with the performance and usage standards established by Recipient and communicated to Administrator in writing (including graphic standards as prescribed by Recipient). The Administrator shall have no right to use the Licensed Names and Marks in connection with advertisements, brochures, audio or visual presentations, or any other materials used in the sale or advertising of Administrator's services.

(c) The Administrator agrees not to use the Licensed Names and Marks in partial form without the prior written consent of Recipient, which Recipient may withhold at its sole discretion. The Administrator agrees not to adopt or use any trademarks, service mark, logo or design confusingly similar to the Licensed Names and Marks. It is understood that Recipient retains the right, in its sole discretion, to modify the Licensed Names and Marks, upon reasonable prior notice to the Administrator.

(d) The Administrator acknowledges that all rights in the Licensed Names and Marks and the goodwill associated therewith belong exclusively to each respective Recipient. All uses of the Licensed Names and Marks by the Administrator shall inure solely to the benefit of Recipient and any registration of the Licensed Names and Marks shall be registered by Recipient in its name, it being understood that the present license shall not in any way affect the ownership by Recipient of the Licensed Names and Marks, each of which shall continue to be the exclusive property of Recipient. At its option, each Recipient may, in its own name and at its own expense, maintain appropriate trademark and service mark protection for the Licensed Names and Marks. The Administrator shall not at any time during the term of this Agreement or at any time thereafter do or cause to be done any act contesting the validity of the Licensed Names and Marks, contesting or in any way impairing or tending to impair each Recipient's entire right, title and interest in the Licensed Names and Marks and the registrations thereof or adversely affecting the value of the Licensed Names and Marks or the reputation and goodwill of Recipient. The Administrator shall not represent that it has any right, title or interest in the reputation and good will of each Recipient. The Administrator shall not represent that it has any right, title or interest in the Licensed Names and Marks other than the rights expressly granted by this Agreement.

(e) The right to institute and prosecute actions for infringement of the Licensed Names and Marks is reserved exclusively to each respective Recipient, and each Recipient shall have the right to join the Administrator in any such actions as a formal party. Any such action shall be conducted at Recipient's expense. The Administrator shall provide prompt written notice to Recipient of any infringement or unauthorized use of the Licensed Names and Marks of Recipient of which it is aware, and agrees to assist Recipient at Recipient's expense in any such action brought by Recipient. It is understood, however, that Recipient is not obligated to institute and prosecute any such actions in any case in which it, in its sole judgment, may consider it inadvisable to do so.

(f) The agreements and covenants contained in this Section 3.4 shall continue in effect until such time as this Agreement is terminated pursuant to ARTICLE VI. As promptly after termination of this Agreement as is reasonably practicable, the Administrator shall discontinue all use of the Licensed Names and Marks (but in no event will such use extend beyond ninety (90) calendar days after termination). Prior to any such termination, the Administrator shall take all commercially reasonable actions necessary to effect such discontinuance, including notifying contractowners, producers, suppliers, service providers, regulatory agencies and other relevant Persons of the discontinuance. Upon termination, all of the Administrator's rights to the Licensed Names and Marks shall revert to and continue to reside with and be owned exclusively by Recipient.

Section 3.5 Other Obligations. Recipient shall (a) forward to the Administrator all mail, notices, communications and other correspondence received by Recipient in respect of the Administered Products as promptly as practicable following Recipient's receipt thereof and (b) maintain all Books and Records regarding any Administered Products that are terminated prior to the Closing Date. Each party shall adhere, and shall cause its Representatives to adhere, to (x) all applicable policies and procedures of the other party and its Affiliates in effect as of the Closing Date, and such other reasonable applicable policies and procedures with respect to which the other party notifies such party in writing, within a reasonable period of time following receipt of such notice (except that a party may require the other party to comply, and in such case the other party shall comply, immediately following receipt of any notice relating to policies or procedures addressing compliance with Applicable Law or such party's cybersecurity or data security policies or requirements), and (y) to all security and access policies of the other party, at all times during the term of this Agreement, to the extent that such party or its Representatives requires ingress to and egress from the premises occupied by the other party or its Affiliates, for reasonable purposes necessary to the delivery or receipt of Services hereunder or the performance of any obligations required by this Agreement.

Section 3.6 Disclaimer of Responsibility. The Administrator shall have no responsibility or liability and Recipient shall continue to be, at all times, solely responsible for each of the following:

(a) Determining non-guaranteed elements, and securing reinsurance, if any;

(b) Failure of Recipient or its Affiliates to fulfill all lawful obligations with respect to the Administered Products, regardless of any dispute between Recipient and the Administrator;

(c) Any prospectuses, advertisements and other solicitation materials, training programs and materials, insurance contracts, amendments, endorsements and other forms provided by, used by or required by Recipient or its Affiliates; or

(d) (i) The accuracy and completeness of all data and information provided by Recipient; (ii) any errors in and with respect to data obtained from Recipient caused by inaccurate or incomplete data provided by Recipient; or (iii) accuracy and completeness of Recipient's policies and procedures or business rules provided to the Administrator.

Section 3.7 Examinations. The Administrator acknowledges that regulators with jurisdiction over Recipient and any of its Affiliates may have authority to examine Recipient. To the extent any such examinations relate to this Agreement, the Administrator shall cooperate with any such examinations as reasonably requested by the Recipient at the Recipient's cost and expense. For the avoidance of doubt, such cooperation shall not be deemed to be a Service.

ARTICLE IV

INDEMNIFICATION

Section 4.1 Indemnification of Recipient. From and after the Closing Date, Recipient and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Recipient Indemnified Party" and collectively, with each other Recipient Indemnified Party, the "Recipient Indemnified Parties") shall not be responsible for, and the Administrator shall indemnify and hold each Recipient Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Recipient Indemnified Parties, arising out of or attributable to:

(a) Fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(b) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(c) Security breaches as described in Section 2.9 to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, Recipient or its respective permitted designees;

(d) The Administrator's willful misconduct or negligence with regard to its provision of the Services; or which arise out of a material breach of this Agreement by the Administrator;

(e) Any wrongful use of Recipient's Confidential Information obtained under this Agreement;

(f) Fines, penalties and interest paid to a Governmental Authority arising out of a breach of Applicable Law by the Administrator;

(g) actual or alleged infringement or violation of a third party's Intellectual Property (as defined in the Master Agreement) rights ("IP Claims") arising out of or in connection with the supply of the Services provided by or on behalf of the Administrator; provided, however, that the Administrator shall have no indemnification obligations as to IP Claims based on the use of any Allocated Intellectual Property, Business IT Systems, Business Software (each, as defined in the Master Agreement) or any service provided consistent with Seller's practices as of the Closing Date; or

(h) Any enforcement of this indemnity.

Section 4.2 Indemnification of the Administrator. From and after the Closing Date, the Administrator and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Administrator Indemnified Party" and collectively, with each other Administrator Indemnified Party, the "Administrator Indemnified Parties") shall not be responsible for, and Recipient shall indemnify and hold each Administrator Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Administrator Indemnified Parties, arising out of or attributable to:

(a) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of Recipient during the term of this Agreement;

(b) Recipient's willful misconduct or negligence or which arise out of the breach of this Agreement by Recipient;

(c) Third party claims for loss or damage; except for third party claims for which the Administrator would have an obligation to indemnify Recipient under Section 4.1;

(d) Recipient's wrongful use of the Administrator's Confidential Information obtained under this Agreement;

(e) IP Claims arising out of or in connection with the use of the Services by Recipient; or

(f) Any enforcement of this indemnity.

Section 4.3 Indemnification Procedures.

(a) If any Person entitled to indemnification under Section 4.1 or Section 4.2 (the "Indemnitee") receives notice of assertion or commencement of any a claim or demand made by, or an action, proceeding or investigation instituted by, any Person not a party to this Agreement (a "Third Party Claim") against such Indemnitee in respect of which the party required to indemnify such Indemnitee under Section 4.1 or Section 4.2 (the "Indemnitor") may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor prompt written notice (but in no event later than 30 days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Loss (to the extent practicable) and shall reference the specific sections of this Agreement that form the basis of such claim; provided, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay. Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) Business Days 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 may assume the defense thereof with counsel selected by the Indemnitor. 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. 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. All of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense of any Third Party Claim, and, if the Indemnitor assumes such defense, such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information that 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, conditioned or delayed), and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided 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 full and complete release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any non-monetary relief or 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 as provided in this

Section 4.3(b) 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 4.4 IP Claims. Further, in the event that the provision of any Service infringes, violates or constitutes the misappropriation of, is alleged to infringe, violate or misappropriate or, in the reasonable judgment of the Administrator's counsel, is likely to infringe, violate or constitute the misappropriation of, any Intellectual Property of any third party, the Administrator shall use commercially reasonable efforts at its sole expense either (a) procure for Recipient the right to continue to use such infringing, violating or misappropriating portions of the Services or (b) modify or replace such infringing, violating or misappropriating portions of the Services so that they are non-infringing, non-violating or non-misappropriating, as applicable, and of at least equivalent performance and functionality to that prior to such modification or replacement. If the Administrator is unable after the use of commercially reasonable efforts, to complete either of the options under subsection (a) or (b) above, the Administrator shall notify Recipient, and the parties shall cooperate to determine a commercially reasonable alternative approach for the provision of such Service without infringing, violating or misappropriating the Intellectual Property of any third party.

Section 4.5 Mitigation of Damages. Each indemnified party must mitigate, in accordance with Applicable Law, any Indemnifiable Losses (as defined in the Master Agreement) for which such indemnified party seeks indemnification under this Agreement.

Section 4.6 Insurance. Notwithstanding anything to the contrary contained herein, (a) each party shall use commercially reasonable efforts to use insurance provided by a third party to cover any Indemnifiable Losses applicable to it, and (b) no party indemnified under this ARTICLE IV shall be indemnified or held harmless hereunder to the extent such Indemnifiable Losses are covered by insurance provided by a third Person.

Section 4.7 Exclusive Remedy. Each party acknowledges and agrees that, following the date hereof, other than in the case of actual fraud or as otherwise provided by Applicable Law, the following shall be the sole and exclusive remedies of such party for any claims arising from or related to this Agreement: (a) the right to indemnification as provided in this ARTICLE IV; (b) the right to require performance of any Service to the extent required under Section 2.2; (c) the right to require re-performance of any Service to the extent required under Section 2.13; (d) the right to an injunction, specific performance or other equitable non-monetary relief when available under Applicable Law; (e) the right to terminate this Agreement pursuant to ARTICLE VI; (f) the right to actual damages for breach of Section 3.4 or Section 8.10 (but, for the purposes of clarity, not for breach of any other section of this Agreement); and (g) with respect to equitable relief available hereunder, including Section 2.16(b).

Section 4.8 Limitation of Liability.

(a) NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES, OR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, EXCEPT (I) TO THE EXTENT AWARDED OR PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM OR PAID TO A THIRD PARTY IN CONNECTION WITH A DATA SECURITY BREACH; (II) FOR CLAIMS BASED ON A BREACH OF SECTION 8.10 HEREUNDER; OR (III) FOR CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) THE MAXIMUM AGGREGATE LIABILITY OF A PARTY UNDER THIS AGREEMENT SHALL BE CAPPED AT THE AMOUNT OF SERVICE FEES AND EXPENSES PAYABLE BY RECIPIENT TO THE ADMINISTRATOR UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE OF THE EVENT GIVING RISE TO SUCH LIABILITY, EXCEPT FOR (I) CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (II) CLAIMS BASED ON A PARTY'S FAILURE TO PAY SERVICE FEES AND EXPENSES IN ACCORDANCE WITH THE TERMS OF SECTION 2.3, AND (III) AS PROVIDED IN SECTION 4.8(c) BELOW; PROVIDED, THAT IF THE MOST RECENT EVENT GIVING RISE TO LIABILITY OCCURS PRIOR TO THE TWELVE (12) MONTH ANNIVERSARY OF THE EFFECTIVE DATE OF THE AGREEMENT, THEN THE AMOUNT IN THIS SECTION 4.8(b) SHALL EQUAL TWELVE (12) TIMES THE RESULT OBTAINED BY DIVIDING (X) THE TOTAL FEES ACTUALLY PAID BY RECIPIENT TO THE ADMINISTRATOR UNDER THE AGREEMENT FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH THE DATE ON WHICH SUCH EVENT OCCURRED, BY (Y) THE NUMBER OF MONTHS FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH SUCH DATE.

(c) SEPARATE AND APART FROM THE LIMITATION SET FORTH IN SECTION 4.8(b), IN NO EVENT SHALL ANY PARTY BE LIABLE FOR DAMAGES AS A RESULT OF A DATA SECURITY BREACH IN AN AMOUNT IN EXCESS OF THIRTY-FIVE MILLION DOLLARS ($35,000,000).

ARTICLE V

REGULATORY ACTIONS AND LEGAL ACTIONS

Section 5.1 Regulatory Actions. The Administrator shall have no responsibility or liability in respect of any complaints, inquiries or proceedings made by any Governmental Authority with respect to the Administered Products (each, a "Regulatory Action") other than (a) to notify Recipient in writing promptly of any such Regulatory Action of which the Administrator becomes aware as promptly as practicable after becoming aware thereof, and (b) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case, other than such files, documents and other information as would reasonably be expected to, in the judgment of counsel to the Administrator, lead to the loss or waiver of the Administrator's rights in respect of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Regulatory Actions.

Section 5.2 Contested Claims; Legal Actions.

(a) If, in the course of providing the Services pursuant to ARTICLE II, the Administrator determines that a claim for payment under any Administered Product either requires investigation or should be contested or denied, in whole or in part, the Administrator shall promptly, and in any event within five (5) Business Days of such determination, notify Recipient in writing of such determination for Recipient's direction. Following such notification, the Administrator shall act only in accordance with the direction of Recipient consistent with the Services in connection with such claim.

(b) The Administrator shall have no responsibility or liability in respect of any lawsuit, action, arbitration or other dispute resolution proceeding that is instituted or threatened with respect to any matter relating to the Administered Products (each, a "Legal Action") other than (i) to notify Recipient in writing promptly of any such Legal Action of which the Administrator becomes aware, and (ii) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Legal Actions.

ARTICLE VI

TERM AND TERMINATION

Section 6.1 Term. Subject to Section 6.2, Section 6.3 and Section 6.4, this Agreement shall remain in force and effect for so long as any of the Administered Products are in effect unless terminated pursuant to the terms of this Agreement.

Section 6.2 Termination by Mutual Consent. This Agreement may be terminated by mutual agreement of the parties in writing at any time.

Section 6.3 Termination Upon Notice. This Agreement, or all Services with respect to an Administered Products Block, may be terminated by Recipient upon one hundred and eighty (180) days' prior written notice to the Administrator.

Section 6.4 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:

(a) If such breach arises from Recipient's non-payment of an amount that is not in dispute, Recipient shall cure the breach within fifteen (15) calendar days after receipt of written notice of such non-payment. If Recipient does not cure such breach by such date, then Recipient shall pay the Administrator, the undisputed amount plus an amount of interest equal to one percent (1.0%) per month from and including the date such payment is due under this provision until, but excluding, the date of payment. The parties agree that this rate of interest constitutes reasonable liquidated damages and not an unenforceable penalty.

(b) 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.

(c) In the case of any such breach that is not cured in accordance with Section 6.4, and subsections (a) and (b) above, then the non-defaulting party shall also have the right to terminate Services with respect to the affected Administered Products Block upon written notice thereof to the defaulting party.

Section 6.5 Return of Information and Books and Records after Termination. Upon termination of this Agreement, Recipient will return to the Administrator all of the Administrator's Confidential Information, if any, and any other similar or related materials, and the Administrator will return all of the data and files of Recipient, including its Books and Records and Recipient's Confidential Information. Recipient agrees to allow the Administrator reasonable access to, including the right to make copies of, all such returned materials in the event such access is requested by the Administrator for any reasonable and legitimate purpose, including, but not limited to, as a result of any Regulatory Action or Legal Action.

Section 6.6 Effect of Termination. Termination of this Agreement for any reason under this ARTICLE VI shall not affect (i) any liabilities or obligations of either party arising before such termination or out of the events causing such termination; or (ii) any damages or other remedies to which a party may be entitled under this Agreement, at law or in equity, arising from any breaches of such liabilities or obligations. Termination of this Agreement shall automatically terminate any work orders then in effect and, other than as provided in Section 6.5, the Administrator's obligation to render any Service (including any Additional Service) to the Recipient. In the event of termination of this Agreement, Recipient will pay for all Services rendered through the effective date of termination (including for work in progress) and all work related to Section 6.5 performed before or after the effective date of termination in accordance with the terms of this Agreement.

ARTICLE VII

COOPERATION

Section 7.1 Cooperation. The Recipient and the Administrator shall cooperate to the extent reasonably possible with each other and shall execute and provide such additional documentation as may become necessary or appropriate to enable each other to fully carry out their respective responsibilities under this Agreement and to effectuate the intention of the parties under this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notice. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed duly given at the time when (i) received by the receiving party if mailed by United States registered or certified mail, return receipt requested; (ii) received by the receiving party if mailed by overnight express mail; (iii) sent by the sending party by means of electronic mail, followed by confirmation mailed by first-class mail or overnight express mail; or (iv) delivered to the receiving party in person or by commercial courier. All such notices and communications shall be sent or delivered to the parties as follows:

if to Recipient:

[________________]
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Administrator:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

Section 8.2 Assignment. This Agreement shall not be assigned by any party hereto without the prior written approval of the other party hereto; provided, however, that the Administrator may subcontract its rights and obligations to perform Services under this Agreement in accordance with Section 2.4; and provided further that Recipient may assign or subcontract its rights and obligations under this Agreement, in whole or in part, along with the sale or transfer of a block of Administered Products with the prior written consent of the Administrator. Subject to the foregoing, the rights and obligations of the parties under this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective designees, subcontractors, transferees, successors and permitted assigns.

Section 8.3 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 8.4 Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation (including that of joint venture or partnership) between either party hereto and any other Person.

Section 8.5 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Agreement, and this Agreement, and including the Schedules and Exhibits attached hereto and thereto, contain the sole and entire agreement between the parties with respect to the subject matter hereof.

Section 8.6 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof by a writing executed by, in the case of Recipient, [the President, Chief Executive Officer or an Executive Vice President] and, in the case of the Administrator, [the President, Chief Operating Officer or a Vice President]. A waiver on any one occasion shall not be deemed to be a waiver of the same term or condition or any other term or condition on any future occasion.

Section 8.7 Amendment. This Agreement may be modified or amended only by a writing duly executed by each of the parties hereto.

Section 8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 8.9 Third Party Beneficiaries. Other than the parties specified in Sections 8.10(c) and 4.2, this Agreement is intended solely for the benefit of the parties hereto and their permitted successors and assigns, and it is not the intention of the parties to confer any rights as a third party beneficiary to this Agreement upon any other Person.

Section 8.10 Treatment of Confidential Information.

(a) Each party may come into possession or knowledge of Confidential Information (as defined below) of the other in connection with the obligations to be performed by such party under this Agreement.

(b) "Confidential Information" with respect to a party, means any and all information provided by, made available by or obtained on behalf of, such party, any of its Affiliates or Representatives, on, before or after the date hereof, including, with respect to each Recipient, Non-Public Personal Information and all data relating to the contractholders of the Administered Products (including their rights and obligations under the Administered Products) which is maintained, processed or generated by the Recipient; provided that Confidential Information does not include information that (i) is generally available to the public other than as a result of a disclosure by the receiving party in violation of its confidentiality obligation, (ii) is independently developed by the receiving party, its Affiliates or any of its Representatives without use or access to the disclosing party's Confidential Information, or (iii) is rightfully obtained by the receiving party from a third party without, to the knowledge of the receiving party, breach by such third party of a duty of confidentiality of any nature to the disclosing party; provided that the foregoing exceptions shall not supersede the obligations of the receiving party with respect to any Non-Public Personal Information. For the avoidance of doubt, as between Recipients and the Administrator, Confidential Information of the Administrator includes the foregoing categories of information relating to the business or operations of, or provided by or on behalf of, any of the Administrator's Subcontractors, whether such information is provided to Recipient on, before or after the date hereof.

(c) "Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to each Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Administered Products or contracts issued by Recipient, and their representatives, (ii) any such personally identifiable information or data that the Administrator or its Representatives or Subcontractors collect or derive from interactions with Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Administered Products, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

(d) Recipients and the Administrator agree to hold each other's Confidential Information in strictest confidence and to take all reasonable steps to ensure that Confidential Information is not disclosed in any form by any means by such party, its Affiliates or by any of its Representative or Subcontractors to third parties of any kind, other than the Representatives performing services for such party who need access to such Confidential Information in the course and scope of providing such services, except as is authorized by the other party in advance and in compliance with all Applicable Law. If any Confidential Information needs to be disclosed as required by Applicable Law or court order, the disclosing party shall (if permitted by Applicable Law) provide prompt notice to the other party prior to such disclosure so that such other party may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(e) The Administrator may disclose each Recipient's Confidential Information to the Administrator's Subcontractors with a reasonable need to know, subject to such Subcontractor first being obligated to information security, confidentiality and limited use restrictions no less protective of Recipient's Confidential Information than the provisions in this Agreement. Further, Recipient will negotiate in good faith and diligently to agree to additional confidentiality and limited use terms and conditions as may reasonably be required by the Administrator's Subcontractors whose confidential information may be disclosed to Recipient in connection with the Services. Until such time as such additional confidentiality terms and conditions are agreed to in writing by Recipient, the Administrator may be limited by its contractual obligations with its Subcontractors in sharing certain Confidential Information with Recipient.

(f) The Administrator (and its Subcontractors) may use Recipient's Confidential Information; provided that such party shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of the Recipient's Confidential Information which are no less rigorous than those maintained by the Administrator (or such Subcontractor) for its own information of a similar nature (but not less than using a reasonable standard of care), and in compliance with the terms of the Privacy and Security Addendum in the form attached as Schedule VI hereto.

(g) Further to the foregoing, the Administrator shall, and shall cause its Representatives, Affiliates, and Subcontractors to, protect the confidentiality of Recipient's Confidential Information (including the Non-Public Personal Information) by:

(i) holding all such information transmitted to them by or on behalf of Recipient in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of such information;

(iii) using such information solely in connection with carrying out the Administrator's obligations under this Agreement and in compliance with the Recipient's consumer privacy notice;

(iv) disclosing such information to third parties only as necessary to perform services under this Agreement and in compliance with the Recipient's consumer privacy notice; and

(v) disclosing such information as may be required by Applicable Law or court order; provided that the Administrator (or its Subcontractors) as applicable shall (if permitted by Applicable Law) provide prompt notice to Recipient prior to such disclosure so that Recipient may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(h) Unauthorized Acts. Each party shall (i) 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"), (ii) promptly furnish to the other party full details of the Unauthorized Access and use commercially reasonable efforts to assist the other party in investigating or preventing the reoccurrence of any Unauthorized Access, (iii) cooperate with the other party in any litigation and investigation against third parties deemed necessary by such party to protect its proprietary rights, and (iv) use commercially reasonable efforts to prevent a recurrence of any such Unauthorized Access. To the extent that a party inadvertently obtains access to any Confidential Information of the other party to which it was otherwise not intended to have access, such party shall immediately notify the other party when they are aware that they have received such Confidential Information or upon notice from the other party, they shall maintain confidentiality of such information until such time that it is either destroyed or returned to the other party, and shall promptly destroy any such Confidential Information and instruct its employees not use or otherwise act on such Confidential Information.

Section 8.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of Recipient or the Administrator under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 8.12 Survival. Upon termination of this Agreement for any reason whatsoever, the obligations set forth in Section 2.5 (to the extent amounts owed thereunder are in respect of periods up to and including such termination date), Section 6.5, Section 6.6 and ARTICLE IV and ARTICLE VIII shall survive such termination.

Section 8.13 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 8.1, 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, without the necessity of posting bond or other undertaking, 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 (as defined in the Master Agreement) 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 8.13.

Section 8.14 Insurance Coverage. Without limiting the Administrator's undertaking to indemnify and hold the Recipients harmless as set forth herein, during the term of this Agreement, the Administrator shall obtain and maintain cyber, errors and omissions and fidelity bond insurance with minimum limits of no less than ten million dollars ($10,000,000) from an insurer or insurers with policy holder ratings of at least "A-" and financial ratings of at least "VII" in the then-latest edition of Best's Insurance Guide; provided that the obligation to obtain and maintain cyber insurance in accordance with the foregoing shall not commence until the completion of the migration of the Business IT Systems (as defined in the Master Agreement).

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

SECURITY LIFE OF DENVER

By: ________________________________
Name:
Title:

VOYA INSTITUTIONAL TRUST COMPANY

By: ________________________________
Name:
Title:

VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY

By: ________________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ________________________________
Name:
Title:

SCHEDULE I

Administered Products

[Recipient to provide.]

SCHEDULE II

Administered Products Blocks

[Recipient to provide.]

SCHEDULE III

Services[3]

[See attached.]

[3] Scope of services to be discussed and finalized between signing and closing; provided, that such services will include payment and collection services for the Administered Products.

SCHEDULE IV

Form of Invoice

[To come.]

SCHEDULE V

Scheduled Licenses and Trademarks

[To come.]

SCHEDULE VI

Privacy and Security Addendum

[To come.]

EXHIBIT G-2

FORM OF ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)

by and between

VENERABLE HOLDINGS, INC.,
as Administrator,

and

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK,
as Recipient

ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)

This **ADMINISTRATIVE SERVICES AGREEMENT (RETAINED BUSINESS)** (this "Agreement"), dated [●], 2018, is entered into by and between **RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK** (the "Recipient"), and **VENERABLE HOLDINGS, INC.** (the "Administrator").

Recitals

WHEREAS, Athene Holding Ltd, VA Capital Company LLC ("Buyer Parent"), and Voya Financial, Inc., the ultimate parent of Recipient ("Seller"), have entered into that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, Seller will sell, and Buyer Parent will cause Administrator to purchase, all of the issued and outstanding shares of common stock of Voya Services Company; and

WHEREAS, Recipient desires that the Administrator serve as the third-party administrator for Recipient in order to provide certain services, including administrative services with respect to the Administered Products (as defined below).

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, Recipient and the Administrator hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"**Abandoned**" and "**Abandonment**" have the meaning set forth in Section 2.14.

"**Additional Services**" has the meaning set forth in Section 2.1(b).

"**Administered Products**" means all policies issued by Recipient on the policy forms that are listed on Schedule I and in force as of the Closing Date and all riders, amendments and endorsements applicable thereto and all supplementary contracts related thereto.

"**Administered Products Block**" means each block of Administered Products as listed on Schedule II.

"**Administration Books and Records**" has the meaning set forth in Section 2.6(a).

"**Administrative Account**" has the meaning set forth in Section 2.7(a).

"**Administrator**" has the meaning set forth in the preamble.

"**Administrator Indemnified Party**" has the meaning set forth in Section 4.2.

"**Affiliate**" means, with respect to any Person, at the time in question, any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "control", for purposes of this definition, means the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ability to exercise voting power through the ownership of more than fifty percent (50%) of the voting securities, on a fully diluted and converted basis, of the controlled Person, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Authority pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"**Books and Records**" means all original files and records (or copies thereof), in whatever form (including computer-generated, recorded or stored records, and any database, magnetic or optical media), in the possession or under the control of Recipient, the Administrator or any of their respective Affiliates which are related to or otherwise reasonably necessary for the administration of the Administered Products or the provision or receipt of the Services.

"**Business Day**" means any day other than (i) a Saturday, (ii) a Sunday or (iii) a day on which banking institutions or trust companies in the City of New York are authorized or required by Applicable Law to close.

"**Business Interruption**" has the meaning set forth in Section 2.15.

"**Buyer**" has the meaning set forth in the recitals.

"**Closing Date**" has the meaning set forth in the Master Agreement.

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

"**Commencement Date**" has the meaning set forth in Section 2.1(a).

"**Confidential Information**" has the meaning set forth in Section 8.10.

"**Coordinator**" has the meaning set forth in Section 2.11.

"**Customer**" means any Person that is the owner of an Administered Product or has the right to terminate or lapse an Administered Product, effect changes of beneficiary or coverage limits or investment options, add or terminate Persons covered under an Administered Product or direct any other policy changes in an Administered Product.

"**Designated Senior Executives**" has the meaning set forth in Section 2.16.

"**Direct Costs**" means the costs of (a) full-time employees providing or supporting the Services determined on the basis of total compensation including salary, bonus, long-term incentives and other employee benefits, and (b) any information technology infrastructure or systems used to provide the Services.

"**Discretionary Act**" has the meaning set forth in Section 2.19.

"**Dispute**" has the meaning set forth in Section 2.16(a).

"**Dollars**" has the meaning set forth in Section 1.2(v).

"**Force Majeure Event**" has the meaning set forth in Section 2.17.

"**Governmental Authority**" means any domestic or foreign, federal, state or local governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority.

"**Indemnitee**" has the meaning set forth in Section 4.3(a).

"**Indemnitor**" has the meaning set forth in Section 4.3(a).

"**IP Claim**" has the meaning set forth in Section 4.1(g).

"**Legal Action**" has the meaning set forth in Section 5.2(b).

"**Licensed Names and Marks**" has the meaning set forth in Section 3.4.

"**Losses**" means any and all damages, losses, liabilities, obligations, costs, expenses (including reasonable attorneys' fees and expenses); provided, however, that "Losses" shall not include any amounts constituting consequential, special or punitive damages except as provided herein.

"**Master Agreement**" has the meaning set forth in the recitals.

"**New York Court**" has the meaning set forth in Section 8.13(a).

"**Non-Public Personal Information**" has the meaning set forth in Section 8.10(c).

"**Person**" means any natural person, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority or business organization.

"**Recipient**" has the meaning set forth in the preamble.

"**Recipient Indemnified Parties**" has the meaning set forth in Section 4.1.

"**Regulatory Action**" has the meaning set forth in Section 5.1.

"**Representatives**" means, with respect to a party or any of their respective Affiliates, such Person's directors, officers, employees, agents, subcontractors and advisors (including investment bankers and counsel).

"**Retained Books and Records**" has the meaning set forth in Section 3.1.

"**Security Assessment**" has the meaning set forth in Section 2.10.

"**Seller**" has the meaning set forth in the recitals.

"**Service Fees and Expenses**" has the meaning set forth in Section 2.5(a).

"**Services**" means the services that the Administrator is to provide under this Agreement to Recipient in respect of the Administered Products, as more fully described in ARTICLE II and Schedule III attached hereto.

"**Service Term**" has the meaning set forth in Section 2.2.

"**Significant Service Shortfall**" has the meaning set forth in Section 2.13.

"**SOC**" has the meaning set forth in Section 2.10.

"**Subcontractor**" has the meaning set forth in Section 2.4.

"**Third Party Claim**" has the meaning set forth in Section 4.3(a).

"**Transaction Agreements**" has the meaning set forth in the Master Agreement.

"**Transition Services Agreement**" means that certain Transition Services Agreement, dated as of [●], by and between Voya Services Company and Administrator.

"**Unauthorized Access**" has the meaning set forth in Section 8.10(h).

"**VIAC**" has the meaning set forth in the preamble.

Section 1.2 Construction. For the purposes of this Agreement, (i) words (including capitalized terms defined herein) in the singular shall be held to include the plural and vice versa and words (including capitalized terms defined herein) of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement, unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation"; (iv) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (v) all references herein to "$" or "Dollars" shall refer to the coin or currency of the United States which as of the time of payment is the legal tender for the payment of public and private debts in the United States, unless otherwise specified; (vi) references to any

Transaction Agreements shall be deemed to include all subsequent amendments, restatements, amendments and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendments and restatements, extensions, supplements and other modifications are not prohibited by any Transaction Agreement and are effected in accordance with the terms of the applicable agreement; and (vii) references to Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

Section 1.3 Headings. The Article and Section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE II

SERVICES

Section 2.1 Services Overview.

(a) Description of the Services. The Services shall consist of the services described in this Agreement or on Schedule III attached hereto, subject to the terms, conditions and limitations of this Agreement. Schedule III shall set forth the start date on which the provision of each Service shall commence (the "Commencement Date"). Recipient, in its sole discretion, may designate any Affiliate or designated third party to receive a Service; provided, that the Administrator shall not be required to perform any such Service for an Affiliate not a party hereto if the Administrator reasonably determines that its provision of such Services to such Affiliate (i) will violate Applicable Law, or (ii) is reasonably likely to require the Administrator to take actions with regard to any Governmental Authority which it reasonably determines could have a material adverse impact on its business. Any additional incremental cost to the Administrator caused by such change shall be borne by Recipient. Notwithstanding any other provision of this Agreement to the contrary, Recipient shall have the right to direct the Administrator in connection with the Services to perform any action necessary to comply with Applicable Law, or to cease performing any action that constitutes a violation of Applicable Law.

(b) Additional Services. The parties each have used commercially reasonable efforts to identify and describe the Services. However, the parties acknowledge and agree that there may be services which are not identified on Schedule III that (a) were used in the Excluded Business (as defined in the Master Agreement) in the twelve (12) months prior to the effective date of the Master Agreement, (b) had been performed by the employees then-currently employed by, or Business IT Systems (as defined in the Master Agreement) then-used by, the Administrator or any of its Affiliates at the time of the request, (c) are necessary for the administration of the Administered Products after the Closing Date and (d) cannot be performed by the Recipient with its remaining assets and employees and those of its Affiliates using commercially reasonable efforts (the "Additional Services"). Recipient may provide written notice to the Administrator requesting such Additional Services setting forth in reasonable detail a description of the requested Additional Service(s), the proposed start date or dates, (w) at any time during the first one hundred and twenty (120) days following the Closing Date, (x) in the case of a recurring service provided on a quarterly basis, within thirty (30) days following the last day of the first full calendar quarter after the Closing Date, (y) in the case of a recurring service provided on a semiannual basis, within thirty (30) days following the last day of the second full calendar quarter after the Closing Date, and (z) in the case of a recurring service provided on an annual basis, within thirty (30) days following the last day of the first full calendar year after the Closing Date. The Administrator shall be afforded a reasonable period of time to notify Recipient of the Service Fees and Expenses based on the Administrator's actual cost and to commence providing any Additional Service after such service becomes a Service. For the avoidance of doubt, the Administrator's obligations to perform Additional Services shall be subject to additional limitations set forth in Section 2.2. Any Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to Schedule III as applicable, shall constitute an amendment to this Agreement which shall be signed by the parties and shall thereafter be considered a Service.

Section 2.2 Commitment to Provide. Recipient hereby appoints the Administrator to provide, and the Administrator hereby agrees to provide to Recipient, from and after the Commencement Date for the applicable Service and during the term for such Service (the "Service Term"), the Services. The Services shall be provided by the Administrator in all material respects in accordance with the terms of the Administered Products. In addition, the Administrator shall provide the Services (a) in accordance with the applicable terms of this Agreement; (b) in compliance with Applicable Law , including the maintenance by the Administrator of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Services under this Agreement; (c) with care, skill, expertise, prudence and diligence that would be expected from experienced and qualified personnel performing such duties in like circumstances; and (d) subject to the foregoing, in accordance with the skill, diligence, care, effort and expertise that are at least equal in quality to the standards the Administrator and its Affiliates apply in providing similar services in respect of annuity contracts and, to the extent there are any, other products similar to the Administered Products, issued by the Administrator in its own name.

Section 2.3 Facilities, Personnel and Resources. To the extent not subcontracted to a Subcontractor, the Administrator shall at all times maintain sufficient facilities and trained personnel of the kind necessary to perform its obligations under this Agreement in accordance with the performance standards set forth herein. Without limiting the generality of the foregoing, the Administrator will have and maintain, from the date hereof and thereafter during the term of this Agreement, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative or otherwise) as may be necessary or appropriate to discharge its obligations under the terms of this Agreement.

Section 2.4 Subcontracting. The Administrator may subcontract for the performance of any Services at the Administrator's sole expense (except as set forth in Section 2.5(b)) to an Affiliate or, with prior written consent of Recipient, which consent shall not be unreasonably withheld, conditioned or delayed, to a third party (in each case, a "Subcontractor"). In addition, each Subcontractor shall be duly licensed to the extent required under Applicable Law so as to permit the performances of the Services in compliance with Applicable Law. Notwithstanding the foregoing, no such subcontracting shall relieve the Administrator from any of its obligations or liabilities hereunder, the Administrator shall remain responsible for all obligations, liabilities, actions and omissions of such Subcontractor with regards to the providing of such service or services as if provided by the Administrator. Unless specifically agreed in writing by Recipient, neither Subcontractor nor its personnel shall have the power or authority to act as agent or attorney-in-fact of Recipient or bind Recipient in any way.

Section 2.5 Compensation.

(a) Recipient shall pay to the Administrator the Administrator's actual Direct Costs, allocable general corporate overhead, and, subject to Section 2.5(b), costs of vendors and approved Subcontractors) for providing the Services (the "Service Fees and Expenses"), with the methodologies for allocations of general corporate overhead charged to Recipient being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the Closing Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs. Recipient shall be liable for all Service Fees and Expenses and any other amounts due from Recipient to the Administrator hereunder. The Administrator shall invoice Recipient on a monthly basis in arrears for Service Fees and Expenses. Each monthly invoice shall list all Services and Service Fees and Expenses in the format of Schedule IV. 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 thirty (30) days after the date of receipt of the monthly invoice. Should Recipient dispute any portion of the amount due from it on any invoice or require any adjustment to an invoiced amount, then Recipient shall notify the Administrator in writing of the nature and basis of the dispute or adjustment within thirty (30) days of receiving the invoice using, if necessary, the dispute resolution procedures set forth in Section 2.16. The parties shall use commercially reasonable efforts to resolve the dispute prior to the payment due date.

(b) Recipient shall reimburse the Administrator for all of its reasonable and documented out-of-pocket expenses actually incurred in connection with the provision of the Services to Recipient, including the fees of any Subcontractors for which Recipient has consented to the subcontracting to such Subcontractor (such consent not to be unreasonably withheld, conditioned or delayed) and the costs and expenses of any travel, including transportation, lodging and meals, of any employee or agent of the Administrator, its Affiliates or its permitted Subcontractors who is required to travel to any location other than the Administrator's facilities in connection with the performance of the Services; provided, that (i) such travel has been approved in writing by Recipient; and (ii) such costs and expenses of travel are incurred in accordance with Recipient's generally applicable travel policies that have been provided in writing to the Administrator.

Section 2.6 Books and Records; Other Information.

(a) On and after the Closing Date, the Administrator shall assume responsibility for maintaining accurate and complete books and records of all transactions pertaining to the Administered Products and all data used by the Administrator in the performance of Services, including claims (as identified in Schedule III hereto) files and any documents relating to such claims, any communications relating to any Administered Product, any communications with any Governmental Authority, complaint logs, and accounting and reporting, in each case, other than Retained Books and Records ("Administration Books and Records"). The Administration Books and Records shall be maintained (i) in accordance with any and all Applicable Laws and (ii) in an accessible format. The Administration Books and Records with respect to each Administered

Product must be maintained for at least the seven (7) year period following the termination of this Agreement (or such longer period as would comply with the records retention policies of the Administrator then in effect with regards to its own business). Following the end of such seven (7) year or longer period, as applicable, the Administration Books and Records may be destroyed only after the Administrator has given Recipient at least sixty (60) days prior written notice of the Administration Books and Records the Administrator intends to destroy. During such sixty (60) day period, Recipient may, at its sole cost and expense, have the right to take possession of such Administration Books and Records in the format maintained by the Administrator. The Administrator shall maintain the confidentiality of such Administration Books and Records, including compliance with Section 8.10, and such information shall be used only for purposes relating to the transactions contemplated under this Agreement.

(b) All Administration Books and Records pertaining to an Administered Product shall be the property of Recipient and shall be made available (including access to appropriate employees and representatives of the Administrator, so long as such access shall not unreasonably interfere with the regular performance of such employees' and representatives' duties to the Administrator) to Recipient, auditors or other designees, and regulatory agencies, upon reasonable prior notice during normal business hours, for review, audit, inspection, examination and reproduction. Upon the reasonable request of Recipient from time to time, that Administrator shall also make copies of Administration Books and Records available to Recipient through electronic means. The Administrator shall have the right to retain copies of all such Administration Books and Records.

(c) The Administrator shall maintain facilities and procedures for safekeeping all Administration Books and Records relating to the Administered Products or otherwise used in the performance of services under this Agreement consistent with those applicable to the books and records of the Administrator and its Affiliates with respect to annuity contracts issued by the Administrator or its Affiliates. To the extent required by the Services, the Administrator shall back up all of its computer files relating to the Administered Products or otherwise used in the performance of services under this Agreement on the same basis and shall maintain back-up files in a manner consistent with the policies and procedures of the Administrator and its Affiliates regarding the back-up of computer files and storage of back-up files.

Section 2.7 Payments and Collections.

(a) The Administrator has established, and shall during the term of this Agreement, shall maintain, one account with [Citibank, N.A.] for Recipient for use by the Administrator in providing the Services (each, an "Administrative Account"). The Administrator shall make payments concerning the Administered Products from funds in the Administrative Account.

(b) On a monthly basis or as more frequently as may be reasonably required in order to pay the liabilities under the Administered Products, the Administrator shall request that Recipient deposit to the Administrative Account funds in an amount sufficient to pay amounts then due or reasonably expected to became due during the next month for Administered Products. Recipient shall, at all times, maintain sufficient funds in the Administrative Account to pay all Administered Products as they become due.

(c) All premiums and other amounts collected by the Administrator pursuant to the authority granted hereunder and due to Recipient shall be paid to Recipient.

(d) Recipient check stock shall be used for all payments made in respect of the Administered Products and the Services.

Section 2.8 Power of Attorney.

(a) Subject to the terms and conditions set forth herein, Recipient hereby appoints and names the Administrator, acting through its authorized officers and employees, as Recipient's exclusive lawful attorney-in-fact, from and after the Closing Date for so long as the Administrator is authorized to perform the Services and solely to the extent necessary to provide the Services, (a) to do any and all lawful acts that Recipient might have done with respect to the Administered Products, and (b) to proceed by all lawful means (i) to perform any and all of Recipient's obligations with respect to the Administered Products, (ii) to collect any and all sums due or payable in respect of the Administered Products, (iii) to sign (in Recipient's name, when necessary) vouchers, receipts, releases and other papers in connection with any of the foregoing matters, (iv) to take actions necessary to maintain the Administered Products in compliance with Applicable Law and (v) to do everything necessary in connection with the satisfaction of the Administrator's obligations and the exercise of its rights under this Agreement, but in all cases only to the extent of the rights and authority granted to the Administrator pursuant to this Agreement and in accordance with the terms hereof.

(b) In order to assist the Administrator in the performance of the Services hereunder, as reasonably requested by the Administrator in writing from time to time, Recipient shall deliver to the Administrator, in the form reasonably requested by the Administrator in writing, evidence of its appointment of the Administrator as its attorney-in-fact with respect to all matters required, necessary or appropriate to perform the Services.

Section 2.9 Information Safeguards and Security Breaches. The Administrator shall (to the extent it has the ability to access Confidential Information of Recipient) maintain administrative, technical and physical safeguards that are reasonably designed to (a) ensure the security and confidentiality of such Confidential Information; (b) protect against any anticipated threats or hazards to the security or integrity of such Confidential Information; (c) protect against unauthorized access to or use of such Confidential Information that could result in substantial harm or inconvenience to the Person that is the subject of such Confidential Information and (d) ensure the proper disposal of such Confidential Information, in each case not less than the standards required by Applicable Law. In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Administrator, the Administrator shall, at its expense, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of Recipient or the Administrator by Applicable Law and as reasonably requested by Recipient to inform each impacted individual of such security breach and to implement curative action required by Applicable Law. As promptly as reasonably practicable, but in no event later than forty-eight (48) hours after becoming aware of a security breach, the Administrator shall notify Recipient thereof.

Section 2.10 SOC Reports.

(a) Following the six (6) month anniversary of the completion of the migration of the applicable Business IT Systems (as defined in the Master Agreement), upon Recipient's written request, but in no event more than once per contract year, the Administrator shall, and shall require its Subcontractors to, promptly complete, an industry standard information security audit and assessment process (the "Security Assessment"), which, if available, will include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type II for other facilities) relating to the Administrator and such Subcontractors. Promptly upon completion of the Security Assessment, the Administrator shall, and shall cause its Subcontractors to, take commercially reasonable steps to remediate, to Recipient's reasonable satisfaction, any material deficiencies identified by Recipient as a result of the Security Assessment. The Administrator's failure to (a) remediate such material deficiencies or (b) at any time during the term of this Agreement, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Administrator's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Administrator. Recipient's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Administrator's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process. The Administrator anticipates that it will receive annual SOC Reports from its Subcontractors and that such SOC Reports will be prepared by one of the nationally-recognized accounting firms, and the Administrator shall use it commercially reasonable efforts to enforce any rights the Administrator has to receive any such SOC Reports from its Subcontractors. The Administrator shall provide to Recipient such other publicly-available financial information concerning the Administrator and its Subcontractors as may be reasonably requested by Recipient. Further, commencing on the date hereof and for as long as this Agreement is in effect, within twenty (20) days after the end of each calendar quarter, the Administrator shall deliver to Recipient a completed quarterly management representation letter to Recipient's Chief Accounting Officer, in the such form as Recipient may reasonably request, on accounting, reporting, internal controls and disclosure issues in support of the management representation letter to be issued by Recipient to its independent accountants.

(b) The Administrator shall provide to Recipient (i) access to the Administrator's Sarbanes-Oxley Act and Model Audit Rules control documentation and the results of any internal control testing performed by it with respect to the Administered Products, and access to the books, records and employees of the Administrator for purposes of independently performing tests of the Administrator's documentation and controls, as reasonably requested by Recipient from time to time; and (ii) prompt notice of significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Administered Products. The Administrator shall use its commercially reasonable efforts to remedy, as promptly as reasonably practicable, significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Administered Products.

(c) During the term of this Agreement, upon any reasonable request from Recipient or its Representatives, subject to compliance with Applicable Law relating to the exchange of information and to the confidentiality requirements under Section 8.10, the Administrator shall (i) provide, or cause its Subcontractors to provide, to Recipient and its Representatives reasonable on-site and desk access during normal business hours to review the books and records (including any such materials developed on or after the Closing Date) under the control of the Administrator or a Subcontractor pertaining to the Administered Products and the Services to be provided under this Agreement; provided that such access shall not unreasonably interfere with the conduct of the business of the Administrator or the Subcontractor, and (ii) permit, or cause its Subcontractors to permit, Recipient and its Representatives to make copies of such records, in each case at no cost to the Administrator. Access provided to Recipient or its Representatives pursuant to this Section 2.10 shall be provided by the Administrator upon forty-eight (48) hours advance written notice or as otherwise reasonably requested by Recipient. The parties agree and acknowledge that reasonable access includes facilitating audits by Recipient or its Representatives to comply with Applicable Laws relating to the Administered Products.

Section 2.11 Coordinators. As of the Closing Date, the Administrator and Recipient shall appoint and provide written notice to the other party pursuant to Section 8.1, of the name, title and contact information for an individual who shall be a current officer or employee of such party or an Affiliate thereof and shall serve as such party's primary contact with respect to issues that may arise out of the scope or performance of this Agreement (each, a "Coordinator"). The parties may replace their respective Coordinator by giving notice pursuant to Section 8.1 to the other party stating the name, title and contact information for the new Coordinator. Each Coordinator will have primary responsibility on behalf of its respective party, to communicate and coordinate with the other Coordinator with respect to this Agreement. The Coordinators shall meet, either in person or telephonically, from time to time as necessary or appropriate to discuss open issues related to this Agreement and performance hereunder.

Section 2.12 Transition Services. The Administrator shall have no obligation to perform any particular Service or other obligation to the extent that it is unable to provide such Service or perform such obligation as a result of the failure of Recipient or its Affiliates to provide to the Administrator or its Affiliates services required to be provided by Recipient or its Affiliates under the Transition Services Agreement. Such nonperformance by the Administrator of any such Service or other obligation shall not be deemed to be a breach of this Agreement, shall not create liability for the Administrator under this Agreement, and the provisions of Section 4.1 shall be inapplicable thereto; provided that (a) the Administrator shall be obligated to provide any such Service and perform any such obligation in accordance with the terms of this Agreement following the cure or remediation of any such failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement, and (b) the Administrator shall, in any event, use commercially reasonable efforts to perform such Service despite any failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement.

Section 2.13 Shortfall in Services. If Recipient provides the Administrator with written notice of the occurrence of any Significant Service Shortfall (as defined below) in the Services, as reasonably determined by Recipient in good faith, the Administrator shall use commercially reasonable efforts to rectify such Significant Service Shortfall as soon as reasonably possible. For purposes of this Section 2.13, a "Significant Service Shortfall" shall be deemed to have occurred if the timing or quality of performance of one or more Services provided by the Administrator hereunder falls below the standard required by Section 2.2 hereof; provided that the Administrator's obligations under this Agreement shall be relieved to the extent, and for the duration of, any Force Majeure Event as set forth in Section 2.17. Any dispute as to whether a Significant Service Shortfall occurred shall be resolved in accordance with Section 2.16(a).

Section 2.14 Abandonment; Maintenance. The Administrator shall not Abandon (as defined below) any of the Services for which it is responsible. The parties agree that if the Administrator breaches or threatens to breach the foregoing covenant, Recipient may be irreparably harmed, and Recipient shall be entitled to apply to a court of competent jurisdiction for an injunction compelling specific performance by the Administrator of its obligations under this Agreement. "Abandon" or "Abandonment" means the threatened or actual intentional refusal by the Administrator to provide or perform any material element(s) of the Services in breach of its obligations under this Agreement. Notwithstanding the foregoing, the Administrator shall have the right to: (a) shut down temporarily for routine maintenance the operation of any facilities or systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable for general maintenance purposes, provided that the Administrator gives Recipient at least seven (7) days prior written notice of such scheduled maintenance, which shall occur outside of normal business hours or at other time mutually agreed by the parties, (b) shut down for emergency purposes the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator shall notify Recipient as soon as is commercially reasonable thereafter and shall use commercially reasonable efforts not to materially disrupt the operation of Recipient, and (c) shut down temporarily for "escalated" or "high priority" purposes (*e.g.*, system security updates/patches) the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator gives Recipient the same prior notice that it gives for any such maintenance to its internal clients and Affiliates.

Section 2.15 Disaster Recovery Program. The Administrator will implement a disaster recovery plan that is (a) consistent with current industry standards, (b) contains service level agreements for recovery time objectives and recovery point objectives to be agreed in good faith between the parties, and (c) no less stringent than what the Administrator and its Affiliates deploy for their own systems and records, maintain its systems and records (including the Administration Books and Records) in accordance with such plan, and test such plan from time to time. Such disaster recovery plan will include, but not be limited to, the provision of an incremental backup of the Administrator's applicable systems no less than daily, a full backup of the Administrator's applicable systems no less than weekly, and a second full backup of the Administrator's applicable systems no less than monthly. The daily backups will be stored by the Administrator for at least one (1) week, the weekly backups will be stored by the Administrator for at least one (1) month, and the monthly backups will be stored by the Administrator for at least one (1) year. The backups of the Administrator's applicable systems will be stored at a facility outside of the Administrator's facility. In the event of a Business Interruption, the Administrator will implement its disaster recovery plan. The term "Business Interruption" means (i) any material interruption or interference with the Administrator's ability to continue to provide Services, including any temporary loss of Customer information or adverse effect on the Administrator's operating environment or telecommunications infrastructure used to provide the Services or (ii) any event, whether anticipated or unanticipated, which disrupts the normal course of business operations.

Section 2.16 Dispute Resolution.

(a) Amicable Resolution. The parties mutually desire that friendly collaboration will continue between them during the term of this Agreement. 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 and Expenses hereunder), then the Coordinators shall seek to resolve the Dispute amicably. If the Coordinators are unable to resolve a Dispute in a timely manner, then either Coordinator, by written request to the other, may request that such Dispute be referred for resolution to a designated senior executive of each party ("Designated Senior Executives"), which Designated Senior Executives will have fifteen (15) days to resolve such Dispute. If the Designated Senior Executives for each party do not agree to a resolution of such Dispute within fifteen (15) days after the reference of the matter to them, either party may bring an action regarding such dispute.

(b) Non-Exclusive Remedy. Nothing in this Section 2.16 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 Section 2.14 or Section 8.10, (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 8.13. 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 2.16(a).

Section 2.17 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 any of the following circumstances or events beyond the reasonable control of the party relying on such circumstance or event: changes in Applicable Law, riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism (each, a "Force Majeure Event"), then (a) the party shall give written notice to the other party, (b) 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 (c) the affected party shall be excused from its obligations to the extent limited by such Force Majeure Event 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. Recipient shall be relieved of the obligation to pay any Service Fees and Expenses and other amounts for the provision of the Services obligations limited by such Force Majeure Event throughout the duration of such Force Majeure Event.

Section 2.18 Notification to Customers. To the extent required by Applicable Law or as required for the efficient performance of the Services, the Administrator agrees to send to Customers a written notice prepared by the Administrator and reasonably acceptable to Recipient to the effect that the Administrator has been appointed by Recipient to provide the Services. The Administrator shall provide such notice at a time and in a manner reasonably acceptable to Recipient and the Administrator and in all events in accordance with Applicable Law.

Section 2.19 Discretionary Acts. The Administrator shall have no responsibility to provide any Service with respect to an Administered Product that would fall within the definition of "independent adjuster" contained in Section 2101(g)(1) of the New York Insurance Law (a "Discretionary Act"), other than (i) to promptly notify Recipient in writing of any such situation of which the Administrator becomes aware and (ii) to provide Recipient copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters. The parties shall use reasonable best efforts to formulate the Services to be provided by the Administrator so as to avoid any Service becoming a Discretionary Act.

ARTICLE III

RESPONSIBILITIES

Section 3.1 Books and Records; Other Information. On the Commencement Date of any Services with respect to an Administered Product, Recipient shall promptly transfer to the Administrator all Books and Records related to such Administered Product except for any such Books and Records that Recipient is required to retain under Applicable Law (the "Retained Books and Records"). On the Closing Date, Recipient shall provide the Administrator with a copy of any Retained Books and Records. Further, Recipient shall, and shall cause its designees to, provide the Administrator with access to all information in the possession or control of Recipient and such designees which pertains to, and which the Administrator requests in connection with, any claim, loss or obligations arising out of the Administered Products; provided, however, that nothing herein shall require Recipient to disclose information to the Administrator or its representatives if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any Applicable Law or contract (including any confidentiality agreement to which Recipient or any of its Affiliates is a party) (it being understood that Recipient shall use its reasonable best efforts to enable such information to be furnished or made available to the Administrator or its representatives without so jeopardizing privilege or contravening such Applicable Law or contract) or require Recipient to disclose its tax records (other than premium tax filings) or any personnel or related records; provided, further, the Administrator shall comply with all Applicable Laws with respect to the use and disclosure of such information. In addition, Recipient shall make all such Books and Records and other information contemplated in this Section 3.1 available for inspection and copying by the Administrator upon at least one (1) Business Day's prior notice by the Administrator to Recipient during regular business hours.

Section 3.2 Additional Documentation. On and after the Commencement Date for any Services with respect to an Administered Product, Recipient shall, and shall, if applicable, cause its designees to, cooperate with the Administrator and provide such access to Representatives of Recipient and such additional documentation, information, computer and hard copy files and data (including Books and Records, or copies thereof, which have not previously been provided to the Administrator) as may be necessary or appropriate to assist in the administration of such Administered Product of Recipient and to enable the Administrator to fully carry out its responsibilities under this Agreement.

Section 3.3 Licenses. Recipient hereby grants to the Administrator, and the Administrator hereby accepts, a non-exclusive, royalty-free, non-transferable license during the applicable Services Term, to use those items set forth on Schedule V attached hereto solely as necessary for the performance by the Administrator of the Services hereunder.

Section 3.4 Trademarks. Administrator hereby acknowledges that Recipient has adopted and is using the names and marks listed on Schedule V hereto in connection with the Administered Products (collectively, the "Licensed Names and Marks"). Recipient and Administrator agree as follows:

(a) Recipient hereby grants to the Administrator and Administrator hereby accepts a limited, non-exclusive, non-transferable (except to Subcontractors as permitted below), royalty-free license to use the Licensed Names and Marks solely as necessary to provide the Services, subject to the terms and conditions set forth in this Agreement. The Administrator is granted no rights to use the Licensed Names and Marks, other than those rights specifically described and expressly licensed in this Agreement and no right is granted hereunder for the use of the Licensed Names and Marks in connection with any services other than the Services. None of the rights licensed to the Administrator under this Section 3.4 may be assigned, sublicensed or otherwise transferred by the Administrator (other than to Subcontractors), nor shall such rights inure to the benefit of any trustee in bankruptcy, receiver or successor of the Administrator, whether by operation of law or otherwise, without the prior written consent of Recipient, and any assignment, sublicense or other transfer without such consent shall be null and void.

(b) The Administrator agrees that it will use the Licensed Names and Marks in a manner that is consistent with the manner in which Recipient used them prior to the date hereof and, otherwise, only in accordance with the performance and usage standards established by Recipient and communicated to Administrator in writing (including graphic standards as prescribed by Recipient). The Administrator shall have no right to use the Licensed Names and Marks in connection with advertisements, brochures, audio or visual presentations, or any other materials used in the sale or advertising of Administrator's services.

(c) The Administrator agrees not to use the Licensed Names and Marks in partial form without the prior written consent of Recipient, which Recipient may withhold at its sole discretion. The Administrator agrees not to adopt or use any trademarks, service mark, logo or design confusingly similar to the Licensed Names and Marks. It is understood that Recipient retains the right, in its sole discretion, to modify the Licensed Names and Marks, upon reasonable prior notice to the Administrator.

(d) The Administrator acknowledges that all rights in the Licensed Names and Marks and the goodwill associated therewith belong exclusively to Recipient. All uses of the Licensed Names and Marks by the Administrator shall inure solely to the benefit of Recipient and any registration of the Licensed Names and Marks shall be registered by Recipient in its name, it being understood that the present license shall not in any way affect the ownership by Recipient of the Licensed Names and Marks, each of which shall continue to be the exclusive property of Recipient. At its option, Recipient may, in its own name and at its own expense, maintain appropriate trademark and service mark protection for the Licensed Names and Marks. The Administrator shall not at any time during the term of this Agreement or at any time thereafter do or cause to be done any act contesting the validity of the Licensed Names and Marks, contesting or in any way impairing or tending to impair Recipient's entire right, title and interest in the Licensed Names and Marks and the registrations thereof or adversely affecting the value of the Licensed Names and Marks or the reputation and goodwill of Recipient. The Administrator shall not represent that it has any right, title or interest in the reputation and good will of Recipient. The Administrator shall not represent that it has any right, title or interest in the Licensed Names and Marks other than the rights expressly granted by this Agreement.

(e) The right to institute and prosecute actions for infringement of the Licensed Names and Marks is reserved exclusively to Recipient, and Recipient shall have the right to join the Administrator in any such actions as a formal party. Any such action shall be conducted at Recipient's expense. The Administrator shall provide prompt written notice to Recipient of any infringement or unauthorized use of the Licensed Names and Marks of Recipient of which it is aware, and agrees to assist Recipient at Recipient's expense in any such action brought by Recipient. It is understood, however, that Recipient is not obligated to institute and prosecute any such actions in any case in which it, in its sole judgment, may consider it inadvisable to do so.

(f) The agreements and covenants contained in this Section 3.4 shall continue in effect until such time as this Agreement is terminated pursuant to ARTICLE VI. As promptly after termination of this Agreement as is reasonably practicable, the Administrator shall discontinue all use of the Licensed Names and Marks (but in no event will such use extend beyond ninety (90) calendar days after termination). Prior to any such termination, the Administrator shall take all commercially reasonable actions necessary to effect such discontinuance, including notifying contractowners, producers, suppliers, service providers, regulatory agencies and other relevant Persons of the discontinuance. Upon termination, all of the Administrator's rights to the Licensed Names and Marks shall revert to and continue to reside with and be owned exclusively by Recipient.

Section 3.5 Other Obligations. Recipient shall (a) forward to the Administrator all mail, notices, communications and other correspondence received by Recipient in respect of the Administered Products as promptly as practicable following Recipient's receipt thereof and (b) maintain all Books and Records regarding any Administered Products that are terminated prior to the Closing Date. Each party shall adhere, and shall cause its Representatives to adhere, to (x) all applicable policies and procedures of the other party and its Affiliates in effect as of the Closing Date, and such other reasonable applicable policies and procedures with respect to which the other party notifies such party in writing, within a reasonable period of time following receipt of such notice (except that a party may require the other party to comply, and in such case the other party shall comply, immediately following receipt of any notice relating to policies or procedures addressing compliance with Applicable Law or such party's cybersecurity or data security policies or requirements), and (y) to all security and access policies of the other party, at all times during the term of this Agreement, to the extent that such party or its Representatives requires ingress to and egress from the premises occupied by the other party or its Affiliates, for reasonable purposes necessary to the delivery or receipt of Services hereunder or the performance of any obligations required by this Agreement.

Section 3.6 Disclaimer of Responsibility. The Administrator shall have no responsibility or liability and Recipient shall continue to be, at all times, solely responsible for each of the following:

(a) Determining non-guaranteed elements, and securing reinsurance, if any;

(b) Failure of Recipient or its Affiliates to fulfill all lawful obligations with respect to the Administered Products, regardless of any dispute between Recipient and the Administrator;

(c) Any prospectuses, advertisements and other solicitation materials, training programs and materials, insurance contracts, amendments, endorsements and other forms provided by, used by or required by Recipient or its Affiliates;

(d) (i) The accuracy and completeness of all data and information provided by Recipient; (ii) any errors in and with respect to data obtained from Recipient caused by inaccurate or incomplete data provided by Recipient; or (iii) accuracy and completeness of Recipient's policies and procedures or business rules provided to the Administrator; or

(e) Any Discretionary Acts.

Section 3.7 Examinations. The Administrator acknowledges that regulators with jurisdiction over Recipient and any of its Affiliates may have authority to examine Recipient. To the extent any such examinations relate to this Agreement, the Administrator shall cooperate with any such examinations as reasonably requested by Recipient at Recipient's cost and expense. For the avoidance of doubt, such cooperation shall not be deemed to be a Service.

ARTICLE IV

INDEMNIFICATION

Section 4.1 Indemnification of Recipient. From and after the Closing Date, Recipient and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Recipient Indemnified Party" and collectively, with each other Recipient Indemnified Party, the "Recipient Indemnified Parties") shall not be responsible for, and the Administrator shall indemnify and hold each Recipient Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Recipient Indemnified Parties, arising out of or attributable to:

(a) Fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(b) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(c) Security breaches as described in Section 2.9 to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, Recipient or its respective permitted designees;

(d) The Administrator's willful misconduct or negligence with regard to its provision of the Services; or which arise out of a material breach of this Agreement by the Administrator;

(e) Any wrongful use of Recipient's Confidential Information obtained under this Agreement;

(f) Fines, penalties and interest paid to a Governmental Authority arising out of a breach of Applicable Law by the Administrator;

(g) actual or alleged infringement or violation of a third party's Intellectual Property (as defined in the Master Agreement) rights ("IP Claims") arising out of or in connection with the supply of the Services provided by or on behalf of the Administrator; provided, however, that the Administrator shall have no indemnification obligations as to IP Claims based on the use of any Allocated Intellectual Property, Business IT Systems, Business Software (each, as defined in the Master Agreement) or any service provided consistent with Seller's practices as of the Closing Date; or

(h) Any enforcement of this indemnity.

Section 4.2 Indemnification of the Administrator. From and after the Closing Date, the Administrator and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Administrator Indemnified Party" and collectively, with each other Administrator Indemnified Party, the "Administrator Indemnified Parties") shall not be responsible for, and Recipient shall indemnify and hold each Administrator Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Administrator Indemnified Parties, arising out of or attributable to:

(a) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of Recipient during the term of this Agreement;

(b) Recipient's willful misconduct or negligence or which arise out of the breach of this Agreement by Recipient;

(c) Third party claims for loss or damage; except for third party claims for which the Administrator would have an obligation to indemnify Recipient under Section 4.1;

(d) Recipient's wrongful use of the Administrator's Confidential Information obtained under this Agreement;

(e) IP Claims arising out of or in connection with the use of the Services by Recipient; or

(f) Any enforcement of this indemnity.

Section 4.3 Indemnification Procedures.

(a) If any Person entitled to indemnification under Section 4.1 or Section 4.2 (the "Indemnitee") receives notice of assertion or commencement of any a claim or demand made by, or an action, proceeding or investigation instituted by, any Person not a party to this Agreement (a "Third Party Claim") against such Indemnitee in respect of which the party required to indemnify such Indemnitee under Section 4.1 or Section 4.2 (the "Indemnitor") may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor prompt written notice (but in no event later than 30 days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Loss (to the extent practicable) and shall reference the specific sections of this Agreement that form the basis of such claim; provided, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay. Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) Business Days 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 may assume the defense thereof with counsel selected by the Indemnitor. 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. 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. All of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense of any Third Party Claim, and, if the Indemnitor assumes such defense, such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information that 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, conditioned or delayed), and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided 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 full and complete release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any non-monetary relief or 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 as provided in this

Section 4.3(b) 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 4.4 IP Claims. Further, in the event that the provision of any Service infringes, violates or constitutes the misappropriation of, is alleged to infringe, violate or misappropriate or, in the reasonable judgment of the Administrator's counsel, is likely to infringe, violate or constitute the misappropriation of, any Intellectual Property of any third party, the Administrator shall use commercially reasonable efforts at its sole expense either (a) procure for Recipient the right to continue to use such infringing, violating or misappropriating portions of the Services or (b) modify or replace such infringing, violating or misappropriating portions of the Services so that they are non-infringing, non-violating or non-misappropriating, as applicable, and of at least equivalent performance and functionality to that prior to such modification or replacement. If the Administrator is unable after the use of commercially reasonable efforts, to complete either of the options under subsection (a) or (b) above, the Administrator shall notify Recipient, and the parties shall cooperate to determine a commercially reasonable alternative approach for the provision of such Service without infringing, violating or misappropriating the Intellectual Property of any third party.

Section 4.5 Mitigation of Damages. Each indemnified party must mitigate, in accordance with Applicable Law, any Indemnifiable Losses (as defined in the Master Agreement) for which such indemnified party seeks indemnification under this Agreement.

Section 4.6 Insurance. Notwithstanding anything to the contrary contained herein, (a) each party shall use commercially reasonable efforts to use insurance provided by a third party to cover any Indemnifiable Losses applicable to it, and (b) no party indemnified under this ARTICLE IV shall be indemnified or held harmless hereunder to the extent such Indemnifiable Losses are covered by insurance provided by a third Person.

Section 4.7 Exclusive Remedy. Each party acknowledges and agrees that, following the date hereof, other than in the case of actual fraud or as otherwise provided by Applicable Law, the following shall be the sole and exclusive remedies of such party for any claims arising from or related to this Agreement: (a) the right to indemnification as provided in this ARTICLE IV; (b) the right to require performance of any Service to the extent required under Section 2.2; (c) the right to require re-performance of any Service to the extent required under Section 2.13; (d) the right to an injunction, specific performance or other equitable non-monetary relief when available under Applicable Law; (e) the right to terminate this Agreement pursuant to ARTICLE VI; (f) the right to actual damages for breach of Section 3.4 or Section 8.10 (but, for the purposes of clarity, not for breach of any other section of this Agreement); and (g) with respect to equitable relief available hereunder, including Section 2.16(b).

Section 4.8 Limitation of Liability.

(a) NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES, OR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, EXCEPT (I) TO THE EXTENT AWARDED OR PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM OR PAID TO A THIRD PARTY IN CONNECTION WITH A DATA SECURITY BREACH; (II) FOR CLAIMS BASED ON A BREACH OF SECTION 8.10 HEREUNDER; OR (III) FOR CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) THE MAXIMUM AGGREGATE LIABILITY OF A PARTY UNDER THIS AGREEMENT SHALL BE CAPPED AT THE AMOUNT OF SERVICE FEES AND EXPENSES PAYABLE BY RECIPIENT TO THE ADMINISTRATOR UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE OF THE EVENT GIVING RISE TO SUCH LIABILITY, EXCEPT FOR (I) CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (II) CLAIMS BASED ON A PARTY'S FAILURE TO PAY SERVICE FEES AND EXPENSES IN ACCORDANCE WITH THE TERMS OF SECTION 2.3, AND (III) AS PROVIDED IN SECTION 4.8(c) BELOW; PROVIDED, THAT IF THE MOST RECENT EVENT GIVING RISE TO LIABILITY OCCURS PRIOR TO THE TWELVE (12) MONTH ANNIVERSARY OF THE EFFECTIVE DATE OF THE AGREEMENT, THEN THE AMOUNT IN THIS SECTION 4.8(b) SHALL EQUAL TWELVE (12) TIMES THE RESULT OBTAINED BY DIVIDING (X) THE TOTAL FEES ACTUALLY PAID BY RECIPIENT TO THE ADMINISTRATOR UNDER THE AGREEMENT FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH THE DATE ON WHICH SUCH EVENT OCCURRED, BY (Y) THE NUMBER OF MONTHS FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH SUCH DATE.

(c) SEPARATE AND APART FROM THE LIMITATION SET FORTH IN SECTION 4.8(b), IN NO EVENT SHALL ANY PARTY BE LIABLE FOR DAMAGES AS A RESULT OF A DATA SECURITY BREACH IN AN AMOUNT IN EXCESS OF THIRTY-FIVE MILLION DOLLARS ($35,000,000).

ARTICLE V

REGULATORY ACTIONS AND LEGAL ACTIONS

Section 5.1 Regulatory Actions. The Administrator shall have no responsibility or liability in respect of any complaints, inquiries or proceedings made by any Governmental Authority with respect to the Administered Products (each, a "Regulatory Action") other than (a) to notify Recipient in writing promptly of any such Regulatory Action of which the Administrator becomes aware as promptly as practicable after becoming aware thereof, and (b) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case, other than such files, documents and other information as would reasonably be expected to, in the judgment of counsel to the Administrator, lead to the loss or waiver of the Administrator's rights in respect of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Regulatory Actions.

Section 5.2 Contested Claims; Legal Actions.

(a) If, in the course of providing the Services pursuant to ARTICLE II, the Administrator determines that a claim for payment under any Administered Product either requires investigation or should be contested or denied, in whole or in part, the Administrator shall promptly, and in any event within five (5) Business Days of such determination, notify Recipient in writing of such determination for Recipient's direction. Following such notification, the Administrator shall act only in accordance with the direction of Recipient consistent with the Services in connection with such claim.

(b) The Administrator shall have no responsibility or liability in respect of any lawsuit, action, arbitration or other dispute resolution proceeding that is instituted or threatened with respect to any matter relating to the Administered Products (each, a "Legal Action") other than (i) to notify Recipient in writing promptly of any such Legal Action of which the Administrator becomes aware, and (ii) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Legal Actions.

ARTICLE VI

TERM AND TERMINATION

Section 6.1 Term. Subject to Section 6.2, Section 6.3, Section 6.4 and Section 6.5, this Agreement shall remain in force and effect for so long as any of the Administered Products are in effect unless terminated pursuant to the terms of this Agreement.

Section 6.2 Termination by Mutual Consent. This Agreement may be terminated by mutual agreement of the parties in writing at any time.

Section 6.3 Termination Upon Notice. This Agreement, or all Services with respect to an Administered Products Block, may be terminated by Recipient upon one hundred and eighty (180) days' prior written notice to the Administrator.

Section 6.4 Termination by the Administrator.

(a) This Agreement may be terminated immediately by the Administrator upon written notice to Recipient if any Governmental Authority determines that the assignment by the Administrator of its rights and obligations under this Agreement to any one of its Affiliates under Section 8.2 violates applicable law.

(b) This Agreement may be terminated by the Administrator with respect to any individual Service immediately upon written notice to Recipient if any Governmental Authority determines that the performing of such Service violates applicable law.

Section 6.5 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:

(a) If such breach arises from Recipient's non-payment of an amount that is not in dispute, Recipient shall cure the breach within fifteen (15) calendar days after receipt of written notice of such non-payment. If Recipient does not cure such breach by such date, then Recipient shall pay the Administrator, the undisputed amount plus an amount of interest equal to one percent (1.0%) per month from and including the date such payment is due under this provision until, but excluding, the date of payment. The parties agree that this rate of interest constitutes reasonable liquidated damages and not an unenforceable penalty.

(b) 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.

(c) In the case of any such breach that is not cured in accordance with Section 6.5, and subsections (a) and (b) above, then the non-defaulting party shall also have the right to terminate Services with respect to the affected Administered Products Block upon written notice thereof to the defaulting party.

Section 6.6 Return of Information and Books and Records after Termination. Upon termination of this Agreement, Recipient will return to the Administrator all of the Administrator's Confidential Information, if any, and any other similar or related materials, and the Administrator will return all of the data and files of Recipient, including its Books and Records and Recipient's Confidential Information. Recipient agrees to allow the Administrator reasonable access to, including the right to make copies of, all such returned materials in the event such access is requested by the Administrator for any reasonable and legitimate purpose, including, but not limited to, as a result of any Regulatory Action or Legal Action.

Section 6.7 Effect of Termination. Termination of this Agreement for any reason under this ARTICLE VI shall not affect (i) any liabilities or obligations of either party arising before such termination or out of the events causing such termination; or (ii) any damages or other remedies to which a party may be entitled under this Agreement, at law or in equity, arising from any breaches of such liabilities or obligations. Termination of this Agreement shall automatically terminate any work orders then in effect and, other than as provided in Section 6.6, the Administrator's obligation to render any Service (including any Additional Service) to Recipient. In the event of termination of this Agreement, Recipient will pay for all Services rendered through the effective date of termination (including for work in progress) and all work related to Section 6.6 performed before or after the effective date of termination in accordance with the terms of this Agreement.

ARTICLE VII

COOPERATION

Section 7.1 Cooperation. Recipient and the Administrator shall cooperate to the extent reasonably possible with each other and shall execute and provide such additional documentation as may become necessary or appropriate to enable each other to fully carry out their respective responsibilities under this Agreement and to effectuate the intention of the parties under this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notice. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed duly given at the time when (i) received by the receiving party if mailed by United States registered or certified mail, return receipt requested; (ii) received by the receiving party if mailed by overnight express mail; (iii) sent by the sending party by means of electronic mail, followed by confirmation mailed by first-class mail or overnight express mail; or (iv) delivered to the receiving party in person or by commercial courier. All such notices and communications shall be sent or delivered to the parties as follows:

if to Recipient:

Reliastar Life Insurance Company of New York
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Administrator:

Venerable Holdings, Inc.
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

Section 8.2 Assignment. This Agreement shall not be assigned by any party hereto without the prior written approval of the other party hereto; provided, however, that the Administrator may assign all of its rights and obligations under this Agreement, at its sole discretion, to an Affiliate of the Administrator and may subcontract its right and obligations to perform Services under this Agreement in accordance with Section 2.4; and provided further that Recipient may assign or subcontract its rights and obligations under this Agreement, in whole or in part, along with the sale or transfer of a block of Administered Products with the prior written consent of the Administrator. Subject to the foregoing, the rights and obligations of the parties under this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective designees, subcontractors, transferees, successors and permitted assigns.

Section 8.3 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 8.4 Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation (including that of joint venture or partnership) between either party hereto and any other Person.

Section 8.5 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Agreement, and this Agreement, and including the Schedules and Exhibits attached hereto and thereto, contain the sole and entire agreement between the parties with respect to the subject matter hereof.

Section 8.6 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof by a writing executed by, in the case of Recipient, [the President, Chief Executive Officer or an Executive Vice President] and, in the case of the Administrator, [the President, Chief Operating Officer or a Vice President]. A waiver on any one occasion shall not be deemed to be a waiver of the same term or condition or any other term or condition on any future occasion.

Section 8.7 Amendment. This Agreement may be modified or amended only by a writing duly executed by each of the parties hereto.

Section 8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 8.9 Third Party Beneficiaries. Other than the parties specified in Sections 4.1 and 4.2, this Agreement is intended solely for the benefit of the parties hereto and their permitted successors and assigns, and it is not the intention of the parties to confer any rights as a third party beneficiary to this Agreement upon any other Person.

Section 8.10 Treatment of Confidential Information.

(a) Each party may come into possession or knowledge of Confidential Information (as defined below) of the other in connection with the obligations to be performed by such party under this Agreement.

(b) "Confidential Information" with respect to a party, means any and all information provided by, made available by or obtained on behalf of, such party, any of its Affiliates or Representatives, on, before or after the date hereof, including, with respect to Recipient, Non-Public Personal Information and all data relating to the contractholders of the Administered Products (including their rights and obligations under the Administered Products) which is maintained, processed or generated by Recipient; provided that Confidential Information does not include information that (i) is generally available to the public other than as a result of a disclosure by the receiving party in violation of its confidentiality obligation, (ii) is independently developed by the receiving party, its Affiliates or any of its Representatives without use or access to the disclosing party's Confidential Information, or (iii) is rightfully obtained by the receiving party from a third party without, to the knowledge of the receiving party, breach by such third party of a duty of confidentiality of any nature to the disclosing party; provided that the foregoing exceptions shall not supersede the obligations of the receiving party with respect to any Non-Public Personal Information. For the avoidance of doubt, as between Recipient and the Administrator, Confidential Information of the Administrator includes the foregoing categories of information relating to the business or operations of, or provided by or on behalf of, any of the Administrator's Subcontractors, whether such information is provided to Recipient on, before or after the date hereof.

(c) "Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Administered Products or contracts issued by Recipient, and their representatives, (ii) any such personally identifiable information or data that the Administrator or its Representatives or Subcontractors collect or derive from interactions with Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Administered Products, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

(d) Recipient and the Administrator agree to hold each other's Confidential Information in strictest confidence and to take all reasonable steps to ensure that Confidential Information is not disclosed in any form by any means by such party, its Affiliates or by any of its Representative or Subcontractors to third parties of any kind, other than the Representatives performing services for such party who need access to such Confidential Information in the course and scope of providing such services, except as is authorized by the other party in advance and in compliance with all Applicable Law. If any Confidential Information needs to be disclosed as required by Applicable Law or court order, the disclosing party shall (if permitted by Applicable Law) provide prompt notice to the other party prior to such disclosure so that such other party may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(e) The Administrator may disclose Recipient's Confidential Information to the Administrator's Subcontractors with a reasonable need to know, subject to such Subcontractor first being obligated to information security, confidentiality and limited use restrictions no less protective of Recipient's Confidential Information than the provisions in this Agreement. Further, Recipient will negotiate in good faith and diligently to agree to additional confidentiality and limited use terms and conditions as may reasonably be required by the Administrator's Subcontractors whose confidential information may be disclosed to Recipient in connection with the Services. Until such time as such additional confidentiality terms and conditions are agreed to in writing by Recipient, the Administrator may be limited by its contractual obligations with its Subcontractors in sharing certain Confidential Information with Recipient.

(f) The Administrator (and its Subcontractors) may use Recipient's Confidential Information; provided that such party shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of Recipient's Confidential Information which are no less rigorous than those maintained by the Administrator and its Affiliates (or such Subcontractor) for their own information of a similar nature (but not less than using a reasonable standard of care), and in compliance with the terms of the Privacy and Security Addendum in the form attached as Schedule VI hereto.

(g) Further to the foregoing, the Administrator shall, and shall cause its Representatives, Affiliates, and Subcontractors to, protect the confidentiality of Recipient's Confidential Information (including the Non-Public Personal Information) by:

(i) holding all such information transmitted to them by or on behalf of Recipient in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of such information;

(iii) using such information solely in connection with carrying out the Administrator's obligations under this Agreement and in compliance with the Recipient's consumer privacy notice;

(iv) disclosing such information to third parties only as necessary to perform services under this Agreement and in compliance with Recipient's consumer privacy notice; and

(v) disclosing such information as may be required by Applicable Law or court order; provided that the Administrator (or its Subcontractors) as applicable shall (if permitted by Applicable Law) provide prompt notice to Recipient prior to such disclosure so that Recipient may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(h) Unauthorized Acts. Each party shall (i) 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"), (ii) promptly furnish to the other party full details of the Unauthorized Access and use commercially reasonable efforts to assist the other party in investigating or preventing the reoccurrence of any Unauthorized Access, (iii) cooperate with the other party in any litigation and investigation against third parties deemed necessary by such party to protect its proprietary rights, and (iv) use commercially reasonable efforts to prevent a recurrence of any such Unauthorized Access. To the extent that a party inadvertently obtains access to any Confidential Information of the other party to which it was otherwise not intended to have access, such party shall immediately notify the other party when they are aware that they have received such Confidential Information or upon notice from the other party, they shall maintain confidentiality of such information until such time that it is either destroyed or returned to the other party, and shall promptly destroy any such Confidential Information and instruct its employees not use or otherwise act on such Confidential Information.

Section 8.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of Recipient or the Administrator under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 8.12 Survival. Upon termination of this Agreement for any reason whatsoever, the obligations set forth in Section 2.5 (to the extent amounts owed thereunder are in respect of periods up to and including such termination date), Section 6.6, Section 6.7 and ARTICLE IV and ARTICLE VIII shall survive such termination.

Section 8.13 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 8.1, 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, without the necessity of posting bond or other undertaking, 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 (as defined in the Master Agreement) 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 8.13.

Section 8.14 Insurance Coverage. Without limiting the Administrator's undertaking to indemnify and hold Recipient harmless as set forth herein, during the term of this Agreement, the Administrator shall obtain and maintain cyber, errors and omissions and fidelity bond insurance with minimum limits of no less than ten million dollars ($10,000,000) from an insurer or insurers with policy holder ratings of at least "A-" and financial ratings of at least "VII" in the then-latest edition of Best's Insurance Guide; provided that the obligation to obtain and maintain cyber insurance in accordance with the foregoing shall not commence until the completion of the migration of the Business IT Systems (as defined in the Master Agreement).

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: ________________________________
Name:
Title:

VENERABLE HOLDINGS, INC.

By: ________________________________
Name:
Title:

SCHEDULE I

Administered Products

[Recipient to provide.]

SCHEDULE II

Administered Products Blocks

[Recipient to provide.]

SCHEDULE III

Services[1]

[See attached.]

[1] Scope of services to be discussed and finalized between signing and closing; provided, that such services will include payment and collection services for the Administered Products.

SCHEDULE IV

Form of Invoice

[To come.]

SCHEDULE V

<u>Scheduled Licenses and Trademarks</u>

[To come.]

SCHEDULE VI

Privacy and Security Addendum

[To come.]

EXHIBIT H

Form of Transition Services Agreement

[See attached.]

TRANSITION SERVICES AGREEMENT[1]

This Transition Services Agreement (this "Agreement"), effective as of [_______], 2018 (the "Effective Date"), is by and between Voya Services Company, a corporation organized under the laws of the State of Delaware ("VSC") and [NewCo], a corporation organized under the laws of the State of Delaware ("Buyer"). VSC and Buyer shall be referred to together in this Agreement as the "Parties" and individually as a "Party."

WHEREAS, Voya Financial, Inc., a Delaware corporation and an Affiliate of VSC ("Seller"), Buyer Parent and Athene Holding Ltd., a Bermuda limited company ("Reinsurer Parent") have entered into a Master Transaction Agreement (the "MTA"), dated as of December [____], 2017 (the "MTA Effective Date"), whereby Buyer will acquire ownership and control, directly or indirectly, of the Acquired Companies;

WHEREAS, in connection with the consummation of the sale contemplated by the MTA, VSC desires to provide certain transition services to Buyer and certain of its Affiliates on the terms set forth herein; and

WHEREAS, in connection with the consummation of the sale contemplated by the MTA, Buyer desires to provide certain transition services to VSC, Seller and certain of their 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 MTA Definitions. All defined terms used, but not defined, in this Agreement shall have the meanings given such terms in the MTA.

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.

[1] Note to Draft: Guiding principles for this Agreement and for finalizing the Service Schedules are as follows: the services to be provided will be provided at the Providing Party's actual Direct Costs, allocable general corporate overhead and Out of Pocket Costs, with (i) the methodologies for allocations of general corporate overhead charged to the Receiving Party being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the MTA Effective Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs, and (ii) all other fees and Out of Pocket Costs to be passed through without mark-up.

"Agreement" has the meaning set forth in the Preamble.

"Allocated Service Fee" means the Providing Party's actual Direct Costs, allocable general corporate overhead and, subject to Section 4.1.2, Out of Pocket Costs, with (i) the methodologies for allocations of general corporate overhead charged to the Receiving Party being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the MTA Effective Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs, and (ii) all other fees and Out of Pocket Costs to be passed through without mark-up.

"Annual Flat Fee" has the meaning set forth in Section 4.1.3(a).

"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.

"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 set forth in the Preamble.

"Buyer Indemnified Person" has the meaning set forth in Section 5.1.

"Change" has the meaning set forth in Section 2.1.1(e).

"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 Senior Executive" has the meaning set forth in Section 2.3.1.

"Direct Costs" means the costs of (i) full-time employees providing or supporting the Scheduled Services determined on the basis of total compensation including salary, bonus, long-term incentives and other employee benefits, and (ii) any information technology infrastructure or systems used to provide the Scheduled Services.

"Dispute" has the meaning set forth in Section 2.3.1.

"Effective Date" has the meaning set forth in the Preamble.

"Extension Period" has the meaning set forth in Section 3.2.1(a).

"First Year Flat Fee" has the meaning set forth in Section 4.1.3(a)(i).

"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 Section 9.1.

"Host" has the meaning set forth in Section 9.1.

"IP Claims" has the meaning set forth in Section 5.1.

"IT Service" means a Scheduled Service on Schedule 1(a) under the heading entitled "IT Services."

"Migration Plan" means the written migration plan developed by the Parties pursuant to Section 5.24 of the MTA.

"Migration Service" means any Scheduled Service that is indicated on the Service Schedule as being performed pursuant to the Migration Plan, including any Project Service that is expressly agreed in writing to be in furtherance of the Migration Plan.

"MTA" has the meaning set forth in the Recitals.

"MTA Effective Date" has the meaning set forth in the Recitals.

"Non-IT Service" means a Scheduled Service on Schedule 1(a) other than an IT Service.

"Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to each Receiving Party's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of insurance contracts or other products issued by the Receiving Party, and their representatives, (ii) any such personally identifiable information or data that the Providing Party or its Representatives or Subcontractors collect or derive from interactions with the Receiving Party's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of insurance contracts or other products, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

"Out of Pocket Costs" has the meaning set forth in Section 4.1.2.

"Party" has the meaning set forth in the Preamble.

"Permit" means any license, permit, approval, waiver, order, authorization, right or privilege of any nature whatsoever, granted, issued, approved or allowed by any Governmental Entity.

"Project Services" means any one-time service, project or task that Receiving Party requests Providing Party to provide and that Providing Party has agreed in writing to provide in accordance with Section 2.1.6, which service does not fall within the scope of the Scheduled Services.

"Providing Party" has the meaning set forth in Section 2.1.1(c).

"Providing Party Third Party Contracts" has the meaning set forth in Section 3.2.2.

"Receiving Party" has the meaning set forth in Section 2.1.1(c).

"Reinsurer Parent" has the meaning set forth in the Recitals.

"Representatives" means, with respect to a Party or any of their respective Affiliates, such Person's directors, officers, employees, agents, subcontractors and advisors (including investment bankers and counsel).

"Retained Business" has the meaning set forth in Section 2.1.1(b).

"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).

"Second Year Flat Fee" has the meaning set forth in Section 4.1.3(a)(ii).

"Security Assessment" has the meaning set forth in Section 2.11.5.

"Seller" has the meaning set forth in the Recitals.

"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 Schedule" has the meaning set forth in Section 2.1.1(c).

"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.

"SOC" has the meaning set forth in Section 2.11.5.

"SOW" has the meaning set forth in Section 2.1.6.

"Systems" has the meaning set forth in Section 9.1.

"Term" has the meaning set forth in Section 3.1.

"Termination Date" has the meaning set forth in Section 3.2.2.

"Third Year Flat Fee" has the meaning set forth in Section 4.1.3(a)(iii).

"Transition Manager" has the meaning set forth in Section 2.8.

"True-Up Amount" has the meaning set forth in Section 4.1.3(c).

"Unauthorized Access" has the meaning set forth in Section 8.2.

"VAT" has the meaning set forth in Section 4.1.4.

"VSC" has the meaning set forth in the Preamble.

"VSC Indemnified Person" has the meaning set forth in Section 5.2.

ARTICLE II
SCHEDULED SERVICES

2.1 Scheduled Services.

2.1.1 Services.

(a) VSC, directly or through its Affiliates, and their respective Representatives, shall provide or cause to be provided to Buyer and certain of its Affiliates all services set forth on Schedule 1(a) from and after the date hereof for the duration set forth in Schedule 1(a); provided, that Buyer acknowledges and agrees that such services shall only be provided solely with respect to the Business as of Closing (subject to reasonable ordinary course expansion of the Business as set forth in Section 2.1.1(d)) and not to any other businesses of Buyer and its Affiliates. Buyer shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to VSC for providing the services set forth on Schedule 1(a), or causing such services to be provided.

(b) Buyer, directly or through its Affiliates, and their respective Representatives, shall provide or cause to be provided to VSC, Seller and certain of their Affiliates all services set forth on Schedule 1(b) from and after the date hereof for the duration set forth in Schedule 1(b); provided, that VSC acknowledges and agrees that such services shall only be provided solely with respect to the businesses (other than the Business) of Seller and its Affiliates in existence as of the MTA Effective Date (collectively, the "Retained Business") (subject to reasonable ordinary course expansion of the Retained Business as set forth in Section 2.1.1(d)) and not to future new or acquired businesses of Seller and its Affiliates. VSC shall pay, or cause to be paid, the Service Fees as set forth in Section 4.1 to Buyer 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", Schedules 1(a) and 1(b) are hereinafter each referred to as a "Service Schedule", and the duration for which the Scheduled Services are to be provided as set forth in the Service Schedules 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 an Affiliate of such Party designated by such Party to receive, such Scheduled Service. The Service Schedules set forth, for each Scheduled Service, the Providing Party and the Receiving Party. The Receiving Party, in its sole discretion, may designate any Affiliate to receive a Scheduled Service, provided that any non-*de minimis* additional cost to the Providing Party caused by such change shall be borne by the Receiving Party.

(d) The Providing Party may reasonably supplement, modify, substitute or otherwise alter any of the Scheduled Services from time to time in a manner consistent with supplements, modifications, substitutions or alterations made for similar services provided or otherwise made available by the Providing Party to itself or its Affiliates; provided, however, that the availability, level, scope and quality of service shall not be decreased in any material respect as a result of such supplements, modifications, substitutions or alterations nor shall the Service Fee therefor increase; provided, further, the Providing Party shall, to the extent practicable, provide Receiving Party with prior written notice of any such supplements, modifications, substitutions or alterations. Unless otherwise agreed by the Providing Party, the Providing Party shall not be required to provide a scope or volume of the Scheduled Services greater than the scope and volume of the applicable Scheduled Services provided to the Business or Retained Business (as applicable) during the twelve (12) month period immediately prior to the MTA Effective Date, plus increases to the Business or Retained Business (as applicable) during the Service Term in the ordinary course of business, consistent with past practice.

(e) Either Party may need to request minor changes to a Scheduled Service to resolve issues that were not apparent as of the Effective Date. In each such case the Transition Managers shall discuss such potential changes and determine possible scope impact. In the event the Parties mutually agree the changes are outside the description or scope of the Scheduled Services, and without limiting the Providing Party's rights under Section 2.1.1(d) above, then either Party may request in writing any modification, supplement, substitute or alteration (each, a "Change") to a Scheduled Service, which request shall include a description of the proposed Change requested and the associated business specifications. Any Changes proposed by a Party shall be considered and implemented pursuant to the change procedures set forth in this Section 2.1.1(e) except for changes that constitute requests for Additional Services which shall be governed by Section 2.1.5. Upon receipt of a request from a Party for a Change, the Providing Party shall provide the Receiving Party with a written proposal in respect of such Change, which proposal shall include: (i) a description of the services, functions and responsibilities the Providing Party anticipates performing in connection with such Change, (ii) a description of any additional obligations of the Receiving Party required in connection with the Change, (iii) a schedule for transitioning, commencing and completing such Change, (iv) any non-*de minimis* changes in the Service Fees associated with the Change, and shall take into account the resources and expense of the Providing Party for the then existing Scheduled Services that will not be required or incurred by the Providing Party if the Change is performed by the Providing Party, and (v) a description of the human resources necessary to provide the Change. A Change shall not be binding on the Parties until memorialized in a written document executed by both Parties.

(f) Notwithstanding the foregoing, except as set forth in the Migration Plan, the Providing Party and its Affiliates (i) shall not be required to expand their facilities, incur any capital expenditures, employ additional personnel or maintain the employment of any specific persons in order to provide the Scheduled Services, subject to the Providing Party's obligation to meet the standard required by Section 2.4.1 hereof, and (ii) shall be under no obligation to obtain any new licenses, systems or operations not already maintained by the Providing Party (including those acquired pursuant to the MTA) to comply with the obligations set forth in this Agreement.

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.

2.1.3 Cooperation. The Receiving Party of a Scheduled Service shall use its commercially reasonable efforts to cooperate with the Providing Party with respect to the provision of such Scheduled Service and enable the Providing Party to provide such Scheduled Service in accordance with this Agreement. The Receiving Party shall provide the Providing Party with access to its facilities as is reasonably necessary for the Providing Party to perform the Scheduled Services, and information reasonably necessary for the Providing Party to perform the Scheduled Services other than, in the case of Scheduled Services provided to Buyer or its Affiliates, information that reasonably should have been known to the Providing Party based on historical ownership of the Business. In connection with the foregoing, the Providing Party shall comply with its obligations set forth in Section 2.11.2. If the Receiving Party is delayed in or fails to provide access or information as required by this Section 2.1.3 with respect to a Scheduled Service and such delay or failure could prevent or materially hinder the Providing Party from providing such Scheduled Service, the Providing Party shall provide clear and timely written notice to the Receiving Party detailing the access or information that is needed and the extent to which a delay or failure will be caused by not providing that access or information, and the Providing Party shall not be responsible for any delays or failures to provide such Scheduled Service in accordance with the terms of this Agreement to the extent detailed in such written notice so long as the Receiving Party has not provided such access or information, until such time as such access or information has been provided; provided, that the Receiving Party may reasonably dispute that such access or information is needed. Without limiting the foregoing, Providing Party shall use commercially reasonable efforts to perform such Scheduled Service despite any such failure to comply with this Section 2.1.3.

2.1.4 Permits. VSC represents and covenants that as of the date hereof, it has, and any of its Affiliates through which it intends to provide a Scheduled Service to Buyer or any of its Affiliates have, all Permits necessary to provide the Scheduled Services for which VSC and its Affiliates are responsible, and such Permits shall survive and remain effective after the consummation of the transactions contemplated by the MTA through the end of the applicable Service Term. 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 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, provided that the Receiving Party shall pay any additional costs associated with such alternative except to the extent Buyer or any of its Affiliates is the Receiving Party prior to the first anniversary of the Closing. If, after the date hereof, the Providing Party changes the manner in which it provides the Scheduled Services such that is must obtain any additional Permits necessary to provide the Scheduled Services for which it is responsible, the Providing Party shall be responsible for obtaining such necessary Permits, unless such change is made at the Receiving Party's request, and the Receiving Party is aware of additional Permit requirements, in which event the Receiving Party shall be responsible, at its own expense, for obtaining such necessary Permits provided that if the First Year Flat Fee has not yet been fully allocated then the cost of obtaining such necessary Permits shall first be applied as a credit against the First Year Flat Fee and any such costs that exceed the First Year Flat Fee shall be at the Receiving Party's expense. The Providing Party shall reasonably cooperate with the Receiving Party in connection with obtaining such Permits.

2.1.5 Additional Services. The Parties each have used commercially reasonable efforts to identify and describe the Scheduled Services. However, the Parties acknowledge and agree that there may be services which are not identified on the Service Schedules that (i) (A) were provided by VSC or its Affiliates to one of the Acquired Companies in the twelve (12) months prior to the MTA Effective Date, (B) had been performed by the employees now employed by VSC or its Affiliates or provided pursuant to contracts to which VSC or one of its Affiliates is now a party or assets now owned by VSC or its Affiliates, and (C) are necessary to appropriately transfer the Acquired Companies to Buyer or for Buyer to operate the Acquired Companies after the Closing, or (ii) (A) were used in the Retained Business in the twelve (12) months prior to the MTA Effective Date, (B) had been performed by the employees then-currently employed by Buyer or any of its Affiliates at the time of the request, and (C) are necessary to operate the Retained Business after the Closing (collectively, the "Additional Services"). Each Party may provide written notice to the other Party requesting such 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, (a) at any time during the first one hundred and twenty (120) days following the Effective Date, (b) in the case of a recurring service provided on a quarterly basis, within thirty (30) days following the last day of the first full calendar quarter after the Effective Date, (c) in the case of a recurring service provided on a semiannual basis, within thirty (30) days following the last day of the second full calendar quarter after the Effective Date, and (d) in the case of a recurring service provided on an annual basis, within thirty (30) days following the last day of the first full calendar year after the Effective Date. The Parties agree to cooperate and negotiate in good faith using commercially reasonable efforts in order to come to an agreement regarding the provision of Additional Services on reasonable terms and conditions that are mutually agreed to by the Parties; provided, however, that (x) the Additional Services shall be provided on terms and conditions as were applicable prior to the Closing Date and the price for such Additional Services shall be set at the Providing Party's actual Direct Costs, allocable general corporate overhead and, subject to Section 4.1.2, Out of Pocket Costs, with (i) the methodologies for allocations of general corporate overhead charged to the Receiving Party being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the MTA Effective Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs, and (ii) all other fees and Out of Pocket

Costs to be passed through without mark-up, and (y) the Providing Party shall be afforded a reasonable period of time to commence providing any Additional Service after such service becomes a Scheduled Service. For the avoidance of doubt, the Providing Party's obligations to perform Additional Services shall be subject to additional limitations set forth in Section 2.1.1(e). Any Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to Service Schedules as applicable, shall constitute an amendment to this Agreement which shall be signed by the Parties and shall thereafter be considered a Scheduled Service. Upon the identification and provision of any Additional Service for any reason, the then-applicable Annual Flat Fee shall be adjusted to be an amount equal to such Annual Flat Fee *times* an amount equal to one (1) *plus* a fraction equal to (I) the Allocated Service Fees associated with such Additional Services for the remainder of the first, second or third year of the Term, as applicable, *divided by* (II) the Allocated Service Fees associated with all Scheduled Services for the remainder of the first, second or third year of the Term, as applicable. Unless otherwise agreed by the Parties, the term for such Additional Services shall be the Termination Date of the last Termination Date of any other Scheduled Service.

2.1.6 Project Services. From time to time during the Term, a Receiving Party's Transition Manager may submit a written request in the form attached hereto as Exhibit A that the Providing Party provide a Project Service under this Agreement, which may include Migration Services. The Providing Party shall consider any request for a Project Service in good faith and shall use commercially reasonable efforts to provide the applicable Project Service; provided, that without limiting Seller and its Affiliates' obligations to perform the services contemplated by the Migration Plan in good faith and in accordance with the MTA, no Party shall be obligated to provide any Project Services if the provision of such Project Service would materially interfere with the operation of its business. The Providing Party shall, as soon as reasonably practicable, but in any event no later than fifteen (15) Business Days after the date of receipt of such request, either agree to provide such Project Service or provide a written counter proposal. If the Providing Party agrees to provide a Project Service, then a representative of each Party shall in good faith negotiate the terms of a statement of work (the "SOW"), which will describe in detail the service, project scope, term, and Service Fees for the applicable Project Service; provided, that any Service Fees for a Project Service shall be charged in a manner, and using the same allocation methodology, as is used for the Scheduled Services (and in any event not more than the Providing Party's actual costs during the applicable Service Term). Service Fees for Migration Services shall constitute "Separation and Migration Costs" as defined in the MTA and shall be subject to the cost sharing methodology set forth in Section 5.24(b) of the MTA. Once agreed to in writing, the SOW shall be deemed part of this Agreement as of such date and the Project Services shall be deemed Scheduled Services provided hereunder, in each case subject to the terms and conditions of this Agreement and the SOW (except that such Project Services shall be excluded from the Annual Flat Fees unless otherwise expressly set forth on Schedule 2.1.6[2]). Schedule 2.1.6 sets forth any inflight Project Services that will continue to be provided by the applicable Providing Party and received by the applicable Receiving Party as of the Effective Date.

2.2 Provision and Migration of Scheduled Services.

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[2] Note to Draft: Once identified, to be determined whether inflight Project Services as of the Closing will be subject to the First Year Flat Fee.

2.2.1 The Parties will work together and begin or continue the process of migrating, to the extent applicable, 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 applicable Scheduled Services shall occur no later than the end of the applicable Service Term.[3] Except as otherwise agreed in writing by the Parties, such migration shall consist of the procurement by the Receiving Party of replacements for the Scheduled Services (whether performed internally or by third parties). 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 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.

2.2.2 VSC shall provide knowledge transfer services during the Term reasonably necessary to facilitate the execution of the Migration Plan and the separation and migration of the applicable books and records and other Allocated Assets and Acquired Companies by the Buyer during the Term and after the termination of the Scheduled Services to support the separation contemplated by the MTA; provided, that, if such knowledge transfer would be unreasonably burdensome to VSC, the Parties will discuss the extent to which such knowledge transfer can be reasonably accommodated and any such agreed additional knowledge transfer (and the associated Service Fees) shall be documented in writing by the Parties as a Migration Service and all applicable Service Fees shall constitute "Separation and Migration Costs" as defined in the MTA and shall be subject to the cost sharing methodology set forth in Section 5.24(b) of the MTA.

2.2.3 The Parties acknowledge and agree that all costs associated with the transfer and delivery of Acquired Company Books and Records required by Sections 2.5(a)(vii) and 5.2(b) of the MTA shall constitute "Separation and Migration Costs" as defined in the MTA.

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 a designated senior executive of each Party ("Designated Senior Executives"), which Designated Senior Executives will have fifteen (15) days to resolve such Dispute. If the Designated Senior Executives for each Party do not agree to a resolution of such Dispute within fifteen (15) days after the reference of

[3] Note to Draft: This sentence states a general obligation of the Parties and cannot be limited to circumstances where a specific Migration Service has been identified and is being paid for.

the matter to them, either Party 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 Section 2.4.4 or 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.

2.4 Standard of Services.

2.4.1 General Standard. The Providing Party shall perform each Scheduled Service for which it is responsible or cause such Scheduled Services to be performed for the Receiving Party (A) in accordance with any service standard expressly set forth on the Service Schedules, or (B) in substantially the same manner and using at least the same standard of care and degree of efficiency and quality that the Providing Party, its Affiliates and its Subcontractors used in the twelve (12) months prior to the MTA Effective Date in performing such Scheduled Services or similar services for the Acquired Companies but in no event less than reasonable care, and (C) at all times in accordance with Applicable Law as then in effect, including the maintenance by the Providing Party of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Scheduled Services under this Agreement. The Providing Party's obligation to comply with such standard shall (i) be subject to any limitations or restrictions posed by or resulting from any restrictions imposed on the Providing Party by Applicable Law, and (ii) not extend to issues, error or downtime that are caused by any Force Majeure Event, or internet connectivity or other network traffic problems caused by failures of third party services, hardware, or software to the extent not caused by the willful misconduct or gross negligence of the Providing Party. The 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. To the extent there is a conflict between a service standard set forth in the applicable Service Schedule and this service standard, the standard set forth in such Service Schedule shall control.

2.4.2 No Advisory Services. Notwithstanding anything in this Agreement to the contrary, the Scheduled Services hereunder shall in no event include investment management, advisory or legal 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; Maintenance. 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 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. Notwithstanding the foregoing, the Providing Party shall have the right to: (i) shut down temporarily for routine maintenance the operation of any facilities or systems providing any Scheduled Service if in the Providing Party's reasonable judgment such action is necessary or advisable for general maintenance purposes, provided that the Providing Party gives the Receiving Party at least seven (7) days prior written notice of such scheduled maintenance, which shall occur outside of normal business hours or at other time mutually agreed by the Parties, (ii) shut down for emergency purposes the operation of any facilities and systems providing any Scheduled Service if in the Providing Party's reasonable judgment such action is necessary or advisable, provided that the Providing Party shall notify the Receiving Party as soon as is commercially reasonable thereafter and shall use commercially reasonable efforts not to materially disrupt the operation of the Acquired Companies, and (iii) shut down temporarily for "escalated" or "high priority" purposes (*e.g.*, system security updates or patches) the operation of any facilities and systems providing any Scheduled Service if in the Providing Party's reasonable judgment such action is necessary or advisable, provided, that the Providing Party gives the Receiving Party the same prior notice that it gives for any such maintenance to its internal clients and Affiliates.

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 Date.

2.5 Relationship of the Parties; 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 any Person, except that in the case of VSC as the Providing Party, with respect to subcontracting Scheduled Services that are exclusively used by the Business, such subcontracting shall require the prior written consent of Buyer (such consent not to be unreasonably withheld or delayed); provided, that, in each case, (a) no such subcontracting shall relieve such Providing Party from any of its obligations or liabilities hereunder, (b) 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, and (c) such Providing Party shall bear any incremental increase in Service Fees due to such Providing Party's selection of a subcontractor to provide Scheduled Services without approval from the Receiving Party.

2.7 Consents. 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 not previously obtained of any third party that is a service vendor of the Providing Party as of Closing, each Party shall, and shall cause its respective Affiliates to, use commercially reasonable efforts to obtain as promptly as possible after the date of this Agreement such consent, license, or approval. Each Party shall be responsible for fifty percent (50%) of all out-of-pocket costs associated with obtaining such third party consents, licenses or approvals, including any payments that are required to such third party vendor (it being understood that the cost of obtaining third party consents required for the expansion of Scheduled Services beyond pre-Closing levels shall be the sole responsibility of the Receiving Party). If VSC is unable to obtain the aforementioned third party consents, until such time as such third party consent is obtained, VSC shall, and shall cause each of its Affiliates to, use commercially reasonable efforts to cooperate with Buyer in any lawful and economically feasible alternative arrangement to provide that Buyer shall receive such Scheduled Services. Each Party shall be responsible for fifty percent (50%) of all out-of-pocket costs associated with such alternative. Such arrangement may include performance by VSC or an Affiliate of VSC as agent, subcontracting, sublicensing or subleasing to Buyer, or the Providing Party or its Affiliates enforcing for the benefit (and at the expense) of VSC any and all of its respective rights against any non-affiliated third party associated with the applicable third-party agreement.

2.8 Transition Management. Each Party shall appoint a transition manager (each a "Transition Manager"), who shall initially be [______________] for VSC and [_____________] for Buyer. The Transition Managers shall make operational decisions regarding the Parties' performance of the Scheduled Services under this Agreement. Each Transition Manager shall appoint or designate in writing, directed to the other Transition Manager, a person or persons 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) monitoring compliance with this Agreement, including the Service 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. The Transition Managers shall have regular meetings with each other in person or via teleconference, pursuant to a reasonable schedule agreed to by the Transition Managers, to discuss the performance of the Parties of their obligations under this Agreement and to resolve any disputes pursuant to 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.

2.10 Intellectual Property.

2.10.1 Solely to the extent required for the provision of Scheduled Services in accordance with this Agreement, each Party for itself and its Affiliates hereby grants the other Party and its Affiliates a non-exclusive, royalty-free license to use such Intellectual Property owned by such granting Party but only to the extent necessary for the other Party to provide or receive the Scheduled Services, as applicable, solely and exclusively to the extent and during the period such use is necessary to receive or provide such Scheduled Service in accordance with this Agreement. Upon expiration of the applicable Service Term with respect to a Scheduled Service, or the earlier termination of such Scheduled Service, in accordance with this Agreement, the license to use the relevant Intellectual Property in connection with the provision or receipt of the applicable Scheduled Service will terminate. Upon the expiration or termination of the Service Term for an applicable Scheduled Service, each Party shall cease use of all applicable Intellectual Property owned the licensing Party and shall return or destroy (at the licensing Party's request) all information or embodiments of such Intellectual Property provided in connection with this Agreement. Except as set forth above, no license or right express or implied is granted under this Agreement by either Party or its Affiliates in or to their respective Intellectual Property.

2.10.2 The performance of the Scheduled Services will not affect the ownership of any assets or Intellectual Property rights of either Party, and neither Party will gain, by virtue of the delivery and receipt of Scheduled Services, any rights of ownership in, to and under any Intellectual Property or other property owned by the other Party.

2.11 Certain Obligations of the Parties.

2.11.1 Each Party shall adhere, and shall cause its Representatives to adhere, to all applicable policies and procedures of the other Party and its Affiliates in effect as of the Closing Date, and such other reasonable applicable policies and procedures with respect to which the other Party notifies such Party in writing, within a reasonable period of time following receipt of such notice (except that a Party may require the other Party to comply, and in such case the other Party shall comply, immediately following receipt of any notice relating to policies or procedures addressing compliance with Applicable Law or such Party's cybersecurity or data security policies or requirements).

2.11.2 Each Party shall follow, and shall cause its Representatives to follow all security and access policies of the other Party, at all times during the Term of this Agreement, to the extent that such Party or its Representatives requires ingress to and egress from the premises occupied by the other Party or its Affiliates, for reasonable purposes necessary to the delivery or receipt of Scheduled Services hereunder or the performance of any obligations required by this Agreement.

2.11.3 The Receiving Party is and shall remain solely responsible for the content, accuracy and adequacy of all data that the Receiving Party or its Representatives transmit or have transmitted to the Providing Party for processing or use in connection with the performance of the Scheduled Services.

2.11.4 Each Party shall comply, and shall cause its Representatives to comply, with all Applicable Laws in connection with their respective operations and obligations under this Agreement, including the receipt and use of the Scheduled Services.

2.11.5 As of the Effective Date VSC has completed an industry standard information security audit and assessment process (the "Security Assessment"), and thereafter upon the Buyer's written request, but in no event more than once per contract year, VSC shall, and shall require its Subcontractors performing Scheduled Services to, promptly complete a Security Assessment. Following the six (6) month anniversary of the completion of the migration of the applicable Business IT Systems to Buyer and its Affiliates in accordance with the Migration Plan, Buyer shall complete a Security Assessment with respect to the applicable Business IT System(s), and thereafter upon the VSC's written request, but in no event more than once per contract year, Buyer shall, and shall require its Subcontractors performing Scheduled Services to, promptly complete a Security Assessment. In each case such Security Assessment may include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type II for other facilities) if available. Promptly upon completion of the Security Assessment, the Providing Party shall take commercially reasonable steps to remediate, to the Receiving Party's reasonable satisfaction, any material deficiencies identified by the Receiving Party as a result of the Security Assessment. The Providing Party's failure to (a) remediate such material deficiencies or (b) at any time during the Term, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Providing Party's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Providing Party. The Receiving Party's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Providing Party's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process.

2.11.6 The Providing Party acknowledges that regulators with jurisdiction over the Receiving Party and any of its Affiliates may have authority to examine the Receiving Party. To the extent any such examinations relate to this Agreement, the Providing Party shall cooperate with any such examinations as reasonably requested by the Receiving Party at the Receiving Party's cost and expense. For the avoidance of doubt, such cooperation shall not be deemed to be a Scheduled Service.

2.11.7 In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Providing Party or its Affiliates or Subcontractors, the Providing Party shall, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of the Receiving Party or the Providing Party by Applicable Law and as reasonably requested by the Receiving Party to inform each impacted individual of such security breach and to implement curative action required by

Applicable Law. Within forty-eight (48) hours of making a determination that a security breach has occurred or is reasonably suspected to have occurred, the Providing Party shall notify the affected Receiving Party(ies) thereof.

2.11.8 In connection with the creation of the Migration Plan, the Parties shall discuss in good faith what third-party software or other technology systems used for the Scheduled Services (a) as of the Closing, and (b) during the relevant Service Term, are expected, within a material timeframe, to be in an end of life phase (*e.g.*, no longer being supported by the vendor, or not receiving security patches).

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 continuing only 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.

Notwithstanding anything to the contrary set forth herein, with respect to any Scheduled Services provided by VSC to Buyer, unless otherwise set forth on the Services Schedule, all IT Services shall have an initial Service Term of twenty-four (24) months, and all Non-IT Services shall have an initial Service Term of fifteen (15) months.

3.2 Extension and Termination.

3.2.1 Extension.

(a) If Buyer is not able by the end of the Term to complete its migration of or otherwise continues to require for its business one or more of the Scheduled Services that it receives, then upon written notice provided to VSC at least thirty (30) days prior to the end of the Service Term, Buyer shall have the right to request and cause VSC to extend the Term and provide such Scheduled Services for up to two (2) additional Extension Periods (as defined below) which shall be deemed to extend the applicable Service Term; provided, that Buyer shall pay all applicable Service Fees *plus* an additional (x) twenty-five percent (25%) markup of such Service Fees for the first Extension Period and (y) fifty percent (50%) markup of such Service Fees for the second Extension Period. Each "Extension Period" shall be (i) ninety (90) days for any Non-IT Service or (ii) equal to twenty-five percent (25%) of the length of the initial Service Term for any IT Service (*e.g.*, for an IT Service where the initial Service Term was twenty-four (24) months, each Extension Period shall be six (6) months).

(b) If VSC, Seller or one of its Affiliates is not able by the end of the Service Term to complete the migration of one or more Scheduled Services that it receives, then upon written notice provided to Buyer at least thirty (30) days prior to the end of the Service Term, VSC shall have the right to request and cause Buyer to extend the Term and provide such Scheduled Services for up to two (2) Extension Periods which shall be deemed to extend the applicable Service Term; provided, that VSC or Seller shall pay all applicable Service Fees *plus* an additional (i) twenty-five percent (25%) markup of such Service Fees for the first Extension Period and (ii) fifty percent (50%) markup of such Service Fees for the second Extension Period.

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"), (i) at least sixty (60) days prior to the Termination Date (unless a shorter or longer period of notice is expressly set forth on the Service Schedules) in the case of Non-IT Services, and (ii) at least ninety (90) days prior to the Termination Date (unless a shorter or longer period of notice is expressly set forth on the Service Schedules) in the case of IT Services. Effective on the Termination Date, such Scheduled Service (or portion thereof) shall be discontinued, except as expressly set forth in this Section 3.2.2, charges for such terminated Scheduled Service (or portion thereof) shall cease to accrue, 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, subject to the remainder of this Section 3.2.2. Notwithstanding the foregoing, within thirty (30) days of the termination of any Scheduled Service in accordance with this Section 3.2.2, the Receiving Party shall pay to the Providing Party any of the following costs that arise from the early termination of such Scheduled Service that were described on the applicable Service Schedule: (a) termination fees charged in connection with the early termination of a Providing Party Third Party Contract, (b) up-front payment of fees for all or a portion of the Service Term under a Providing Party Third Party Contract, and (c) the pro rata amount of any remaining non-terminable recurring payments for licenses, maintenance fees, or other similar vendor fees, solely to the extent specifically allocated to the Receiving Party, provided that if Providing Party is able to re-deploy any such resources (e.g., use seat licenses currently allocated to a Scheduled Service for another area of its expanding business) then the payment obligations of the Receiving Party under clause (c) above shall be reduced accordingly. "Providing Party Third Party Contracts" means any license or other contract primarily related to the Business between the Providing Party and applicable third parties. The Service Schedules shall expressly set forth: the categories of up-front payment of fees that could impact an early termination (including the amounts, if known); the date on which the term or related right expires, if applicable; the date on which notice for renewal or extension is due from the Providing Party to such third party, if applicable; and, to the extent known, the associated cost to renew; provided, that the Providing Party shall be permitted to update the Service Schedules reasonably promptly after (x) renewal of, or a material change to, any Providing Party Third Party Contract, or (y) to the extent permitted by, and subject to the terms of this Agreement, the commencement of a new Providing Party Third Party Contract; provided, further, that the Providing Party shall use commercially reasonable efforts to provide advance notice to the Receiving Party prior to effecting material changes to a Providing Party Third Party Contract.

3.3 Records and Return of Materials. The Providing Party shall, and shall cause its respective Affiliates to, maintain and preserve such books and records related to the provision of the Scheduled Services as required by the Receiving Party's standard document retention policies or as may be required by Applicable Law, and in an accessible format, including VSC's and Seller's historical records regarding pre-Closing related activities. After a Scheduled Service is completed or terminated, the Providing Party shall transfer any records maintained by the Providing Party hereunder that pertain exclusively to such terminated and transferred Scheduled Service to the Receiving Party or to its designee, or if reasonably requested by the Receiving Party shall 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; provided, however that the Providing Party may maintain and preserve such books and records related to the provision of the Scheduled Services except (i) as otherwise required by Applicable Law, and (ii) to the extent that the materials are retained on e-mail platforms, in archival back-up tapes or similar storage media or are otherwise retained in accordance with the internal policies of the Providing Party, subject in each case to the requirements of ARTICLE VIII hereunder.

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 fees for providing the Scheduled Services such Receiving Party have received hereunder as set forth in the applicable Service Schedule ("Service Costs").

4.1.2 Out of Pocket Costs. Without limiting the foregoing and subject to Section 2.7 and subject to Section 4.1.3, to the extent not already covered by the Service Costs, the Receiving Party shall reimburse the Providing Party for all of its reasonable and documented out-of-pocket expenses actually incurred in connection with the provision of the Scheduled Services to the Receiving Party, including the costs and expenses of any travel, including transportation, lodging and meals, of any employee or agent of the Providing Party, its Affiliates or its permitted subcontractors who is required to travel to any location other than the Providing Party's facilities in connection with the performance of the Scheduled Services ("Out of Pocket Costs"); provided, that (a) such travel has been approved in writing by the Receiving Party; and (b) such costs and expenses of travel are incurred in accordance with the Receiving Party's generally applicable travel policies that have been provided in writing to Providing Party. Notwithstanding anything in this Agreement to the contrary, any fees or costs for Migration Services performed by a Party shall constitute "Separation and Migration Costs" as defined in the MTA and shall be subject to the cost sharing methodology set forth in Section 5.24(b) of the MTA.

4.1.3 Annual Flat Fees.

(a) Notwithstanding anything in this Agreement to the contrary, the Service Fees payable in the aggregate by Buyer for all Scheduled Services provided to Buyer and its Affiliates during each year of the Term, including Additional Services identified prior to the first anniversary of the Closing (except as set forth in subsection (iv) below), shall be:

(i) for the first twelve (12) month period beginning on the Closing: [Forty-Two Million, Five Hundred Thousand Dollars ($42,500,000)][4] ("First Year Flat Fee");

(ii) for the twelve (12) month period beginning on the first anniversary of the Closing: an amount equal to the First Year Flat Fee *times* an amount equal to one (1) *minus* a fraction equal to: (A) the Allocated Service Fees for all Scheduled Services that terminated or expired in the immediately preceding year, *divided by* (B) the Service Fees associated with all Scheduled Services provided during the first twelve (12) month period beginning on the Closing ("Second Year Flat Fee"); and

(iii) for the twelve (12) month period beginning on the second anniversary of the Closing: an amount equal to the Second Year Flat Fee *times* an amount equal to one (1) *minus* a fraction equal to: (A) the Allocated Service Fees for all Scheduled Services that terminated or expired in the immediately preceding year, *divided by* (B) the Service Fees associated with all Scheduled Services provided during the first twelve (12) month period beginning on the second anniversary of the Closing ("Third Year Flat Fee"),

(each, an "Annual Flat Fee" and collectively the "Annual Flat Fees"), in each case payable in twelve equal monthly installments in accordance with Section 4.2, and subject to the payment of the True-Up Amount payable pursuant to Section 4.1.3(c) below; provided that the following shall, in each case, be excluded from each of the Annual Flat Fees: (i) any Service Fees associated with any Project Services deemed a Scheduled Service pursuant to Section 2.1.6, (ii) any Migration Service, (iii) any non-*de minimis* incremental Service Fees associated with a Change pursuant to Section 2.1.1(e), and (iv) any non-*de minimis* incremental Service Fees required in order to provide a scope or volume of the Scheduled Services greater than the scope of volume of the applicable Scheduled Services set forth in Section 2.1.1(d). Notwithstanding the foregoing, any Annual Flat Fee shall be increased in the manner set forth in Section 2.1.5 upon any Additional Services becoming Scheduled Services.

(b) Within ninety (90) days of each anniversary of the Effective Date, VSC shall refund to Buyer any True-Up Amounts (as calculated pursuant to subsection (c)) below.

(c) The "True-Up Amount" means with respect to any Scheduled Service which terminated prior to the last day of the first, second or third year of the Term, as applicable, an amount equal to A x (B/12), wherein:

(i) A = The annualized Allocated Service Fees.

(ii) B = The fewer of (X) the total number of remaining months of the applicable year of the Term following the Termination Date of such Scheduled

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[4] Note to Draft: Between the MTA Effective Date and the Closing Date, to the extent that a service is added as a Scheduled Service prior to the Closing Date, or a service that was a Scheduled Service as of the MTA Effective Date is removed as a Scheduled Service prior to the Closing Date, the First Year Flat Fee shall be increased or decreased as appropriate.

Service, and (Y) the total number of remaining months of the applicable Service Term for such Scheduled Service following the Termination Date.

4.1.4 Taxes.

(a) The Receiving Party will pay and be liable for all sales, service, valued added tax ("VAT"), lease use, transfer, consumption or similar taxes (the "Sales and Service Taxes") levied against or upon it (A) measured by the cost of services provided to such Receiving Party under this Agreement, or (B) measured by the relevant Providing Party's or its Affiliates' cost in acquiring property or services used or consumed by such Providing Party and its Affiliates in providing services under this Agreement. 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. The Receiving Party's obligation to pay Sales and Service Taxes under this Section 4.1.4 shall be subject to the receipt, at least 10 days before the due date for any return with respect to Sales and Services Taxes, or (A) a computation providing by the Providing Party of the Sales and Service Taxes payable, identifying the nature and amount of the goods or services on which the Sales and Service Tax is assessed and the applicable rate and (B) a valid and customary invoice or other document under the terms of Applicable Law for each Sales and Service Tax. If a Providing Party complies with the terms of this Section 4.1.4 regarding the payment of Sales and Services Taxes, it shall not be liable for any interest, penalties or other charges attributable to its improper filing relating to Sales and Services Taxes or late payment or failure to remit Sales and Services Taxes to the relevant tax authority. 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 4.1.4.

(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. 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 Providing Party and remitted, such Receiving Party shall surrender such refund to such Providing Party.

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, including with respect to the monthly installments of the Annual Flat Fees. Each monthly invoice shall list all Scheduled Services and

Service Fees in the format of Schedule 3.2. 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 thirty (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 within thirty (30) days of receiving the invoice using, if necessary, the dispute resolution procedures set forth in Section 2.3. The Parties shall use commercially reasonable efforts to resolve the dispute prior to the payment due date.

ARTICLE V
INDEMNIFICATION

5.1 Indemnification by VSC. VSC shall indemnify and hold harmless Buyer and its Affiliates and their respective directors, officers, employees, agents and representatives (each, an "Buyer Indemnified Person"), from any and all Indemnifiable Losses to the extent attributable to any suspected or actual data security breaches or third party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of VSC or any of its Affiliates in providing any of the Scheduled Services that VSC is obligated to provide hereunder; (b) any material breach by VSC of any of its obligations under this Agreement; and (c) actual or alleged infringement or violation of a third party's Intellectual Property rights ("IP Claims") arising out of or in connection with the supply or use of the Services provided by or on behalf of the VSC.

5.2 Indemnification by Buyer. Buyer shall indemnify and hold harmless VSC and its Affiliates and their respective directors, officers, employees, agents and representatives (each, an "VSC Indemnified Person") from any and all Indemnifiable Losses to the extent attributable to any suspected or actual data security breaches or third party Claims relating to, resulting from or arising out of: (a) any fraud, gross negligence or willful misconduct by or on behalf of Buyer or any of its Affiliates in providing any of the Scheduled Services that Buyer is obligated to provide hereunder, (b) any material breach by Buyer of any of its obligations under this Agreement; and (c) IP Claims arising out of or in connection with the supply or use of the Services provided by or on behalf of the Buyer; provided, however, that Buyer shall have no indemnification obligations as to IP Claims based on the use of any Allocated Intellectual Property, Business IT Systems, Business Software or any service provided consistent with Seller's practices during the twelve (12) months prior to the MTA Effective Date.

5.3 Indemnification Procedures. Notwithstanding anything to contrary in this Agreement, the indemnification to be provided under in this ARTICLE V shall be governed by the procedures set forth in Section 7.5 of the MTA.

5.4 IP Claims. Further, in the event that the provision of any Scheduled Service infringes, violates or constitutes the misappropriation of, is alleged to infringe, violate or misappropriate or, in the reasonable judgment of the Providing Party's counsel, is likely to infringe, violate or constitute the misappropriation of, any Intellectual Property of any third party, the Providing Party shall use commercially reasonable efforts at its sole expense to either (a) procure for the Receiving Party the right to continue to use such infringing, violating or misappropriating portions of the Scheduled Services or (b) modify or replace such infringing, violating or misappropriating portions of the Scheduled Services so that they are non-infringing, non-violating or non-misappropriating, as applicable, and of at least equivalent performance and functionality to that prior to such modification or replacement. If the Providing Party is unable after the use of commercially reasonable efforts, to complete either of the options under subsection (a) or (b) above, the Providing Party shall notify the Receiving Party, and the Parties shall cooperate to determine a commercially reasonable alternative approach for the provision of such Scheduled Service without infringing, violating or misappropriating the Intellectual Property of any third party.

5.5 Mitigation of Damages. Each indemnified Party shall use commercially reasonable efforts to mitigate any Indemnifiable Losses for which such indemnified Party seeks indemnification under this Agreement, including by using commercially reasonable efforts to collect amounts recoverable with respect thereto under any insurance coverage maintained by such indemnified Party with a third party.

5.6 Insurance. No Party indemnified under this ARTICLE V shall be indemnified or held harmless hereunder to the extent any Indemnifiable Losses are actually collected by such indemnified Party with respect thereto under any insurance coverage maintained by such indemnified Party with a third party.

5.7 Exclusive Remedy. Each Party acknowledges and agrees that, following the Effective Date, other than in the case of actual fraud or as otherwise provided by Applicable Law, the following shall be the sole and exclusive remedies of such Party for any Claims arising from or related to this Agreement: (a) the right to indemnification as provided in this ARTICLE V; (b) the right to require performance of any Scheduled Service to the extent required under Section 2.4.1; (c) the right to require re-performance of any Scheduled Service to the extent required under Section 2.4.3; (d) the right to an injunction, specific performance or other equitable non-monetary relief when available under Applicable Law; (e) the right to terminate a Scheduled Service pursuant to Section 7.1.3; (f) the right to actual damages for breach of Section 2.10 or Section 8.1 (but, for the purposes of clarity, not for breach of any other section of this Agreement); and (g) with respect to equitable relief available hereunder, including Section 2.3.2.

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 any of the following circumstances or events beyond the reasonable control of the Providing Party relying on such circumstance or event: changes in Applicable Law, riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism (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 to the extent limited by such Force Majeure Event 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 and the Service Term for the affected service shall automatically be extended by an additional period of time equal to the length of the interruption caused by such Force Majeure Event. The Receiving Party shall be relieved of the obligation to pay any Service Fees and other amounts for the provision of the Scheduled Services obligations limited by such Force Majeure Event throughout the duration of such 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 fifteen (15) 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 one percent (1.0%) per month from and including the date such payment is due under this provision until, but excluding, the date of payment. 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.

7.1.3 In the case of any such breach that is not cured in accordance with Sections 7.1, 7.1.1 and 7.1.2 above, then the non-defaulting Party shall also have the right to terminate the affected Scheduled Service(s), upon written notice thereof to the defaulting Party.

7.2 LIMITATION OF LIABILITY.

7.2.1 NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES, OR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, EXCEPT (I) TO THE EXTENT AWARDED OR PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM OR PAID TO A THIRD PARTY IN CONNECTION WITH A DATA SECURITY BREACH; (II) FOR CLAIMS BASED ON A BREACH OF ARTICLE VIII HEREUNDER; OR (III) FOR CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

7.2.2 THE MAXIMUM AGGREGATE LIABILITY OF A PROVIDING PARTY UNDER THIS AGREEMENT DURING THE TERM SHALL BE CAPPED AT THE AMOUNT OF SERVICE FEES PAYABLE BY THE OTHER PARTY AS THE RECEIVING PARTY TO SUCH PROVIDING PARTY UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE OF THE EVENT GIVING RISE TO SUCH LIABILITY, EXCEPT FOR (I) CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (II) CLAIMS BASED ON A PARTY'S FAILURE TO PAY SERVICE FEES IN ACCORDANCE WITH THE TERMS OF

SECTION 4.2, AND (III) AS PROVIDED IN SECTION 7.2.3 BELOW; PROVIDED, THAT IF THE MOST RECENT EVENT GIVING RISE TO LIABILITY OCCURS PRIOR TO THE TWELVE (12) MONTH ANNIVERSARY OF THE EFFECTIVE DATE OF THIS AGREEMENT, THEN THE AMOUNT IN THIS SECTION 7.2.2 SHALL EQUAL TWELVE (12) TIMES THE RESULT OBTAINED BY DIVIDING (X) THE TOTAL FEES ACTUALLY PAID BY THE OTHER PARTY AS THE RECEIVING PARTY TO SUCH PROVIDING PARTY UNDER THIS AGREEMENT FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH THE DATE ON WHICH SUCH EVENT OCCURRED, BY (Y) THE NUMBER OF MONTHS FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH SUCH DATE; AND PROVIDED FURTHER, THAT, AFTER THE FIRST ANNIVERSARY OF THE DATE HEREOF, IF THE AMOUNT OF SERVICE FEES PAYABLE BY THE OTHER PARTY AS THE RECEIVING PARTY TO SUCH PROVIDING PARTY UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE OF THE EVENT GIVING RISE TO SUCH LIABILITY IS LESS THAN FIVE MILLION DOLLARS ($5,000,000) THEN THE MAXIMUM AGGREGATE LIABILITY OF A PROVIDING PARTY UNDER THIS AGREEMENT SHALL BE CAPPED AT FIVE MILLION DOLLARS ($5,000,000).

7.2.3 SEPARATE AND APART FROM THE LIMITATION SET FORTH IN SECTION 7.2.2, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR DAMAGES AS A RESULT OF A DATA SECURITY BREACH IN AN AMOUNT IN EXCESS OF THIRTY-FIVE MILLION DOLLARS ($35,000,000).

7.3 Survival Upon Expiration or Termination. The provisions of Sections 2.5, 2.9, 2.10.2 and 3.3, and ARTICLE IV, ARTICLE V, ARTICLE VII, ARTICLE VIII, ARTICLE IX, ARTICLE X, and ARTICLE 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 shall, and shall cause its Representatives to (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, but in no event less than a reasonable degree of care, (b) not use such Confidential Information for any purpose other than those stated in this Agreement or reasonably required for performance of the Scheduled Services, 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, but in no event less than a reasonable degree of care. Notwithstanding any other provision of this Agreement, a Party may disclose Confidential Information of the other Party does not include any information that, 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, or (y) 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 pursuant to (v) or (w) as set forth above, 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 commercially 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. To the extent that a Party inadvertently obtains access to any Confidential Information of the other Party to which it was otherwise not intended to have access, such Party shall immediately notify the other Party when they are aware that they have received such Confidential Information or upon notice from the other Party, they shall maintain confidentiality of such information until such time that it is either destroyed or returned to the other Party, and shall promptly destroy any such Confidential Information and instruct its employees not use or otherwise act on such Confidential Information.

ARTICLE IX
SYSTEM ACCESS AND CONSUMER PRIVACY

9.1 System Access. If the Providing Party and/or the Receiving Party (or any of their respective Representatives) 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 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 each Receiving Party's privacy policies generally applicable to its respective vendors, employees, customers and site users, and shall maintain the information security program in place prior to the date hereof, if applicable. "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 and the MTA and any documents executed pursuant thereto, each Party has not made and does not hereby make and hereby disclaims any express or implied representations, warranties or covenants, statutory or otherwise 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 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 facsimile (which is confirmed as provided below) or 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):

if to Buyer:

[Buyer]
[TBD]
Attention:
Facsimile:
Email:

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

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Perry J. Shwachman
Jonathan J. Kelly
Email: pshwachman@sidley.com
jjkelly@sidley.com

if to Reinsurer Parent:

Athene Holding Ltd.
[TBD]
Attention:

Facsimile:
Email:

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

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Perry J. Shwachman
Jonathan J. Kelly
Email: pshwachman@sidley.com
jjkelly@sidley.com

if to Seller:

[Seller**]**
[TBD**]**
Attention:
Facsimile:
Email:

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

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: John M. Schwolsky
Rajab S. Abbassi
Facsimile: (212) 728-8111
Email: jschwolsky@willkie.com
rabbassi@willkie.com

Notice given by personal delivery or overnight courier shall be effective upon actual receipt. Notice given by facsimile shall be confirmed by appropriate answer back and shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next Business Day if not received during the recipient's normal business hours. All notices by facsimile or other electronic medium shall be confirmed promptly after transmission in writing by personal delivery or overnight courier.

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. All references herein to any agreement, instrument, statute, rule or regulation are to the agreement, instrument, statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, includes any rules and regulations promulgated under said statutes) and to any section of any statute, rule or regulation including any successor to said section. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "or" shall not be exclusive except where the context otherwise requires.

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. Whenever the word "Dollars" or the "$" sign appear in this Agreement, they shall be construed to mean United States Dollars, and all transactions under this Agreement shall be in United States Dollars. 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 MTA and the other documents executed in connection with the MTA 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 Buyer Indemnified Persons and VSC 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, 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. Each of the Parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any 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 the MTA, constitute good, proper and sufficient service thereof.

11.7 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.

(a) This Agreement may be amended or a provision hereof waived only by a written instrument signed by each of the Parties in the case of an amendment, or in the case of a waiver, by the Party hereto entitled to make such a waiver.

(a) 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 facsimile 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.

11.9 No Offset. Neither Party may offset any amount due to the other Party 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 without the prior written consent of such other Party.

11.10 Non-Exclusivity. Subject to Section 5.15 of the MTA, nothing in this Agreement shall prevent the Providing Party or any of its Affiliates from providing any services, including any services that are similar to the Scheduled Services, to any other Person.

[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.

VOYA SERVICES COMPANY

By:______________________________

Name:

Title:

[NEWCO]

By:______________________________

Name:

Title:

Transition Services Agreement Schedule A

Seller – Buyer

Transition Services Agreement Schedule for:

Information Technology

Schedule Name:	Information Technology (IT)
Schedule Number:	A
Service Provider:	Seller (as defined in the Purchase Agreement)
Service Recipient:	Buyer (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Applicable Blocks	See grid listed below
Duration:	Up to 24 months from closing

ID#	Service Description	Detailed Requirements/Other Matters
IT 1.1	**IT Service and asset management**	Seller to provide Buyer IT Service Management support services including compliance to ITIL definition and process maturity of demand management, service request management, third parties and system integration, incident management, reoccurring problem/chronic issue management, release management, change management, financial management, capacity management, problem management, availability management and program management, configuration management, software and hardware asset management, relationship mapping, and tracking of licenses.
IT 1. 2	**Data Center Application hosting Service**	Seller to provide Buyer data center hosting services including data center management tools, physical security, installation services, LAN operations services, data center WAN operations and connection to LAN required to host applications in transfer from Seller to Buyer
IT 1.3	**Compute Services**	Seller to provide Buyer compute services including server administration services (e.g. Linux, Intel, physical, virtual, etc.), storage administration services (e.g. archival, backup, NAS, SAN, DASD, etc.) deployment and decommission services, monitoring and resolution services, support and operational services, and backup and recovery services. Specific applications support services i.e. (VDI access for application support) will follow the application transition timeframe.

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
IT 1.4	**Database Services**	Seller to provide Buyer database support and management services including database management, database maintenance and support, administration support, environment control and scheduling services, and configuration services spanning multiple technologies (e.g. Sybase, DB2, Oracle, Sql etc.)
IT 1.5	**Network Infrastructure Services**	Seller to provide Buyer current network administration services including deployment services, monitoring and incident resolution services, WAN and LAN configuration services, operations services, backup and recovery services, performance monitoring services, and data center network connectivity, operations services, firewall management and configuration, IP and port management, network encryption service, correlation of incidents, analysis and diagnostic processes, opening and alerting on cases, ticket management, escalation management, and outage notification. This will exclude net new equipment post close.
IT 1.6	**Mainframe Support Services**	Seller to provide Buyer mainframe support services for applications listed (including but not limited to) capacity management, availability management, service continuity, executing and responding to console commands, service operations functions, batch scheduling and execution, and script implementation.
IT 1.7a	**Messaging and Collaboration Services**	Seller to provide Buyer collaboration and messaging services including collaboration operations services, e-mail management including e-mail archival services, past e-mails based on retention policies will be on demand, mobile management, calendar management, instance messaging configuration and management, administration of collaboration platforms (e.g. SharePoint, etc.) and perform administrative services. E-mail forwarding services for transferred employees will be provided.
IT 1.7b	**Individual Email Inbox Forwarding**	Seller to provide E-mail forwarding services for individual inboxes for transferred employees
IT 1.7c	**Group Email Inbox Forwarding**	Seller to provide E-mail forwarding services for group inboxes for transferred employees
IT 1.8	**IT Security Services**	Seller to provide Buyer the following IT Risk and Security Services for IT Security: 1) Identity and Access Management and Security Architecture Services: Seller to provide Buyer the following identity and access management operation services for • Requesting/Approving/Granting/Revoking user accesses for multiple currently used technology platform/assets (including Windows, mainframe, unix, applications, database, network devices, security tools etc.) • ID fulfillment and Entitlement access reviews • Role governance and role management • Quality control access assessments • Functional Role governance and management • Management of service accounts (including password management and remote access/VPN access) • Management of public key infrastructure

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
		2) Cyber Fusion Center services including • Security Event Monitoring, investigation and reporting • Security incident management resulting from the unauthorized disclosure of, unauthorized access to, inadvertent loss of, and /or misuse of nonpublic information • Enterprise eDiscovery supporting Voya Legal, Compliance, Human Resources, and Investigations teams with the collection and preservation of electronically stored information (ESI) and the review and production of such information as required by law • Network Access Control monitoring all networked devices on user segments (wired and wireless) for unauthorized devices • Data Loss Prevention measures for securing data in motion, data at rest, files stored on Voya file shares, and data at endpoint 3) IT assessment and Risk Management services including • Assessment reviews of applications, vendors, IT infrastructure and associated business services • Vulnerability and Compliance management, Penetration Testing and Secure Code Reviews (Assessment of the IT environment by performing penetration testing, vulnerability & compliance management, and secure code review) • Red Team testing (performing red team exercises against the blue team, and password assessments to determine strength of passwords) 4) Network and Platform Operations, Active Directory Services and Disaster Recovery Services 5) Training and Awareness • Phishing Tests and Standard Security Training: Seller to provide Buyer IT Security Training and Awareness to ensure teams learn about how to protect themselves and the company against cyber threats, along with Phishing tests to identify how well company is performing Please note, single sign on and active directory TSA duration will be in sync with application maintenance TSA Disaster recovery services duration will follow infrastructure transition timeline Access services for IT systems for functional areas such as Finance, Actuarial, Risk and Corporate functions will follow the duration of the functional TSA services period
IT 1.9	**Application Maintenance Services**	Seller to provide Buyer application maintenance services for mainframe and distributed applications for the applications as listed for the following types of application maintenance services (including but not limited to) production support, incident and problem management, disaster recovery, end user and technical support, error correction, compliance management, application standards
IT 1.10	**Middleware Services**	Seller to provide buyer middleware services for applications as listed for the following middleware services including configuration management, object changes, administration of middleware management tools, and patch management
IT 1.11	**End User**	Seller to provide buyer end user computing services including image engineering and management, operating system

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
	Computing	image transition, image management, software distribution, application packaging, patch management and malware protection, 24/7 single point of contact for user issue troubleshooting, service desk availability, service desk telephony systems and tools, call monitoring, call recording, password resets, remote capture and a self-help portal onsite support, remote support, end user contact, workflow adherence, end user trouble shooting, conventional device replacement or reimaging, executive mobile device management, dispatch assistance, order tracking, support depot and inventory, shipment notifications, software distribution and packaging, image packaging, Audio and video services

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Ceding Party	Reinsurer
GARWin	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	8,068	1,361	235,060,080	NewCo	NewCo	Acme Jr
GARWin	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	12,088	0	1,357,481,607	NewCo	NewCo	Acme Jr
GARWin	Annuity	Registered Annuities	VIAC	Annuity & CBVA IT	1,443	0	599,572,906	NewCo	NewCo	Acme Jr
GARWin	Annuity	Immediate Annuities	VIAC	Annuity & CBVA IT	0	2,687	201,728,120	NewCo	NewCo	Acme Jr
GARWin	CBVA	Annuitization	VIAC	Annuity & CBVA IT		34,824	4,964,389,025	NewCo		
GARWin	CBVA	Variable Annuities	VIAC	Annuity & CBVA IT	268,187		32,375,922,729	NewCo		
LifeCAD	Annuity	Fixed Annuities	ViAC	Annuity & CBVA IT	201	0	8,416,190	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	154,100	0	12,598,293,007	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	56,490	0	2,345,132,584	NewCo	NewCo	Acme Jr
Manual ALGER Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	2		4,149,095	NewCo	NewCo**	
GAAS Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	302	165	39,655,536	NewCo	NewCo**	
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	14		663,438	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	440		32,536,075	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Fixed Annuities	RLI	Annuity & CBVA IT	6,030	0	254,999,481	NewCo	Voya/RLI	Acme Jr

Transition Services Agreement Schedule A

Seller – Buyer

Transition Services Agreement Schedule for:

Finance

Schedule Name:	Finance
Schedule Number:	A
Service Provider:	Seller (as defined in the Purchase Agreement)
Service Recipient:	Buyer (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Applicable Blocks:	See grid listed below
Duration:	Up to 15 months from Closing

ID#	Service Description	Detailed Requirements/Other Matters
FIN1.1	**Provision for Income Tax**	Seller to provide Buyer the following services: • Supply provision for income taxes after NewCo provides Indigo with manual journal entries, if any.
FIN1.2	**Procurement Services**	Seller to provide Buyer the following services: • Provide to NewCo payment/disbursement services to third party suppliers/vendors on NewCo's behalf based on PO approval & NewCo payment arrangements. This will include but not be limited to payment/disbursement services for new and existing purchase orders, and the collection of forms and data required for vendor accounting (e.g. W9). • Perform new third party suppliers/vendors set ups in Seller's purchasing system • Terminate / make inactive third party suppliers/vendors in procurement systems at the instruction of NewCo.
FIN1.3	**Corporate travel**	Seller to provide Buyer the following services: • Subject to the terms of any existing contracts, make available to NewCo Travel Services-includes

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
		Medical alerts, repatriation and recommendations for travel-email notification system as well as coordinates medical services on a corporate contract.
FIN1.4	**Expense accruals**	Seller to provide Buyer the following services: • As required by NewCo or as dictated by current procedures, support the expense accrual process.
FIN1.5	**Treasury – Cash Management, Banking Operations, and Account Management Oversight**	Seller to provide Buyer the following services: • Provide continued management oversight for Treasury, which will include but not be limited to oversight and fulfillment of reasonable ad-hoc requests related to treasury matters, including bank reconciliations for corporate accounts.
FIN1.7	**State Forms and Assessments**	Seller to provide Buyer the following services: • Prepare and file forms and assessments for each state (VIAC is licensed in all 49 states plus some territories) and process any relevant payments
FIN1.8	**Funding Capital**	Seller to provide Buyer the following services: • Provide corporate modelling services on a quarterly basis and through the planning cycle. Compile and complete rating agency surveys.
FIN1.9	**State Exams**	Seller to provide Buyer the following services: • Comply with state exams
FIN1.10	**Financial Systems - Admin & Reporting**	Seller to provide Buyer the following services: • Provide system administration for ledger set-ups, PeopleSoft, Blackline, and tax systems. Support GAAP and Statutory reporting and expenses,
FIN1.11	**Capital Management**	Seller to provide Buyer the following services: • Provide capital management support by providing forecast services, ensuring inputs are correct, reviewing overall capital position, determining capital flows between holding company and subsidiaries, designing capital plans and capital structure of organization, and supporting communications with regulatory authorities and rating agencies.
FIN1.12	**Accounting Operations**	Seller to provide Buyer the following services: • Provide services for day-to-day accounting entries and reconciliations (including for non-corporate bank accounts), balancing of financial systems, performing variance analyses, fielding audit requests, payroll processing and commissions, and coordinating the annual financial statement audit. • Provide accounting services for the following: o Treasury processing o Intercompany o Payroll

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
		o Fixed assets
FIN1.13	**GAAP / Statutory Provisions**	Estimation / booking of GAAP and Statutory provisions
FIN1.14	**Tax Returns**	Preparation and filing of tax returns
FIN1.15	**Projections**	Providing necessary info to support Treasury
FIN1.16	**Tax Sharing**	Settlement of intercompany tax liabilities
FIN1.17	**State & Local Tax**	Premium, sales & use tax.
FIN1.18	**Voya Investment Management**	Support Voya Investment Management for tax-related matters.

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Ceding Party	Reinsurer
GARWin	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	8,068	1,361	235,060,080	NewCo	NewCo	Acme Jr
GARWin	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	12,088	0	1,357,481,607	NewCo	NewCo	Acme Jr
GARWin	Annuity	Registered Annuities	VIAC	Annuity & CBVA IT	1,443	0	599,572,906	NewCo	NewCo	Acme Jr
GARWin	Annuity	Immediate Annuities	VIAC	Annuity & CBVA IT	0	2,687	201,728,120	NewCo	NewCo	Acme Jr
GARWin	CBVA	Annuitization	VIAC	Annuity & CBVA IT		34,824	4,964,389,025	NewCo		
GARWin	CBVA	Variable Annuities	VIAC	Annuity & CBVA IT	268,187		32,375,922,729	NewCo		
LifeCAD	Annuity	Fixed Annuities	ViAC	Annuity & CBVA IT	201	0	8,416,190	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	154,100	0	12,598,293,007	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	56,490	0	2,345,132,584	NewCo	NewCo	Acme Jr
Manual ALGER Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	2		4,149,095	NewCo	NewCo**	
GAAS Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	302	165	39,655,536	NewCo	NewCo**	
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	14		663,438	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	440		32,536,075	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Fixed Annuities	RLI	Annuity & CBVA IT	6,030	0	254,999,481	NewCo	Voya/RLI	Acme Jr

Transition Services Agreement Schedule A

Seller – Buyer

Transition Services Agreement Schedule for:

Product Development

Schedule Name:	Product Development
Schedule Number:	A
Service Provider:	Seller (as defined in the Purchase Agreement)
Service Recipient:	Buyer (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Applicable Blocks:	See grids listed below
Duration:	Up to 24 months from Closing

ID#	Service Description	Detailed Requirements/Other Matters
PD1.1	**Interest Crediting**	Seller to provide Buyer the following services: • Set customer credited rates across all retail annuities products, including new money and renewal credited rates • Set SPIA payout rates for individuals • Compilation of quarterly exhibit of credited rate vs MGIR for quarterly 10-Q filings • Running of new business cash flows for monthly reporting

Transition Services Agreement Schedule A

Applicable Blocks for PD1.1 (Interest Crediting):

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Ceding Party	Reinsurer	Operation Service Model
GARWin	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	8,068	1,361	235,060,080	NewCo	NewCo	Acme Jr	NewCo Services the block
GARWin	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	12,088	0	1,357,481,607	NewCo	NewCo	Acme Jr	NewCo Services the block
GARWin	Annuity	Registered Annuities	VIAC	Annuity & CBVA IT	1,443	0	599,572,906	NewCo	NewCo	Acme Jr	NewCo Services the block
GARWin	Annuity	Immediate Annuities	VIAC	Annuity & CBVA IT	0	2,687	201,728,120	NewCo	NewCo	Acme Jr	NewCo Services the block
GARWin	CBVA	Annuitization	VIAC	Annuity & CBVA IT		34,824	4,964,389,025	NewCo			NewCo Services the block
GARWin	CBVA	Variable Annuities	VIAC	Annuity & CBVA IT	268,187		32,375,922,729	NewCo			NewCo Services the block
LifeCAD	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	201	0	8,416,190	NewCo	NewCo	Acme Jr	NewCo services the block
LifeCAD	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	154,100	0	12,598,293,007	NewCo	NewCo	Acme Jr	NewCo services the block
LifeCAD	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	56,490	0	2,345,132,584	NewCo	NewCo	Acme Jr	NewCo services the block
Manual ALGER Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	2		4,149,095	NewCo	NewCo**		NewCo Services the block
GAAS Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	302	165	39,655,536	NewCo	NewCo**		NewCo Services the block

ID#	Service Description	Detailed Requirements/Other Matters	Service Period*
PD1.2	**Pricing to support Interest Crediting Services**	Seller to provide Buyer the following services: • Determination of target margins required as an input for all new money rate setting applicable for additional premiums to existing contracts	Up to 24 months from Closing

Applicable Blocks for PD1.2 (Pricing):

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Ceding Party	Reinsurer	Operation Service Model
GARWin	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	12,088	0	1,357,481,607	NewCo	NewCo	Acme Jr	NewCo Services the block
LifeCAD	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	154,100	0	12,598,293,007	NewCo	NewCo	Acme Jr	NewCo services the block

Transition Services Agreement Schedule A

Seller – Buyer

Transition Services Agreement Schedule for:

Real Estate

Schedule Name:	Real Estate
Schedule Number:	A
Service Provider:	Seller (as defined in the Purchase Agreement)
Service Recipient:	Buyer (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Duration:	Up to 15 months from Closing

ID#	Service Description	Detailed Requirements/Other Matters
RE1.0	**Real Estate Services**	Seller to provide Buyer: • Card access and CCTV systems, including management over these systems, in sublease space • Document disposal services

Transition Services Agreement Schedule A

Seller – Buyer

Transition Services Agreement Schedule for:

Operations

Schedule Name:	Operations
Schedule Number:	A
Service Provider:	Seller (as defined in the Purchase Agreement)
Service Recipient:	Buyer (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Applicable Blocks:	See grid listed below
Duration:	Up to 15 months from closing
Limits of Authority:	Parties to discuss limits of authority with respect to specific services

ID#	Service Description	Detailed Requirements/Other Matters
OPS1.1	Business Process Outsourcing (BPO)	Seller to provide Buyer Business Process Outsourcing vendor management oversight support services including: • Leadership oversight of contractual agreement with Business Process Outsourcing vendors • Monitoring of vendor performance (Service Level Agreement, Quality), adherence to contract and dispute resolution • Oversight of volume forecasting and actuals validation
OPS1.2	Enterprise Contact Center Support (Workforce	Seller to provide Buyer call center workforce management support services including: • Demand & Capacity modeling and forecasting • Staff scheduling

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
	Management)	• Reporting (Average Speed to Answer, Average Handle Time, Customer Satisfaction, Quality, etc.) • Call recording and history • Dynamic skill routing, segment codes • Interactive Voice Response (IVR) / Voice Response Unit (VRU) support • Production support and trouble shooting • Queue monitoring
OPS1.3	Contact Center Support – Aligned to services performed in the Jacksonville location by the Seller contact center team.	Seller to provide Buyer services related to the handling of inbound / outbound phone calls and emails, contact center support and inforce processing to the client including: • Handling of incoming agent calls and emails • Handling of outbound calls related to NIGO (not in good order) resolution • Handling of outbound calls related to customer inquiries • Handling of incoming escalated customer calls and emails • Principal and Correspondence review • Workforce Management Support covered under OPS2 (TSA) If attrition occurs outside of Des Moines and West Chester locations for the above services between sign and close, Seller will not backfill these positions outside of Des Moines and West Chester. Seller will work with Buyer upon their approval to hire the position in the Des Moines or West Chester location.
OPS1.4	Producer Services Support - Aligned to services performed in the Jacksonville location by the Seller contact center team.	Seller to provide Buyer services related to Producer Services processing and oversight services including: • Handling of incoming agent service inquiry calls and emails • Non-complex processing functions • Workforce Management Support covered under OPS2 (TSA) • Commissions and licensing support • Agent Changes If attrition occurs outside of Des Moines and West Chester locations for the above services between sign and close, Seller will not backfill these positions outside of Des Moines and West Chester. Seller will work with Buyer upon their approval to hire the position in the Des Moines or West Chester

Transition Services Agreement Schedule A

ID#	Service Description	Detailed Requirements/Other Matters
		location.
OPS1.5	Unclaimed Property Filings / Escheatment Processing	Seller to provide Buyer support for Unclaimed Property filings and Escheatment processing services.
OPS1.6	Regulatory Mailing Support	Seller to provide Buyer regulatory communication support and oversight support services including: • Distribution of documents associated with all transferred products registered with the Securities and Exchange Commission • Reimbursement of applicable fees, based on fund company participation agreements, associated with the distribution of prospectuses, supplements, and fund reports.
OPS1.7	New Business Shutdown Support	Seller to provide Buyer services related to handling the shutdown of New Business on Garwin and LifeCad to include: • Handling of incoming and outbound call related to New Business • Application of funds received after the shutdown of New Business • Handle any transactions/processes required to either issue or close out the case
OPS1.8	Tax Support	Seller to provide Buyer tax guidance and processing support services including: • Processing of federal and state withholding deposits and returns

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Ceding Party	Reinsurer
GARWin	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	8,068	1,361	235,060,080	NewCo	NewCo	Acme Jr
GARWin	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	12,088	0	1,357,481,607	NewCo	NewCo	Acme Jr
GARWin	Annuity	Registered Annuities	VIAC	Annuity & CBVA IT	1,443	0	599,572,906	NewCo	NewCo	Acme Jr
GARWin	Annuity	Immediate Annuities	VIAC	Annuity & CBVA IT	0	2,687	201,728,120	NewCo	NewCo	Acme Jr
GARWin	CBVA	Annuitization	VIAC	Annuity & CBVA IT		34,824	4,964,389,025	NewCo		
GARWin	CBVA	Variable Annuities	VIAC	Annuity & CBVA IT	268,187		32,375,922,729	NewCo		
LifeCAD	Annuity	Fixed Annuities	ViAC	Annuity & CBVA IT	201	0	8,416,190	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Indexed Annuities	VIAC	Annuity & CBVA IT	154,100	0	12,598,293,007	NewCo	NewCo	Acme Jr
LifeCAD	Annuity	Fixed Annuities	VIAC	Annuity & CBVA IT	56,490	0	2,345,132,584	NewCo	NewCo	Acme Jr
Manual ALGER Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	2		4,149,095	NewCo	NewCo**	
GAAS Policies	CBVA	Variable Life	VIAC	Annuity & CBVA IT	302	165	39,655,536	NewCo	NewCo**	
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	14		663,438	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Indexed Annuities	RLI	Annuity & CBVA IT	440		32,536,075	NewCo	Voya/RLI	Acme Jr
LifeCAD	Annuity	Fixed Annuities	RLI	Annuity & CBVA IT	6,030	0	254,999,481	NewCo	Voya/RLI	Acme Jr

Transition Services Agreement Schedule A

Buyer - Seller

Transition Services Agreement Schedule for:

Information Technology

Schedule Name:	Information Technology (IT)
Schedule Number:	A
Service Provider:	Buyer (as defined in the Purchase Agreement)
Service Recipient:	Seller (as defined in the Purchase Agreement)
Start of Activity:	Closing (as defined in the Purchase Agreement)
Applicable Blocks	See grid listed below
Duration:	Up to 24 months from Closing

ID#	Service Description	Detailed Requirements/Other Matters
IT 2.09	**Application Maintenance Services**	Buyer to provide Seller application maintenance services for distributed applications for the applications as listed for the following types of application maintenance services (including but not limited to) production support, incident and problem management, disaster recovery, end user and technical support, error correction, compliance management, application standards

CONFIDENTIAL

Transition Services Agreement Schedule A

System	Business*	Product Type	Legal Entity	IT Support Group (Current State)	Active (A,W,E,Z)	Annuitized (M)	Stat Rx 9.30.17	Owner of System Post Transaction	Owner	Operation Service Model
GARWin	Annuity	Annuitization	VRIAC	Annuity & CBVA IT	0	237	9,870,685	NewCo	Voya	NewCo Services the block
GARWin	Annuity	Mutual Funds	VITC	Annuity & CBVA IT	75,623	0	5,621,349,834	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Variable Annuities	RLNY	Annuity & CBVA IT	5,721		714,812,729	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Annuitization	RLNY	Annuity & CBVA IT		238	51,405,177	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Variable Annuities	SLD	Annuity & CBVA IT	107		9,455,320	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Annuitization	SLD	Annuity & CBVA IT		8	145,909	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Annuitization	VRIAC	Annuity & CBVA IT	0	1,087	44,450,472	NewCo	Voya	NewCo Services the block
GARWin	CBVA	Variable Annuities	VRIAC	Annuity & CBVA IT	14,930		778,561,032	NewCo	Voya	NewCo Services the block
GARWin	PRT	Immediate Annuities	VRIAC	Annuity & CBVA IT	405	24,886		NewCo	Voya	NewCo Services the block
GARWin	ISP	Legacy Traditional Group Pension Annuity	SLD	Annuity & CBVA IT	360	0		NewCo	Voya	NewCo Services the block
GARWin	ISP	Legacy Traditional Group IRA	SLD	Annuity & CBVA IT	216	0		NewCo	Voya	NewCo Services the block
GARWin	Retirement	Mutual Funds	VITC	Annuity & CBVA IT	4,796	0		NewCo	Voya	NewCo services the block
LifeCAD	Annuity	Indexed Annuities	RLNY	Annuity & CBVA IT	203	0	15,944,787	NewCo	Voya	NewCo services the block
LifeCAD	Annuity	Fixed Annuities	RLNY	Annuity & CBVA IT	438	0	29,100,503	NewCo	Voya	NewCo services the block
LifeCAD	Annuity	Indexed Annuities	VRIAC	Annuity & CBVA IT	1,266	0	124,004,937	NewCo	Voya	NewCo services the block

<u>Schedule 3.2</u>
to the
Transition Services Agreement
Scheduled Services Summary Invoice Statement

[Monthly End Date]

Scheduled Service	Service Costs
Out of Pocket Cost	Description of Out of Pocket Cost

<u>Schedule 2.1.6</u>
to the
Transition Services Agreement
Inflight Project Services

Exhibit A

Form of Request for Project Services

1. DESCRIPTION OF PROJECT SERVICE.

2. SERVICE FEE.

3. TERM.

[NewCo]
By:_________________________________
Transition Manager Signature
Name:______________________________
Printed
Title:_______________________________

Exhibit I

Equity Commitment Letters

Submitted confidentially under separate cover.

EXHIBIT J

[RESERVED]

Exhibit K

Limited Guarantees

Submitted confidentially under separate cover.

<u>EXHIBIT L</u>
Support Agreement Terms

[See attached.]

EXHIBIT L

Surplus Note Support Agreement Terms

1. At Closing Buyer Parent and Seller will enter into an assignable Surplus Note Support Agreement (the "Support Agreement"). The Support Agreement will require:

   a. Buyer Parent to cause the Company to use its commercially reasonable efforts to obtain approval of interest and principal payments on the payment dates specified in the surplus notes.

   b. Buyer Parent to provide **[**45**]** days' advance notice of (i) the Company intention to declare a dividend and the remaining ordinary dividend capacity remaining after payment of the dividend and (ii) an officer's certificate certifying that, in the good faith judgment of the CFO of the Company, the payment of the dividend will not adversely affect the ability of the Company to make payments of interest or principal when due under the surplus notes over the next 12 months.

   c. Buyer Parent to cause the Company to use reasonable best efforts to obtain approval from the Iowa Insurance Division to make scheduled interest payments on the surplus notes prior to making any dividend payments to Buyer.

   d. To the extent any scheduled payment of interest has not been made on the Remaining Surplus Notes or the Athene subordinated notes, any dividends or distributions paid by the Company to Buyer, and then by Buyer to Buyer Parent, shall be applied as follows: (i) first Buyer shall purchase from the holders of such Remaining Surplus Notes any amounts of deferred interest on the Remaining Surplus Notes and (ii) thereafter Buyer shall redeem any notes issued as payments-in-kind on the Athene subordinated notes.

   e. To the extent there are no scheduled payments of interest on either the Remaining Surplus Notes or the Athene subordinated notes that are unpaid and there is current interest due on the Athene subordinated notes, any dividends or distributions paid by the Company to Buyer, and then by Buyer to Buyer Parent, shall be applied to the payment of such interest.

   f. At any time that there are no scheduled payments of interest on either the Remaining Surplus Notes or the Athene subordinated notes that are unpaid, there is no deferred interest on the Remaining Surplus Notes and there are no notes issued as payments-in-kind for unpaid interest on the Athene subordinated notes, any dividends or distributions paid by the Company to Buyer shall be shall be paid as follows on a pro rata basis: (i) to each holder of a Remaining Surplus Note, to the extent of the then outstanding principal balance of such Remaining Surplus Note (other than any Remaining Surplus Note that is transferred pursuant to the Surplus Note Transfer), a portion of such payment equal to the principal balance of such Remaining Surplus Note on the Closing Date divided by the Dividend Payment Denominator, (ii) to the holder of the Athene subordinated note, to the extent of the then outstanding principal balance of such Athene subordinated note , a portion of such payment equal to the principal balance of the Athene subordinated note on the

Closing Date divided by the Dividend Payment Denominator, and (iii) the remainder of such payment to the then outstanding equityholders of Buyer Parent in accordance with the LLC Agreement. "Dividend Payment Denominator" means, as of any date of determination, an amount equal to (i) the outstanding principal balance of the Remaining Surplus Notes at Closing (other than any Remaining Surplus Note that is transferred pursuant to the Surplus Note Transfer), plus (ii) the outstanding principal balance of the Athene subordinated notes at Closing, plus (iii) the amount of the total equity funding of Buyer Parent required to consummate the Closing (including the payment of Buyer Parent's Transaction Expenses, the payment made with respect to the Surplus Note Transfer and the capital contribution contemplated by Section 5.34).[1]

g. On the maturity date of the Athene subordinated notes Buyer shall not repay any portion of such principal amount unless all of the Remaining Surplus Notes shall have been redeemed in full.

h. Buyer Parent agrees to cooperate in any resale of surplus notes including committing to (i) enter into a fiscal agency agreement with standard terms and conditions, (ii) provide the information required under Rule 144(a)(d)(iv), comfort letters, marketing and other assistance reasonably necessary to facilitate optimal resale execution; provided, Seller agrees to reimburse Buyer for its out-of-pocket expenses.

i. Buyer agrees to be bound by appropriate lock up provisions to ensure the continued effectiveness of the protections in this Item 1 if Buyer or Buyer Parent shall no longer own directly or indirectly 100% of the voting stock of the Company.

j. All rights under the Surplus Note Support Agreement may be assigned at any time and from time to time in connection with the transfer or sale of the Remaining Surplus Notes.

k. While any Remaining Surplus Notes remain outstanding, except as provided above or with the consent of the holders of the Remaining Surplus Notes, Buyer may not elect to redeem the Subordinated Notes due 2033 (the "Acme Notes").

l. Buyer must purchase the Remaining Surplus Notes in full upon: (1) a change of control (as defined in the Acme Subordinated Debt Investment Terms) of Buyer Parent or (2) adoption of a plan of liquidation or dissolution of Buyer.

m. In connection with a registered offering of equity securities Buyer must: (1) have first paid in cash the amount of any accrued interest and interest that will become payable on the next scheduled interest payment date; (2) have first purchased from the holders of the Remaining Surplus Notes the amount of any deferred interest on the Remaining Surplus Notes and (3) purchase 350/850 of the Remaining Surplus

[1] Note to Draft: Subject to tax review.

Notes with the portion of the proceeds from the sale of shares sold by selling stockholders in such registered offering.

n. Buyer may not redeem or repurchase equity interests of Buyer without the consent of the holders of the Remaining Surplus Notes.

o. No holder of the Subordinated Notes may file a petition for bankruptcy with respect to Buyer or any of its subsidiaries without the consent of holders of the Remaining Surplus Notes or accelerate any obligation thereunder.

SUBSCRIPTION AGREEMENT

BY AND BETWEEN

VA CAPITAL COMPANY LLC

AND

VOYA FINANCIAL, INC.

DATED AS OF DECEMBER 20, 2017

TABLE OF CONTENTS

Page

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "**Agreement**") is made and entered into this 20th day of December, 2017, by and between VA Capital Company LLC, a Delaware limited liability company (the "**Company**"), and Voya Financial, Inc., a Delaware Corporation (the "**Investor**").

WITNESSETH:

WHEREAS, the manager of the Company (which, as of the Closing, shall be the Board of Managers of the Company, the "**Manager**") has approved the sale and issuance of certain units representing limited liability company membership interests of the Company (the "**Units**") in connection with the Company's private offering of Units to certain investors (the "**Private Placement**");

WHEREAS, pursuant to this Agreement, the Investor will, pursuant to the terms and subject to the conditions of this Agreement, commit certain funds to the Company and, in accordance with the terms and conditions set forth herein, subscribe for and purchase from the Company, and the Company will sell to the Investor, certain Units;

WHEREAS, in connection with the execution and delivery of this Agreement and substantially similar subscription agreements with the Additional Investors (as defined below), the Company intends to use the proceeds of the Private Placement (a) to purchase, directly or indirectly, all of the issued and outstanding equity interests of Voya Insurance and Annuity Company, an Iowa insurance company, including its closed block variable annuity business (collectively, the "**Indigo Purchase**"), pursuant to that certain Master Transaction Agreement (the "**Indigo Purchase Agreement**"), dated as of the date hereof, by and among the Company, the Investor, and Athene Holding Ltd., a Bermuda limited company ("**Athene**") and (c) pay any and all expenses incurred by or on behalf of the Company, its prior equityholders, Venerable Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("**Buyer**"), or any of their respective affiliates in connection with the formation and organization of the Company and Buyer, the consummation of the transactions contemplated by this Agreement and the negotiation and consummation of the Indigo Purchase;

WHEREAS, in connection with the transaction contemplated by this Agreement, the Investor, each Additional Investor and the Company will execute and deliver the Closing LLC Agreement (as defined below) at the Initial Funding Closing;

WHEREAS, the Company intends to enter into subscription agreements on terms substantially similar to this Agreement with additional investors other than the Investor (the "**Additional Investors**") that will execute a subscription agreement and subscribe for Units as part of the Private Placement; and

WHEREAS, capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Indigo Purchase Agreement.

NOW, THEREFORE, for and in consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions set forth herein, the parties agree as follows:

ARTICLE I
COMMITMENT; SUBSCRIPTION; PURCHASE PRICE FOR UNITS

Section 1.1 Commitment; Subscription.

(a) Subject to the satisfaction of the conditions set forth in Section 1.3, the Investor hereby irrevocably commits to contribute an amount of cash to the Company equal to the amount set forth on Schedule A opposite the heading "Total Commitment" (the "**Total Commitment**"), in each case, on the terms and conditions set forth in this Agreement.

(b) The Total Commitment shall consist of (x) a commitment to contribute the amount required to be funded on the Initial Funding Date in order to fund the payments to be made by the Company pursuant to the Indigo Purchase Agreement and such Investor's pro rata share (based on equity ownership of the Company as of immediately following the Closing) of the aggregate Excess Transaction Expenses (as defined in Exhibit A), which amount shall include such Investor's DTA Adjustment Amount (as defined in Exhibit A), if any (the "**Closing Commitment**") and (y) a commitment to contribute an amount up to the maximum amount required by a Governmental Entity in connection with, and as a condition to, the Closing of the transactions contemplated by the Indigo Purchase Agreement (the "**Regulatory Funding Commitment**"), upon the occurrence of a request or requirement imposed by any Governmental Entity that all or any portion of the Regulatory Funding Commitment be contributed to the Company (a "**Regulatory Funding Event**") (provided, that in no event shall the sum of the Investor's Closing Commitment (excluding Excess Transaction Expenses) and Regulatory Funding Commitment exceed an aggregate amount of $50,000,000 (or $42,000,000 if a DTA Avoidance Event (as defined in Exhibit A) occurs), and in accordance with the provisions of the Organizational Documents (as defined below). In no event shall the sum of the Closing Commitment and Regulatory Funding Commitment exceed the Total Commitment.

(c) Any portion of the Closing Commitment to be paid by the Investor at the Initial Funding Closing (as defined below) shall be paid in immediately available funds and, subject to the satisfaction of the applicable conditions set forth in Section 1.3 and upon notice from the Manager (provided, that such date is not less than seven days from the delivery of written notice), as and when required by the Manager in the Manager's sole discretion (in accordance with the then-in-effect certificate of formation of the Company (as may be amended from time to time, the "**Certificate of Formation**") and limited liability company agreement of the Company (as may be amended from time to time (including by the Closing LLC Agreement (as defined below)), the "**LLC Agreement**" and, together with the Certificate of Formation, the "**Organizational Documents**")), in each case, on the Initial Funding Date (as defined below).

(d) Subject to the terms and conditions of this Agreement and the Organizational Documents, at any time and from time to time, the Manager shall have the right to require the Investor to pay all or any remaining portion of any Regulatory Funding Commitment that has not yet been paid by the Investor (the "**Uncalled Commitment**") by delivering a written notice to the Investor setting forth the amount of such Uncalled Commitment (the "**Called Commitment**") and the date on which the Called Commitment is required to be paid by the Investor (provided, that such date is not less than twelve business days from the delivery of such written notice) (each such payment date, a "**Funding Date**").

(e) Subject to the terms and conditions of this Agreement and the Organizational Documents, the Investor shall make any payment for the purchase of Units required under the terms of this Agreement by wire transfer of immediately available funds to a bank account designated by the Company in writing to the Investor prior to the time such payment is due or by such other payment method as is mutually agreed by the Investor and the Company.

Section 1.2 Purchase and Sale of Units.

(a) Subject to (i) the Investor's Total Commitment not having been terminated pursuant to the applicable provisions of the Organizational Documents (as in effect from time to time) after the Initial Funding Closing (as defined below), (ii) the conditions set forth in Section 1.3 having been satisfied or waived, other than conditions that, by their nature, will be satisfied at the Funding Closing (defined below) and (iii) the satisfaction of the notice obligation set forth in Section 1.1(c) or (d), as applicable, on each Funding Date, the Company shall sell to the Investor and the Investor shall purchase from the Company (a "**Funding Closing**"), a number of Units (or fraction thereof) equal to the quotient of: (A) the Called Commitment that is funded by the Investor to the Company on such Funding Date, divided by (B) a value equal to $1,000 (the "**Unit Purchase Price**").

(b) The initial Funding Closing (the "**Initial Funding Closing**") shall occur immediately prior to the Closing on the Closing Date (each, as defined in the Indigo Purchase Agreement) (such date, also, the "**Initial Funding Date**"). No later than on the day of the Initial Funding Closing, the Investor shall advance by wire transfer of immediately available funds to a bank account designated by the Manager the applicable Called Commitment, which shall be used to satisfy the Company's obligations at the Closing and pay certain transaction expenses and the Investor and the Company shall deliver to each other the other items described in Article II, as applicable.

Section 1.3 Conditions to the Purchase and Sale.

(a) The obligations of the Investor to fund the Closing Commitment and to purchase the Units at the Initial Funding Closing shall be subject to the satisfaction (or waiver by the Investor in writing) of the following conditions:

(i) the satisfaction or waiver of each of the conditions to the obligations of the Company or Reinsurer Parent (as defined in the Indigo Purchase Agreement) set forth in Article VI of the Indigo Purchase Agreement; and

(ii) the substantially concurrent consummation of the closing of the transactions contemplated by the Indigo Purchase Agreement, including the substantially concurrent funding of each of the Additional Investors' commitment in connection therewith pursuant to its respective subscription agreement.

(b) The obligations of the Investor to fund any Called Commitment and to purchase the Units at the applicable Funding Closing (other than the Initial Funding Closing) shall be subject to the satisfaction (or waiver by the Investor in writing) of the conditions set forth in the LLC Agreement pertaining to such Uncalled Commitments.

ARTICLE II
FUNDING DATE DELIVERABLES

Section 2.1 Deliveries by the Company. Subject to the terms and conditions hereof (including the satisfaction or waiver of Section 1.3), the Company will deliver the following to the Investor:

(a) at or prior to each Funding Closing, evidence of the due and valid registration of the applicable number of Units in the name of the Investor in the books and records of the Company (as contemplated by the LLC Agreement);

(b) at or prior the Initial Funding Closing, evidence in respect of the authorization of the transactions contemplated by this Agreement;

(c) at or prior to the Initial Funding Closing, a certificate, dated as of the Initial Funding Date and signed by an authorized officer of the Company, certifying: (i) that the Organizational Documents (copies of which shall be attached to the certificate) are all true, complete and correct in all respects and remain unamended and in full force and effect; (ii) that the resolutions of the Manager (copies of which shall be attached to the certificate) authorizing the execution and delivery by the Company of this Agreement and the performance by the Company of the transactions contemplated hereby have been approved and adopted and such resolutions remain in full force and effect; (iii) that the Company is in good standing in the State of Delaware and attaching to the certificate a copy of a certification of such good standing, or equivalent, which shall not be dated more than 30 days prior to the Initial Funding Closing; and (iv) as to the incumbency of those officers of the Company executing this Agreement;

(d) at or prior to the Initial Funding Closing, a copy of an amended and restated LLC Agreement, to become effective as of the Initial Funding Closing (the "**Closing LLC Agreement**"), giving effect to the terms and conditions set forth on Exhibit A and such other customary additional terms as the Investor, the Additional Investors and the Company may mutually agree, acting reasonably and in good faith, duly executed by the Company, together with confirmation that the Closing LLC Agreement has been executed by all of the other equityholders of the Company, including any Additional Investors whose subscription for Units is occurring substantially simultaneously herewith; and

(e) at or prior to the Initial Funding Closing, all other documents, instruments and writings reasonably required to be delivered to the Investor by the Company at or prior to the Initial Funding Closing pursuant to this Agreement.

Section 2.2 Deliveries by the Investor. Subject to the terms and conditions hereof, the Investor will deliver the following to the Company, which shall be a condition to the Investor receiving the corresponding Units:

(a) at or prior to each Funding Closing, the payment by wire transfer of immediately available funds payable by the Investor in accordance with Section 1.1(e) of this Agreement;

(b) at or prior to the Initial Funding Closing, a copy of the Closing LLC Agreement, duly executed by the Investor and providing that the Investor shall be a "Member" (as will be defined in the Closing LLC Agreement) thereunder;

(c) at or prior to the Initial Funding Closing, the duly executed consent of the Investor, effective as of the Initial Funding Closing, consenting to the slate of persons to be nominated to the Board of Managers of the Company, to the extent not otherwise designated in the Closing LLC Agreement; and

(d) at or prior to the Initial Funding Closing, all other documents, instruments and writings reasonably required to be delivered to the Company by the Investor at or prior to the Initial Funding Closing pursuant to this Agreement.

Section 2.3 Fractional Units. To the extent that any fractional Units are issuable pursuant to this Agreement, each such fractional Unit shall be rounded to the nearest hundredth of a Unit.

Section 2.4 Company Agreements. The Investor hereby agrees and acknowledges that the Company may enter into subscription agreements on terms substantially similar to this Agreement as part of the Private Placement on or after the date hereof and before the Initial Funding Closing, with the Additional Investors.

ARTICLE III
FINANCIAL COMMITMENT; STATUS OF UNITS

Section 3.1 No Commitment for Additional Financing. The Company acknowledges and agrees that the Investor has not made any representation, undertaking, commitment or agreement to provide or assist the Company in obtaining any financing, investment or other assistance, other than the Total Commitment as set forth in this Agreement and subject to all terms and conditions set forth herein. In addition, the Company acknowledges and agrees that (a) no statements, whether written or oral, made by the Investor or its representatives before, on or after the date hereof shall create an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment, (b) the Company shall not rely on any such statement by the Investor or its representatives and (c) an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment may only be created by a written agreement, signed by the Investor and the Company, setting forth the terms and conditions of such financing or investment and stating that the parties intend for such writing to be a binding obligation or agreement. The Investor shall have the right, in its sole and absolute discretion, to refuse or decline to participate in any other financing of or investment in the Company (other than with respect to the Total Commitment as set forth in this Agreement), and shall have no obligation hereunder to assist or cooperate with the Company in obtaining any financing, investment or other assistance (other than with respect to the Total Commitment as set forth in this Agreement).

Section 3.2 Default by Investor.

(a) An "**Investor Event of Default**" shall be deemed to have occurred if the Investor fails or refuses to make any payment with respect to any subscription for Units that the Investor is required to make pursuant to this Agreement or the Organizational Documents (in such case, the Investor shall be a "**Defaulting Investor**").

(b) Upon an Investor Event of Default, the Company may, at its option, undertake (or one of its Affiliates may cause it to undertake) any of the rights or remedies afforded to it pursuant to this Agreement.

(c) Upon an Investor Event of Default, the Company shall have the right to determine (or one of its Affiliates may cause it to determine) whether the Defaulting Investor shall be entitled to make any further contributions of capital to the Company in respect of its Total Commitment.

(d) The Company may offer one or more Additional Investors the option of funding the Defaulting Investor's Uncalled Commitment, and receiving the Units issuable in exchange for such funding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants as of the date hereof, and shall be deemed to reaffirm as of each Funding Date (other than any representation that by its terms speaks as of a specific date, in which case as of such date), that:

Section 4.1 Organization; Good Standing; Qualification.

(a) The Company is a Delaware limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and limited liability company authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the nature of the business transacted by it or the character of the properties owned or leased by it requires such qualification, except for those jurisdictions where the failure to be so licensed, qualified or in good standing would not have a material adverse effect on the business, prospects, financial condition, affairs, properties, assets, liabilities or operations of the Company and the Company Subsidiaries (defined below), taken as a whole (a "**Material Adverse Effect**").

(b) As of the date hereof, the Company does not have any liabilities or obligations other than those arising under or in connection with agreements or arrangements entered into in connection the transactions contemplated by the Indigo Purchase Agreement (including this Agreement, the Cooperation Agreement (defined below), the Financing Commitments (as defined in the Indigo Purchase Agreement) and similar documents entered into with the Additional Investors and the transaction documents related to the Indigo Purchase Agreement or the Financing Commitments), and as of the Closing, the Company will not have any other material liabilities.

Section 4.2 Capitalization and Voting Rights.

(a) Apollo Principal Holdings I, L.P., a Delaware limited partnership, is the sole owner of the membership interests of the Company as of the date hereof.

(b) Except as contemplated by this Agreement, those certain subscription agreements to be entered into between the Company and the Additional Investors in connection with the Private Placement (the "**New Subscription Agreements**") and a cooperation agreement among the Additional Investors and the Company (which does not alter the capitalization of the Company as of the Closing as described on Exhibit A hereto) (the "**Cooperation Agreement**"), there is not outstanding any option, warrant, profits interest, right (contingent or other, including conversion, exchange, participation, right of first refusal, co-sale or preemptive rights) or agreement for the purchase or acquisition from the Company of any of its equity interests or any options, warrants, profits interest or rights convertible into or exchangeable for any thereof. Except as contemplated by this Agreement, the Cooperation Agreement and the New Subscription Agreements, there is no commitment by the Company to issue units, subscriptions, warrants, options, profits interest, convertible or exchangeable securities or other such rights or to distribute to holders of its equity interests any evidence of indebtedness or asset. Except as contemplated by this Agreement, the Cooperation Agreement and the New Subscription Agreements: (i) the Company is not a party or subject to any agreement or understanding, and there is no agreement or understanding between or among any holders of the Company's equity interests relating to the acquisition, disposition or voting or giving of written consents with respect to any security of, or matter relating to, the Company, (ii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity interests or other securities or any interest therein or to pay any dividend or make any other distribution in respect thereof, (iii) there are no restrictions on the transfer of the Company's equity interests other than those arising from securities, insurance regulatory and other laws and regulations and (iv) no Person is entitled to (A) any preemptive or similar right with respect to the issuance of any equity interests or other securities of the Company or (B) any rights with respect to the registration of any equity interests or other securities of the Company under the Securities Act.

(c) The rights and preferences of the Units immediately following the Initial Funding Closing will be set forth in the Certificate of Formation and the Closing LLC Agreement.

Section 4.3 Company Subsidiaries.

(a) Set forth on Schedule 4.3(a)(i) hereto is a list of all of the Company's direct and indirect Subsidiaries (each, a "**Company Subsidiary**"), including each Company Subsidiary's jurisdiction of incorporation, formation or organization. Each Company Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, formation or organization and has all requisite power and authority to carry on its business as now conducted and as presently proposed to be conducted. Each Company Subsidiary is duly licensed or qualified to transact business and is in good standing (to the extent such concept applies in the applicable jurisdiction) in each jurisdiction in which the nature of the business transacted by it or the character of the properties owned or leased by it requires such licensing or qualification, except for those jurisdictions where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect. The Company owns, directly or indirectly, all outstanding equity interests of each Company Subsidiary.

(b) For purposes of this Agreement, a "**Subsidiary**" means, with respect to any given Person, any other Person in which the first Person directly or indirectly owns or controls the majority of the equity interests or voting interests able to elect the board of managers, board of directors or comparable governing body. For purposes of this Agreement, "**Person**" shall be construed in the broadest sense and means and includes a natural person, a company, an enterprise, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and any other entity and any federal, state, municipal, foreign or other government, governmental department, commission, board, bureau, agency or instrumentality, or any private or public court or tribunal.

(c) There is not outstanding any option, warrant, right (contingent or other, including conversion, exchange, participation, right of first refusal, profits interest, co-sale or preemptive rights) or agreement for the purchase or acquisition from any Company Subsidiary of any of its equity interests or any options, warrants or rights convertible into or exchangeable for any of its equity interests. There is no commitment by any Company Subsidiary to issue shares, membership or other equity interests, subscriptions, warrants, options, convertible or exchangeable securities or other such rights or to distribute to holders of its equity interests any evidence of indebtedness or asset. No Company Subsidiary (i) is a party or subject to any agreement or understanding relating to the acquisition, disposition or voting or giving of written consents with respect to any equity interest of, or matter relating to, a Company Subsidiary, (ii) has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity interests or to pay any dividend or make any other distribution in respect thereof or (iii) has any restrictions on the transfer of its equity interests other than those arising from securities, insurance regulatory and other laws and regulations. No Person is entitled to (x) any preemptive or similar right with respect to the issuance of any capital stock or other equity interests of any Company Subsidiary or (y) any rights with respect to the registration of any capital stock or other equity interests of any Company Subsidiary under the Securities Act.

(d) Except for the Company Subsidiaries, neither the Company nor any Company Subsidiary owns, directly or indirectly, any capital stock or voting securities of, or other equity interests in, or has any direct or indirect equity participation or similar interest in, any interest convertible into or exchangeable or exercisable for, any capital stock or voting securities of, or other equity interests in, any other Person.

Section 4.4 Authorization. The Company has all requisite limited liability company power and authority to execute and deliver this Agreement and the agreements contemplated herein to which it is a party, to issue and sell the Units, and to carry out the provisions of this Agreement and the other agreements contemplated herein to which it is a party. All limited liability company action on the part of the Company, its officers, managers and equityholders necessary for the authorization, execution and delivery of this Agreement and the agreements contemplated herein, and the performance of all obligations of the Company hereunder and thereunder as of the date hereof and the authorization, issuance, sale, and delivery of the Units in accordance with this Agreement has been taken. This Agreement has been duly and validly executed and delivered by the Company and constitutes, assuming this Agreement has been duly authorized, executed and delivered by the Investor, a valid and legally binding obligation of the Company, enforceable in accordance with its terms except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

Section 4.5 Valid Issuance of Units. The Units that will be purchased by the Investor hereunder, when issued, sold, and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, will be free of all restrictions imposed by or through the Company other than restrictions as set forth in this Agreement or the Organizational Documents or under applicable securities, insurance regulatory and other laws and regulations, will have the rights, qualifications, limitations and restrictions set forth in the Organizational Documents and the issuance thereof is not subject to any preemptive or other similar right.

Section 4.6 Offering. Based in part on the accuracy of the Investor's representations and warranties set forth in this Agreement, the offer, sale and issuance of the Units as contemplated by this Agreement are exempt from the registration requirements of the Securities Act, and will be issued in compliance with all applicable federal and state securities and "blue sky" laws. Neither the Company nor anyone acting on its behalf will take any action hereafter that would cause the loss of such exemption.

Section 4.7 Consents. Except (a) as set forth in Schedule 6.1(a) to the Indigo Purchase Agreement, (b) for any notices of sale required to be filed with the Securities and Exchange Commission under Regulation D of the Securities Act or (c) for such other filings as may be required under applicable state securities laws, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority or any Person is required on the part of the Company in connection with the execution, delivery and performance by the Company of this Agreement and issuance, sale and delivery of the Units.

Section 4.8 Compliance With Other Instruments. The Company is not in violation, breach or default of (and to its knowledge, no other Person is in violation, breach or default of) (a) any provision of its Organizational Documents or (b) any judgment, decree, order, writ, United States federal or state statute, rule or regulation, license or permit of any governmental authority applicable to it except for such violations, breaches or defaults that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by the Company of this Agreement and the agreements and transactions contemplated hereby will not (i) conflict with or result in, with or without the passage of time or giving of notice or both, any breach, default or loss of rights under, acceleration of, or give rise to any right of termination, rescission, acceleration or modification, under any mortgage, indenture, contract, lease, agreement, instrument, judgment, decree, order or writ by which the Company is bound or (ii) result in the creation of any mortgages, pledges, security interests, liens, charges, claims, restrictions, easements or other encumbrances of any nature ("**Liens**") upon any of the properties or assets of the Company except for such conflicts, breaches, defaults, loss of contractual benefits, rights or Liens that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 4.9 Investment Company Act. Neither the Company nor any Company Subsidiary is required to register as an "investment company" as that term is defined in, and is not otherwise subject to regulation under, the Investment Company Act of 1940 (the "**Investment Company Act**").

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor hereby represents and warrants to the Company as of the date hereof, and shall be deemed to reaffirm as of each Funding Date (other than any representation that by its terms speaks as of a specific date, in which case as of such date), that:

Section 5.1 Authorization. The Investor has full power and authority to execute and deliver this Agreement and the other agreements contemplated herein to which it is a party, and to carry out and perform the provisions of this Agreement and the other agreements contemplated herein to which it is a party. Any and all corporate, partnership or limited liability company action on the part of the Investor necessary for the authorization, execution and delivery of this Agreement and the performance of all obligations of the Investor hereunder has been taken. Any and all corporate, partnership or limited liability company action on the part of the Investor necessary for the authorization, execution and delivery of the agreements contemplated herein to which it will be a party will be taken prior to the authorization, execution and delivery of such agreements, as applicable. This Agreement has been duly and validly executed and delivered by the Investor and constitutes, and the agreements contemplated herein to which the Investor will be a party, when executed and delivered, will constitute, assuming due execution and delivery by the applicable other parties, valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with their respective terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

Section 5.2 Compliance With Laws.

(a) The Investor is an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act, and acknowledges that the Private Placement is being conducted pursuant to Section 4(a)(2) of the Securities Act. Without limiting the generality of the foregoing, unless each member, partner or other holder of equity interests in the Investor is an "accredited investor", if the Investor is an entity, the Investor was not organized for the specific purpose of acquiring Units.

(b) The Investor is acquiring Units hereunder for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof or any arrangement or understanding with any other Person regarding the distribution of such Units. The Investor is not acquiring Units hereunder as a result of any "general solicitation" or "general advertising," as such terms are used in Regulation D promulgated under the Securities Act, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(c) The Investor will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Units acquired hereunder except in compliance with the LLC Agreement, the Securities Act and any applicable state securities or "blue sky" laws or an exemption therefrom.

(d) The Investor acknowledges that the Units have not been and may never be registered under the Securities Act or any applicable state securities or "blue sky" laws by reason of a specific exemption from the registration provisions of the Securities Act or any applicable state securities or "blue sky" laws which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's respective representations as expressed in this Agreement. The Investor agrees that in the absence of either an effective registration statement covering the Units or an available exemption from registration under the Securities Act or any applicable state securities or "blue sky" laws, the Units acquired hereunder must be held indefinitely.

(e) If the Investor is an affiliate of the Company or, by virtue of the Units subscribed for hereby, would own 20% or more of the aggregate Units of the Company as of the Initial Funding Closing, the Investor represents and certifies that, after due inquiry, for purposes of Rule 506(d) and Rule 506(e) of Regulation D promulgated under the Securities Act (collectively, the "**Bad Actor Rule**"), neither the Investor nor any person who beneficially owns or will beneficially own equity of or beneficial interests in the Investor is subject to any disqualifying event, including any conviction, order, judgment, decree, suspension, expulsion or bar described in the Bad Actor Rule, whether such event occurred or was issued before, on or after September 23, 2013.

(f) The Investor is (i) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act, (ii) not required to register as an investment company under the Investment Company Act and (iii) not a "business development company" as defined in the Investment Advisers Act of 1940.

(g) If the Investor is a private investment company or non-U.S. investment company exempt from registration under the Investment Company Act pursuant to Section 3(c)(1), 3(c)(7) or 7(d) thereunder, (i) the Units purchased by the Investor hereunder will constitute less than 40% of the Investor's total assets and committed capital, or (ii) each beneficial owner of the Investor's securities is a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act.

(h) Neither the Investor nor any holder of any beneficial interest in the Investor (including any person reasonably known to be controlling the Investor) and, in the case that the Investor is an entity, nor any Related Person (as defined below) is a person or entity whose name appears on the List of Specially Designated Nationals and Blocked Persons administered by the Office of Foreign Assets Control ("**OFAC**") of the United States Department of Treasury, as such list may be amended from time to time, or is prohibited pursuant to the sanctions programs administered by OFAC. "**Related Person**" means, with respect to any entity, any interest holder, manager, director, senior officer, trustee, beneficiary or grantor of such entity.

(i) To Investor's knowledge, the amounts contributed or to be contributed to the Company by the Investor were not, are not and will not be (as applicable) derived from activities that may contravene any applicable laws or regulations, including anti-money laundering laws or regulations.

Section 5.3 Investment Experience. The Investor confirms that it has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of an investment in the Units and of making an informed investment decision and understands that (a) this investment is suitable only for an investor which is able to bear the economic consequences of losing its entire investment, (b) the purchase of Units by the Investor hereunder is a speculative investment which involves a high degree of risk of loss of the entire investment, and (c) there are substantial restrictions on the transferability of, and there will be no public market for, the Units, and accordingly, it may not be possible for the Investor to liquidate the Investor's investment in case of emergency.

Section 5.4 Litigation. There is no action, suit, proceeding or investigation pending or, to the knowledge of the Investor, threatened against the Investor which is reasonably likely to adversely affect the validity of this Agreement or the agreements contemplated hereby or any material action taken or to be taken pursuant hereto or thereto (including the ability of the Investor to perform and comply with its obligations hereunder and thereunder), nor, to the knowledge of the Investor, has there occurred any event nor does there exist any condition on the basis of which any such material litigation, proceeding or investigation might properly be instituted.

Section 5.5 Brokers or Finders. No Person has or will have, as a result of the issuance of Units to the Investor pursuant to this Agreement, any right, interest or valid claim against or upon the Company for any commission, fee or other compensation as a finder or broker because of any act or omission by the Investor or his or its respective agents or representatives.

Section 5.6 Jurisdiction of Organization. The Investor's entity type (as applicable) and jurisdiction of incorporation, formation or organization (as applicable) is set forth on Schedule A.

Section 5.7 Financial Ability. The Investor will have, as of immediately prior to the Initial Funding Closing, sufficient liquid funds to satisfy the Closing Commitment, and shall have the right, to call capital sufficient to satisfy any Uncalled Commitment if and when required pursuant to the LLC Agreement.

Section 5.8 Acknowledgements.

(a) The Investor acknowledges and agrees that (i) the Company is not acting as a fiduciary or financial or investment adviser to the Investor, (ii) the Investor is not relying (for purposes of entering into this Agreement or otherwise) upon any advice, counsel or representations (whether written or oral) of the Company other than those representations expressly made hereunder, (iii) the Company has not given the Investor (directly or indirectly through any other Person) any assurance, guarantee, or representation whatsoever as to the expected prospects or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of this Agreement or the business of the Company to be conducted after the Indigo Funding Date, (iv) the Company and its affiliates, and their respective officers, managers, directors, employees, agents and representatives, do not make, have not made and shall not be deemed to have made any representation or warranty to the Investor, express or implied, at law or in equity, with respect to (A) projections, estimates, forecasts or plans or (B) tax or economic or technical considerations of the Investor relating to the purchase of Units hereunder, (v) the Investor has consulted with the Investor's own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent the Investor deemed necessary, and the Investor has made its own decisions with respect to entering into this Agreement based upon the Investor's own judgment and upon any advice from such advisers the Investor has deemed necessary and not upon any view expressed by the Company, (vi) the Investor has received, carefully read and reviewed and is familiar with this Agreement and is entering into this Agreement with a full understanding of all the terms, conditions and risks hereof and thereof (economic and otherwise), and the Investor is capable of and willing to assume (financially and otherwise) those risks and (vii) the Investor is a sophisticated Person familiar with transactions similar to those contemplated by this Agreement. The Investor acknowledges that it and its representatives and agents have been permitted full and complete access to the books and records, returns, contracts, insurance policies (or summaries thereof) and other assets of the Company and the Company Subsidiaries that it and its representatives and agents have desired or requested to see or review, and that it and its representatives and agents have had a full opportunity to consult with the representatives of the Company and the Company Subsidiaries to discuss the business of the Company and the Company Subsidiaries and the terms of the purchase of Units hereunder to the full satisfaction of the Investor and that it and its representatives have conducted their own due diligence and other investigations, to the extent they have determined necessary or desirable, regarding the Company and the Company Subsidiaries and the Investor has determined to enter into and complete the transactions contemplated hereby based on such due diligence and investigations, and not in reliance on any representation or warranty or investigation made by, or information known by, any Person (other than the representations and warranties expressly set forth herein). The Investor is not purchasing the Units hereunder as a result of, or subsequent to, any advertisement, article, notice or other communication published on the internet, in any newspaper, magazine or similar media or broadcast over television or radio, any seminar or meeting, or any solicitation of a subscription by a Person not previously known to it in connection with investments in securities generally. The Investor's acknowledgements and representations hereunder do not in any way undermine the express representations or warranties made by the Company hereunder.

(b) The Investor understands that the Company has not been and may never be registered as an investment company under the Investment Company Act in reliance upon an exemption from such registration.

(c) The Investor agrees to deliver to the Company such information as to certain matters under the Securities Act, the Investment Company Act, insurance regulatory and other laws and regulations as the Company may reasonably request in order to ensure compliance with such laws and regulations and the availability of any exemption thereunder.

(d) The Investor acknowledges that neither the Company nor any affiliate thereof has rendered any investment advice or securities valuation advice to the Investor, and that the Investor is neither subscribing for nor acquiring any interest in the Company in reliance upon, or with the expectation of, any such advice.

(e) The Investor's funds in respect of any payment for Units hereunder will not originate from, nor will it be routed through, an account maintained at a Foreign Shell Bank (as defined below), an Offshore Bank (as defined below) or any other financial institution organized or chartered under the laws of a High Risk or Non-Cooperative Jurisdiction (as defined below), nor have they been or shall be derived from any activity that is deemed criminal under United States law.

(i) For purposes of this Agreement, "**Foreign Shell Bank**" means a Foreign Bank without a Physical Presence in any country, but does not include a Regulated Affiliate. "**Foreign Bank**" means an organization that (A) is organized under the laws of a country outside the United States, (B) engages in the business of banking, (C) is recognized as a bank by the bank supervisory or monetary authority of the country of its organization or principal banking operations, (D) receives deposits to a substantial extent in the regular course of its business and (E) has the power to accept demand deposits, but does not include the United States branches or agencies of a Foreign Bank. "**Physical Presence**" means a place of business that is maintained by a Foreign Bank and is located at a fixed address, other than solely a post office box or an electronic address, in a country in which the Foreign Bank is authorized to conduct banking activities, at which location the Foreign Bank: (1) employs one or more individuals on a full-time basis, (2) maintains operating records related to its banking activities and (3) is subject to inspection by the banking authority that licensed the Foreign Bank to conduct banking activities. "**Regulated Affiliate**" means a Foreign Shell Bank that: (aa) is an affiliate of a depository institution, credit union, or Foreign Bank that maintains a Physical Presence in the United States or a foreign country, as applicable, and (bb) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or Foreign Bank.

(ii) For purposes of this Agreement, "**High Risk or Non-Cooperative Jurisdiction**" means any foreign country or territory that has been designated as high risk or non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force ("**FATF**"), of which the United States is a member and with which designation the United States representative to the group or organization continues to concur. See http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions for FATF's current list of High Risk and Non-Cooperative Jurisdictions.

(iii) For purposes of this Agreement, "**Offshore Bank**" means a bank located outside the country of residence of its depositors, with most of its account holders being non-residents of such jurisdiction.

(f) The Investor acknowledges and agrees that any distributions paid to it will be paid pursuant to the terms of the LLC Agreement.

(g) The Investor agrees that, upon the Company's request, the Investor will use reasonable best efforts to provide to the Company any information requested that is necessary for the Company to make payments to the Investor without or at a reduced rate of withholding, or to enable the Company to satisfy any reporting or withholding requirements under the Code or other applicable laws. The Investor also agrees to provide, upon request by the Company, any certification or form required by law regarding such information with respect to the Investor (including with respect to the Investor's direct or indirect owners or controlling persons) that is requested by the Company, to the extent permissible to do so under applicable law. The Investor acknowledges that such information may be required by law to be disclosed to taxing or governmental authorities or to Persons making payments to the Company, and the Investor hereby consents to such disclosure. The Investor acknowledges that failure to provide the information requested by the Company pursuant to this paragraph may result in withholding on payments made to the Investor consistent with applicable law, and that the Company shall have no obligation to pay any additional amounts with respect to any such withholding.

(h) The Investor acknowledges that the Company or its affiliates may be obliged under applicable laws to submit information to the relevant regulatory authorities if the Company or its affiliates know, suspect or have reasonable grounds to suspect that any Person is engaged in money laundering, drug trafficking or the provision of financial assistance to terrorism and that the Company or its affiliates may not be permitted to inform anyone of the fact that such a report has been made. The Investor is advised that, by law, the Company may be obligated to "freeze the account" of the Investor, either by prohibiting additional investments from the Investor, withholding distributions or segregating the assets in the account in compliance with governmental regulations, and the Company may also be required to report such action and to disclose the Investor's identity to OFAC or other authorities if the Investor is on the list of Specially Designated National and Blocked Persons maintained by OFAC or if U.S. persons otherwise are prohibited from having dealings with the Investor under U.S. economic sanctions laws. The Investor further acknowledges that the Company may suspend the payment of distributions to the Investor if the Company reasonably deems it necessary to do so to comply with anti-money laundering or anti-terrorism regulations applicable to the Company, any of its affiliates or any of the Company's service providers.

(i) The Investor agrees that neither the Company nor any of its affiliates shall have any liability to the Investor for any loss or liability that the Investor may suffer to the extent that it arises out of, or in connection with, compliance by the Company or their affiliates in good faith with the requirements of applicable anti-money laundering and anti-terrorism legislation or regulatory provisions in connection with actual or alleged money laundering or terrorist financing by the Investor or suspicion thereof by the Company.

(j) The Investor acknowledges that the Company has relied and will rely upon the representations, warranties, covenants, agreements, acknowledgments and understandings of the Investor set forth herein, and that all such representations, warranties, covenants, agreements, acknowledgments and understandings shall survive the date of this Agreement. The Investor further acknowledges that the Units to be purchased hereunder are being offered and sold to the Investor in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws, and that the Company is relying in part upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, covenants, agreements, acknowledgments and understandings of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire such Units. Accordingly, the Investor agrees to notify the Company promptly if there is any change with respect to any of the information or representations provided by the Investor in or pursuant to this Agreement, and to provide the Company with such further information as the Company may reasonably require.

(k) The Investor understands that the Company's assets will not constitute the assets of an employee benefit plan under ERISA or Section 4975 of the Code, or under the provisions of any laws or regulations that are similar to those provisions contained in Title I of ERISA or Section 4975 of the Code.

(l) The Investor acknowledges and agrees that the Company has only recently been formed, and has no financial or operating history.

ARTICLE VI
COVENANTS AND AGREEMENTS

Section 6.1 Public Disclosure. Neither the Company nor the Investor shall, except as required by applicable law, regulation or stock exchange rule, issue any press release that describes the transactions contemplated herein and that identifies the Company, the Investor, or any of their respective affiliates without the prior consent of the Company or the Investor (as applicable), which consent shall not be unreasonably withheld. For the avoidance of doubt, the consent of the Investor shall not be required for any press release or other disclosure in regard to the transactions contemplated herein by the Company or its affiliates that does not identify such Investor.

Section 6.2 Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the parties hereto shall use its commercially reasonable efforts (subject to, and in accordance with, applicable law) to take, or cause to be taken, promptly all actions, and to do, or cause to be done, promptly and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

Section 6.3 Confidentiality. Prior to the Initial Funding Closing (after which this Section 6.3 shall be of no further force and effect):

(a) The Investor agrees that it will use the Confidential Information (as defined in Section 6.3(b) below) solely for the purpose of evaluating its potential investment in the Company and will use reasonable precautions in accordance with its established procedures to keep such information confidential; provided, however, that any such information may be disclosed to the Investor's affiliates, co-investors, partners (general or limited) and its and their respective managers, directors, officers, employees, agents, counsel, auditors, advisors, consultants and representatives (collectively, including such affiliates, co-investors and partners, the "**Representatives**") who need to know such information for the purpose of evaluating the Investor's potential investment in the Company (it being understood that such Representatives shall be informed by the Investor of the confidential nature of such information and agree to abide by these confidentiality provisions). To the extent permitted by applicable law, the Investor agrees to be responsible for any breach of this Agreement that results from the actions or omissions of its Representatives.

(b) The term "**Confidential Information**" means (i) all information related to the Company or the Company Subsidiaries provided to the Investor or any Representative thereof by or on behalf of the Company or its affiliates (the "**Furnishing Parties**"), and (ii) all analyses developed by the Investor or any Representative thereof using any information specified under clause (i) above. The term "**Confidential Information**" shall not include information that (A) is or becomes generally available to the public other than as a result of a disclosure by the Investor or any Representative thereof in violation of this Agreement, (B) was within the Investor's possession prior to its being furnished to it by a Furnishing Party or a representative thereof; provided, that the source of such information was not known by the Investor to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to a Furnishing Party or any other party with respect to such information or (C) is or becomes available to the Investor on a non-confidential basis from a source other than a Furnishing Party or a representative thereof; provided, that such source is not known by the Investor to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to a Furnishing Party, or any other party with respect to such information.

(c) The Investor shall be permitted to disclose any Confidential Information in the event that the Investor is otherwise required by law, rule or regulation or requested by any governmental agency or other regulatory authority (including any self-regulatory organization having or claiming to have jurisdiction and any securities exchange on which the securities of the Investor or any affiliate thereof are listed) or in connection with any legal proceedings (including pursuant to any special deposition, interrogation, request for documents, subpoena, civil investigative demand or arbitration). The Investor agrees that it will notify the Company as soon as practical in the event of any such disclosure (other than as a result of an examination by any regulatory agency), unless such notification shall be prohibited by applicable law or legal process.

(d) With respect to Investor Confidential Information (as defined below) and subject to Section 6.3(f) below, the Company shall not, directly or indirectly or voluntarily or involuntarily, (i) communicate, disclose, divulge, reveal or convey (whether orally, in writing or otherwise) in any manner or by any means of communication whatsoever to any person or entity or (ii) otherwise use or employ such Investor Confidential Information in any manner other than for purposes of facilitating the consummation of the Private Placement and any other transactions contemplated thereby. The term "**Investor Confidential**

Information" means confidential information relating to the Investor provided pursuant to this Agreement, whether such confidential information is furnished directly by the Investor or any affiliate or Representative thereof.

(e) Notwithstanding the foregoing, Investor Confidential Information shall not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by the Company or any affiliate or representative thereof in violation of this Agreement, (ii) was within the Company's possession prior to such Investor Confidential Information being furnished to the Company by the Investor or an affiliate or Representative thereof; provided, that the source of such information was not known by the Company to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Investor or any other party with respect to such information or (iii) is or becomes available to the Company on a non-confidential basis from a source other than the Investor or any affiliate or Representative thereof; provided, that such source is not known by the Company to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Investor, or any other party with respect to such Investor Confidential Information.

(f) The Company shall be permitted to disclose any Investor Confidential Information (i) to a financial institution to the extent necessary and upon written notice to the Investor in connection with any credit facility agreement or other financing arrangement relating to the transactions contemplated by this Agreement, including in respect of such financial institution's know your customer (KYC), anti-money laundering or other credit due diligence information requirements or (ii) in the event that the Company is otherwise required by law, rule or regulation or requested by any governmental agency or other regulatory authority (including any self-regulatory organization having or claiming to have jurisdiction and any securities exchange on which the securities of the Company or any affiliate thereof are listed) or in connection with any legal proceedings (including pursuant to any special deposition, interrogation, request for documents, subpoena, civil investigative demand or arbitration). The Company agrees that it will notify the Investor as soon as practical in the event of any such disclosure (other than as a result of an examination by any regulatory agency), unless such notification shall be prohibited by applicable law or legal process.

Section 6.4 Change in Entity Classification. The Company shall not, without the prior written consent of the Investor, make any change in the entity classification of the Company for U.S. tax purposes prior to the Initial Funding Closing. Following the Initial Funding Closing, any changes to the entity classification of the Company for U.S. tax purposes shall be subject to the terms and conditions of the Organizational Documents.

Section 6.5 Benefit Plan Investor Status. The Investor (a) represents and warrants that is not a "benefit plan investor" as defined in Section 3(42) of ERISA, and (b) covenants that, during any time the Investor holds an interest in the Company, it will not be such a "benefit plan investor".

ARTICLE VII
TERMINATION

Section 7.1 Termination. This Agreement (a) may be terminated by either party hereto when the Investor has fully funded the Total Commitment or (b) shall terminate automatically, and the transactions contemplated hereby shall be abandoned, if the Indigo Purchase Agreement is terminated prior to the Initial Funding Closing. If this Agreement is terminated as described in this ARTICLE VII, this Agreement shall become null and void and of no further force and effect, except for the provisions of Section 6.1, Section 6.3, this ARTICLE VII and ARTICLE VIII, which shall survive such termination. Nothing in this ARTICLE VII shall be deemed to release any party from any liability for any willful breach by such party of the terms and provisions of this Agreement. For the avoidance of doubt, the representations and warranties set forth in ARTICLE IV and ARTICLE V shall survive the date hereof and each Funding Date on which they are reaffirmed.

ARTICLE VIII
MISCELLANEOUS

Section 8.1 Notices. All notices required to be given hereunder shall be in writing and shall be deemed to be duly given if personally delivered, telecopied or electronically mailed and confirmed, or mailed by certified mail, return receipt requested, or nationally recognized overnight delivery service with proof of receipt maintained, at the following address (or any other address that any such party may designate by written notice to the other parties):

VA Capital Company LLC
9 West 57th Street
New York, NY 10019
Attention: John J. Suydam
Email: jsuydam@apolloLP.com

and

VA Capital Company LLC
9 West 57th Street
New York, NY 10019
Attention: William B. Kuesel
Email: bkuesel@apolloLP.com

with a copy to:

Sidley Austin LLP
One South Dearborn
Chicago, IL 60603
Attention: Perry J. Shwachman
Telephone: (312) 853-7061
Facsimile: (312) 853-7036
Email: pshwachman@sidley.com

and

Sidley Austin LLP
2021 McKinney Avenue, Suite 2000
Dallas, Texas 75201
Attention: Sara Garcia Duran
Telephone: (214) 969-3542
Facsimile: (214) 981-3400
Email: sduran@sidley.com

If to the Investor, as set forth on Schedule A.

All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be deemed to have been given (a) if personally delivered, on the date of delivery, (b) if delivered by express courier service of national standing (with charges prepaid), on the business day following the date of delivery to such courier service, (c) if deposited in the United States mail, first-class postage prepaid, on the fifth business day following the date of such deposit or (d) if delivered by telecopy or electronic mail, upon confirmation of successful transmission other than an automatically generated reply message, (i) on the date of such transmission, if such transmission is completed at or prior to 5:00 p.m., local time of the recipient party, on the date of such transmission, and (ii) on the next day following the date of transmission, if such transmission is completed after 5:00 p.m., local time of the recipient party, on the date of such transmission. All notices, demands and other communications hereunder shall be delivered as set forth herein, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

Section 8.2 Entire Agreement. This Agreement and any agreements entered into in connection with this Agreement (including the Closing LLC Agreement) (the "**Relevant Agreements and Documents**") constitute the final agreement between the parties hereto and are the complete and exclusive expression of agreement of the parties hereto with respect to the subject matter hereof and thereof. All prior and extemporaneous negotiations, communications, arrangements, letters, term sheets and agreements between the parties hereto on the subject matters contained in this Agreement and the Relevant Agreements and Documents, whether written or oral, are expressly merged into and superseded by this Agreement and the Relevant Agreements and Documents. The provisions of this Agreement and the Relevant Agreements and Documents may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealing. There are no conditions precedent to the effectiveness of this Agreement.

Section 8.3 Binding Effect; Assignment; No Third Party Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, legal representatives and permitted assigns; provided, however, that this Agreement shall not inure to the benefit of or be binding upon, or be assignable or transferable by the Investor to, any Person acquiring Units in any Public Offering (as defined below). If the Investor ceases to beneficially own any Units, then the Investor shall cease to be bound by the terms hereof (other than Section 6.1, Section 6.3, ARTICLE VII and this ARTICLE VIII). Except as otherwise expressly provided in this Agreement, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by either party without the consent of the other party; provided, however, that the Investor may assign all or a portion of its Total Commitment (a) to one or more of its Affiliates or (b) to a transferee of such Investor's Units pursuant to a transfer made in accordance with the Organizational Documents, in each case, without the consent of any other party hereto. Except as otherwise set forth herein and in the case of clause (b) of the foregoing sentence, no assignment by the Investor hereunder shall relieve the Investor of any of its obligations hereunder and no assignment shall be permitted if it would reasonably be expected to prevent, impair or delay the consummation of the Initial Funding Closing or the Closing. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement. The term "**Public Offering**" means (a) a public offering of Units (or equity interests of a Company Subsidiary upon a reorganization of the Company or such Company Subsidiary) pursuant to an effective registration statement under the Securities Act or (b) any amalgamation, merger, scheme of arrangement or consolidation as a result of which the equityholders of the Company receive, as the consideration in such amalgamation, merger, scheme of arrangement or consolidation, equity interests (i) pursuant to a transaction that has been registered with the U.S. Securities and Exchange Commission as part of a public offering under the U.S. securities laws and (ii) of a class that is publicly listed and traded on any of the New York Stock Exchange, the Nasdaq Stock Market and any other securities exchange approved by the Manager.

Section 8.4 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner so that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible

Section 8.5 Governing Law. This Agreement, the Closing LLC Agreement and any other document or instrument contemplated hereby or thereby (collectively, the "**Related Documents**") and all claims or causes of action (whether in contract or tort, in law or in equity, or granted by statute or otherwise) that may be based upon, arise out of or relate to this Agreement or the Related Documents, or the negotiation, execution, termination, validity, interpretation, construction, enforcement, performance or nonperformance of this Agreement or the Related Documents or otherwise arising from the transactions contemplated hereby or thereby or the relationship among the parties (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with, or as an inducement to enter into, this Agreement or the Related Documents) (collectively, the "**Related Claims**") shall be governed by the internal laws of the State of Delaware, without giving effect to any choice of conflict of law principles or rules that would cause the application of the laws of any other jurisdiction.

Section 8.6 References; Interpretation. Unless otherwise expressly provided or required by context, for purposes of this Agreement, the following rules of interpretation apply:

(a) Words in the singular include the plural and vice versa, and words of one gender include all genders.

(b) References to any Article, Section, clause, Exhibit or Schedule are references to the Articles, Sections, clauses, Exhibits or Schedules to this Agreement.

(c) The terms "hereof," "herein," "hereby," "hereto," "hereunder," and derivative or similar words refer to this Agreement as a whole and not merely to the provision in which such words appear.

(d) References to "$" are references to U.S. dollars.

(e) The word "including" and words of similar import, when used in this Agreement, mean "including, without limitation," and do not limit any general statement that they follow to the specific or similar items or matters immediately following them.

(f) The word "or" is not exclusive.

(g) References to "written" or "in writing" include in electronic form.

(h) For purposes of this Agreement, "business day" shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York are authorized or required by law to close.

(i) Any reference to "days" means calendar days unless business days are expressly specified.

(j) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, and, if the last day of such period is not a business day, the period shall end on the next succeeding business day.

(k) The Exhibits and Schedules to this Agreement are hereby incorporated and made a part hereof as if set forth in full in this Agreement and are an integral part of this Agreement, and any capitalized terms used in any Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement.

(l) Any references to statutes, statutory provisions or contracts (including the LLC Agreement) shall be deemed to include any amendment or re-enactment thereof and, if applicable, any enacting rules or regulations thereof.

(m) The division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and do not alter the meaning of, or affect the construction or interpretation of, this Agreement.

(n) Any reference in this Agreement to the "parties" to this Agreement means the signatories to this Agreement or a joinder hereto and their heirs, successors, legal representatives and permitted assigns, and does not include any third party.

Section 8.7 Injunctive Relief. Each party hereto acknowledges and agrees that irreparable damage would occur to the other parties hereto and that the other parties hereto will not have an adequate remedy at law in the event that any of the provisions of this Agreement to be performed by such party were not performed in accordance with their specific terms or were otherwise breached. Therefore, each party hereto is entitled to seek an injunction or injunctions to prevent breaches of this Agreement by the other parties and to specifically enforce the terms and provisions of this Agreement against such other parties hereto in any court of competent jurisdiction, without bond or other security being required, and appropriate injunctive relief may be applied for by such parties and granted in connection therewith. Such remedies are, however, cumulative and not exclusive and are in addition to any other remedies which any party may have under this Agreement or otherwise.

Section 8.8 Submission to Jurisdiction; Consent to Service of Process; Waiver of Jury Trial.

(a) The parties hereto hereby irrevocably submit to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, any federal court within the State of Delaware, or, if no federal court in the State of Delaware accepts jurisdiction, any state court within the State of Delaware) over all Related Claims, and each party hereby irrevocably agrees that all Related Claims may be heard and determined in such courts. The parties hereby irrevocably and unconditionally waive, to the fullest extent permitted by applicable Law, any objection which they may now or hereafter have to the laying of venue of any such Related Claim brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any Related Claim by the delivery of a copy thereof in accordance with the provisions of Section 8.1 along with a notification that service of process is being served in conformance with this Section 8.8(b). Nothing in this Agreement will affect the right of any party to serve process in any other manner permitted by law.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT, THE RELATED DOCUMENTS OR ANY RELATED CLAIMS 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 PROCEEDING OR RELATED CLAIM BROUGHT BY OR AGAINST IT, DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATED DOCUMENTS OR ANY RELATED CLAIMS.

Section 8.9 Waiver; Amendment.

(a) No provision of this Agreement may be waived except by an instrument in writing executed by the party against whom the waiver is to be effective.

(b) The provisions of this Agreement may only be amended, waived or modified by an instrument in writing executed by the Company and the Investor. No course of dealing or course of conduct between or among any Persons having any interest in this Agreement will be deemed effective to amend, modify or supplement any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement.

Section 8.10 Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts, which may be by facsimile, email or other electronic means, each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

Section 8.11 Adjustments for Unit Splits, Etc. Wherever in this Agreement (including the Exhibits attached hereto) there is a reference to a specific number equity interests of the Company of any class or series, or a price per unit of such equity interests, or consideration received in respect of such units, then, upon the occurrence of any subdivision, combination, or unit dividend of such class or series of units, the specific number of units or the price so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding units of such class or series of unit by such subdivision, combination, or unit dividend.

Section 8.12 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, the Company and the Investor covenant, agree and acknowledge that this Agreement may only be enforced against the parties hereto. All claims or causes of action (whether in contract, tort or otherwise) arising out of or relating to this Agreement (including the negotiation, execution or performance of this Agreement and any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) may be made only against the parties hereto. Except for the parties hereto, no past, present or future officer, manager, director, equityholder, employee, incorporator, member, partner, agent, attorney, representative or affiliate of any party hereto (including any Person negotiating or executing this Agreement on behalf of a party hereto) shall have any liability or obligation with respect to this Agreement or with respect to any claim or cause of action (whether in contract, tort or otherwise) arising out of or relating to this Agreement (including the negotiation, execution or performance of this Agreement and any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement).

Section 8.13 Limitation on Liability. Notwithstanding anything to the contrary herein or in any Related Document, no Investor shall be liable for incidental, special, exemplary, punitive or other similar damages or damages which are not the natural, probable and reasonably foreseeable result of the breach giving rise to such damages in respect of any claim arising out of this Agreement or any Related Document.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

VA CAPITAL COMPANY LLC

By: Apollo Principal Holdings I, L.P.
its member

By: Apollo Principal Holdings I GP, LLC
its general partner

By: W.B. Kuesel

Name: William Kuesel
Title: Vice President

INVESTOR:

VOYA FINANCIAL, INC.

By: ______________________________,
Name:
Title:

<u>EXHIBIT A</u>

TERMS OF VA CAPITAL COMPANY LLC AGREEMENT

SEE TAB 1

SCHEDULE A

Investor Disclosures

Name of Subscriber (Please print or type full legal name – do not abbreviate or use all caps):	___Voya Financial, Inc.________________
Entity Type (as applicable):	___Corporation________________________
Jurisdiction of organization of Subscriber:	____Delaware________________________
Address:	____________________________________
	____________________________________
Telephone:	____________________________________
Facsimile:	____________________________________
Email:	____________________________________
Total Commitment:	$50,000,000 (adjusted to $42,000,000 if a DTA Avoidance Event occurs)[1]

[1] It is understood and agreed that in no event shall the amount committed pursuant to this Subscription Agreement to fund the payments to be made by the Company pursuant to the Indigo Purchase Agreement (excluding, for the avoidance of doubt, Excess Transaction Expenses) and any amount required to be committed pursuant to a requirement imposed by any Governmental Entity in connection with, and as a condition to, the Closing of the transactions contemplated by the Indigo Purchase Agreement, exceed $50,000,000 (or, if a DTA Avoidance Event occurs, $42,000,000).

SCHEDULE 4.3(a)(i)

Company Subsidiaries

1. Venerable Holdings, Inc., a Delaware corporation

EXHIBIT N

Form of Earn-Out Agreement

[See attached.]

EARN-OUT AGREEMENT

This **EARN-OUT AGREEMENT** (this "Agreement"), dated [●], 2018, is entered into by and between **VOYA FINANCIAL, INC.**, a corporation organized under the laws of the State of Delaware ("Seller") and **ATHENE ANNUITY AND LIFE COMPANY**, an insurance company organized under the laws of the State of Iowa (the "Company").

Recitals

WHEREAS, Athene Holding Ltd. ("Reinsurer Parent"), VA Capital Company LLC ("Buyer Parent"), and Seller have entered into that certain Master Transaction Agreement, dated as of December [●], 2017 (as amended, the "Master Transaction Agreement"), pursuant to which, among other things, Seller will sell, and Venerable Holdings, Inc. will purchase, all of the issued and outstanding shares of common stock of Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa ("VIAC");

WHEREAS, in connection with the transactions contemplated by the Master Transaction Agreement, an Affiliate of Reinsurer Parent will reinsure all of the fixed annuity business written by Seller and its Affiliates (as defined herein);

WHEREAS, pursuant to the Master Transaction Agreement, Seller has agreed to a limited non-compete with respect to the sale and distribution of fixed annuities, including that it will not solicit the Target Producers (as defined herein) to enter into a distribution or similar arrangement with respect to the fixed annuities; and

WHEREAS, in connection with the transactions contemplated by the Master Transaction Agreement, the parties desire to provide for certain payments in connection with certain new fixed annuity business issued by the Company.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, Seller and the Company hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"Action" means any civil, criminal, regulatory or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case before, or brought by, a Governmental Entity.

"Actual Production" means, as of any Measurement Date, an amount equal to the aggregate amount of premiums with respect to new fixed indexed annuity contracts, net of any surrendered during the relevant "free-look" period (without regard to whether such surrender occurred prior to, on or after such Measurement Date), issued by the Company and each of its Affiliates during the

Earn-Out Period but on or prior to such Measurement Date and where the agent of record for such contract is an agent of a Target Producer.

"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, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" has the meaning set forth in the preamble.

"Applicable Law" means any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to any Person or such Person's businesses, properties or assets, as may be amended from time to time.

"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 Parent" has the meaning set forth in the recitals.

"Closing" has the meaning set forth in the Master Transaction Agreement.

"Closing Date" has the meaning set forth in the Master Transaction Agreement.

"Company" has the meaning set forth in the preamble.

"Earn-Out Adjustment Report" has the meaning set forth in Section 2.1(a)(iv).

"Earn-Out Amount" means, with respect to each Measurement Date, if the related Actual Production for such Measurement Date is: (i) less than or equal to the Tier 1 Threshold, then $0, (ii) greater than the Tier 1 Threshold, but less than or equal to the Tier 2 Threshold, then an amount equal to the product of the Tier 1 Rate, multiplied by the difference between (x) the Actual Production as of such Measurement Date minus (y) the Tier 1 Threshold or (iii) greater than the Tier 2 Threshold, then an amount equal to the sum of (x) $40,000,000 plus (y) the product of the Tier 2 Rate multiplied by the difference between (1) the Actual Production as of such Measurement Date minus (2) the Tier 2 Threshold.

"Earn-Out Dispute Notice" has the meaning set forth in Section 2.1(a)(i).

"Earn-Out Period" means the three (3) year period commencing on the Closing Date and ending on the third (3^{rd}) anniversary of the Closing Date.

"Earn-Out Review Period" has the meaning set forth in Section 2.1(a).

"Earn-Out Statement" has the meaning set forth in Section 2.1.

"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 organization or body or arbitral body or arbitrator.

"Independent Accounting Firm" has the meaning set forth in Section 2.1(a)(iii).

"Master Transaction Agreement" has the meaning set forth in the recitals.

"Measurement Date" means the last day of each calendar quarter until the expiration of the Earn-Out Period, and the last day of the Earn-Out Period.

"New York Court" has the meaning set forth in Section 4.6.

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

"Reinsurer Parent" has the meaning set forth in the recitals.

"Seller" has the meaning set forth in the preamble.

"Target Producers" means The Allstate Corporation, Farmers Financial Solutions and their respective Affiliates.

"Tier 1 Rate" means 3.33%.

"Tier 1 Threshold" means $1,200,000,000.

"Tier 2 Rate" means 1.67%.

"Tier 2 Threshold" means $2,400,000,000.

"VIAC" has the meaning set forth in the recitals.

ARTICLE II

EARN-OUT CALCULATION AND PAYMENT

Section 2.1 Earn-Out. Within forty-five (45) days of each Measurement Date, the Company shall deliver to Seller a statement setting forth, in reasonable detail, its calculation of the Earn-Out Amount as of such Measurement Date (each, an "Earn-Out Statement"). Each Earn-Out Statement shall be delivered to Seller together with a certificate executed by an authorized officer of the Company certifying, to the knowledge of such authorized officer, after review of the appropriate records of the Company and its Affiliates and reasonable inquiry, as to the amount of Actual Production set forth therein. Each Earn-Out Statement shall include the related Actual Production for the Earn-Out Period through such Measurement Date.

(a) Seller shall have ten (10) Business Days after the date on which each Earn-Out Statement is delivered to it to review the Earn-Out Statement and the calculations set forth therein (the "Earn-Out Review Period"). In furtherance of such review, the Company shall provide Seller and its representatives with access to such documentation, records and other information of the Company and its Affiliates related to the calculation of the Earn-Out Amount as Seller or any of its Representatives may reasonably request, including relevant documents, records and other information reasonably necessary to allow Seller to confirm the amount of Actual Production for the Earn-Out Period through the Measurement Date; provided, that such access does not unreasonably interfere with the conduct of the business of the Company or its Affiliates.

(i) If Seller disagrees with the Earn-Out Statement (including any amount or computation set forth therein) in any respect and on any basis, Seller may, on or prior to the last day of the Earn-Out Review Period, deliver a notice to the Company setting forth, in reasonable detail, each disputed item or amount and the basis for Seller's disagreement therewith (the "Earn-Out Dispute Notice"). The Earn-Out 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 Earn-Out Statement.

(ii) If no Earn-Out Dispute Notice is received by the Company with respect to any item in the Earn-Out Statement on or prior to the last day of the Earn-Out Review Period, the amount or computation with respect to such items as set forth in the Earn-Out 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.

(iii) For a period of ten (10) Business Days beginning on the date that the Company receives an Earn-Out Dispute Notice, if any, the Company and Seller shall endeavor in good faith to resolve by mutual agreement all matters identified in the Earn-Out Dispute Notice. In the event that the parties are unable to resolve by mutual agreement any matter in the Earn-Out Dispute Notice within such ten (10) Business Day period, the Company and Seller shall jointly engage (A) [*name of agreed firm*], or if [*name*] is unwilling or unable to serve, another accounting firm of national reputation or any other Person, as mutually agreed by the parties hereto (the "Independent Accounting Firm"), to make a determination with respect to all matters in dispute.

(iv) The Company and Seller will direct the Independent Accounting Firm to render a determination within thirty (30) days after its retention, and the Company, Seller and their respective employees and representatives will cooperate with the Independent Accounting Firm during its engagement. The Company, on the one hand, and Seller, on the other hand, shall promptly (and in any event within ten (10) Business Days) after the Independent Accounting Firm's engagement each submit to the Independent Accounting Firm their respective computations of the disputed items identified in the Earn-Out Dispute Notice and information, arguments and support for their respective positions, and shall concurrently deliver a copy of such materials to the other party. Each party shall then be given an opportunity to supplement the information, arguments and support included in its initial submission with one additional submission to respond to any arguments or positions taken by the other party in such other party's initial submission, which supplemental information shall be submitted to the Independent Accounting Firm (with a copy thereof to the other party) within five (5) Business Days after the first date on which both parties have submitted their respective initial submissions 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 the materials so presented by the parties 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 Earn-Out Dispute Notice and shall render a written report to the Company and Seller (each, an "Earn-Out Adjustment Report") in which the Independent Accounting Firm shall, after considering all matters set forth in the Earn-Out Dispute Notice, determine what adjustments, if any, should be made to the amounts and computations set forth in the Earn-Out Statement solely as to the disputed items and shall determine the appropriate Earn-Out Amount on that basis.

(v) The Earn-Out 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 Earn-Out Dispute Notice, and the revisions, if any, to be made to the Earn-Out Statement, together with supporting calculations. In resolving any disputed item, the Independent Accounting Firm (i) shall be bound to the principles of this Section 2.1(a)(v) and the terms of this Agreement, (ii) shall limit its review to items specifically set forth in the Earn-Out 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.

(vi) All fees and expenses relating to the work of the Independent Accounting Firm shall be paid by the party (that is, the Company or Seller) whose position with respect to the matter in dispute is furthest from the Independent Accounting Firm's final determination. Each Earn-Out Adjustment Report, absent fraud or manifest error, shall be expert determinations under New York law governing expert determination and appraisal proceedings. Any claim, dispute or controversy arising out of or relating to the final determinations of the Independent Accounting Firm, including enforcement of such final determinations, shall be resolved in accordance with Section 4.6.

(b) Each Earn-Out Amount, less the aggregate amount of all Earn-Out Amounts previously paid pursuant to this Section 2.1, if any, shall be paid by the Company to Seller within five (5) Business Days following the final determination of such amount pursuant to this Section 2.1. Any amounts paid pursuant to this Section 2.1 shall be treated for all federal, state and applicable local income tax purposes (but not for purposes of Article II of the Master Transaction Agreement) as (i) additional ceding commission under the Company FA Business Reinsurance Agreement (as defined in the Master Transaction Agreement) and (ii) an adjustment to the amount distributed by, or contributed to, the Company prior to the Closing under Section 2.3 of the Master Transaction Agreement. Seller, the Company, and VIAC agree to file all tax returns in a manner consist with this Section 2.1(b).

ARTICLE III

EARN-OUT COVENANTS

Section 3.1 Cooperation. Seller agrees that, during the Earn-Out Period, it shall use its commercially reasonable efforts to reasonably cooperate with the Company's efforts to increase the Actual Production. The Company agrees that it shall not and shall cause its Affiliates not to take any action the purpose or intent of which is to reduce the Earn-Out Amount during the Earn-Out Period or delay Actual Production until after the Earn-Out Period.

Section 3.2 Company Successors. If, at any point during the Earn-Out Period, the Company or any of its Affiliates sells, transfers, assigns or otherwise disposes of (whether through the sale, transfer, assignment or other disposition of assets or securities, through reinsurance or otherwise) all or substantially all of the FA Business (as defined in the Master Transaction Agreement), or the Company or any of its Affiliates or Buyer Parent or any of its Subsidiaries sells, transfers, assigns or otherwise disposes of all or substantially all of the assets and infrastructure needed to administer new fixed annuity contracts written by the Company or any of its Affiliates, the Company shall cause the acquirer or reinsurer of such business or assets to assume all of the Company's obligations hereunder, and the Actual Production shall, from and after the date of such sale, be calculated by reference to such acquirer or reinsurer and its Affiliates.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Notice. 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):

if to the Company:

Athene Annuity and Life Company
7700 Mills Civic Parkway
West Des Moines, IA 50266
Attention: Erik Askelsen
Telephone: (515) 342-3160
Email: easkelsen@athene.com

if to the Seller:

Voya Financial, Inc.
230 Park Avenue, 13th Floor
New York, NY 10169
Attention: Patricia J. Walsh, EVP and Chief Legal Officer

Email: trish.walsh@voya.com

Notice given by personal delivery, overnight courier or email (with confirmed receipt) shall be effective upon actual receipt.

Section 4.2 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. All references herein to any agreement, instrument, statute, rule or regulation are to the agreement, instrument, statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, includes any rules and regulations promulgated under said statutes) and to any section of any statute, rule or regulation including any successor to said section. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "or" shall not be exclusive except where the context otherwise requires. 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. Whenever the word "Dollars" or the "$" sign appear in this Agreement, they shall be construed to mean United States Dollars, and all transactions under this Agreement shall be in United States Dollars. 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 4.3 Entire Agreement; Third Party Beneficiaries. This Agreement (including all exhibits and schedules hereto), the Master Transaction Agreement, the RLI FA Reinsurance Agreement, and the Company FA Reinsurance Agreement together 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 Master Transaction Agreement. This Agreement is not intended to 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 4.4 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.

Section 4.5 Assignment. Subject to Section 3.2, 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 by either party without the prior written consent of the other party, 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.

Section 4.6 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, 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 is not subject to the jurisdiction of any such New York Court, that such Action is brought in an inconvenient forum or that the venue of such Action 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 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 under this Agreement shall, if delivered or sent in accordance with Section 4.1, 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, without the necessity of posting bond or other undertaking, 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 4.6.

Section 4.7 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) This Agreement may be amended or a provision hereof waived only by a written instrument signed by each party in the case of an amendment, or in the case of a waiver, by the party hereto entitled to make such a 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 4.8 No Offset. 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 the Master Transaction Agreement without the written consent of such other party.

Section 4.9 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.

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

VOYA FINANCIAL, INC.

By: ________________________________
Name:
Title:

ATHENE ANNUITY AND LIFE COMPANY

By: ________________________________
Name:
Title:

<u>EXHIBIT O</u>

Form of Alternate Company FA Business Reinsurance Agreement

[See attached.]

EXHIBIT O

MODIFIED COINSURANCE AGREEMENT (FA BUSINESS)[1]

between

ATHENE LIFE RE LTD.

and

VOYA INSURANCE AND ANNUITY COMPANY

effective as of [●]

Treaty Number [●]

[1] **Note to Draft**: This Agreement represents the Alternate Company FA Business Reinsurance Agreement referenced in Section 5.31 of the MTA and covers both the separate account and non-separate account FA business.

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MODIFIED COINSURANCE AGREEMENT (FA BUSINESS)

This MODIFIED COINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa (the "Ceding Company"), and Athene Life Re Ltd., a reinsurance company organized under the Laws of Bermuda (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd. ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller") have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer"), will purchase, all of the issued and outstanding shares of common stock of the Ceding Company;

WHEREAS, in connection with the closing of the sale of the Ceding Company to the Buyer, the Ceding Company and the Reinsurer, an indirect wholly owned subsidiary of AHL, wish to enter into a modified coinsurance transaction with respect to certain fixed annuity business of the Ceding Company;

WHEREAS, the Reinsurer negotiated the terms of this Agreement in the form as it was originally attached to the Master Agreement from outside the United States in a manner consistent with its operating guidelines;

WHEREAS, the Reinsurer negotiated any further changes to this Agreement, as compared to the form as it was originally attached to the Master Agreement, from outside the United States in a manner consistent with its operating guidelines; and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a modified coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing. For the avoidance of doubt, the Ceding Company and the Reinsurer shall not be deemed "Affiliates" for purposes of this Agreement.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Applicable Tax Gross-Up Percentage" shall mean (a) with respect to the Pre-Tax Reform Existing IMR, 65%, and (b) with respect to the Post-Tax Reform Existing IMR, one minus the highest federal tax rate applicable to United States corporations at the time such interest maintenance reserves were established.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in Des Moines, Iowa or Hamilton, Bermuda.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company Required Initial Premium" shall have the meaning specified in Section 3.02(a).

"Daily Accounting Report" shall have the meaning specified in Section 7.01(a).

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated Company Ceding Commission" shall have the meaning specified in the Master Agreement.

"Estimated Company Required Initial Premium" shall have the meaning specified in Section 3.02(c).

"Excluded Liabilities" shall mean (a) all Extra-Contractual Obligations other than Reinsurer Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing in advance by the Reinsurer, (c) any liabilities other than Reinsured

Liabilities and (d) any *ex gratia* payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

"Existing Hedge Proceeds" shall have the meaning specified in Section 9.01.

"Existing Hedges" shall mean all derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies that remain in full force and effect as of the Effective Date.[2]

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Iowa SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company or any of its Affiliates or any of the directors, officers, employees, agents, representatives, annuity producers, administrators, service providers, successors or assigns of the Ceding Company or any of its Affiliates, whether or not intentional, negligent, in bad faith or otherwise relating to (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation of the Ceding Company in respect of taxes.

"Factual Information" shall have the meaning specified in Section 16.01(d).

"Final Company Ceding Commission" shall have the meaning specified in the Master Agreement.

"Governmental Entity" shall mean 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.

[2] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

"Hedge Counterparty" shall mean, with respect to each Existing Hedge, the counterparty of the Ceding Company with respect to such Existing Hedge.

"IMR" shall mean the interest maintenance reserve relating to the Reinsured Liabilities, determined in accordance with Iowa SAP, consisting of the after-tax unamortized deferred gains and losses in respect of the assets maintained in the Modco Account.

"Initial Modco Assets" shall have the meaning specified in Section 3.02(b).

"Interim Net Settlement Amount" shall have the meaning specified in Section 7.03(a).

"Investment Management Agreement" shall have the meaning specified in Section 8.03.

"Investment Manager" shall have the meaning specified in Section 8.03.

"Iowa SAP" shall mean the statutory accounting principles and practices prescribed or permitted for Iowa life insurance companies by the Iowa Insurance Division, consistently applied by the Ceding Company; provided, that, for the avoidance of doubt, Iowa SAP as applied by the Ceding Company shall include the methodology for calculating indexed annuity product reserves set forth in Iowa Administrative Code Section 191-97.

"Law" shall mean any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Modco Account" shall have the meaning specified in Section 8.01(a).

"Modco Adjustment" shall mean, as of any date of determination, an amount equal to (a) the Modco Reserves as of such date, plus (b) the IMR as of such date, minus (c) the Statutory Carrying Value of the assets maintained in the Modco Account as of such date, minus (d) any amounts due and unpaid by the Ceding Company under Section 7.03(a) or (b).

"Modco Excess Withdrawals" shall have the meaning specified in Section 8.01(c).

"Modco Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Monthly Accounting Period" shall have the meaning specified in Section 7.01(c).

"Monthly Accounting Report" shall have the meaning specified in Section 7.01(c).

"Net Settlement Amount" shall have the meaning specified in Section 7.03(b).

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Iowa SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Iowa SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Iowa SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Iowa SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"Non-Public Personal Information" shall have the meaning specified in Section 17.10(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

"Permitted Assets" shall mean (a) with respect to any asset other than the assets maintained in the Separate Account or the Existing Hedges, cash and any securities or other assets qualifying as admitted assets of the Ceding Company under the applicable Laws of the State of domicile of the Ceding Company, (b) with respect to any assets maintained in the Separate Account, any assets into which the investment portfolio of the Separate Account may be invested pursuant to applicable Law, and (c) the Existing Hedges.

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

"Policy Expenses" shall have the meaning specified in Section 5.01.

"Post-Tax Reform Existing IMR" shall mean the portion of the Existing IMR established after any change after the date of the Master Agreement to the highest federal tax rate applicable to United States corporations.

"Pre-Tax Reform Existing IMR" shall mean the portion of the Existing IMR established prior to any change after the date of the Master Agreement to the highest federal tax rate applicable to United States corporations.

"Proprietary Information" shall have the meaning specified in Section 17.10(a).

"Quarterly Accounting Period" shall have the meaning specified in Section 7.01(d).

"Quarterly Accounting Report" shall have the meaning specified in Section 7.01(d).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall mean the date on which the liability of the Reinsurer with respect to all of the Reinsured Policies is terminated pursuant to Section 11.02 or the effective date of the rejection of this Agreement by any Receiver or of a recapture in full.

"Receiver" shall have the meaning specified in Section 11.03(a).

"Reinsurance Premiums" shall mean the Quota Share of the premiums and other fees, amounts, payments, collections and recoveries received by the Ceding Company with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of (a) liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations and other contractual benefits under the Reinsured Policies, (b) the Reinsurer Extra-Contractual Obligations, (c) liabilities with respect to premium taxes payable by the Ceding Company to the extent relating to premiums with respect to the Reinsured Policies that are issued after the Effective Date and (d) premium taxes and guaranty fund assessments payable by the Ceding Company to the extent relating to premiums received by the Ceding Company with respect to the Reinsured Policies; provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all fixed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any riders that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, (b) all fixed indexed annuity contracts assumed by the Ceding Company pursuant to the reinsurance agreements listed on Schedule I,[3] (c) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) or (b) above or (d) below, and (d) all fixed annuity contracts of the type referenced in clause (a) above that are issued by the Ceding Company during the [forty-five (45) days] following the Effective Date, including any amendments or endorsements attached thereto.

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Reinsurer Extra-Contractual Obligations" shall mean Extra-Contractual Obligations relating to the Reinsured Policies to the extent caused by, arising from or related to any act of, or failure to act by, the Reinsurer or any of its Affiliates following the Effective Date.

"Seller" shall have the meaning specified in the Recitals hereto.

"Separate Account" shall mean the separate account in which assets are maintained by the Ceding Company to support the Ceding Company's payment obligations with respect to the separate account fixed indexed annuity contracts comprising the Reinsured Policies.[4]

"Statutory Carrying Value" shall mean, with respect to any asset, as of the relevant date of determination, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Iowa SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03(a).

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[3] **Note to Draft**: To determine mechanism for retroceding any assumed business that is supported by assets in a trust account (e.g., Allianz business).

[4] **Note to Draft**: To be confirmed whether there is more than one separate account.

"Trustee" shall have the meaning specified in Section 8.01(a).

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the Final Company Ceding Commission, multiplied by (b)(i) the Modco Reserves as of the Recapture Effective Date, divided by (ii) the Modco Reserves as of the Effective Date; provided, however, that as of any date of determination on or following the tenth anniversary of the Effective Date, the Unamortized Ceding Commission will be zero.

"Weekly Accounting Report" shall have the meaning specified in Section 7.01(b).

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) 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 and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure, on a modified coinsurance basis, the Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies, subject in each case to the Ceding Company's duty to adhere to its obligations pursuant to Article X.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any such terminations, amendments, modifications or waivers made without the prior written consent of the Reinsurer shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Ceding Company shall pay to the Reinsurer all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. The Ceding Company will be responsible for establishing contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies; provided, that the Reinsurer shall be permitted to provide recommendations regarding the contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered to a class of policy owners and in which a Reinsured Policy or a portion of a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer in good faith to develop and implement a conservation program with respect to the Reinsured Policies.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the IMR shall be ceded to and calculated by the Reinsurer and maintained in the Modco Account.

Section 2.10 Valuation of Liabilities. The Reinsurer shall calculate the statutory reserves and tax reserves with respect to the Reinsured Policies.[5]

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of Reinsurance Premiums and the Company Required Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the Company Required Initial Premium shall be payable in accordance with Section 7.03.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall transfer into the Modco Account Permitted Assets, including the Existing Hedges, with an aggregate Statutory Carrying Value as of the Effective Date equal to the initial premium (the "Company Required Initial Premium"), which shall equal:

[5] **Note to Draft**: Athene may require the Ceding Company to perform reserve calculations pursuant to a transition services agreement for a specified transitional period before taking over this function.

(i) the Modco Reserves as of the Effective Date, plus

(ii) the Pre-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the Post-Tax Reform Existing IMR, divided by the Applicable Tax Gross-Up Percentage, minus

(iv) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto, plus

(v) $67.5 million.

(b) A list of the assets to be so deposited (the "Initial Modco Assets"), including the Statutory Carrying Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.

(c) The amount of the Company Required Initial Premium actually deposited into the Modco Account on the Effective Date (such estimated amount, the "Estimated Company Required Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(d) The Estimated Company Required Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement. Any such adjustment payable by the Ceding Company shall be promptly deposited into the Modco Account.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Reinsurer shall pay to the Ceding Company the Estimated Company Ceding Commission on the Effective Date. The Estimated Company Ceding Commission shall be subject to a post-Effective Date adjustment in accordance with the Master Agreement.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Policy Expenses. On a monthly basis, the Reinsurer shall pay the Ceding Company an administrative expense fee ("Policy Expenses") to cover the cost of providing all administrative and other services necessary or appropriate in connection with the administration of the Reinsured Policies and the Reinsured Liabilities in an amount calculated in accordance with Schedule II attached hereto. The Policy Expenses shall be payable by the Reinsurer to the Ceding Company in accordance with Section 7.03.

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Reinsured Liabilities. Subject to Sections 6.02 and 6.03, the Reinsurer shall pay to the Ceding Company the Reinsured Liabilities in accordance with Section 7.03.

Section 6.02 Claims Settlement.

(a) Subject to Section 6.02(b) and 6.03, the Ceding Company shall be responsible for the settlement of claims with respect to the Reinsured Liabilities in accordance with Article X, applicable Law and the terms and conditions of the Reinsured Policies.

(b) The Ceding Company shall notify the Reinsurer in writing if the Ceding Company determines that a claim for payment under a Reinsured Policy either requires investigation or should be contested or denied. The Reinsurer and the Ceding Company shall consult in good faith regarding the disposition of any such claim. The Reinsurer may, but shall not be required to, recommend to the Ceding Company how to handle such claim. In the event of any disagreement between the Ceding Company and the Reinsurer as to the validity or amount of such a claim, the Reinsurer shall have final authority over the disposition of such claim.

Section 6.03 Recoveries. Subject to Section 6.02(b), if the Ceding Company obtains any recoveries in respect of a claim with respect to the Reinsured Liabilities paid by it in accordance with the terms of any Reinsured Policy, the Ceding Company shall promptly pay to the Reinsurer the Quota Share of such recoveries.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting.

(a) Each Business Day, the Ceding Company shall deliver to the Reinsurer a daily accounting report (a "Daily Accounting Report") substantially in the form set forth in Exhibit A for the immediately preceding Business Day. The parties shall from time to time amend Exhibit A as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(b) Within three (3) Business Days following the end of each calendar week, the Ceding Company shall deliver to the Reinsurer a weekly accounting report (a "Weekly Accounting Report") substantially in the form set forth in Exhibit B for the immediately preceding calendar week. The parties shall from time to time amend Exhibit B as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(c) Within five (5) Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a monthly accounting report (a "Monthly Accounting Report") substantially in the form set forth in Exhibit C for the immediately preceding calendar month (a "Monthly Accounting Period"). The parties shall from time to time amend Exhibit C as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(d) Within [thirteen (13)] Business Days following the end of each calendar quarter, the Ceding Company shall deliver to the Reinsurer a quarterly accounting report (a "Quarterly Accounting Report") substantially in the form set forth in Exhibit D for the immediately preceding calendar quarter (a "Quarterly Accounting Period"). The parties shall from time to time amend Exhibit D as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(e) Within three (3) Business Days following the end of each Monthly Accounting Period, the Ceding Company shall deliver to the Reinsurer, as of the end of such Monthly Accounting Period or the Recapture Effective Date, as applicable, (i) a report of the Reinsured Policies in the form specified by the Reinsurer, which shall include, among other things, a roll-forward of policy count and account values with respect to the Reinsured Policies, (ii) a report setting forth *seriatim* information with respect to each of the Reinsured Policies, including the information identified on Exhibit E, which shall be redacted such that it does not include Non-Public Personal Information, (iii) a report of the assets held in the Modco Account and an investment accounting report which shall include holdings, book value roll forward and income reports, in each case, on a CUSIP level, and (iv) a report of the Existing Hedges and the effectiveness thereof in a form mutually agreed upon by the Ceding Company and the Reinsurer.

(f) The Ceding Company shall deliver to the Reinsurer: (i) within five (5) Business Days following the filing of the Ceding Company's unaudited annual statement with the Iowa Insurance Division but no later than March 20 of each year, a copy of such unaudited annual statement; (ii) within five (5) Business Days of the filing of the Ceding Company's audited annual statutory financial statements with the Iowa Insurance Division but no later than June 20 of each year, a copy of such annual statutory financial statements; and (iii) within five (5) Business Days following the filing of the Ceding Company's unaudited quarterly statutory financial statements with the Iowa Insurance Division but no later than sixty (60) calendar days following the end of each calendar quarter, a copy of such unaudited quarterly statutory financial statements.

(g) Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the Reinsured Policies which the Reinsurer requires in order to complete its financial statements.

(h) The Ceding Company acknowledges that timely and correct compliance with the reporting requirements of this Agreement are a material element of the Ceding Company's responsibilities hereunder and an important basis of the Reinsurer's ability to reinsure the risks hereunder. Consistent and material non-compliance with reporting requirements, including extended delays, will constitute a material breach of the terms of this Agreement.

Section 7.02 Reinsurer Reporting.

(a) Within ten (10) Business Days following the end of each Quarterly Accounting Period and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth (i) the Modco Reserves, determined on a *seriatim* basis, and (ii) the IMR, in each case, as of the end of such Quarterly Accounting Period or such Recapture Effective Date, as applicable.

(b) The Reinsurer shall deliver to the Ceding Company: (i) a copy of its audited annual statutory financial statements within five (5) Business Days following the filing thereof with the Bermuda Monetary Authority but no later than May 20 of each year, and (ii) a copy of its unaudited quarterly statutory financial statements within five (5) Business Days after the completion thereof but no later than sixty (60) calendar days after the end of each calendar quarter.

Section 7.03 Settlements.

(a) An interim net balance payable under this Agreement for each calendar week (as set forth in the applicable Weekly Accounting Report, the "Interim Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Weekly Accounting Report delivered with respect to such period. Each Interim Net Settlement Amount shall be payable as follows:

(i) If the Interim Net Settlement Amount with respect to any period is positive, then the Ceding Company shall deposit into the Modco Account an amount equal to such Interim Net Settlement Amount on the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer; or

(ii) If the Interim Net Settlement Amount with respect to any period is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account an amount equal to the absolute value of such Interim Net Settlement Amount within [two (2)] Business Days following the date on which such Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer.

All Interim Net Settlement Amounts paid during any Monthly Accounting Period shall be reflected in the Monthly Accounting Report with respect to such Monthly Accounting Period and taken into account in determining the Net Settlement Amount with respect to such Monthly Accounting Period.

(b) The net balance payable under this Agreement for each Monthly Accounting Period (as set forth in the applicable Monthly Accounting Report, the "Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the Monthly Accounting Report delivered with respect to such Monthly Accounting Period. Each Net Settlement Amount shall be payable as follows:

(i) if the Net Settlement Amount indicated in the Monthly Accounting Report is positive, then the Ceding Company shall deposit into the Modco Account, on the date of delivery of such Monthly Accounting Report to the Reinsurer, an amount equal to such Net Settlement Amount; or

(ii) if the Net Settlement Amount indicated in a Monthly Accounting Report is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account, on the date that is five (5) Business Days following the delivery of the Monthly Accounting Report to the Reinsurer, an amount equal to the absolute value of such Net Settlement Amount; provided, that if the absolute value of such negative Monthly Net Settlement Amount is greater than the fair market value of the assets in the Modco Account as of the last day of the relevant Monthly Accounting Period, then the Reinsurer shall pay the amount of such difference to the Ceding Company no later than five (5) Business Days after the receipt by the Reinsurer of the applicable Monthly Accounting Report.

(c) The Modco Adjustment payable under this Agreement for each Quarterly Accounting Period (as set forth in the applicable Quarterly Accounting Report) shall be payable as follows:

(i) if the Modco Adjustment is positive, then the Reinsurer shall pay to the Ceding Company for immediate deposit into the Modco Account such positive amount no later than five (5) Business Days after the receipt by the Reinsurer of the applicable Quarterly Accounting Report; and

(ii) if the Modco Adjustment is negative, then, on the date of delivery of the Quarterly Accounting Report to the Reinsurer, the Ceding Company shall withdraw assets with a Statutory Carrying Value equal to the absolute value of such negative amount from the Modco Account and pay the absolute value of such negative amount to the Reinsurer.

(d) Except as otherwise set forth herein, any amount due under this Agreement shall be paid by wire transfer of immediately available funds to the account or accounts designated by the recipient thereof.

ARTICLE VIII

MODCO ACCOUNT

Section 8.01 Modco Account.

(a) As of the Effective Date, the Ceding Company shall establish a modified coinsurance account (the "Modco Account") on the books and records of the Ceding Company, which shall consist of, collectively, a trust account established by the Ceding Company pursuant to that certain Trust Agreement, dated as of the date hereof, among the Ceding Company, the Reinsurer and Citibank, N.A. (as trustee of such trust account, the "Trustee"), the Separate

Account,[6] and the Existing Hedges.[7] The Modco Account and the assets maintained therein will be owned and maintained by the Ceding Company and will be used exclusively for the purposes set forth in this Agreement. The assets maintained in the Modco Account shall be invested in and consist only of Permitted Assets, and the Permitted Assets shall be valued, for the purposes of this Agreement, according to their Statutory Carrying Value. In accordance with Iowa SAP, the Ceding Company elects to cede all capital gains and losses in respect of the assets maintained in the Modco Account to the Reinsurer on a gross basis.

(b) Notwithstanding any other provision hereof, assets held in the Modco Account may be withdrawn by the Ceding Company at any time and shall be utilized and applied by the Ceding Company or any of its successors in interest by operation of law, including any liquidator, rehabilitator, receiver or conservator of the Ceding Company, without diminution because of insolvency on the part of the Ceding Company or the Reinsurer, only for the following purposes:

(i) to reimburse the Ceding Company for the Quota Share of premiums which are returned to the owners of the Reinsured Policies because of cancellations of such Reinsured Policies;

(ii) to reimburse the Ceding Company for the Reinsured Liabilities paid pursuant to the provisions of the Reinsured Policies;

(iii) to pay any Interim Net Settlement Amount, Net Settlement Amount and other undisputed amounts due to the Ceding Company under this Agreement; and

(iv) to pay any Modco Adjustment due from the Ceding Company to the Reinsurer;

provided, however, that, other than withdrawals made by the Ceding Company for the purpose of effectuating the payment of the Interim Net Settlement Amounts, Net Settlement Amounts and Modco Adjustments, the Ceding Company shall not withdraw funds from the Modco Account until the expiration of any payment period afforded the Reinsurer hereunder, and then only upon providing the Reinsurer with written notice at least five (5) Business Days prior to such withdrawal.

(c) The Ceding Company shall promptly return to the Modco Account any assets withdrawn in excess of the actual amounts required in paragraphs (i) through (iv) immediately above or any amounts that are subsequently determined not to be due under such paragraphs ("Modco Excess Withdrawals"). The Ceding Company shall also pay interest on any Modco Excess Withdrawals at a rate determined in accordance with Section 17.02 from and including the date of withdrawal to but excluding the date on which the Modco Excess Withdrawal is returned to the Modco Account. Any Modco Excess Withdrawals shall be held by the Ceding

[6] **Note to Draft**: To be determined whether the Separate Account assets will be held in the Trust Account.

[7] **Note to Draft**: To be confirmed that the assets in the Separate Account do not support any liabilities other than the Reinsured Liabilities.

Company or any successor in interest of the Ceding Company in trust for the benefit of the Reinsurer and shall at all times be maintained separate and apart from any assets of the Ceding Company, for the sole purposes described in paragraphs (i) through (iv) immediately above.

(d) Determinations of statutory impairments of assets maintained in the Modco Account shall be made by the Ceding Company and shall be (i) based upon the statutory rules and guidelines and the impairment policy used by the Ceding Company and its auditors for purposes of calculating statutory impairments reflected in the Ceding Company's statutory financial statements and (ii) subject to consultation between the Reinsurer and the Ceding Company. The Ceding Company shall promptly notify the Reinsurer in writing if the Ceding Company determines that any assets maintained in the Modco Account have become impaired for purposes of determining Statutory Carrying Value. Such notice shall describe any such assets, the reason for the impairment and the effect on Statutory Carrying Value of such assets.

(e) The Reinsurer shall bear the administrative costs and expenses related to the establishment and maintenance of the Modco Account, including the fees of the Trustee and the fees of any investment manager appointed pursuant to Section 8.03 (including any sub-investment manager appointed in accordance with the Investment Management Agreement). The Ceding Company shall promptly forward to the Reinsurer any invoice it receives relating to such costs and expenses. On the fifth (5th) Business Day following the date on which it delivers such invoice to the Reinsurer, the Ceding Company shall authorize the withdrawal of the amount of such costs and expenses from the Modco Account; provided, that if such amount is greater than the Statutory Carrying Value of the assets in the Modco Account, then the Reinsurer shall pay the amount of such difference to the Ceding Company no later than eight (8) Business Days following the delivery of such invoice to the Reinsurer.

(f) The performance of the assets maintained in the Modco Account, including of all investment income paid or accrued, investment gains or losses, defaults and/or statutory impairments, will inure to the sole benefit or cost of the Reinsurer.

Section 8.02 Credit for Reinsurance. The Ceding Company shall own the Modco Account and the assets maintained therein, and the Reinsurer will not be required to provide reserve credit in respect of the Reinsured Liabilities ceded hereunder on a modified coinsurance basis.

Section 8.03 Investment Management. Pursuant to an investment management agreement (the "Investment Management Agreement"), the Ceding Company shall appoint Athene Asset Management, L.P. as investment manager to provide investment management services with respect to the assets maintained in the Modco Account (the "Investment Manager"). The Ceding Company shall not amend, modify or change the terms of the Investment Management Agreement, including the investment guidelines attached as an exhibit thereto, or remove or replace the Investment Manager without the prior written consent of the Reinsurer. In the event that the Investment Manager is removed or resigns, the Ceding Company shall appoint a replacement investment manager as directed by the Reinsurer. The replacement investment manager shall accept its appointment by entering into an investment management agreement in a form acceptable to the Ceding Company and the Reinsurer, and substantially similar to the Investment Management Agreement.

ARTICLE IX

HEDGING

Section 9.01 Existing Hedges. The Ceding Company hereby assigns to the Reinsurer a fractional interest in the gross proceeds in respect of the Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant Hedge Counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant Hedge Counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto. The Existing Hedge Proceeds shall be attributed to the Modco Account and reflected in the applicable Weekly Accounting Report and Monthly Accounting Report. The Ceding Company shall pay the Existing Hedge Proceeds to the Reinsurer in accordance with Section 7.03.

Section 9.02 Other Hedging. Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.[8]

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration. The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services, including reporting under Article VII, with respect to the Reinsured Policies, the Separate Account and the Existing Hedges. The Ceding Company shall conduct its administration and claims practices with respect to the Reinsured Policies (a) with a level of skill, diligence and expertise that would reasonably be expected from experienced and qualified personnel performing such duties in similar circumstances, (b) in accordance with applicable Law and the terms of the Reinsured Policies, and (c) in a manner no less favorable to the Reinsurer and the Reinsured Polices than those used by the Ceding Company with respect to other policies of the Ceding Company not reinsured by the Reinsurer hereunder or other hedges of the Ceding Company. The Ceding Company shall not outsource any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer. If the Reinsurer consents to any outsourcing of any administrative functions or claims administration with respect

[8] **Note to Draft**: Athene is considering a back-to-back hedging arrangement with the Ceding Company whereby the Iowa methodology for calculating indexed annuity product reserves would be preserved. Athene may elect to require that the hedges be maintained by the Ceding Company.

to the Reinsured Policies or this Agreement, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

Section 10.02 Record-Keeping.

(a) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the Reinsured Policies in accordance with industry standards of insurance record-keeping. In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates. The Ceding Company and the Reinsurer further agree that in the event of the termination of this Agreement, any such records in the possession of the Reinsurer shall promptly be duplicated and forwarded to the Ceding Company unless otherwise instructed.

(b) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the Reinsured Policies and the Separate Account, including associated documentation, and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to Article VII shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. This Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) Recapture for Non-Payment or Other Material Breach. Either party may cause the Reinsured Policies to be recaptured in full and this Agreement to be terminated as to all Reinsured Policies if (i) the other party fails to pay any amounts due under this Agreement within thirty (30) calendar days following written notice of non-payment from the non-defaulting party or (ii) such other party otherwise materially breaches this Agreement and fails to cure such material breach within thirty (30) calendar days following written notice thereof from the non-breaching party.

(c) Recapture for Insolvency of Reinsurer. The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event that the Reinsurer becomes insolvent (as set forth in Article XIV) by promptly providing the Reinsurer or its

Authorized Representative with written notice of recapture, to be effective as of the date on which the Reinsurer's insolvency is established by the authority responsible for such determination. Any requirement for a notification period prior to the termination of this Agreement shall not apply under such circumstances.

Section 11.03 Recapture Payment.

(a) In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company (a "Receiver")), a net accounting and settlement as to any balance due under this Agreement shall be undertaken by the Ceding Company in accordance with Article VII, which calculations shall be as of the Recapture Effective Date. Within thirteen (13) Business Days following the Recapture Effective Date, the Ceding Company shall deliver to the Reinsurer a final Monthly Accounting Report and Quarterly Accounting Report, each as of the Recapture Effective Date (collectively, the "Terminal Accounting Report"), and the final Net Settlement Amount and final Modco Adjustment set forth in such Terminal Accounting Report shall be paid in accordance with Section 7.03. In addition, within thirteen (13) Business Days following the Recapture Effective Date, the Ceding Company shall pay to the Reinsurer an amount equal to the Unamortized Ceding Commission in cash by wire transfer of immediately available funds.

(b) The Reinsurer's right to terminate the reinsurance provided hereunder will not prejudice its right to collect premiums, and applicable interest as specified in Section 17.02, for the period during which such reinsurance was in force, through and including any notice period.

Section 11.04 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. In the event a payment is corrected, the party receiving the payment shall be entitled to interest in accordance with Section 17.02. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Negotiation.

(a) Within fifteen (15) calendar days after the Reinsurer or the Ceding Company has given the other party written notification of a specific dispute arising out of or relating to this Agreement, each party will appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(b) If the officers cannot resolve the dispute within thirty (30) calendar days of their first meeting, the dispute will be submitted to formal arbitration pursuant to Section 13.02, unless the parties agree in writing to extend the negotiation period for an additional thirty (30) calendar days.

Section 13.02 Arbitration; Waiver of Trial by Jury.

(a) It is the intention of the Reinsurer and the Ceding Company that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. If the Reinsurer and the Ceding Company cannot mutually resolve a dispute that arises out of or relates to this Agreement, including the validity of this Agreement, and the dispute cannot be resolved through the negotiation process, then the dispute will be finally settled by arbitration in accordance with the provisions of this Section 13.02.

(b) To initiate arbitration, either the Ceding Company or the Reinsurer will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought.

(c) Any arbitration pursuant to this Section 13.02 will be conducted before a panel of three (3) arbitrators who will be current or former officers of life insurance or reinsurance companies other than the parties to this Agreement, their Affiliates or subsidiaries, or other professionals with experience in life insurance or reinsurance; provided, that such professionals shall not have performed services for either party or its Affiliates within the previous five (5) years. Each of the arbitrators will be familiar with the prevailing customs and practices for reinsurance in the life insurance and reinsurance industry in the United States. Each of the parties will appoint one arbitrator and the two (2) so appointed will select the third arbitrator who shall be independent and impartial. If either party refuses or fails to appoint an arbitrator within sixty (60) calendar days after the other party has given written notice to such party of its arbitrator appointment, the party that has given notice may appoint the second arbitrator. If the two (2) arbitrators do not agree on a third arbitrator within thirty (30) calendar days of the appointment of the second arbitrator, then the third arbitrator shall be selected by the ARIAS-U.S. Umpire Selection Procedure (available at www.ARIAS-US.org), subject to the arbitrator qualification requirements of this paragraph.

(d) Each arbitration hearing under this Agreement will be held on the date set by the arbitrators at a mutually agreed upon location. In no event will this date be later than six (6) months after the appointment of the third arbitrator. As soon as possible, the arbitrators will establish arbitration procedures as warranted by the facts and issues of the particular case. Notwithstanding Section 17.17, the arbitration and this Section 13.02 shall be governed by Title 9 (Arbitration) of the United States Code.

(e) The arbitrators will base their decision on the terms and conditions of this Agreement and the customs and practices of the insurance and reinsurance industries rather than on strict interpretation of the law. The decision of the arbitrators will be made by majority rule and will be final and binding on both parties, unless (i) the decision was procured by corruption, fraud or other undue means; (ii) there was evident partiality by an arbitrator or corruption in any of the arbitrators or misconduct prejudicing the rights of any party; or (iii) the arbitrators exceeded their powers. Subject to the preceding sentence, neither party may seek judicial review of the decision of the arbitrators. The arbitrators shall enter an award which shall do justice between the parties and the award shall be supported by written opinion. The parties agree that the federal courts in the State of Iowa, or the State courts of such State, have jurisdiction to hear any matter relating to compelling arbitration or enforcing the judgment of an arbitral panel, and the parties hereby consent to such jurisdiction. Each party hereby waives, to the fullest extent permitted by Law, any objection it may now or hereafter have to the laying of such venue, or any claim that a proceeding has been brought in an inconvenient forum. In addition, the Ceding Company and the Reinsurer hereby consent to service of process out of such courts at the addresses set forth in Section 17.06.

(f) Unless the arbitrators decide otherwise, each party will bear the expense of its own arbitration activities, including its appointed arbitrator and any outside attorney and witness fees. The parties will jointly bear the expense of the third arbitrator.

(g) Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. In any such event, the reinsurance being provided hereunder shall be payable immediately upon demand, with reasonable provision for verification, on the basis of claims allowed against the Ceding Company by any court of competent jurisdiction or by any liquidator, receiver or statutory successor. In any such event, the liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer. For the avoidance of doubt, the Reinsurer will be liable only for benefits reinsured as benefits become due under the terms of the Reinsured Policies and will not be or become liable for any amounts or reserves to be held by the Ceding Company as to the Reinsured Policies or for any damages or payments resulting from the termination or restructuring of the Reinsured Policies, in each case, that are not otherwise expressly covered by this Agreement.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 Excise Tax. In the event that any excise tax is due with respect to any amounts payable by the Ceding Company to the Reinsurer under this Agreement, the Ceding Company shall pay the entire amount of such excise tax. The Reinsurer shall reimburse the Ceding Company for any such excise tax paid by the Ceding Company in accordance with Section 7.03.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Iowa and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Factual Information Relating to the Reinsured Policies. The information relating to the business reinsured under this Agreement and the Reinsured Policies that was supplied by or on behalf of the Ceding Company to the Reinsurer or any of the Reinsurer's representatives in connection with this Agreement (such information, the "Factual Information"), as of the date supplied (or if later corrected or supplemented prior to the date hereof, as of the date corrected or supplemented), did not contain any untrue statement of a material fact or omit to state any material fact necessary to make such Factual Information, taken as a whole, not misleading in light of the circumstances under which the statements contained therein were made, and was otherwise complete and accurate in all material respects. The Factual Information was compiled in a commercially reasonable manner given its intended purpose.

(e) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(e), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Iowa SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(f) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(g) Separate Account. The Separate Account has been maintained in accordance with applicable Law. No plan of operations with respect to the Separate Account was required to be filed and approved by any Governmental Entity.

Section 16.02 Covenants of the Ceding Company.

(a) Investigations. To the extent permitted by applicable Law, the Ceding Company shall promptly notify the Reinsurer, in writing, of any and all investigations of the Ceding Company conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Ceding Company of its obligations under this Agreement; provided, however, that the Ceding Company may withhold any notice otherwise required to be delivered pursuant to this Section 16.02(a) to the extent that the delivery thereof to the Reinsurer would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Ceding Company shall prepare its financial statements as required by, and in accordance with, Iowa SAP.

(c) Existence; Conduct of Business. The Ceding Company shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(e) Governmental Notices. The Ceding Company shall provide the Reinsurer, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

(f) Restrictions on Liens. The Ceding Company shall not create, incur, assume or suffer to exist any liens on the assets in the Modco Account, including the Existing Hedges (whether owned on the date of this Agreement or hereafter acquired), or on any interest therein or the proceeds thereof.

(g) Plan of Operations. The Ceding Company shall not establish, amend or otherwise modify any plan of operations with respect to the Separate Account without the prior written approval of the Reinsurer.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of Bermuda and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Investigations. To the extent permitted by applicable Law, the Reinsurer shall promptly notify the Ceding Company, in writing, of any and all investigations of the Reinsurer conducted by any Governmental Entity commencing after the date hereof, other than routine Bermuda Monetary Authority examinations that do not relate to the business reinsured pursuant to this Agreement or would not otherwise reasonably be expected to adversely affect the performance by the Reinsurer of its obligations under this Agreement; provided, however, that the Reinsurer may withhold any notice otherwise required to be delivered pursuant to this Section 16.04(a) to the extent that the delivery thereof to the Ceding Company would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Statutory Accounting Principles. The Reinsurer shall prepare its financial statements as required by, and in accordance with, Bermuda statutory accounting principles.

(c) Existence; Conduct of Business. The Reinsurer shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(d) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

(e) Governmental Notices. The Reinsurer shall provide the Ceding Company, within five (5) Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity with respect to the business reinsured under this Agreement and a written summary of any material oral communication with any Governmental Entity with respect to the business reinsured under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Interest. All amounts due and payable by the Ceding Company or the Reinsurer under this Agreement that remain unpaid for more than fifteen (15) calendar days from the date due hereunder will incur interest from the date due hereunder. Except as otherwise set forth in this Agreement, such interest shall accrue at a rate equal to six percent (6%) per annum, calculated on a 30/360 basis.

Section 17.03 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement.

(b) The rights provided under this Section 17.03 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.04 No Third-Party Beneficiaries. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.05 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.06 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.,* FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Life Re Ltd.
Chesney House
96 Pitts Bay Road
Hamilton, HM 08 Bermuda
Attention: Frank Gillis; Tab Shanafelt

Telephone: 441-279-8410; 441-279-8414
Telecopy: 441-279-8401
Email: legalbda@athene.bm

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.06.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.07 Consent to Jurisdiction. Subject to the terms and conditions of Article XIII, each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.06, constitute good, proper and sufficient service thereof. This Section 17.07 is not intended to conflict with or override Article XIII.

Section 17.08 Service of Process. The Reinsurer hereby designates the Iowa Insurance Commissioner as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.06. This Section 17.08 is not intended to conflict with or override Article XIII.

Section 17.09 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours, at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges, the Separate Account, the assets maintained in the Modco Account or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to any two (2) such inspections in any calendar year shall be borne by the Ceding Company; provided, that if any breach of this Agreement by the Ceding Company has occurred, the expenses relating to all such inspections shall be borne by the Ceding Company.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.10 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.11 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.12 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.13 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 17.14 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.15 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.16 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.17 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the State of Iowa without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.18 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE LIFE RE LTD.

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDERS

[To come]

SCHEDULE II

POLICY EXPENSES

The Policy Expenses with respect to each Monthly Accounting Period shall be an amount equal to:

[●][9]

[9] **Note to Draft**: Policy Expenses formula to come.

SCHEDULE III

INITIAL MODCO ASSETS

[To come]

EXHIBIT A

<u>DAILY ACCOUNTING REPORT</u>

[To come]

EXHIBIT B

WEEKLY ACCOUNTING REPORT

[To come]

EXHIBIT C

<u>MONTHLY ACCOUNTING REPORT</u>

[To come]

EXHIBIT D

QUARTERLY ACCOUNTING REPORT

[To come]

EXHIBIT E

SERIATIM INFORMATION FIELDS

[To come]

EXHIBIT P

Form of Bermuda Retrocession Agreement

[See attached.]

EXHIBIT P

FOURTH AMENDMENT TO
AMENDED AND RESTATED RETROCESSION AGREEMENT

This FOURTH AMENDMENT TO AMENDED AND RESTATED RETROCESSION AGREEMENT (this "Amendment"), effective as of [●] (the "Effective Date"), is made by and between ATHENE ANNUITY & LIFE ASSURANCE COMPANY, an insurance company organized under the laws of the State of Delaware (the "Reinsurer"), and ATHENE LIFE RE LTD., a reinsurance company organized under the laws of Bermuda (the "Retrocessionaire").

WITNESSETH:

WHEREAS, the Reinsurer and the Retrocessionaire are parties to that certain First Amended and Restated Retrocession Agreement, designated as treaty number 10012011, effective as of October 1, 2011, amended and restated as of November 1, 2012, and further amended by that certain First Amendment to Amended and Restated Retrocession Agreement, effective as of December 31, 2013, that certain Second Amendment to Amended and Restated Retrocession Agreement, effective as of January 1, 2016, and that certain Third Amendment to Amended and Restated Retrocession Agreement, effective as of [January 1], 2018 (collectively, the "Retrocession Agreement");

WHEREAS, effective as of the Effective Date, (a) ReliaStar Life Insurance Company ("RLI") and the Reinsurer will enter into a Reinsurance Agreement, pursuant to which RLI will cede to the Reinsurer a 100% quota share of certain fixed annuity business written by RLI (the "RLI Reinsurance Agreement"), (b) RLI and the Reinsurer will enter into a Modified Coinsurance Agreement, pursuant to which RLI will cede to the Reinsurer a 100% quota share of certain separate account fixed indexed annuity business written by RLI (the "RLI SA Modco Agreement"), (c) Voya Insurance and Annuity Company ("VIAC") and the Reinsurer will enter into a Reinsurance Agreement, pursuant to which VIAC will cede to the Reinsurer a 100% quota share of certain fixed annuity business written or assumed by VIAC (the "VIAC FA Reinsurance Agreement"), and (d) VIAC and the Reinsurer will enter into a Modified Coinsurance Agreement, pursuant to which VIAC will cede to the Reinsurer a 100% quota share of certain separate account fixed indexed annuity business written by VIAC (the "VIAC SA Modco Agreement");[1]

WHEREAS, the Reinsurer and the Retrocessionaire desire to amend the Retrocession Agreement as provided herein, effective as of the Effective Date, such that the applicable quota share set forth on the Supplement to Schedule I attached hereto of all liabilities ceded to the Reinsurer pursuant to the RLI Reinsurance Agreement, the RLI SA Modco Agreement, the VIAC FA Reinsurance Agreement, and the VIAC SA Modco Agreement are retroceded to the Retrocessionaire under the Retrocession Agreement, subject to the terms, conditions and limitations contained therein and herein;

[1] **Note to Draft**: The RLI Reinsurance Agreement and the VIAC FA Reinsurance Agreement will be included in this amendment only if the Reinsurer does not exercise its right under Section 5.31 of the MTA.

WHEREAS, the Reinsurer and the Retrocessionaire desire to amend the Retrocession Agreement as provided herein; and

WHEREAS, pursuant to Section 16.05 of the Retrocession Agreement, the Retrocession Agreement may be amended by a written instrument duly executed by the proper officers of both parties to the Retrocession Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the Reinsurer and the Retrocessionaire hereby agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined in this Amendment shall have the respective meanings ascribed to such terms in the RLI Reinsurance Agreement, the RLI SA Modco Agreement, the VIAC FA Reinsurance Agreement or the VIAC SA Modco Agreement, as applicable.

2. Amendments.

(a) Section 1.01 of the Retrocession Agreement is hereby amended from and after the Effective Date by deleting the definitions of "Modco Adjustment", "Reinsurance Premiums", and "Reinsured Liabilities" included therein and inserting the following definitions in lieu thereof:

> ""Modco Adjustment" shall mean as of any date of determination, an amount equal to (i) the Modified Coinsurance Reserves as of such date, plus (ii) the Quota Share of the Interest Maintenance Reserve, minus (iii) the aggregate Statutory Carrying Value of the assets held in the Modco Account as of such date, minus (iv) the aggregate statutory carrying value (determined in accordance with the applicable Underlying Reinsurance Agreement) of any funds held by any Underlying Ceding Company in respect of the Quota Share of the Reserves, minus (v) the aggregate statutory value (determined in accordance with the applicable Underlying Reinsurance Agreement) of any assets held by any Underlying Ceding Company in a modified coinsurance account in respect of the Quota Share of the Reserves."
>
> "Reinsurance Premiums" shall mean any and all premiums, payments, collections and other recoveries, including hedge proceeds, modified coinsurance adjustments and amounts in respect of funds held by any Underlying Ceding Company, received by the Reinsurer pursuant to any Underlying Reinsurance Agreement.
>
> "Reinsured Liabilities" shall mean any and all liabilities and obligations, including liabilities and obligations to pay hedge acquisition costs, modified coinsurance adjustments and amounts in respect of funds held by any Underlying Ceding Company, of the Reinsurer pursuant to any Underlying Reinsurance Agreement; provided that in no event shall

"Reinsured Liabilities" include any Excluded Liabilities with respect to any Underlying Reinsurance Agreement."

(b) Section 7.01(a) of the Retrocession Agreement is hereby amended from and after the Effective Date by deleting the third sentence of such Section and inserting the following in lieu thereof:

"In addition, in connection with the addition of any Underlying Reinsurance Agreement to Schedule I attached hereto, the Reinsurer shall deposit into the Modco Account Permitted Assets with a Statutory Carrying Value, determined as of such date as may be mutually agreed upon by the Reinsurer and the Retrocessionaire, equal to (A) the increase to the Modified Coinsurance Reserves resulting from such addition to Schedule I, minus (B) the aggregate statutory carrying value (determined in accordance with such Underlying Reinsurance Agreement) of any funds held by the applicable Underlying Ceding Company in respect of the Quota Share of the Reserves relating to such Underlying Reinsurance Agreement, minus (C) the aggregate statutory value (determined in accordance with the applicable Underlying Reinsurance Agreement) of any assets held by any Underlying Ceding Company in a modified coinsurance account in respect of the Quota Share of the Reserves relating to such Underlying Reinsurance Agreement."

(c) The Underlying Reinsurance Agreement Schedule set forth as Schedule I of the Retrocession Agreement is hereby amended from and after the Effective Date by supplementing such Schedule (including the annexes thereto) with the Supplement to Schedule I attached to this Amendment.

(d) The form of Accounting Report set forth as Exhibit A to the Retrocession Agreement is hereby amended and restated in its entirety from and after the Effective Date by deleting such Exhibit and inserting Exhibit A attached to this Amendment in lieu thereof.

3. Miscellaneous.

(a) Full Force and Effect. Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Retrocession Agreement shall remain in full force and effect in accordance with their respective terms and are hereby ratified or confirmed. This Amendment shall not constitute an amendment or waiver of any provision of the Retrocession Agreement except as expressly set forth herein. As of the Effective Date, the Retrocession Agreement shall thereupon be deemed to be amended and supplemented as hereinabove set forth as fully and with the same effect as if the amendments and supplements made hereby were originally set forth in the Retrocession Agreement, and this Amendment and the Retrocession Agreement shall henceforth be read, taken and construed as one and the same instrument, but such amendments and supplements shall not operate so as to render invalid or improper any action heretofore taken under the Retrocession Agreement. As used in the Retrocession Agreement, the terms "this Agreement," "herein," "hereinafter," "hereto," and words of similar import shall mean and refer to, from and after the effective date of this Amendment, unless the context requires otherwise, the Retrocession Agreement as amended by this Amendment.

(b) Governing Law. This Amendment will be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by law and would permit or require the application of the laws of another jurisdiction.

(c) Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an electronic copy of an executed counterpart of a signature page to this Amendment by email or facsimile shall be as effective as delivery of a manually executed counterpart of this Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the Effective Date.

ATHENE LIFE RE LTD.

By: ________________________________

Name: ________________________________

Title: ________________________________

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: ________________________________

Name: ________________________________

Title: ________________________________

SUPPLEMENT TO SCHEDULE I

UNDERLYING REINSURANCE AGREEMENTS

	Underlying Reinsurance Agreement	Underlying Quota Share	Quota Share	Ceding Commission	Additional Ceding Commission	Expense Allowance
3.	Reinsurance Agreement, effective as of [●], between Athene Annuity & Life Assurance Company, as the reinsurer, and ReliaStar Life Insurance Company, a life insurance company organized under the laws of the State of Minnesota, as the ceding company (the "RLI Reinsurance Agreement").	100%	80%	Payable in accordance with Section 3.02.	N/A	Payable in accordance with Section 4.01.
4.	Modified Coinsurance Agreement, effective as of [●], between Athene Annuity & Life Assurance Company, as the reinsurer, and ReliaStar Life Insurance Company, a life insurance company organized under the laws of the State of Minnesota, as the ceding company (the "RLI SA Modco Agreement").	100%	80%	Payable in accordance with Section 3.02.	N/A	Payable in accordance with Section 4.01.
5.	Reinsurance Agreement, effective as of [●], between Athene Annuity & Life Assurance Company, as the reinsurer, and Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa, as the ceding company (the "VIAC FA Reinsurance Agreement").	100%	80%	Payable in accordance with Section 3.02.	N/A	Payable in accordance with Section 4.01.

6. Modified Coinsurance Agreement, effective as of [●], between Athene Annuity & Life Assurance Company, as the reinsurer, and Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa, as the ceding company (the "VIAC SA Modco Agreement").	100%	80%	Payable in accordance with Section 3.02.	N/A	Payable in accordance with Section 4.01.

EXHIBIT A

ACCOUNTING REPORT

For the Accounting Period ending on _______________

Section 1: Policy cash flows to/(from) Reinsurer (gross)

	Premium	_______________	
	Less: Returned Premium	(_______________)	
(A)	TOTAL Premium		_______________
	Penalty Free Withdrawals	_______________	
	Full and Partial Surrenders	_______________	
	Death Claims	_______________	
	Annuity Payments under supplementary contracts	_______________	
	Other	_______________	
(B)	TOTAL Claims		_______________

Section 2: Policy cash flows due to/(owed from) Retrocessionaire

(C)	Net Policy Cash Flows (A – B)		_______________
(D)	Retrocessionaire's share of Net Policy Cash Flows ((A – B) x Quota Share)		_______________
(E)	Actual net Policy Cash Flows transferred to/(from) Modco Account in Period		_______________
(F)	Policy Cash Flows due to/(owed from) Retrocessionaire (D – E)		_______________

Section 3: Other expenses owed from Retrocessionaire

(G)	Expense Allowance (Quota Share of Policy Expenses plus additional amounts agreed by parties)		_______________

Section 4: Funds withheld and modco adjustment amounts due to Retrocessionaire

(H)	Amounts received by Reinsurer in respect of funds withheld and modco adjustments	_______________	
(I)	Amounts due to Retrocessionaire in respect of funds withheld and modco adjustments (H x Quota Share)		_______________
(J)	Net Settlement Amount (F – G + I)		_______________

Section 5: Modco Account

(K)	Statutory Carrying Value of Assets at Beginning of Quarterly Accounting Period		_______________
(L)	Total Interest Income, net of Modco Account Expenses	_______________	
(M)	Amortization	_______________	
(N)	Realized Gains / (Losses)	_______________	

(O) Assigned hedge costs ______________

(P) Assigned hedge proceeds ______________

(Q) Statutory Impairments and Default Losses Realized ______________

(R) TOTAL Net Investment Income (L – M + N – O + P – Q)

(S) Cash or Statutory Carrying Value of other assets transferred (to Retrocessionaire from Modco Account) / from Retrocessionaire to Modco Account ______________

(T) Cash or statutory carrying value of other assets transferred (including expenses) (to Reinsurer from Modco Account) / from Reinsurer to Modco Account during the Period ______________

(U) Statutory Carrying Value of Assets at End of Quarterly Accounting Period (K + R + S + T) ______________

Section 6: Modified Coinsurance Reserve ______________

(V) Modified Coinsurance Reserves as of End of prior Quarterly Accounting Period

(W) Modified Coinsurance Reserves as of End of Quarterly Accounting Period ______________

(X) Change in Modified Coinsurance Reserves (V – W) ______________

Section 7: Calculation of Modco Adjustment

____

(Y) TOTAL Modified Coinsurance Reserves (equals (W))

(Z) Statutory Carrying Value of assets in Modco Account (equals U) ______________

(AA) Statutory carrying value of any funds held by any Underlying Ceding Company in respect of the Quota Share of Reserves ______________

(BB) Statutory carrying value of any assets held by any Underlying Ceding Company in a modified coinsurance account in respect of the Quota Share of Reserves ______________

(CC) Modco Adjustment due from/(to) Retrocessionaire (Y – Z – AA - BB) ______________

____

Section 8: Modco Adjustment for Calculation of Excise Taxes

____

(DD) Modco Adjustment for Excise Tax Purposes due from/(to) Retrocessionaire ((A x Quota Share) + R – X)

____

<u>EXHIBIT Q</u>
Form of Alternate RLI FA Business Reinsurance Agreement

[See attached.]

EXHIBIT Q

MODIFIED COINSURANCE AGREEMENT (FA BUSINESS)[1]

between

ATHENE LIFE RE LTD.

and

RELIASTAR LIFE INSURANCE COMPANY

effective as of [●]

Treaty Number [●]

[1] **Note to Draft**: This Agreement represents the Alternate RLI FA Business Reinsurance Agreement referenced in Section 5.31 of the MTA and covers both the separate account and non-separate account business.

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Exhibits

A. Form of RLI Daily Accounting Report
B. Form of RLI Weekly Accounting Report
C. Form of RLI Monthly Accounting Report
D. Form of RLI-Administered Policies Report/Seriatim Information Fields
E. Form of Modco Asset Report
F. Custody Agreement
G. Investment Management Agreement

MODIFIED COINSURANCE AGREEMENT (FA BUSINESS)

This MODIFIED COINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between ReliaStar Life Insurance Company, an insurance company organized under the Laws of the State of Minnesota (the "Ceding Company"), and Athene Life Re Ltd., a reinsurance company organized under the Laws of Bermuda (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd. ("AHL"), [NewCo] (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller"), the ultimate parent of the Ceding Company, have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [●], a wholly owned subsidiary of the Buyer Parent (the "Buyer"), will purchase, all of the issued and outstanding shares of common stock of Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa ("VIAC");

WHEREAS, in connection with the closing of the sale of VIAC to [●], the Ceding Company and the Reinsurer, an indirect wholly owned subsidiary of AHL, wish to enter into a modified coinsurance transaction with respect to certain fixed annuity business of the Ceding Company;

WHEREAS, the Ceding Company and VIAC have entered into that certain Administrative Services Agreement, dated as of [●] (the "Administrative Services Agreement"), pursuant to which VIAC has agreed to perform certain administrative services with respect to the TPA-Administered Policies (as defined below);

WHEREAS, the Reinsurer has advised the Ceding Company that the Reinsurer negotiated the terms of this Agreement in the form as it was originally attached to the Master Agreement from outside the United States in a manner consistent with its operating guidelines;

WHEREAS, the Reinsurer has advised the Ceding Company that the Reinsurer negotiated any further changes to this Agreement, as compared to the form as it was originally attached to the Master Agreement, from outside the United States in a manner consistent with its operating guidelines; and

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a modified coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Administration Books and Records" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Account" shall have the meaning specified in the Administrative Services Agreement.

"Administrative Services Agreement" shall have the meaning specified in the Recitals hereto.

"Administrator" shall mean VIAC, in its capacity as the administrator pursuant to the Administrative Services Agreement or any successor appointed in accordance with Section 10.01(a).

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" shall have the meaning specified in the Preamble hereto.

"AHL" shall have the meaning specified in the Recitals hereto.

"Applicable Tax Gross-Up Percentage" shall mean, one minus the highest federal tax rate applicable to United States corporations as of the Effective Date or, in the event of a recapture pursuant to Section 11.02, the Recapture Effective Date.

"Authorized Representative" shall have the meaning specified in Section 14.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in New York, New York or Hamilton, Bermuda.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Ceding Company Domiciliary State" shall mean the State of Minnesota, or, if the Ceding Company changes its state of domicile to another state within the United States, such other state.

"Ceding Company Domiciliary State SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Ceding Company Domiciliary State consistently applied by the Ceding Company.

"Ceding Company Extra-Contractual Obligations" shall mean Extra-Contractual Obligations (a) caused by, arising from or related to any act, error or omission prior to the Effective Date or (b) arising on or after the Effective Date to the extent caused by, arising from or related to any act of, or failure to act by, the Ceding Company or any of its Affiliates (for the avoidance of doubt, excluding the Administrator) following the Effective Date, other than actions taken by the Ceding Company to implement the Reinsurer's recommendations with respect to the Non-Guaranteed Elements.

"Ceding Company Indemnified Party" and "Ceding Company Indemnified Parties" shall have the meaning specified in Section 12.02.

"Ceding Company Liability Cap" shall have the meaning assigned to such term in the Administrative Services Agreement.

"Custody Account" shall have the meaning specified in Section 8.01(a).

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated RLI Required Initial Premium" shall have the meaning specified in Section 3.02(c).

"Excluded Liabilities" shall mean (a) all Ceding Company Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or has been approved in writing by the Reinsurer or made by the Administrator, and (c) any *ex gratia* payments made by the Ceding Company (for the avoidance of doubt, other than *ex gratia* payments made by the Administrator or approved in writing by the Reinsurer).

"Existing Hedge Proceeds" shall have the meaning specified in Section 9.01(a).

"Existing Hedges" shall mean those derivatives and other hedges purchased by the Ceding Company prior to the Effective Date to hedge the index risk associated with the Reinsured Policies set forth on Schedule IV, to the extent that such derivatives and other hedges remain in full force and effect as of the Effective Date.[2]

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Ceding Company Domiciliary State SAP.

"Extra-Contractual Obligations" shall mean any liabilities or obligations arising out of or relating to the Reinsured Policies (other than liabilities or obligations arising under the express terms and conditions, and within the applicable policy limits, of the Reinsured Policies), including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages, as well as all legal fees and expenses relating thereto, including the costs of any settlement or arbitration award, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise (actual or alleged) arising out of or relating to the Reinsured Policies, including (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation in respect of taxes.

"Foreign Account Tax Compliance Act" or "FATCA" shall have the meaning specified in Section 10.02.

"Governmental Entity" shall mean 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.

"IMR" shall mean the interest maintenance reserve relating to the Reinsured Liabilities, determined in accordance with Ceding Company Domiciliary State SAP, consisting of the after-tax unamortized deferred gains and losses in respect of the assets maintained in the Modco Account.

"Initial Modco Assets" shall have the meaning specified in Section 3.02(b).

"Investment Management Agreement" shall have the meaning specified in Section 8.03.

"Investment Manager" shall have the meaning specified in Section 8.03.

[2] **Note to Draft**: To be determined whether Existing Hedges will include more than index risk hedges. Subject to ongoing diligence.

"Law" shall mean any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Entity pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"Loss" and "Losses" shall have the meaning set forth in the Administrative Services Agreement.

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Modco Account" shall have the meaning specified in Section 8.01(a).

"Modco Adjustment" shall mean, as of any date of determination, an amount equal to (a) the Modco Reserves as of such date, plus (b) the IMR as of such date, minus (c) the Statutory Carrying Value of the assets maintained in the Modco Account as of such date.

"Modco Excess Withdrawals" shall have the meaning specified in Section 8.01(b).

"Modco Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Monthly Funding Amount" shall mean an amount sufficient to increase the balance in the Administrative Account to an amount estimated in good faith by the Reinsurer to be required to pay amounts payable by the Administrator under the terms of the Administrative Services Agreement in respect of the Reinsured Liabilities during the immediately following month, not to exceed $[●][3] per month.

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with Ceding Company Domiciliary State SAP and using valuation interest rates determined in a manner consistent with the Ceding Company's historical practices; provided, however, that Net Statutory Reserves shall not include (a) additional actuarial reserves (as used in connection with Ceding Company Domiciliary State SAP), if any, established by the Ceding Company as a result of its annual cash flow testing, (b) any asset valuation reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company, (c) any interest maintenance reserves (as used in connection with Ceding Company Domiciliary State SAP) established by the Ceding Company or (d) any other reserve not directly attributable to specific Reinsured Policies.

"Non-Guaranteed Elements" shall have the meaning specified in Section 2.05.

"Non-Public Personal Information" shall have the meaning specified in Section 17.08(b).

[3] **Note to Draft**: Parties to discuss based on monthly claims projections.

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

"Permitted Assets" shall mean (a) cash and any securities or other assets qualifying as admitted assets of the Ceding Company under the applicable Laws of the State of domicile of the Ceding Company, applying all applicable qualitative and quantitative limitations as though the Modco Account is a stand-alone life insurance company domiciled in the Ceding Company Domiciliary State, and (b) the Existing Hedges.

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

"Policy Expenses" shall have the meaning specified in Section 5.02.

"Producer" shall mean any agent, broker, producer, distributor or representative who solicited, sold, marketed, produced or serviced any of the Reinsured Policies.

"Proprietary Information" shall have the meaning specified in Section 17.08(a).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall have the meaning specified in Section 11.02(b).

"Recapture Triggering Event" shall mean,

(a) with respect to the Reinsurer, any of the following occurrences:

(i) there has been a failure by the Reinsurer to pay any undisputed amounts due hereunder to the Ceding Company or the Administrator and such breach has not been cured within thirty (30) calendar days after the Reinsurer's receipt of written notice thereof from the Ceding Company; or

(ii) the Reinsurer has been placed into liquidation, rehabilitation, conservation, supervision, receivership or similar proceedings (whether voluntary or involuntary), or there has been instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or assume control of its operations; and

(b) with respect to the Ceding Company, a failure by the Ceding Company to pay any undisputed amounts due hereunder to the Reinsurer and such breach has not been cured within thirty (30) calendar days after the Ceding Company's receipt of written notice thereof from the Reinsurer.

"Reinsurance Premiums" shall mean the Quota Share of the premiums, policy loan principal and interest payments, and other fees, amounts, payments, collections and recoveries received by the Ceding Company or collected by the Administrator with respect to the Reinsured Policies.

"Reinsured Liabilities" shall mean the Quota Share of:

(a) all liabilities of the Ceding Company with respect to claims, net of applicable surrender charges and market value adjustments, if any, for benefits related to partial surrenders, full surrenders, death claims, annuitizations, policy loans, dividends and any other contractual benefits under the Reinsured Policies;

(b) all claims expenses, including litigation expenses, to the extent incurred at or after the Effective Date by the Ceding Company and relating to the Reinsured Liabilities in respect of the TPA-Administered Policies, other than such expenses incurred by the Ceding Company in connection with the exercise by the Ceding Company of its participation rights under Article V of the Administrative Services Agreement;

(c) all liabilities arising out of or resulting from changes to the terms and conditions of the Reinsured Policies made by the Administrator or agreed to in writing by the Reinsurer or mandated by applicable law;

(d) all commissions and other compensation payable with respect to premium paid on or after the Effective Date under the Reinsured Policies to or for the benefit of Producers;

(e) all contractual benefits arising under the Reinsured Policies payable to a Governmental Entity pursuant to any applicable escheat or unclaimed property Law;

(f) all premium taxes and guaranty fund assessments payable by the Ceding Company with respect to premium paid on or after the Effective Date under the Reinsured Policies; and

(g) the Reinsurer Extra-Contractual Obligations;

provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all fixed annuity contracts issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any rider forms that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, and (b) all supplementary contracts, whether with or without life contingencies, issued by the Ceding Company on or following the Effective Date upon the annuitization of any annuity contract referenced in (a) above.[4]

"Reinsurer" shall have the meaning specified in the Preamble hereto.

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[4] **Note to Draft**: Parties to consider whether to add a process for dealing with policy forms discovered following the Effective Date.

"Reinsurer Extra-Contractual Obligations" shall mean all Extra-Contractual Obligations other than Ceding Company Extra-Contractual Obligations.

"RLI-Administered Policies" shall mean those Reinsured Policies issued by the Ceding Company on the policy forms designated on Schedule I as being administered by the Ceding Company.

"RLI Ceding Commission" shall have the meaning specified in the Master Agreement.

"RLI Daily Accounting Report" shall have the meaning specified in Section 7.01(b)(i).

"RLI Interim Net Settlement Amount" shall have the meaning specified in Section 7.05(b)(i).

"RLI Monthly Accounting Report" shall have the meaning specified in Section 7.01(b)(iii).

"RLI Net Settlement Amount" shall have the meaning specified in Section 7.05(b)(ii).

"RLI Required Initial Premium" shall have the meaning specified in Section 3.02(a).

"RLI Weekly Accounting Report" shall have the meaning specified in Section 7.01(b)(ii).

"Seller" shall have the meaning specified in the Recitals hereto.

"Separate Account" shall mean the separate account in which assets are maintained by the Ceding Company to support the Ceding Company's payment obligations with respect to the separate account fixed indexed annuity contracts comprising the Reinsured Policies.[5]

"Service Fees" shall have the meaning specified in the Administrative Services Agreement.

"Statutory Carrying Value" shall mean, with respect to any asset, as of the relevant date of determination, the amount permitted to be carried by the Ceding Company as an admitted asset consistent with Ceding Company Domiciliary State SAP.

"Terminal Accounting Report" shall have the meaning specified in Section 11.03.

"Third Party Actuary" shall mean a nationally recognized accounting or actuarial firm mutually agreed upon by the parties hereto; provided, that if the parties are unable to mutually agree, they shall jointly request the President of the Society of Actuaries to appoint, within ten (10) Business Days from the date of such request, a nationally recognized accounting or actuarial firm with actuarial expertise independent of both the Ceding Company and the Reinsurer and their respective Affiliates to serve as the Third Party Actuary. In the event that the President of the Society of Actuaries declines to so make such appointment, the parties shall jointly request the American Arbitration Association to make such appointment.

[5] **Note to Draft**: To be confirmed whether there is more than one separate account.

"TPA-Administered Policies" shall mean those Reinsured Policies issued by the Ceding Company on the policy forms designated on Schedule I as being administered by the Ceding Company.

"TPA Daily Accounting Report" shall mean the Daily Accounting Report as such term is defined in the Administrative Services Agreement.

"TPA Monthly Accounting Report" shall mean the Monthly Accounting Report as such term is defined in the Administrative Services Agreement.

"TPA Quarterly Accounting Report" shall mean the Quarterly Accounting Report as such term is defined in the Administrative Services Agreement.

"Treasury Regulations" shall mean all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

"Unamortized Ceding Commission" shall mean an amount equal to: (a) the RLI Ceding Commission, multiplied by (b)(i) the Modco Reserves as of the Recapture Effective Date, divided by (ii) the Modco Reserves as of the Effective Date.

"VIAC" shall have the meaning specified in the Recitals hereto.

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) 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 and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement, the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure, on a modified coinsurance basis, the Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement, the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies. Without limiting the Reinsurer's rights under the Administrative Services Agreement or this Agreement, the Reinsurer acknowledges that the Administrator will make decisions with respect to the payment of Reinsured Liabilities in respect of the TPA-Administered Policies under the Administrative Services Agreement and the Ceding Company will make decisions with respect to the payment of Reinsured Liabilities in respect of the RLI-Administered Policies under this Agreement, which decisions will be binding on the Reinsurer. In addition, the Reinsurer shall comply with the provisions of the Administrative Services Agreement applicable to it.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any terminations, amendments, modifications or waivers made by the Ceding Company in violation of Section 2.02(a) shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has been surrendered is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Reinsurer shall be entitled to all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.05 Credited Rates and Non-Guaranteed Elements. From and after the Effective Date, the Ceding Company shall establish all contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies (the "Non-Guaranteed Elements"); provided, that the Reinsurer shall be permitted to provide recommendations regarding the Non-Guaranteed Elements and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its Affiliates that is offered on a targeted basis to policy owners of the Reinsured Policies in which a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them that is not reinsured under this Agreement. Notwithstanding the foregoing, but subject to Section 5.15 of the Master Agreement, neither the Ceding Company nor its Affiliates shall be prohibited from maintaining for issuance any existing products of the Ceding Company or its Affiliates that are offered to their respective clients generally or any products that are developed and offered generally by the Ceding Company or its Affiliates not specifically directed to the policyholders of the Reinsured Policies nor shall the Ceding Company or any of its Affiliates be prohibited from engaging in general solicitation or marketing efforts not targeted at policy owners of the Reinsured Policies.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer to develop and implement a conservation or policyholder outreach program with respect to the Reinsured Policies, at the sole expense of the Reinsurer.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the IMR shall be ceded to the Reinsurer and maintained in the Modco Account.

Section 2.10 Acts of the Administrator. Notwithstanding any provision of this Agreement to the contrary, no act or failure to act by the Administrator shall be considered the act or failure to act by the Ceding Company for any purpose of this Agreement unless such act or failure to act is at the written direction of the Ceding Company.

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of the RLI Required Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. All Reinsurance Premiums other than the RLI Required Initial Premium shall be payable in accordance with Section 7.05 and the Administrative Services Agreement.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall allocate to the Modco Account Permitted Assets, including the Existing Hedges, with an aggregate Statutory Carrying Value as of the Effective Date equal to the initial premium (the "RLI Required Initial Premium"), which shall equal:

(i) the Modco Reserves as of the Effective Date, plus

(ii) the Existing IMR,[6] divided by the Applicable Tax Gross-Up Percentage, minus

(iii) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto.

(b) A list of the Permitted Assets to be so deposited (the "Initial Modco Assets"), including the Statutory Carrying Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.

(c) The amount of the RLI Required Initial Premium allocated to the Modco Account on the Effective Date (such estimated amount, the "Estimated RLI Required Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(d) The Estimated RLI Required Initial Premium shall be subject to adjustment following the Effective Date in accordance with the Master Agreement. Any such adjustment shall be promptly deposited into or withdrawn from the Modco Account, as applicable, by the Ceding Company.

[6] **Note to Draft**: If the Existing IMR is negative, it would reduce the Initial Premium.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Ceding Company shall pay to the Reinsurer the absolute value of the RLI Ceding Commission on the Effective Date.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Service Fees. The Reinsurer shall pay directly to the Administrator, on behalf of the Ceding Company, all Service Fees payable to the Administrator pursuant to the Administrative Services Agreement.

Section 5.02 Policy Expenses. On a monthly basis, the Reinsurer shall pay the Ceding Company an administrative expense fee ("Policy Expenses") to cover the cost of providing all administrative and other services necessary or appropriate in connection with the administration of the RLI-Administered Policies and the Reinsured Liabilities in respect of such RLI-Administered Policies in an amount calculated in accordance with Schedule II attached hereto. The Policy Expenses shall be payable by the Reinsurer to the Ceding Company in accordance with Section 7.05(b).

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Payment of Reinsured Liabilities for TPA-Administered Policies. In accordance with the terms of the Administrative Services Agreement, the Administrator shall pay, without duplication, directly on a gross basis, all Reinsured Liabilities in respect of the TPA-Administered Policies. The Reinsurer's obligations with respect to the Reinsured Liabilities shall be satisfied to the extent of any direct payments of such Reinsured Liabilities by the Administrator pursuant to the Administrative Services Agreement.

Section 6.02 Funding of the Administrative Account. Within [●] Business Days following the end of each calendar month, the Ceding Company shall cause to be transferred from the Modco Account sufficient funds such that, following such deposit, the balance of the Administrative Account is no less than the applicable Monthly Funding Amount.[7] Upon receipt of written notice from the Administrator that additional funds are required to pay Reinsured Liabilities in respect of the TPA-Administered Policies, the Ceding Company shall, within [●] Business Days following receipt of such notice, cause to be transferred from the Modco Account into the Administrative Account such additional funds; provided, however, that (a) the aggregate funds transferred from the Modco Account into the Administrative Account in any given calendar month shall not exceed $[●]. To the extent additional transfers of funds are required into the

[7] **Note to Draft**: If this Modco Agreement is used, then the Administrative Account will be an account owned by RLI.

Administrative Account above $[●] in any given month or there are insufficient funds in the Modco Account to satisfy any transfer into the Administrative Account required pursuant to this Section 6.02, then, upon receipt of written notice thereof, the Reinsurer shall deposit into the Administrative Account such additional funds or the amount of such deficiency, as applicable.

Section 6.03 Payment of Reinsured Liabilities for RLI-Administered Policies. Subject to Sections 6.04 and 6.05, the Reinsurer shall pay to the Ceding Company the Reinsured Liabilities in respect of the RLI-Administered Policies in accordance with Section 7.05(b).

Section 6.04 Claims Settlement for RLI-Administered Policies.

(a) Subject to Section 6.04(b) and 6.05, the Ceding Company shall be responsible for the settlement of claims with respect to the Reinsured Liabilities in respect of the RLI-Administered Policies in accordance with Section 10.01(c), applicable Law and the terms and conditions of such RLI-Administered Policies.

(b) The Ceding Company shall notify the Reinsurer in writing if the Ceding Company determines that a claim for payment under an RLI-Administered Policy should be contested or denied. The Reinsurer and the Ceding Company shall consult in good faith regarding the disposition of any such claim. The Reinsurer may, but shall not be required to, recommend to the Ceding Company how to handle such claim. In the event of any disagreement between the Ceding Company and the Reinsurer as to the validity or amount of such a claim, the Reinsurer shall have final authority over the disposition of such claim.

Section 6.05 Recoveries for RLI-Administered Policies. Subject to Section 6.04(b), if the Ceding Company obtains any recoveries in respect of a claim with respect to any Reinsured Liabilities in respect of the RLI-Administered Policies paid by the Reinsurer, the Ceding Company shall promptly pay to the Reinsurer the Quota Share of such recoveries.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Ceding Company Reporting.

(a) Ceding Company Reporting for TPA-Administered Policies. Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the TPA-Administered Policies which the Reinsurer reasonably requires in order to complete its financial statements and is readily available to the Ceding Company.

(b) Ceding Company Reporting for RLI-Administered Policies.[8]

(i) [Each Business Day, the Ceding Company shall deliver to the Reinsurer a daily accounting report (an "RLI Daily Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit A for the

[8] **Note to Draft**: Ceding Company reporting obligations with respect to the RLI-Administered Policies, including the timing thereof, to be agreed between signing and closing.

immediately preceding Business Day. The parties shall from time to time amend Exhibit A as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(ii) Within [three (3)] Business Days following the end of each calendar week, the Ceding Company shall deliver to the Reinsurer a weekly accounting report (an "RLI Weekly Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit B for the immediately preceding calendar week. The parties shall from time to time amend Exhibit B as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(iii) Within [three (3)] Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a monthly accounting report (an "RLI Monthly Accounting Report") with respect to the RLI-Administered Policies substantially in the form set forth in Exhibit C for the immediately preceding calendar month. The parties shall from time to time amend Exhibit C as necessary to appropriately effectuate the terms and conditions of this Agreement and to ensure the accounting and settlements made hereunder are correctly computed.

(iv) Within [three (3)] Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer and the Administrator, as of the end of such calendar month or the Recapture Effective Date, as applicable, a report of the assets held in the Modco Account and an investment accounting report substantially in the form set forth in Exhibit E attached hereto, which shall include holdings, book value roll forward and income reports, in each case, on a CUSIP level.

(v) Within [three (3)] Business Days following the end of each calendar month, the Ceding Company shall deliver to the Reinsurer a report of the RLI-Administered Policies in the form set forth in Exhibit D attached hereto, which shall include, among other things, (i) a roll-forward of policy count and account values with respect to the RLI-Administered Policies and (ii) a report setting forth *seriatim* information with respect to each of the RLI-Administered Policies, which shall be redacted such that it does not include Non-Public Personal Information, in each case, as of the end of such calendar month.

(vi) Upon request, the Ceding Company will promptly provide the Reinsurer with any additional information related to the RLI-Administered Policies available to the Ceding Company which the Reinsurer reasonably requires in order to complete its financial statements and is readily available to the Ceding Company.]

Section 7.02 Reinsurer Reporting. Without limiting the Ceding Company's right to dispute any such calculations, the Ceding Company acknowledges and agrees that the Reinsurer shall calculate the Modco Reserves and the IMR for purposes of this Agreement.[9] Within [●]

[9] **Note to Draft**: Athene may require the Administrator to perform reserve calculations for a specified transitional period before taking over this function.

Business Days following the end of each calendar quarter and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company and the Administrator a report setting forth (i) the Modco Reserves, determined on a *seriatim* basis, and (ii) the IMR, in each case, as of the end of such calendar quarter or such Recapture Effective Date, as applicable.

Section 7.03 Mutual Reporting. Each party shall provide written notice to the other party of the occurrence of any Recapture Triggering Event with respect to the disclosing party within five (5) Business Days learning of any such occurrence. In addition, each party shall promptly respond to the other party's reasonable inquiries from time to time concerning the determination of whether a Recapture Triggering Event has occurred with respect to the responding party.

Section 7.04 Reports by the Administrator. The Administrator shall provide to the Ceding Company and the Reinsurer periodic accounting and other reports with respect to the Modco Account, the Existing Hedges and the TPA-Administered Policies as specified in the Administrative Services Agreement.[10]

Section 7.05 Settlements.

(a) Settlements for the TPA-Administered Policies. Except as otherwise set forth herein or in the Administrative Services Agreement, on an ongoing basis (i) amounts owed hereunder by the Reinsurer to the Ceding Company in respect of the TPA-Administered Policies shall be settled through the direct payment of such Reinsured Liabilities by the Administrator under the Administrative Services Agreement, and (ii) amounts owed hereunder by the Ceding Company to the Reinsurer in respect of the TPA-Administered Policies and the Existing Hedges shall be settled through the direct collection of such amounts by the Administrator and payment of such amounts to the Modco Account or the Reinsurer under the Administrative Services Agreement.

(b) Settlements for RLI-Administered Policies.[11]

(i) [An interim net balance payable under this Agreement for each calendar week with respect to the RLI-Administered Policies (as set forth in the applicable RLI Weekly Accounting Report, the "RLI Interim Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the RLI Weekly Accounting Report delivered with respect to such period. Each RLI Interim Net Settlement Amount shall be payable as follows:

(1) If the RLI Interim Net Settlement Amount with respect to any period is positive, then the Ceding Company shall deposit into the Modco Account an amount equal to such RLI Interim Net Settlement

[10] **Note to Draft**: Pursuant to the Administrative Services Agreement, the Administrator will provide, among other things, a Quarterly Accounting Report that will include a calculation of the Modco Adjustment based on information it receives from the Ceding Company with respect to the Statutory Carrying Value of the assets maintained in the Modco Account and information it received from the Reinsurer with respect to the Modco Reserves and IMR.

[11] **Note to Draft**: Parties to further discuss settlements with respect to the RLI-Administered Policies.

Amount on the date on which such RLI Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer; or

(2) If the RLI Interim Net Settlement Amount with respect to any period is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account an amount equal to the absolute value of such RLI Interim Net Settlement Amount within [two (2)] Business Days following the date on which such RLI Interim Net Settlement Amount is reported by the Ceding Company to the Reinsurer.

All RLI Interim Net Settlement Amounts paid during any calendar month shall be reflected in the RLI Monthly Accounting Report with respect to such calendar month and taken into account in determining the RLI Net Settlement Amount with respect to such calendar month.

(ii) The net balance payable under this Agreement for each calendar month with respect to the RLI-Administered Policies (as set forth in the applicable RLI Monthly Accounting Report, the "RLI Net Settlement Amount") shall be calculated by the Ceding Company and reported to the Reinsurer in the RLI Monthly Accounting Report delivered with respect to such calendar month. Each RLI Net Settlement Amount shall be payable as follows:

(1) if the RLI Net Settlement Amount indicated in the RLI Monthly Accounting Report is positive, then the Ceding Company shall deposit into the Modco Account, on the date of delivery of such RLI Monthly Accounting Report to the Reinsurer, an amount equal to such RLI Net Settlement Amount; or

(2) if the RLI Net Settlement Amount indicated in an RLI Monthly Accounting Report is negative, then the Ceding Company shall be permitted to withdraw from the Modco Account, on the date that is [five (5)] Business Days following the delivery of the RLI Monthly Accounting Report to the Reinsurer, an amount equal to the absolute value of such RLI Net Settlement Amount; provided, that if the absolute value of such negative RLI Monthly Net Settlement Amount is greater than the fair market value of the assets in the Modco Account as of the last day of the relevant calendar month, then the Reinsurer shall pay the amount of such difference to the Ceding Company no later than [five (5)] Business Days after the receipt by the Reinsurer of the applicable RLI Monthly Accounting Report.

(iii) Except as otherwise set forth herein, any amount due under this Section 7.05(b) shall be paid by wire transfer of immediately available funds to the account or accounts designated by the recipient thereof.

(c) Modco Adjustments shall be payable each calendar quarter as follows:

(i) if the Modco Adjustment is positive, then the Reinsurer shall pay to the Ceding Company for immediate deposit into the Modco Account such positive amount no later than [five (5)] Business Days after the receipt by the Reinsurer of the applicable TPA Quarterly Accounting Report; and

(ii) if the Modco Adjustment is negative, then, on the date of delivery of the TPA Quarterly Accounting Report to the Reinsurer, the Ceding Company shall withdraw assets with a Statutory Carrying Value equal to the absolute value of such negative amount from the Modco Account and pay the absolute value of such negative amount to the Reinsurer.]

ARTICLE VIII

MODCO ACCOUNT

Section 8.01 Modco Account.

(a) As of the Effective Date, the Ceding Company shall establish a modified coinsurance account (the "Modco Account") on the books and records of the Ceding Company. Permitted Assets allocated to the Modco Account shall be deposited by the Ceding Company into a custody account maintained by the Ceding Company at [●] (the "Custody Account"), pursuant to the Custody Agreement attached as Exhibit F hereto. The Modco Account and the assets maintained therein will be owned and maintained by the Ceding Company and will be used exclusively for the purposes set forth in this Agreement. The assets maintained in the Modco Account shall be invested in and consist only of Permitted Assets, and the Permitted Assets shall be valued, for the purposes of this Agreement, according to their Statutory Carrying Value.

(b) The Ceding Company shall have the right to withdraw assets from the Modco Account at fair market value to the extent the Reinsurer fails to pay any undisputed amount due to the Ceding Company under this Agreement. The Ceding Company shall promptly return to the Modco Account any assets withdrawn by the Ceding Company or its Affiliates in excess of the actual amounts payable from the Modco Account hereunder ("Modco Excess Withdrawals"). The Ceding Company shall also pay interest on any Modco Excess Withdrawals at a rate equal to six percent (6%) per annum, calculated on a 30/360 basis from and including the date of withdrawal to but excluding the date on which the Modco Excess Withdrawal is returned to the Modco Account. Any Modco Excess Withdrawals shall be held by the Ceding Company or any successor in interest of the Ceding Company in trust for the benefit of the Reinsurer and shall at all times be maintained separate and apart from any assets of the Ceding Company or its designee, for the sole purposes described herein.

(c) Determinations of statutory impairments of assets maintained in the Modco Account shall be made by the Ceding Company and shall be (i) based upon the statutory rules and guidelines and the impairment policy used by the Ceding Company and its auditors for purposes of calculating statutory impairments reflected in the Ceding Company's statutory financial statements and (ii) subject to consultation between the Reinsurer and the Ceding Company. The Ceding Company shall promptly notify the Reinsurer in writing if the Ceding Company determines that any assets maintained in the Modco Account have become impaired for purposes of determining Statutory Carrying Value. Such notice shall describe any such assets, the reason for the impairment and the effect on Statutory Carrying Value of such assets.

(d) The Reinsurer shall bear the administrative costs and expenses related to the establishment and maintenance of the Modco Account, including the fees of [●], as custodian of the Custody Account, and the fees of any investment manager appointed pursuant to Section 8.03 (including any sub-investment manager appointed in accordance with the Investment Management Agreement). The Ceding Company shall, or shall cause the Administrator to, promptly forward to the Reinsurer any invoice it receives relating to such costs and expenses.

(e) The performance of the assets maintained in the Modco Account, including of all investment income, capital gains or losses, defaults and/or statutory impairments, will inure to the sole benefit or cost of the Reinsurer. Each such item shall be determined in accordance with Ceding Company Domiciliary State SAP. Investment income and realized capital gains and losses shall be allocated to the Modco Account.

Section 8.02 Credit for Reinsurance. The Ceding Company shall own the Modco Account and the assets maintained therein, and the Reinsurer will not be required to provide reserve credit in respect of the Reinsured Liabilities ceded hereunder on a modified coinsurance basis.

Section 8.03 Investment Management. Pursuant to an investment management agreement, substantially in the form attached as Exhibit G hereto (the "Investment Management Agreement"),[12] the Ceding Company shall appoint Athene Asset Management, L.P. as investment manager to provide investment management services with respect to the assets maintained in the Modco Account (the "Investment Manager"). The Ceding Company shall not amend, modify or change the terms of the Investment Management Agreement, including the investment guidelines attached as an exhibit thereto, or remove or replace the Investment Manager without the prior written consent of the Reinsurer or for cause in accordance with the terms of such agreement. In the event that the Investment Manager is removed or resigns, the Ceding Company shall appoint a replacement investment manager reasonably acceptable to the Reinsurer. The replacement investment manager shall accept its appointment by entering into an investment management agreement in a form acceptable to the Ceding Company and the Reinsurer, and substantially similar to the Investment Management Agreement.

ARTICLE IX

HEDGING

Section 9.01 Existing Hedges.

(a) The Ceding Company hereby assigns to the Reinsurer, as of the Effective Date, a fractional interest in the gross proceeds in respect of all Existing Hedges equivalent to the Quota Share of all amounts actually received (or deemed received) by the Ceding Company pursuant to the Existing Hedges from the relevant hedge counterparty, including upon an early exercise of an Existing Hedge by the Ceding Company, which amounts shall be determined without regard to any netting of amounts between the Ceding Company and the relevant hedge counterparty with respect to any derivatives that are not Existing Hedges (the "Existing Hedge

[12] **Note to Draft**: Form of IMA to be negotiated prior to closing.

Proceeds"). Such assignment shall occur automatically, without further action on the part of either party, on the Effective Date. Upon any termination of this Agreement, all of the Reinsurer's right, title and interest (legal, equitable and otherwise) in and to the Existing Hedge Proceeds will be immediately assigned to the Ceding Company without any further action by the parties hereto.

(b) Any Existing Hedge Proceeds shall be attributed to the Modco Account and reflected in the applicable TPA Daily Accounting Report. The Administrator shall collect and deposit into the Modco Account such Existing Hedge Proceeds in accordance with the terms of the Administrative Services Agreement.

(c) Other than with respect to the Existing Hedges, the Reinsurer shall be responsible for hedging its share of the index risk associated with the Reinsured Policies.

ARTICLE X

ADMINISTRATION

Section 10.01 Policy Administration.

(a) Pursuant to the Administrative Services Agreement, the Administrator shall administer the TPA-Administered Policies, the Separate Account and Existing Hedges on behalf of the Ceding Company. In the event of a termination of the Administrative Services Agreement, other than by reason of the termination of this Agreement, the Ceding Company shall delegate the administration of the Reinsured Liabilities in respect of such TPA-Administered Policies to a third-party administrator reasonably acceptable to the Reinsurer. The Ceding Company and such replacement third-party administrator shall enter into an administrative services agreement on substantially similar terms and conditions as the Administrative Services Agreement and pursuant to which such replacement third-party administrator agrees to provide services substantially similar to the services set forth in the Administrative Services Agreement. In the event of any such delegation in accordance with this Section 10.01(a), such replacement shall be the "Administrator" as defined in this Agreement and the new administrative services agreement shall be the "Administrative Services Agreement" as defined in this Agreement. The Ceding Company shall consult with the Reinsurer in good faith prior to any termination of the Administrative Services Agreement.

(b) The Reinsurer hereby acknowledges that the Ceding Company has retained VIAC as the Ceding Company's designee to provide all claims, administrative and other services with respect to the TPA-Administered Policies and the Existing Hedges in accordance with the Administrative Services Agreement. The Ceding Company shall not amend or waive any of its rights thereunder that would reasonably be expected to affect the Reinsurer's rights or obligations with respect to the TPA-Administered Policies or the Reinsured Liabilities in respect of such TPA-Administered Policies without the prior written consent of the Reinsurer (such consent not to be unreasonably withheld, conditioned or delayed). Other than pursuant to the Administrative Services Agreement, the Ceding Company shall not outsource any administrative functions with respect to the Reinsured Policies or this Agreement without the prior written consent of the Reinsurer, other than (i) any outsourcing of functions to Cognizant Technology Solutions or Cognizant Worldwide Ltd. in effect on the Effective Date and (ii) any other outsourcing of functions other than claims and policy administration in effect on the Effective Date. If the Reinsurer consents to any such outsourcing of any administrative functions or claims administration with respect to the Reinsured Policies or this Agreement other than to VIAC, the Ceding Company shall secure the Reinsurer's right to audit and inspect the party performing such outsourced services.

(c) The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services, including applicable reporting under Article VII, with respect to the RLI-Administered Policies. The Ceding Company shall conduct its administration and claims practices with respect to such RLI-Administered Policies (i) with a level of skill, diligence and expertise that would reasonably be expected from experienced and qualified personnel performing such duties in similar circumstances, (ii) in accordance with applicable Law and the terms of such RLI-Administered Policies, and (iii) in a manner at least equal in quality to the standards used by the Ceding Company with respect to other annuity contracts of the Ceding Company not reinsured by the Reinsurer hereunder.

Section 10.02 The Foreign Account Tax Compliance Act. Both the Reinsurer and the Ceding Company agree to provide all information necessary to comply (or permit the other party to comply) with Sections 1471 – 1474 of the Code, (the "Foreign Account Tax Compliance Act" or "FATCA") and any Treasury Regulations or other guidance issued pursuant thereto, including, without limitation, Forms W-9, Forms W-8BEN-E, and any information necessary for the Reinsurer or the Ceding Company to enter into an agreement described in Section 1471(b) of the Code and to comply with the terms of that agreement or to comply with the terms of any inter-governmental agreements between the United States and any other jurisdictions relating to FATCA. This information shall be provided upon execution of this Agreement, promptly upon reasonable demand by either party and promptly upon learning that any such information previously provided has become obsolete or incorrect.

Section 10.03 Anti-Money Laundering. The Ceding Company has established and will maintain reasonable policies and procedures to comply in all material respects with applicable Laws relating to anti-money laundering and anti-terrorism financing activities including, without limitation, the U.S.A. Patriot Act, the lists promulgated or maintained by the United States Department of Treasury naming specially designated nationals or blocked Persons, and any other Laws that impose sanctions or prohibit or restrict transactions or relations with designated Persons.

Section 10.04 Record-Keeping.

(a) The Ceding Company shall maintain, in accordance with insurance industry standards of insurance record-keeping, all books and records relating to the TPA-Administered Policies, other than Administration Books and Records.

(b) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the RLI-Administered Policies in accordance with industry standards of insurance record-keeping. In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates.

(c) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the RLI-Administered Policies including associated documentation and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to Article VII shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE XI

TERM AND TERMINATION

Section 11.01 Duration of Agreement. Unless the Reinsured Policies are recaptured in accordance with Section 11.02, this Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 11.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 11.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 11.02.

(b) The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event of the occurrence of a Recapture Triggering Event with respect to the Reinsurer by promptly providing the Reinsurer or its Authorized Representative with written notice of such recapture, specifying a recapture date (the "Recapture Effective Date").

(c) The Reinsurer may terminate this Agreement and cause the Reinsured Policies to be recaptured in full in the event of a Recapture Triggering Event with respect to the Ceding Company by promptly providing the Ceding Company or its Authorized Representative with written notice of such recapture, specifying a Recapture Effective Date.

Section 11.03 Recapture Payment. In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company), a net accounting and settlement as to any balance due under this Agreement with respect to the TPA-Administered Policies shall be undertaken by the Administrator and a net accounting and settlement as to any balance due under this Agreement with respect to the RLI-Administered Policies shall be undertaken by the Ceding Company, in each case, which calculations shall be as of the Recapture Effective Date. Within [●] Business Days following the Recapture Effective Date, the Ceding Company shall deliver to the Reinsurer and the Administrator a final RLI Monthly Accounting Report in respect of the RLI-Administered Policies and the assets maintained in the Modco Account, and within [●] Business Days following the Recapture Effective Date, the Administrator shall deliver to the Ceding Company and the Reinsurer a final TPA Monthly Accounting Report in respect of the TPA-Administered Policies and a final TPA Quarterly Accounting Report, each as of the Recapture Effective Date (all such reports provided by the Ceding Company and the

Administrator, collectively, the "Terminal Accounting Report"). Within three (3) Business Days after the finalization of the Terminal Accounting Report in accordance with Section 11.04, (a) the final net settlement amount and final Modco Adjustment set forth in such Terminal Accounting Report shall be paid, (b) in the event of a recapture other than pursuant to Section 11.02(c), the Reinsurer shall pay to the Ceding Company an amount equal to the Unamortized Ceding Commission in cash by wire transfer of immediately available funds, and (c) thereafter, all assets in the Modco Account shall be released to the Ceding Company.

Section 11.04 Determination of Final Terminal Accounting Report.

(a) After the receipt by the Ceding Company and the Reinsurer of the Terminal Accounting Report provided for in Section 11.03, and until such time as such report is finalized pursuant to this Section 11.04, each of the Ceding Company and the Reinsurer and their respective authorized representatives shall have, upon prior written notice, reasonable access during normal business hours to the working papers of the other party and the Administrator relating to such report and the items set forth thereon. Each of the Ceding Company and the Reinsurer shall have the right to review and comment on the portions of such report provided by the Administrator, and the Reinsurer shall have the right to review and comment on the portions of such report provided by the Ceding Company, in each case, for a period of thirty (30) calendar days after receipt of such report. Any changes in such reports that are agreed to by the parties within such thirty (30) calendar day review period shall be incorporated into a final report. In the event neither the Ceding Company nor the Reinsurer disputes such report within such thirty (30) calendar day review period, such report shall be deemed final.

(b) In the event that a dispute arises regarding any item or items in the Terminal Accounting Report within such thirty (30) calendar day review period, each of the parties shall appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(c) In the event that the officers are unable to resolve such dispute within twenty (20) calendar days, each of the parties shall prepare separate written reports of such item or items remaining in dispute and refer such reports to the Third Party Actuary within ten (10) calendar days after the expiration of such twenty (20) calendar day resolution period.

(d) The Third Party Actuary shall resolve within thirty (30) calendar days the dispute regarding such item or items in Terminal Accounting Report; provided, however, that the dollar amount of each item in dispute shall be determined within the range of dollar amounts proposed by the Ceding Company and the Reinsurer.

(e) The determinations by the Third Party Actuary as to the items in dispute shall be in writing and shall be final and binding on the parties. The fees, costs and expenses of retaining the Third Party Actuary shall be shared equally by the Ceding Company and the Reinsurer

Section 11.05 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XII

ERRORS AND OMISSIONS; INDEMNIFICATION

Section 12.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

Section 12.02 Administrator Indemnification Obligations. From and after the Effective Date, the Reinsurer shall indemnify and defend the Ceding Company and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, a "Ceding Company Indemnified Party" and collectively, with each other Ceding Company Indemnified Party, the "Ceding Company Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Ceding Company Indemnified Parties directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of the Administrator during the term of the Administrative Services Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Administrator under the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (iv) Losses arising from security breaches as described in Section 2.12 of the Administrative Services Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (v) any breach or violation of any applicable Law by the Administrator or any of its Affiliates in connection with the Administrative Services Agreement (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Ceding Company, or its permitted designees), or (vi) any enforcement of this indemnity; provided, that such indemnification shall apply only to the extent that such Loss exceeds the Ceding Company Liability Cap.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Consent to Jurisdiction. Each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 17.05, constitute good, proper and sufficient service thereof.

Section 13.02 Service of Process. The Reinsurer hereby designates the Insurance Commissioner of the Ceding Company Domiciliary State as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 17.05.

Section 13.03 Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIV

INSOLVENCY

Section 14.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the Ceding Company or to its liquidator, receiver or statutory successor, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. The liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer.

ARTICLE XV

TAXES

Section 15.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 15.02 Excise Tax. In the event that any excise tax is due with respect to any amounts payable by the Ceding Company to the Reinsurer under this Agreement, the Ceding Company shall pay the entire amount of such excise tax and shall be permitted to withhold the amount of such excise tax from amounts due to the Reinsurer hereunder or otherwise require that the Reinsurer reimburse the Ceding Company for any such excise tax paid by the Ceding Company.

ARTICLE XVI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.01 Representations and Warranties of the Ceding Company. The Ceding Company hereby represents and warrants to the Reinsurer, as of the Effective Date, as follows:

(a) Organization and Qualification. The Ceding Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Minnesota and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(b) Authorization. The Ceding Company has all requisite corporate power to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Ceding Company of this Agreement, and the consummation by the Ceding Company of the transactions contemplated by, and the performance by the Ceding Company of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Ceding Company. This Agreement has been duly executed and delivered by the Ceding Company, and (assuming due authorization, execution and delivery by the Reinsurer) this Agreement constitutes the legal, valid and binding obligation of the Ceding Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Ceding Company of, and the consummation by the Ceding Company of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Ceding Company, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Ceding Company or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Ceding Company or any of its subsidiaries is a party or by which the Ceding Company or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(d) Solvency. The Ceding Company is and will be Solvent on a statutory basis immediately after giving effect to this Agreement. For the purposes of this Section 16.01(d), "Solvent" means that: (i) the aggregate assets of the Ceding Company are greater than the aggregate liabilities of the Ceding Company, in each case determined in accordance with Ceding Company Domiciliary State SAP; (ii) the Ceding Company does not intend to, and does not believe that it will, incur debts or other liabilities beyond its ability to pay such debts and other liabilities as they come due; and (iii) the Ceding Company is not engaged in a business or transaction, and does not contemplate engaging in a business or transaction, for which the Ceding Company's assets would constitute unreasonably insufficient capital.

(e) Governmental Licenses. The Ceding Company has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Ceding Company's business are valid and in full force and effect. The Ceding Company is not subject to any pending Action or, to the knowledge of the Ceding Company, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Ceding Company's ability to perform its obligations under this Agreement.

(f) Separate Account. The Separate Account has been maintained in all material respects in accordance with applicable Law. No plan of operations with respect to the Separate Account was required to be filed and approved by any Governmental Entity.

Section 16.02 Covenants of the Ceding Company.

(a) Investigations. To the extent permitted by applicable Law, the Ceding Company shall promptly notify the Reinsurer, in writing, of any and all investigations of the Ceding Company conducted by any Governmental Entity commencing after the date hereof, other than routine State insurance department examinations that would not otherwise reasonably be expected to adversely affect the performance by the Ceding Company of its obligations under this Agreement in any material respect; provided, however, that the Ceding Company may withhold any notice otherwise required to be delivered pursuant to this Section 16.02(a) to the extent that the delivery thereof to the Reinsurer would result in a waiver of the attorney-client privilege, the work-product doctrine or any other applicable legal privilege or similar doctrine.

(b) Existence; Conduct of Business. The Ceding Company shall use reasonable best efforts to do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, Permits and privileges material to the conduct of its business.

(c) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Ceding Company or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

(d) Restrictions on Liens. The Ceding Company shall not create, incur, assume or suffer to exist any liens on the assets in the Modco Account, including the Existing Hedges (whether owned on the date of this Agreement or hereafter acquired), or on any interest therein or the proceeds thereof.

(e) Governmental Notices. The Ceding Company shall provide the Reinsurer, within [five (5)] Business Days after receipt thereof, copies of any written notice or report from any Governmental Entity and a written summary of any material oral communication with any Governmental Entity, in each case, solely with respect to the RLI-Administered Policies.

(f) Plan of Operations. The Ceding Company shall not establish, amend or otherwise modify any plan of operations with respect to the Separate Account without the prior written approval of the Reinsurer.

Section 16.03 Representations and Warranties of the Reinsurer. The Reinsurer hereby represents and warrants to the Ceding Company, as of the Effective Date, as follows:

(a) Organization and Qualification. The Reinsurer is a corporation duly incorporated, validly existing and in good standing under the Laws of Bermuda and has all requisite corporate power and authority to operate its business as now conducted, and is duly qualified as a foreign corporation to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for failures to be so qualified or be in good standing that, individually or in the aggregate, do not have, and would not 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 to enter into, consummate the transactions contemplated by and carry out its obligations under, this Agreement. The execution and delivery by the Reinsurer of this Agreement, and the consummation by the Reinsurer of the transactions contemplated by, and the performance by the Reinsurer of its obligations under, this Agreement have been duly authorized by all requisite corporate action on the part of the Reinsurer. This Agreement has been duly executed and delivered by the Reinsurer, and (assuming due authorization, execution and delivery by the Ceding Company) this Agreement constitutes the legal, valid and binding obligation of the Reinsurer, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws relating to or affecting creditors' rights generally.

(c) No Conflict. The execution, delivery and performance by the Reinsurer of, and the consummation by the Reinsurer of the transactions contemplated by, this Agreement do not and will not (i) violate or conflict with the organizational documents of the Reinsurer, (ii) conflict with or violate any Law or Permit of any Governmental Entity applicable to the Reinsurer or by which it or its properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, acceleration or cancellation of, any agreement, lease, note, bond, loan or credit agreement, mortgage, indenture or other instrument, obligation or contract of any kind to which the Reinsurer or any of its subsidiaries is a party or by which the Reinsurer or any of its subsidiaries or any of their respective properties or assets is bound or affected, except, in the case of clause (iii), any such conflicts, violations, breaches, loss of contractual benefits, defaults or rights that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

(d) Governmental Licenses. The Reinsurer has all Permits necessary to conduct its business as currently conducted and execute and deliver, and perform its obligations under, this Agreement, except in such cases where the failure to have a Permit has not had and would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement. All Permits that are material to the conduct of the Reinsurer's business are valid and in full force and effect. The Reinsurer is not subject to any pending Action or, to the knowledge of the Reinsurer, any threatened Action that seeks the revocation, suspension, termination, modification or impairment of any Permit that, if successful, would reasonably be expected to have, or with the passage of time become, a material adverse effect on the Reinsurer's ability to perform its obligations under this Agreement.

Section 16.04 Covenants of the Reinsurer.

(a) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to, the Reinsurer or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 17.02 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement; provided that the Reinsurer may not set off or recoup any such balance or balances against amounts required to be deposited into the Administrative Account pursuant to Section 6.02.

(b) Except as otherwise set forth in Section 17.02(a), the rights provided under this Section 17.02 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIV.

Section 17.03 No Third-Party Beneficiaries. The Administrator shall be an express third-party beneficiary with respect to Section 5.01. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and, solely with respect to Section 5.01, the Administrator, and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 17.04 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 17.05 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.,* FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

Athene Life Re Ltd.
Chesney House
96 Pitts Bay Road
Hamilton, HM 08 Bermuda
Attention: Frank Gillis; Tab Shanafelt
Telephone: 441-279-8410; 441-279-8414
Fax: 441-279-8401
Email: legalbda@athene.bm

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 17.05.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 17.06 Good Faith. Each of the Ceding Company and the Reinsurer hereby covenants and agrees that it shall act in utmost good faith and deal fairly with each other in order to accomplish the objectives of this Agreement; provided, that each party absolutely and irrevocably waives resort to the duty of "utmost good faith" or any similar principle in connection with the formation of this Agreement or the Administrative Services Agreement.

Section 17.07 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, the Existing Hedges, the Separate Account, the assets maintained in the Modco Account or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to such inspections shall be borne by the Reinsurer.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement have terminated or been fully discharged.

Section 17.08 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 17.09 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 17.10 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 17.11 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 17.12 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 17.13 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 17.14 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 17.15 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the Ceding Company Domiciliary State without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 17.16 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

RELIASTAR LIFE INSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

ATHENE LIFE RE LTD.

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDER FORMS

[To come]

SCHEDULE II

POLICY EXPENSES

The Policy Expenses with respect to each calendar month shall be an amount equal to [●].[13]

[13] **Note to Draft**: Parties to discuss.

SCHEDULE III

INITIAL MODCO ASSETS

[To come]

SCHEDULE IV

EXISTING HEDGES

[To come]

EXHIBIT A

RLI DAILY ACCOUNTING REPORT

[To come]

EXHIBIT B

RLI WEEKLY ACCOUNTING REPORT

[To come]

EXHIBIT C

RLI MONTHLY ACCOUNTING REPORT

[To come]

EXHIBIT D

RLI-ADMINISTERED POLICIES REPORT/SERIATIM INFORMATION FIELDS

[To come]

EXHIBIT E

MODCO ASSET REPORT

[To come]

EXHIBIT F

<u>CUSTODY AGREEMENT</u>

[To come]

EXHIBIT G

INVESTMENT MANAGEMENT AGREEMENT

[To come]

<u>EXHIBIT R</u>
Form of New Captive Reinsurance Agreement

[See attached.]

FUNDS WITHHELD COINSURANCE AND MODIFIED COINSURANCE AGREEMENT

between

[NewCo Captive, Inc.]

and

Voya Insurance and Annuity Company

effective as of [●]

Treaty Number [●]

([__] Transaction)

TABLE OF CONTENTS

Schedules

FUNDS WITHHELD COINSURANCE AND MODIFIED COINSURANCE AGREEMENT

This FUNDS WITHHELD COINSURANCE AND MODIFIED COINSURANCE AGREEMENT (the "Agreement"), effective as of [●] (the "Effective Date"), is made by and between Voya Insurance and Annuity Company, a life insurance company domiciled in the State of Iowa (the "Ceding Company"), and [NewCo Captive, Inc.], a captive insurance company domiciled in the State of Arizona (the "Reinsurer").

WITNESSETH:

WHEREAS, the Ceding Company desires to cede, on a funds withheld coinsurance and modified coinsurance basis, and the Reinsurer desires to accept, liabilities under the Reinsured Policies (as defined below), subject to the terms, conditions and limitations contained herein.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Account Value" shall mean the aggregate amount of all premiums, deposits and other amounts received by the Ceding Company from a contractholder with respect to a Reinsured Policy, together with any interest thereon or other amounts credited thereto, net of withdrawals, surrenders, policy loans and any other reductions.

"Accounting Period" shall mean (a) a calendar quarter or, in the event of a termination of this Agreement in accordance with Article IX, such shorter period as may end on the termination effective date or (b) any shorter period to which the parties may agree; provided, that the first Accounting Period shall commence on the Effective Date and end on the last day of the calendar quarter during which the Effective Date occurs.

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such specified Person; provided, that "control" (including, with correlative meanings, "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"Agreement" shall have the meaning specified in the Preamble hereto.

"Arizona Director" shall have the meaning specified in Section 8.02(b).

“Authorized Representative” shall have the meaning specified in Section 11.01(a)(i).

“Books and Records” shall have the meaning specified in Section 8.02(a).

“Business Day” shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by law or executive order to close in the State of Iowa or the State of New York.

“Ceding Company” shall have the meaning specified in the Preamble hereto.

“Code” shall have the meaning specified in Section 12.01(b).

“Effective Date” shall have the meaning specified in the Preamble hereto.

“Excluded Liabilities” shall mean Extra-Contractual Obligations and any *ex gratia* payments made by the Ceding Company (*i.e.*, payments the Ceding Company is not required to make under the terms of the Reinsured Policies).

“Expense Allowance” shall have the meaning specified in Section 3.03.

“Extra-Contractual Obligations” shall mean any liabilities or obligations not arising under the express terms and conditions of, or in excess of the applicable policy limits of, the Reinsured Policies, including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages awarded against or paid by the Ceding Company, which liabilities or obligations arise from any act, error or omission committed by the Ceding Company, whether or not intentional, negligent, in bad faith or otherwise relating to (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies, (d) escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, or (e) the failure of the Reinsured Policies to qualify for their intended tax status.

“Funds Withheld Account” shall have the meaning specified in Section 5.01(a).

“Funds Withheld Account Assets” shall have the meaning specified in Section 5.01(a).

“Funds Withheld Amount” shall mean either (a) the Required Amount or (b) any lesser amount mutually agreed upon by the parties in accordance with Section 5.01(b).

“Funds Withheld Trust Agreement” shall mean the a trust agreement between the Ceding Company, the Reinsurer and the Trustee (as defined therein) pursuant to which the Funds Withheld Account Assets will be held in trust by the Trustee.

“General Account Liabilities” shall mean, with respect to the Reinsured Policies, the following: (a) the liabilities for claims, benefits, unearned premium, interest on claims or unearned premiums, interest on policy funds, withdrawals, amounts payable for returns or refunds of premium, surrender amounts and any other amounts payable under the express terms and conditions of the Reinsured Policies to the extent such liabilities are not Separate Account Liabilities; provided, that General Account Liabilities with respect to the annuitization of any Reinsured Policy which has a MGIB rider shall be equal to the Statutory Reserve for the amount of the annuitization payment calculated under the Reinsured Policy (including, for the avoidance of doubt, any applicable riders) as of the time of the annuitization; provided, further, that General Account Liabilities with respect to a Reinsured Policy at MGWB Payout shall be equal to the Statutory Reserve for the payment calculated under the MGWB rider for such Reinsured Policy as of the time of MGWB Payout; (b) all liabilities arising out of changes to the terms and conditions of the Reinsured Policies consented to by the Reinsurer in accordance with Section 2.04(a), mandated by applicable law or initiated by a contractholder, claimant or beneficiary pursuant to the terms of the applicable Reinsured Policies but excluding in all cases, Excluded Liabilities; and (c) any general account fixed options under Reinsured Policies.

"General Account Reserve" shall mean the statutory reserves with respect to General Account Liabilities, calculated consistent with the reserve requirements, statutory accounting rules and actuarial principles applicable to the Ceding Company under applicable law. For the avoidance of doubt, "General Account Reserves" do not include the Separate Account Reserves.

"Investment Management Agreement" shall have the meaning specified in Section 5.05.

"Investment Manager" shall have the meaning specified in Section 5.05.

"Initial Payment" shall mean [●].

"Letter of Credit" shall have the meaning specified in Section 5.02.

"MGIB" shall mean a minimum guaranteed income benefit under a variable annuity policy rider.

"MGWB" shall mean a minimum guaranteed withdrawal benefit under a variable annuity policy rider.

"MGWB Payout" shall mean, with respect to a Reinsured Policy with a MGWB rider, the time at which the Account Value of such Reinsured Policy equals zero (0) dollars at maturity of the MGWB rider.

"Net Settlement" shall mean the amount paid either from the Ceding Company to the Reinsurer or from the Reinsurer to the Ceding Company each Accounting Period, as determined in accordance with Section 4.02.

"Non-Public Personal Information" shall have the meaning specified in Section 13.09.

"Permitted Assets" shall mean cash, any securities qualifying as admitted assets of the Ceding Company under the applicable laws of the state of domicile of the Ceding Company, and any other form of security acceptable to the Iowa Insurance Commissioner.

"Person" shall mean and include an individual, a corporation, a partnership, an association, a trust, an unincorporated organization or a government or political subdivision thereof.

"Policy Premium" shall mean the amount of premium paid by the contractholder to the Ceding Company and all other amounts paid to the Ceding Company in respect of a Reinsured Policy.

"Qualifying Assets" shall have the meaning specified in Section 6.02(c).

"Reinsurance Premium" shall have the meaning specified in Section 3.02.

"Reinsured Liabilities" shall have the meaning specified in Section 2.01(c).

"Reinsured Policies" shall mean all variable annuity contracts written on the policy forms described on Schedule A hereto, including any amendments, riders or endorsements attached thereto[; provided, that "Reinsured Policies" shall not include any supplementary contracts issued by the Ceding Company upon the annuitization of any such variable annuity contracts, or any such variable annuity contracts that have been the subject of an annuitization].[1]

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Required Amount" shall mean, with respect to any date of determination, an amount equal to the General Account Reserves as of such date.

"Required Trust Account Amount" shall have the meaning specified in Section 6.02(a).

"SAP" shall mean the statutory accounting principles prescribed or permitted by the insurance regulatory authorities in the State of Iowa or other applicable jurisdictions.

"Separate Account" shall mean all variable annuity separate accounts maintained by the Ceding Company with respect to the Reinsured Policies and described on Schedule B hereto.

"Separate Account Liabilities" shall mean those liabilities that are payable from the assets of the Separate Account in respect of the Reinsured Polices but excluding any Excluded Liabilities.

"Separate Account Reserves" shall mean the aggregate amount of reserves and deposits of the Ceding Company attributable to the Separate Account Liabilities, calculated consistent with the reserve requirements, statutory accounting rules and actuarial principles applicable to the Ceding Company under applicable law.

"Statutory Reserve" shall mean the statutory reserves calculated consistent with the reserve requirements, statutory accounting rules, valuation laws, regulations and actuarial principles applicable to the Ceding Company.

[1] Note to Draft: Language remains subject to review.

"Statutory Value" shall mean, with respect to any assets, the statutory admitted value of the assets as reflected on the Ceding Company's statutory books and records.

"Terminal Settlement" shall have the meaning specified in Section 9.03(a).

"Transferred Assets" shall mean Permitted Assets with a fair market value equal to the Funds Withheld Amount as of the Effective Date.

"Trust" shall have the meaning specified in Section 5.03.

"Trust Account" shall have the meaning specified in Section 6.02(a).

"Trust Agreement" shall have the meaning specified in Section 6.02(a).

"VIAC Segregated Account" shall have the meaning specified in Section 6.01(b).

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all schedules, 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) 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 and vice versa.

(e) The schedules hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to articles, sections, subsections, schedules shall be deemed references to articles and sections and subsections of, and schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any schedule, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of 12:00:01 A.M. on the Effective Date.

(b) This Agreement is an agreement for funds withheld coinsurance and modified coinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Ceding Company hereby cedes to the Reinsurer, and the Reinsurer hereby agrees to indemnify the Ceding Company (i) on a funds withheld coinsurance basis, for one hundred percent (100%) of the General Account Liabilities of the Ceding Company under the Reinsured Policies and (ii) on a modified coinsurance basis, for one hundred percent (100%) of the Separate Account Liabilities of the Ceding Company under the Reinsured Policies, in each case, payable by the Ceding Company (the "Reinsured Liabilities").

(d) Subject to the terms, conditions and limits of this Agreement (including the exclusion from coverage of Excluded Liabilities), the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations as the respective insurances of the Ceding Company.

Section 2.02 Separate Accounts.

(a) For each Reinsured Policy, the amounts to be invested on a variable basis in accordance with the terms of such Reinsured Policy shall be held by the Ceding Company in a Separate Account, and all premiums, deposits and other amounts collected with respect to the Reinsured Policy shall be deposited in the Separate Account to the extent required to be deposited therein by such Reinsured Policy. The Ceding Company shall retain, control and own all assets contained in the Separate Account and shall hold Separate Account Reserves with respect to the Reinsured Policies that are funded, in whole or in part, by the Separate Account and such Separate Account Reserves shall be reported by the Ceding Company on its Separate Account balance sheets, consistent with SAP.

(b) For each of the Separate Accounts applicable to the Reinsured Policies, the amount to be paid with respect to surrenders, loans, annuitizations, withdrawal benefits, death benefits or any other amounts payable under such Reinsured Policy shall be paid out of the Separate Accounts to the extent required by such Reinsured Policy. For purposes hereof, the Reinsured Liabilities attributable to the Reinsured Policies shall be apportioned between the General Account Liabilities and the Separate Account Liabilities in a manner consistent with the terms and conditions of the applicable Reinsured Policies.

Section 2.03 General Account Reserve. The Reinsurer shall establish and maintain the General Account Reserve for the General Account Liabilities in connection with Reinsured Policies. The General Account Reserve is calculated with respect to the General Account Liabilities in accordance with applicable valuation laws, regulations and actuarial guidelines to which the Ceding Company is subject.

Section 2.04 Policy Changes.

(a) Except as set forth in Section 2.04(b), if a change is made to the terms and conditions of a Reinsured Policy that increases or reduces the contractual liability of the Ceding Company, such change shall be reflected in the reinsurance of the Reinsured Policy only upon agreement of the Reinsurer.

(b) Any reduction or termination to the reinsurance of a Reinsured Policy is permitted only when the underlying contractholder directs such a reduction or termination of the Reinsured Policy that is in-force at the time that the reduction or termination takes place.

Section 2.05 Reinstatement of Surrendered Policies. If a Reinsured Policy that is terminated, lapsed or surrendered is subsequently reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will, upon notification, automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Ceding Company shall pay to the Reinsurer all Reinsurance Premiums in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.06 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. The Reinsured Policy will be rewritten from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Premiums, without interest, will be made.

Section 2.07 Reserved.

Section 2.08 [Annuitizations; MGWB Payouts.

(a) In the event that a Reinsured Policy that has an MGIB rider is annuitized under the contract provisions of such policy, the Reinsurer shall pay to the Ceding Company the amount of the Statutory Reserve for the annuitization payment calculated under the terms of the Reinsured Policy (including, for the avoidance of doubt, any applicable riders) as of the time of the annuitization.

(b) In the event a Reinsured Policy that has a MGWB rider reaches MGWB Payout, the Reinsurer shall pay to the Ceding Company the amount of the Statutory Reserve for the payment calculated under the terms of the Reinsured Policy (including, for the avoidance of doubt, any applicable riders) as of such time.

(c) At such time as a Reinsured Policy reaches annuitization or MGWB Payout, such Reinsured Policy shall cease to be a Reinsured Policy under this Agreement, and, except to the extent set forth in Section 2.08(a) and Section 2.08(b), the Reinsurer will have no further liability with respect to such Reinsured Policy.][2]

ARTICLE III

INITIAL TRANSFER; PREMIUMS; EXPENSES

Section 3.01 Initial Transfer. On the Effective Date, the Ceding Company shall:Pay to the Reinsurer in cash or securities the amount of the Initial Payment; and

(b) Initiate the transfer of the Transferred Assets with a Statutory Value equal to the Funds Withheld Amount to the Funds Withheld Account on behalf of the Reinsurer.

Section 3.02 Reinsurance Premiums. The Reinsurer shall be entitled to the Policy Premiums with respect to the Reinsured Policies (collectively, the "Reinsurance Premiums"), to be paid in accordance with Section 4.02 and Schedule C.

Section 3.03 Expenses. The Ceding Company shall be entitled to receive from the Reinsurer an allowance for costs and expenses in connection with administering the Reinsured Policies (the "Expense Allowance"), in an amount to be determined in accordance with Schedule D.

ARTICLE IV

REINSURED LIABILITIES

Section 4.01 Accounting Periods. The first Accounting Period under this Agreement shall commence on the Effective Date and end on the last day of the Accounting Period in which this Agreement is executed. With respect to the Accounting Period during which the applicable termination effective date occurs, the Accounting Period shall commence on the beginning of the Accounting Period in which the applicable termination effective date occurs and end on such termination date.

Section 4.02 Settlements.

(a) The Net Settlement shall be calculated for each Accounting Period as of the last day of such Accounting Period in accordance with Schedule C hereto and shall be payable for each Accounting Period as follows:

(i) If the Net Settlement for an Accounting Period is positive, the Ceding Company shall pay that amount to the Reinsurer; and

[2] Note to Draft: Language remains subject to review.

(ii) If the Net Settlement for an Accounting Period is negative, the Reinsurer shall pay the absolute value of that amount to the Ceding Company.

(b) Except as otherwise set forth herein, any amount due under this Agreement shall be paid by wire transfer of immediately available funds, or in kind with assets with a fair market value equal to the required payment amount, in each case, to the account or accounts designated by the recipient thereof.

(c) For all purposes of this Agreement, the fair market value of any assets shall be determined by the Ceding Company in accordance with its then-current asset valuation methodologies.

(d) Not later than twenty one (21) calendar days after the end of each Accounting Period, the Ceding Company will submit to the Reinsurer a report substantially in the form attached as Schedule E hereto. The Ceding Company shall provide or make available to the Reinsurer such documentation as may be necessary to support the items reported. Not later than thirty (30) calendar days after the end of each Accounting Period, the Ceding Company or the Reinsurer, as applicable, shall pay to the other party the amount of the Net Settlement for such Accounting Period.

ARTICLE V

FUNDS WITHHELD ACCOUNT

Section 5.01 Funds Withheld Account.

(a) On the Effective Date, the Ceding Company and the Reinsurer shall enter into the Funds Withheld Trust Agreement to establish a funds withheld trust account (the "Funds Withheld Account") under which Permitted Assets supporting the Funds Withheld Amount may be deposited (the "Funds Withheld Account Assets").

(b) The Ceding Company shall, no later than ten (10) Business Days prior to the end of each Accounting Period, estimate (i) the aggregate Statutory Value of the Funds Withheld Account Assets (as reflected on the Ceding Company's statutory financial statements prepared in accordance with SAP) and (ii) the Required Amount, in each case as of the end of such Accounting Period, and shall provide such information in a written notice to the Reinsurer. If the Ceding Company and the Reinsurer agree to set the Funds Withheld Amount at an amount lower than the Required Amount at the end of such Accounting Period, then the Funds Withheld Amount shall be such mutually agreed amount. If the Ceding Company and the Reinsurer do not agree on such a lower amount, the Funds Withheld Amount at the end of such Accounting Period shall be an amount equal to the Required Amount as of such date. If the aggregate estimated Statutory Value of the Funds Withheld Account Assets is less than the Funds Withheld Amount as so determined or estimated, the Ceding Company shall transfer to the Funds Withheld Account cash or other Permitted Assets in an amount sufficient to increase the aggregate Statutory Value of the Funds Withheld Account Assets to an amount that equals or exceeds the Funds Withheld Amount as so determined or estimated as of the end of such Accounting Period.

(c) If the aggregate estimated Statutory Value of the Funds Withheld Account Assets exceeds the Funds Withheld Amount as so determined or estimated, the Ceding Company may withdraw from the Funds Withheld Account cash or other assets in an amount equal to such excess; provided, that, after any such withdrawal, the estimated aggregate Statutory Value of the remaining Funds Withheld Account Assets equals or exceeds the Funds Withheld Amount as so determined or estimated as of the end of such Accounting Period.

Section 5.02 Credit for Reinsurance. The Reinsurer shall secure any and all of the Ceding Company's credit for reinsurance hereunder by permitting the Ceding Company to withhold the Funds Withheld Account Assets, by providing a letter of credit (a "Letter of Credit") or by providing a reinsurance trust (a "Trust") or a combination thereof in an aggregate amount equal to the Required Amount, each meeting the requirements for reinsurance reserve credit under the insurance laws and regulations of the State of Iowa. The Reinsurer shall be entitled to determine, in its sole discretion, the amount of such credit for reinsurance to be provided by a Letter of Credit and/or by a Trust provided that the aggregate amount thereof, together with the Statutory Value of the Funds Withheld Account Assets, equals or exceeds the Required Amount.

Section 5.03 Adjustment to Funds Withheld Account. The Ceding Company shall adjust the amount of Funds Withheld Account Assets in the Funds Withheld Account based on the Funds Withheld Amount as of the end of each Accounting Period in accordance with Section 5.01(b) above.

Section 5.04 Withdrawal of Funds Withheld Account Assets. The Ceding Company, or its successor in interest by operation of law, including any liquidator, rehabilitator, receiver or conservator of the Ceding Company, may withdraw and apply the Funds Withheld Account Assets, without diminution because of the insolvency of the Ceding Company or the Reinsurer only to pay or reimburse the Ceding Company (a) for amounts due by the Reinsurer to the Ceding Company under this Agreement but not yet recovered from the Reinsurer and (b) to pay the Ceding Company the amount by which the Statutory Value of the Funds Withheld Account Assets exceeds the Funds Withheld Amount as of the end of any Accounting Period

Section 5.05 Investment Management. Pursuant to an investment management agreement (the "Investment Management Agreement"), the Ceding Company shall appoint [Athene Asset Management, L.P.] as investment manager to provide investment management services with respect to the Funds Withheld Account Assets (the "Investment Manager"). In the event that the Investment Manager is removed or resigns, the Ceding Company shall appoint a replacement investment manager as directed by the Reinsurer. The replacement investment manager shall accept its appointment by entering into an investment management agreement in a form acceptable to the Ceding Company and the Reinsurer, and substantially similar to the Investment Management Agreement.

ARTICLE VI

LETTER OF CREDIT AND REINSURANCE TRUST

Section 6.01 Letter of Credit.

(a) Any Letter of Credit shall be in the form of a clean, irrevocable and unconditional letter of credit issued by a financial institution meeting the requirements for reinsurance reserve credit under the insurance laws and regulations of the State of Iowa and shall otherwise qualify for reinsurance reserve credit under such laws and regulations.

(b) If the Letter of Credit shall expire without renewal or be reduced or replaced by a Letter of Credit for an amount, when combined with the Trust and Statutory Value of the Funds Withheld Account Assets, that is less than the Required Amount and if the Reinsurer's obligations under this Agreement remain unliquidated and undischarged ten (10) calendar days prior to the effective date of the termination of the Letter of Credit, the Ceding Company may withdraw an amount equal to the excess of the Required Amount over the amount of (i) any reduced or replacement Letter of Credit, plus (ii) the Statutory Value of the Funds Withheld Account Assets, plus (iii) the fair market value of the Qualifying Assets in the Trust. Such amounts shall be deposited in a segregated account in the name of the Ceding Company (the "VIAC Segregated Account") in a qualified U.S. financial institution apart from its general assets, as may remain after withdrawal and after the effective date of the termination of the Letter of Credit.

(c) The Ceding Company shall return to the Reinsurer any amount withdrawn from the Letter of Credit in excess of the actual amounts required pursuant to Section 6.01(b), plus interest from the date of withdrawal to the date of return at an interest rate as specified in Section 13.02.

(d) The Ceding Company is not responsible to the Reinsurer for any costs incurred by the Reinsurer resulting from the provision or use of the Letter of Credit.

(e) Upon receipt of any Letter of Credit or amendment thereto, the Ceding Company agrees that within one (1) Business Day of receipt, it shall confirm in writing to the Reinsurer the sufficiency and accuracy of such Letter of Credit; and, the Ceding Company agrees that if it fails timely to so notify the Reinsurer, any insufficiency or inaccuracy is no fault of the Reinsurer and not a cause for termination under Article IX of this Agreement.

(f) In the event that (i) the Reinsurer decides to use another issuer of a Letter of Credit that complies with the standards required from time to time by the Securities Valuation Office of the National Association of Insurance Commissioners to issue the Letter of Credit or (ii) the Letter of Credit is no longer required under the terms and conditions of this Agreement, including, without limitation, the termination of this Agreement, the Ceding Company agrees to cooperate and provide its approval of the cancellation of the Letter of Credit to the issuer of the Letter of Credit.

(g) Immediately upon the receipt of any notice of cancellation of or reduction in the amount of any existing Letter of Credit from the issuer, the Ceding Company shall notify the Reinsurer of such cancellation notice in order that the Reinsurer can respond to satisfy any shortfall in collateralization of the Required Amount associated with the cancellation or reduction in the Letter of Credit.

Section 6.02 Reinsurance Trust.

(a) In the event and to the extent that the sum of the Letter of Credit and Statutory Value of the Funds Withheld Account Assets is less than the Required Amount, the Reinsurer, as grantor, shall create a Trust pursuant to a trust agreement (the "Trust Agreement") with a qualified U.S. financial institution and, no later than the last day of the Accounting Period in which such event occurs or such later date as is permissible for the Ceding Company to take statutory reserve credit for the Accounting Period, deposit Qualifying Assets in the trust account ("Trust Account") in an amount (the "Required Trust Account Amount") that, when taken together with the Statutory Value of the Funds Withheld Account Assets and the Letter of Credit, if any, and the VIAC Segregated Account is equal to or greater than the Statutory Value of the Required Amount. Any Trust shall be governed by a Trust Agreement meeting the requirements for reinsurance reserve credit under the insurance laws and regulations of the State of Iowa.

(b) The Reinsurer shall ensure that the Trust is established under and complies with the requirements of the applicable insurance regulations and all other applicable laws governing the Ceding Company's right to take financial statement credit for reinsurance under this Agreement.

(c) The assets in the Trust Account are to be valued at their fair market value as of the date on which such are required to be deposited. The assets in the Trust Account shall consist of cash, certificates of deposit issued by a U.S. bank and payable in U.S. dollars and securities listed by the Securities Valuation Office of the National Association of Insurance Commissioners (or securities exempt from such filing requirements) and qualifying as admitted assets under the Iowa insurance laws; provided, that each such investment that is a security is issued by an institution that is not the Reinsurer, the Ceding Company or an affiliate of either party ("Qualifying Assets").

(d) Prior to depositing assets in the Trust Account, the Reinsurer shall execute assignments or endorsements in blank, or transfer legal title to the trustee of all shares, obligations or any other assets requiring assignments, in order for the Ceding Company, or the trustee upon the direction of the Ceding Company, whenever necessary to negotiate these assets without the consent or signature from the Reinsurer or any other person.

(e) The Trust Account shall be funded so that the aggregate amount of the fair market value of the Qualifying Assets in the Trust Account (the "Trust Assets") and the VIAC Segregated Account, the Statutory Value of the Funds Withheld Account Assets and the amount of the Letter of Credit, if any, shall equal or exceed the Required Amount. During the term of the Trust Agreement, the Reinsurer shall not, and shall direct that the Trust trustee not, grant or cause to be created in favor of any third person any security interest whatsoever in any Trust Assets or in any residual interest therein.

(f) Subject to Section 5.02, the amount of assets in the Trust Account shall be adjusted at the end of each Accounting Period as follows:

(i) If the fair market value of the Qualifying Assets held in the Trust Account and the VIAC Segregated Account determined as of the end of each Accounting Period, when added to the amount of the Letter of Credit and the Statutory Value of the Funds Withheld Account Assets, is less than the Required Amount as of such date, the Reinsurer shall, by the last day of such Accounting Period, transfer additional Qualifying Assets to the Trust Account so that the fair market value of the assets held in the Trust Account, when added to the fair market value of the assets held in the Segregated Account, the Statutory Value of the Funds Withheld Account Assets and the amount of the Letter of Credit and the VIAC Segregated Account, is not less than the Required Amount for such Accounting Period.

(ii) If the aggregate fair market value of the Qualifying Assets in the Trust Account and the VIAC Segregated Account at the end of any Accounting Period exceeds 102% of the Required Trust Account Amount, then the Reinsurer shall have the right to seek approval (which shall not be unreasonably or arbitrarily withheld, conditioned or delayed) from the Ceding Company to withdraw the excess.

Section 6.03 Drawings on Letter of Credit or Trust Account.

(a) The Ceding Company and the Reinsurer agree that the Letter of Credit and assets in the Trust Account may be withdrawn by the Ceding Company at any time, notwithstanding any other provisions in this Agreement, and shall be utilized and applied by the Ceding Company or its successors in interest by operation of law, including without limitation, any liquidator, rehabilitator, receiver or conservator of the Ceding Company, without diminution for insolvency on the part of the Ceding Company or the Reinsurer only for one or more of the following reasons:

(i) to reimburse the Ceding Company for General Account Liabilities for (A) premiums for Reinsured Policies returned to the contractholders because of cancellations of such Reinsured Policies; and (B) surrenders and benefits paid by the Ceding Company pursuant to the provisions of the Reinsured Policies.

(ii) to pay any other amounts that the Ceding Company claims are due under this Agreement; and

(iii) to fund an account with the Ceding Company in an amount at least equal to the deduction, for reinsurance ceded, from the Ceding Company's liabilities for the Reinsured Policies. The amount shall include, but not be limited to, amounts for reserves, claims and losses incurred (including losses incurred but no reported), loss adjustment expenses and unearned premium reserves.

(b) The Ceding Company agrees that it shall immediately pay to the Reinsurer any amount withdrawn under a Letter of Credit or from the Trust Account that exceeds the actual amounts required, and any amounts that are subsequently determined not to be due to the Ceding

Company, plus interest from the date of withdrawal to the date of return at an interest rate as specified in Section 13.02.

ARTICLE VII

CLAIMS SETTLEMENT

Section 7.01 Claims Settlement.

(a) The Ceding Company is responsible for the settlement of claims with respect to the Reinsured Liabilities in accordance with the conditions of the Reinsured Policies and applicable law.

(b) The Ceding Company will notify the Reinsurer of all claims incurred during the Accounting Period in the report prepared in accordance with Section 4.02(d) and Schedule C.

(c) The Ceding Company will provide, at the Reinsurer's request, proper claim proofs (including, for example, proofs required under the Reinsured Policies), all relevant information respecting the existence and validity of the claim, and an itemized statement of the benefits paid by Ceding Company under the Reinsured Policy.

(d) The Reinsurer will pay the amount of the Reinsured Liabilities due and owing to Ceding Company in accordance with Section 4.02 and Schedule C. The Ceding Company's contractual liability for claims is binding on the Reinsurer.

Section 7.02 Recoveries. If the Ceding Company obtains any recoveries on a claim with respect to the Reinsured Liabilities paid by it in accordance with the terms of any Reinsured Policy, the Ceding Company shall promptly pay any such recoveries to the Reinsurer in accordance with Section 4.02 and Schedule C.

ARTICLE VIII

ADMINISTRATION

Section 8.01 Policy Administration. The Ceding Company shall provide all required, necessary and appropriate claims, administrative and other services with respect to the Reinsured Policies and the Separate Account. The Ceding Company shall use reasonable care in its underwriting, administration and claims practices with respect to the Reinsured Policies and in administering and performing its duties under this Agreement.

Section 8.02 Record Keeping.

(a) The Ceding Company shall maintain all records and correspondence for services performed by the Ceding Company hereunder relating to the Reinsured Policies ("Books and Records") in accordance with industry standards of insurance record keeping.

(b) No later than [●] of each year (or more frequently upon request of the Director of Insurance of the State of Arizona (the "Arizona Director")), the Ceding Company shall provide to the Reinsurer a copy of the Books and Records for the preceding year (or such shorter period as may be specified by the Arizona Director), in the form of a CD or other format acceptable to the Arizona Director; provided, that the Ceding Company shall provide to the Reinsurer a copy of Books and Records for the first [three (3)] months after the Effective Date no later than [one hundred eighty (180)] days after the Effective Date.

(c) In addition, such records shall be made available for examination, audit, and inspection by the department of insurance of any State within whose jurisdiction the Ceding Company or the Reinsurer operates. The Ceding Company and the Reinsurer further agree that in the event of the termination of this Agreement, any such records in the possession of the Reinsurer shall promptly be duplicated and forwarded to the Ceding Company unless otherwise instructed.

(d) The Ceding Company shall establish and maintain an adequate system of internal controls and procedures for financial reporting relating to the Reinsured Policies including associated documentation and shall make such documentation available for examination and inspection by the Reinsurer. All reports provided by the Ceding Company pursuant to this Agreement shall be prepared in accordance with such system and procedures and shall be consistent with the Ceding Company's books and records.

ARTICLE IX

TERM; TERMINATION; RECAPTURE

Section 9.01 Duration of Agreement. Except as provided herein, the reinsurance provided under this Agreement for each Reinsured Policy will be maintained and continued as long as such Reinsured Policy is in force.

Section 9.02 Recapture.

(e) Reinsurance under this Agreement may be terminated with respect to any or all Reinsured Policies by mutual agreement of the parties. The parties shall agree upon the effective date of the termination.

(f) Subject to payment of the Terminal Settlement set forth in Section 9.03:

i. The Ceding Company has the right to terminate this Agreement (i) for any or all Reinsured Policies, upon thirty (30) calendar days' advance written notice to the Reinsurer or (ii) if the Ceding Company is denied statutory reserve credit by its regulators or is unable to take statutory reserve credit for the reinsurance coverage provided under this Agreement, upon written notice to the Reinsurer.

ii. The Reinsurer has the right to terminate this Agreement ,upon thirty (30) calendar days' advance written notice to the Ceding Company, in the event that the Ceding Company fails to pay any positive Net Settlement within sixty (60) calendar days after the end of an Accounting Period.

(g) In the event of termination in accordance with this Section 9.02, the Reinsurer will be relieved of all liability under the Reinsured Policies as of the last date for which amounts due the Reinsurer have been paid for each Reinsured Liability.

(h) The Ceding Company agrees that it will not force termination of this Agreement under this provision to transfer the reinsurance of the Reinsured Policies to another reinsurer.

Section 9.03 Terminal Settlement.

(i) Termination of this Agreement under Section 9.02 for reinsurance coverage is subject to a settlement (the "Terminal Settlement") equal to:

i. the Net Settlement as of the applicable termination effective date, which for purposes of this Section 9.03 shall be a positive number if the Net Settlement is payable to the Reinsurer and a negative number if the Net Settlement is payable to the Ceding Company; plus

ii. the fair market value of the Funds Withheld Account Assets; less

iii. the Statutory Value of such assets, each determined as of the date on which termination is effective pursuant to Section 9.02(b); plus

iv. an additional amount as may be mutually agreed by the parties.

(j) If the amount of the Terminal Settlement is positive, the Ceding Company shall pay such amount to the Reinsurer by wire transfer. If the amount of the Terminal Settlement is negative, the Reinsurer shall pay the absolute value of such amount to the Ceding Company by wire transfer. The party with the payment obligation shall pay the other party the Terminal Settlement within [thirty (30) calendar days] after the applicable termination effective date. In the event that, subsequent to the Terminal Settlement, the Ceding Company receives a valid claim for a Reinsured Liability that was incurred prior to the applicable termination effective date, the Reinsurer will reimburse the Ceding Company for such Reinsured Liability upon receipt of documentation with respect to such claim that is reasonably satisfactory to the Reinsurer.

(k) Upon termination of this Agreement, the Ceding Company shall cooperate with the Reinsurer to cancel the Letter of Credit and terminate the Trust and the Funds Withheld Trust Agreement. After settlement pursuant to this Section 9.03, assets remaining in the Funds Withheld Account shall be retained by the Ceding Company.

Section 9.04 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE X

DISPUTE RESOLUTION

Section 10.01 Negotiation.

(a) Within [fifteen (15) calendar days] after the Reinsurer or the Ceding Company has given the other party written notification of a specific dispute arising out of or relating to this Agreement, each party will appoint a designated officer of its company to attempt to resolve such dispute. The officers will meet at a mutually agreeable time and location as soon as reasonably possible and as often as reasonably necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. Any such meetings may be held by telephone or video conference. The officers will discuss the matter in dispute and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.

(b) If the officers cannot resolve the dispute within [thirty (30) calendar days] of their first meeting, the dispute will be submitted to formal arbitration pursuant to Section 11.02, unless the parties agree in writing to extend the negotiation period for an additional [thirty (30) calendar days].

Section 10.02 Arbitration; Waiver of Jury Trial.

(a) It is the intention of the Reinsurer and the Ceding Company that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. The parties agree to act in all matters with the utmost good faith. However, if the Reinsurer and the Ceding Company cannot mutually resolve a dispute that arises out of or relates to this Agreement, including the validity of this Agreement, and the dispute cannot be resolved through the negotiation process, the dispute will be finally settled by arbitration in accordance with the provisions of this Section 10.02.

(b) To initiate arbitration, either the Ceding Company or the Reinsurer will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought.

(c) Any arbitration pursuant to this Section 10.02 will be conducted before a panel of three (3) arbitrators who will be current or former officers of life insurance or life reinsurance companies other than the parties to this Agreement, their Affiliates or subsidiaries, or other professionals with experience in life insurance or reinsurance; provided, that such professionals shall not have performed services for either party within the previous five (5) years. Each of the arbitrators will be familiar with the prevailing customs and practices for reinsurance in the life insurance and life reinsurance industry in the United States. Each of the parties will appoint one arbitrator and the two so appointed will select the third arbitrator who shall be independent and impartial. If either party refuses or fails to appoint an arbitrator within [sixty (60) calendar days] after the other party has given written notice to such party of its arbitrator appointment, the party that has given notice may appoint the second arbitrator. If the two arbitrators do not agree on a third arbitrator within [thirty (30) calendar days] of the appointment of the second arbitrator, then the third arbitrator shall be selected by the ARIAS-U.S. Umpire Selection Procedure (available at www.ARIAS-US.org), subject to the arbitrator qualification requirements herein.

(d) Each arbitration hearing under this Agreement will be held on the date set by the arbitrators at a mutually agreed upon location. In no event will this date be later than six (6) months after the appointment of the third arbitrator. Notwithstanding Section 13.18, the arbitration shall be governed by Title 9 (Arbitration) of the United States Code.

(e) The arbitrators will base their decision on the terms and conditions of this Agreement and the customs and practices of the insurance and reinsurance industries rather than on strict interpretation of the law. The decision of the arbitrators will be made by majority rule and will be final and binding on both parties, unless (i) the decision was procured by corruption, fraud or other undue means; (ii) there was evident partiality by an arbitrator or corruption in any of the arbitrators or misconduct prejudicing the rights of any party; or (iii) the arbitrators exceeded their powers. Subject to the preceding sentence, neither party may seek judicial review of the decision of the arbitrators. The arbitrators shall enter an award which shall do justice between the parties and the award shall be supported by a reasonably detailed written opinion stating the basis and rationale of the award. The parties agree that the federal courts in the state of domicile of the Ceding Company, or the state courts of such state, have jurisdiction to hear any matter relating to compelling arbitration or enforcing the judgment of an arbitral panel, and the parties hereby consent to such jurisdiction. Each party hereby waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of such venue, or any claim that a proceeding has been brought in an inconvenient forum. In addition, the Ceding Company and Reinsurer hereby consent to service of process out of such courts at the addresses set forth in Section 13.08.

(f) Unless the arbitrators decide otherwise, each party will bear the expense of its own arbitration activities, including its appointed arbitrator and any outside attorney and witness fees. The parties will jointly bear the expense of the third arbitrator.

(g) Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XI

INSOLVENCY

Section 11.01 Insolvency.

(l) A party to this Agreement will be deemed "insolvent" when it:

i. applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

ii. is adjudicated as bankrupt or insolvent;

iii. files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar law or statute; or

iv. becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(m) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(n) Insolvency of the Ceding Company. In the event of the insolvency of the Ceding Company:

i. The reinsurance provided under this Agreement will be payable by the Reinsurer directly to the Ceding Company or its Authorized Representative, without diminution because of such insolvency, on the basis of the reported claims allowed against the Ceding Company by any court of competent jurisdiction or by the Authorized Representative having authority to allow such claims.

ii. The Reinsurer will be liable only for benefits reinsured as benefits become due under the terms of the Reinsured Policies and will not be or become liable for any amounts or reserves to be held by the Ceding Company as to the Reinsured Policies or for any damages or payments resulting from the termination or restructuring of the Reinsured Policies that are not otherwise expressly covered by this Agreement. The Ceding Company or its Authorized Representative will give written notice to the Reinsurer of all pending claims against the Ceding Company on any Reinsured Policies within a reasonable time after filing in the insolvency proceedings. While a claim is pending, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceedings where the claim is to be adjudicated, any defense or defenses which it may deem available to the Ceding Company or its Authorized Representative.

iii. The expense incurred by the Reinsurer will be chargeable, subject to court approval, against the Ceding Company as part of the expense of its insolvency proceedings to the extent of a proportionate share of the benefit which may accrue to the Ceding Company solely as a result of the defense undertaken by the Reinsurer. Where two (2) or more reinsurers are involved in the same claim and a majority in interest elect to interpose a defense to such claim, the expense will be apportioned in accordance with the terms of this Agreement as though such expense had been incurred by the Ceding Company.

ARTICLE XII

TAXES

Section 12.01 Taxes. [No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.]

Section 12.02 DAC Tax Section 1.848-2(G)(8) Election. The Ceding Company and the Reinsurer hereby agree to make an election under Treasury Regulation Section 1.848-2(g)(8) whereby:

(a) The Ceding Company and the Reinsurer will each attach a schedule to its federal income tax return which 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 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 Internal Revenue Code of 1986 (the "Code"), will capitalize specified policy acquisition expenses with respect to this Agreement without regard to the general deductions limitation of Code Section 848(c)(1) of the Code.

(c) The Ceding 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 2018.

(e) The Ceding Company will submit to the Reinsurer by May 1 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 Ceding Company will report such amount of net consideration in its tax return for the preceding calendar year.

(f) The Reinsurer may contest such calculation by providing an alternative calculation to the Ceding Company in writing within [thirty (30) calendar days] of the Reinsurer's receipt of the Ceding Company's calculation. If the Reinsurer does not so notify the Ceding Company, the Reinsurer will report the amount of net consideration as determined by the Ceding Company in the Reinsurer's tax return for the previous calendar year.

(g) If the Reinsurer contests the Ceding Company's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) days of the date the Reinsurer submits its alternative calculation. If the Ceding Company and the Reinsurer reach agreement on the net amount of net consideration, each party will report such amount in their respective tax returns for the previous calendar year.

(h) If the Ceding Company and the Reinsurer fail to reach an agreement on the correct amount of net consideration, any dispute shall be resolved in accordance with Article X; provided, that, in addition to the requirements set forth in Article X, the parties agree to use their reasonable best efforts to select arbitrators and take all necessary actions, and to cause the arbitrators to take all necessary actions, so that the final arbitrators' report can be delivered to the parties no later than thirty (30) days before the day on which the relevant federal tax return is due to be filed (determined with regard to any extensions of time for filing.)

(i) Both Ceding Company and Reinsurer represent and warrant that they are subject to U.S. taxation under either Subchapter L of Chapter 1, or Subpart F of Part III of Subchapter N of Chapter 1 of the Code, as amended.

ARTICLE XIII

MISCELLANEOUS

Section 13.01 Currency. All payments due under this Agreement will be made in U.S. Dollars.

Section 13.02 Interest. All amounts due and payable by the Ceding Company or the Reinsurer under this Agreement that remain unpaid for more than [fifteen (15) calendar days] from the date due hereunder will incur interest from the date due hereunder. Except as otherwise set forth in this Agreement, such interest shall accrue at a rate equal to [●] percent, calculated on a 30/360 basis. Notwithstanding the foregoing, this Agreement permits the award, by any arbitration panel or court of competent jurisdiction, of interest at a per annum rate different from that provided in this Section 13.02.

Section 13.03 Right of Setoff and Recoupment.Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Premiums, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement.

(p) The rights provided under this Section 13.03 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement.

Section 13.04 No Third Party Beneficiaries. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 13.05 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 13.06 Notices. All notices by one party must be in writing and will be deemed effective upon delivery to the other party at the address set forth below. All other communications shall be by electronic mail, unless a written copy is otherwise requested.

if to the Ceding Company:

[●]

if to the Reinsurer:

[●]

Section 13.07 Consent to Jurisdiction. Subject to the terms and conditions of Article X, in the event of the need for a judicial determination respecting this Agreement, the Reinsurer will consent to the jurisdiction of any court of general jurisdiction within the State of Iowa. The Reinsurer agrees to comply with all requirements necessary to give such court jurisdiction and agrees to abide by the final decision of such court or any appellate court in the event of an appeal.

Section 13.08 Service of Process. Each party hereby designates the Commissioner of the Iowa Insurance Division as its agent for service of process in any action, suit, proceeding instituted by or on behalf of the other party with respect to this Agreement.

Section 13.09 Confidentiality. The Ceding Company shall not provide the Reinsurer, and the Reinsurer shall have no right of access to, any Non-Public Personal Information except to the extent necessary for purposes of this Agreement. The Reinsurer and its representatives and service providers will protect the confidentiality and security of any Non-Public Personal Information (as defined below) provided to it hereunder by:

i. holding all Non-Public Personal Information in strict confidence;

ii. maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

iii. disclosing and using Non-Public Personal Information received under this Agreement only for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 13.10 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 13.11 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement. Upon discovery, the error will be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. In the event a payment is corrected, the party receiving the payment shall be entitled to interest in accordance with Section 13.02. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

Section 13.12 Entire Agreement. This Agreement and the schedules hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the schedules hereto. In the event of any express conflict between this Agreement and the schedules hereto, the schedules hereto will control.

Section 13.13 Severability. Determination that any provision of this Agreement is invalid or unenforceable will not affect or impair the validity or the enforceability of the remaining provisions of this Agreement.

Section 13.14 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 13.15 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 13.16 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 13.17 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Iowa without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by law and would permit or require the application of the laws of another jurisdiction.

Section 13.18 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________________

Name: ______________________________________

Title: ______________________________________

Date: ______________________________________

[NEWCO CAPTIVE, INC.]

By: ______________________________________

Name: ______________________________________

Title: ______________________________________

Date: ______________________________________

Schedule A

Reinsured Policies

[Attached]

Schedule B

Separate Accounts

[Attached]

Schedule C

Net Settlement

[Attached]

<u>Schedule D</u>

Expense Allowance

[Attached]

Schedule E

Form of Reports

[Attached]

EXHIBIT S

Form of Amendment to Insurance Contract

[See attached.]

Voya Insurance and Annuity Company
Des Moines, IA 50309

Guaranteed Minimum Interest Rate and Market Value Adjustment Floor Endorsement

The annuity Contract, which includes any riders, endorsements and other attachments to the Contract, is hereby modified by the provisions of this Guaranteed Minimum Interest Rate and Market Value Adjustment Floor Endorsement (this "Endorsement"). If there is a conflict between the provisions of this Endorsement and the Contract, the provisions of this Endorsement shall control. As used in this Endorsement, the term Contract shall mean a Contract or Certificate, as applicable. This Endorsement is effective and becomes part of your Contract as of [DATE], (the "Effective Date").

This Endorsement increases the guaranteed minimum interest rate ("GMIR") applicable to the fixed interest options available under your Contract that are subject to a Market Value Adjustment ("MVA") to [1.5]% if prior to the Effective Date the applicable GMIR was less than [1.5]%.

This Endorsement also enhances your Contract by limiting any negative MVA that we may apply when all or a portion of your accumulated value in any fixed interest or index-linked options subject to an MVA ("Applicable Account Value") is surrendered, withdrawn, transferred, applied to an annuity payment option or paid as death benefit proceeds (hereinafter referred to as "Withdrawals") on and after the Effective Date.

More specifically, on and after the Effective Date, we will limit future negative MVAs that we may apply to any Withdrawals from your Applicable Account Value so that any such MVAs will not cause your Applicable Account Value to be less than the following "Floor Guarantee":

- 100% of premiums or other amounts allocated to any fixed interest or index-linked options subject to an MVA, accumulated while so allocated with interest at an effective annual rate equal to the greater of (i) any GMIR applicable under your Contract and (ii) 1.5%; *minus*
- the amount of any Withdrawals from any fixed interest or index-linked options (before applying any positive or negative MVAs); *minus*
- any applicable surrender charges.

If your Applicable Account Value after application of any MVA or upon any Withdrawal not subject to an MVA is less than the Floor Guarantee, then we will reset your Applicable Account Value to equal the amount of your Floor Guarantee.

In applying any MVA, each amount allocated to a different fixed interest or index-linked option will be considered separately. Amounts allocated at different points in time, and at different rates for a given guaranteed period or term, will be considered separately as well.

This Endorsement makes no other changes to your Contract.

Signed for Voya Insurance and Annuity Company:

[Jennifer M. Ogren

Jennifer M. Ogren, Secretary]

EXHIBIT T-1

Form of Closing Assignment and Assumption Agreement

[See attached.]

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of [●], 2018 has been made and entered into by and among Voya Financial, Inc., a corporation organized under the laws of the State of Delaware ("Seller"), on behalf of itself and its Affiliates (collectively, "Assignors"), and Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa ("Assignee").

W I T N E S S E T H

WHEREAS, reference is made to that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Transaction Agreement") by and among Seller, VA Capital Company LLC, a Delaware limited liability company, and Athene Holding Ltd., a Bermuda limited company;

WHEREAS, the Master Transaction Agreement contemplates the execution and delivery of this Agreement at the Closing of the transactions contemplated thereby; and

WHEREAS, Assignors desire to assign to the Assignee, and the Assignee desires to assume, the Allocated Contracts (including the Allocated IP Contracts), the Allocated Intellectual Property and the Allocated Liabilities.

NOW, THEREFORE, in consideration of the mutual promises made herein and upon the terms and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Master Transaction Agreement.

2. Assignment and Assumption of Allocated Contracts. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Closing, (a) the Assignors hereby irrevocably and unconditionally assign to Assignee all of Assignors' right, title and interest in, to and under the Allocated Contracts; and (b) the Assignee hereby irrevocably and unconditionally assumes and agrees to perform and to be bound by the terms of such Allocated Contracts; provided, that to the extent any Allocated Contract may not be transferred without a third-party consent that has not been obtained as of the date hereof, this Agreement shall not constitute an agreement to transfer or assign the same if an attempted transfer or assignment would constitute a breach or other contravention thereof or would be ineffective or unlawful and such assignment shall be effective only as of the date, if any, such consent is obtained.

3. Assumption of Allocated Liabilities. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Closing, the Assignors hereby assign to Assignee, and Assignee irrevocably and unconditionally assumes and becomes responsible for, all of the Allocated Liabilities.

4. Assignment and Assumption of Allocated Intellectual Property. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Closing,

(a) the Assignors hereby irrevocably and unconditionally assign to Assignee all of Assignors' right, title and interest in, to and under the Allocated Intellectual Property; and (b) the Assignee hereby irrevocably and unconditionally assumes such Allocated Intellectual Property; provided, that to the extent any Allocated Intellectual Property may not be transferred without a third-party consent that has not been obtained as of the date hereof, this Agreement shall not constitute an agreement to transfer or assign the same if an attempted transfer or assignment would constitute a breach or other contravention thereof or would be ineffective or unlawful and such assignment shall be effective only as of the date, if any, such consent is obtained.

5. No Modification of the Master Transaction Agreement. Nothing contained herein shall release any of the parties to the Master Transaction Agreement from any of their respective obligations under the Master Transaction Agreement or in any way supersede, enlarge, diminish, limit, amend or modify any of the representations, warranties, indemnities, covenants or agreements of such parties set forth in the Master Transaction Agreement. In the event of any conflict or inconsistency between the terms of the Master Transaction Agreement and the terms hereof, the terms of the Master Transaction Agreement shall govern.

6. General Provisions. Sections 10.3 (Interpretation), 10.4 (Entire Agreement; Third Party Beneficiaries), 10.5 (Governing Law), 10.6 (Assignment), 10.7 (Jurisdiction; Enforcement), 10.8 (Severability; Amendment; Modification; Waiver) and 10.11 (Counterparts) of the Master Transaction Agreement are each hereby incorporated by reference *mutatis mutandis*.

[*Signature Page Follows*]

IN WITNESS WHEREOF, each of the Assignors and Assignee has caused this instrument to be signed by its proper and duly authorized officers as of the date and year first written above.

ASSIGNORS:

VOYA FINANCIAL, INC.

By:_________________________________
Name:
Title:

[VOYA AFFILIATE]

By:_________________________________
Name:
Title:

ASSIGNEE:

[BUYER PARENT]

By:_________________________________
Name:
Title:

<u>EXHIBIT T-2</u>
Form of Closing Bill of Sale

[See attached.]

EXHIBIT T-2

FORM OF BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale"), dated as of [•], 2018, has been made and entered into among Voya Financial, Inc., a corporation organized under the laws of the State of Delaware ("Seller"), on behalf of itself and its Affiliates (collectively, "Transferors"), and Voya Insurance and Annuity Company, an insurance company organized under the laws of the State of Iowa ("Transferee").

W I T N E S S E T H

WHEREAS, reference is made to that certain Master Transaction Agreement, dated as of [•], 2017 (the "Master Transaction Agreement"), by and among Seller, VA Capital Company LLC, a Delaware limited liability company and Athene Holding Ltd., a Bermuda limited company;

WHEREAS, the Master Transaction Agreement contemplates the execution and delivery of this Bill of Sale at the Closing of the transactions contemplated thereby; and

WHEREAS, Transferors desire to sell, and Transferee desires to purchase, all of Transferors' rights, titles and interests in the Allocated Assets.

NOW, THEREFORE, in consideration of the mutual promises made herein and upon the terms and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Master Transaction Agreement.

2. Sale and Purchase. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Closing, (a) Transferors hereby sell, convey, assign, transfer and deliver to Transferee, and its successors and assigns, all of their respective right, title and interest in and to, free and clear of all Liens other than Permitted Liens, all of the Allocated Assets and (b) Transferee hereby purchases, acquires and accepts from Transferors, all of Transferors' respective right, title and interest in and to the Allocated Assets.

3. No Modification of the Master Transaction Agreement. Nothing contained herein shall release any of the parties to the Master Transaction Agreement from any of their respective obligations under the Master Transaction Agreement or in any way supersede, enlarge, diminish, limit, amend or modify any of the representations, warranties, indemnities, covenants or agreements of such parties set forth in the Master Transaction Agreement. In the event of any conflict or inconsistency between the terms of the Master Transaction Agreement and the terms hereof, the terms of the Master Transaction Agreement shall govern.

4. General Provisions. Sections 10.3 (Interpretation), 10.4 (Entire Agreement; Third Party Beneficiaries), 10.5 (Governing Law), 10.6 (Assignment), 10.7 (Jurisdiction; Enforcement); 10.8 (Severability; Amendment; Modification; Waiver) and 10.11 (Counterparts) of the Master Transaction Agreement are each hereby incorporated by reference *mutatis mutandis*.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the Transferors and Transferee has caused this instrument to be signed by its proper and duly authorized officers as of the date and year first written above.

TRANSFERORS:

VOYA FINANCIAL, INC.

By:_________________________________
Name:
Title:

[VOYA AFFILIATE]

By:_________________________________
Name:
Title:

TRANSFEREE:

[BUYER PARENT]

By:_________________________________
Name:
Title:

<u>EXHIBIT U-1</u>
Form of Life Business Administrative Services Agreement

[See attached.]

EXHIBIT U-1

ADMINISTRATIVE SERVICES AGREEMENT (LIFE BUSINESS)

by and between

RELIASTAR LIFE INSURANCE COMPANY,
as Administrator,

and

VOYA INSURANCE AND ANNUITY COMPANY

TABLE OF CONTENTS

ADMINISTRATIVE SERVICES AGREEMENT (LIFE BUSINESS)

This **ADMINISTRATIVE SERVICES AGREEMENT (LIFE BUSINESS)** (this "Agreement"), dated [●], 2018 (the "Effective Date"), is entered into by and between **VOYA INSURANCE AND ANNUITY COMPANY**, an insurance company organized under the laws of the State of Iowa (the "Ceding Company"), and **RELIASTAR LIFE INSURANCE COMPANY**, an insurance company organized under the laws of the State of Minnesota (the "Administrator").

Recitals

WHEREAS, Athene Holding Ltd., [NewCo] ("Buyer Parent"), and Voya Financial, Inc., the ultimate parent of the Administrator ("Seller"), have entered into that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, Seller will sell, and [NewCo], a wholly-owned subsidiary of Buyer Parent, will purchase, all of the issued and outstanding shares of common stock of the Ceding Company;

WHEREAS, the Ceding Company and the Administrator have entered into that certain Reinsurance Agreement, dated as of [●], 2018 (the "Reinsurance Agreement"), pursuant to which the Ceding Company ceded, on a coinsurance basis, and the Administrator accepted, the Reinsured Policies and the Reinsured Liabilities; and

WHEREAS, the Ceding Company desires that the Administrator serve as the administrator for the Ceding Company in order to provide certain of those administrative services with respect to the Reinsured Policies and Existing Reinsurance Agreements.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, the Ceding Company and the Administrator hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"**Administration Books and Records**" has the meaning set forth in Section 2.7(a).

"**Administrator**" has the meaning set forth in the preamble.

"**Administrator Indemnified Party**" has the meaning set forth in Section 4.2.

"**Affiliate**" means, with respect to any Person, at the time in question, any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "control", for purposes of this definition, means the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ability to exercise voting power through the ownership of more than fifty percent (50%) of the voting securities, on a fully diluted and converted basis, of the controlled Person, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Authority pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"**Books and Records**" means all original files and records (or copies thereof), in whatever form (including computer-generated, recorded or stored records, and any database, magnetic or optical media), in the possession or under the control of the Ceding Company, the Administrator or any of their respective Affiliates which are related to or otherwise reasonably necessary for the administration of the Reinsured Liabilities and the Existing Reinsurance Agreements.

"**Business Day**" means any day other than (i) a Saturday, (ii) a Sunday or (iii) a day on which banking institutions or trust companies in the City of New York, St. Paul, Minnesota or Des Moines, Iowa are authorized or required by Applicable Law to close.

"**Business Interruption**" has the meaning set forth in Section 2.14.

"**Buyer Parent**" has the meaning set forth in the recitals.

"**Ceding Company**" has the meaning set forth in the preamble.

"**Ceding Company Indemnified Parties**" has the meaning set forth in Section 4.1.

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

"**Confidential Information**" has the meaning set forth in Section 11.10(b).

"**Coordinator**" has the meaning set forth in Section 2.15.

"**Effective Date**" has the meaning set forth in the preamble.

"**Existing Reinsurance Agreements**" has the meaning set forth in the Reinsurance Agreement.

"**Governmental Authority**" means any domestic or foreign, federal, state or local governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority.

"**Indemnitee**" has the meaning specified in Section 4.5(a).

"**Indemnitor**" has the meaning specified in Section 4.5(a).

"**Legal Action**" has the meaning set forth in Section 5.3(a).

"**Licensed Names and Marks**" has the meaning set forth in Section 11.11.

"**Losses**" means any and all damages, losses, liabilities, obligations, costs, expenses (including reasonable attorneys' fees and expenses); provided, however, that "Losses" shall not include any amounts constituting consequential, special or punitive damages except as provided herein.

"**Master Agreement**" has the meaning set forth in the recitals.

"**New York Court**" has the meaning set forth in Section 11.14(a).

"**Non-Public Personal Information**" has the meaning set forth in Section 11.10(c).

"**Person**" means any natural person, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority or business organization.

"**Policyholder**" means any Person who or which is the owner of a Reinsured Policy or has the right to terminate or lapse the Reinsured Policy, effect changes of beneficiary or coverage limits, add or terminate Persons covered under such Reinsured Policy, make elections, or direct any other policy changes in such Reinsured Policy.

"**Regulatory Action**" has the meaning set forth in Section 5.1(a).

"**Reinsurance Agreement**" has the meaning set forth in the recitals.

"**Reinsured Liabilities**" has the meaning set forth in the Reinsurance Agreement.

"**Reinsured Policies**" has the meaning set forth in the Reinsurance Agreement.

"**Scheduled Licenses**" has the meaning set forth in Section 3.2.

"**Security Assessment**" has the meaning set forth in Section 2.13(a).

"**Seller**" has the meaning set forth in the recitals.

"**Services**" means the services that the Administrator is to provide under this Agreement to the Ceding Company in respect of the Reinsured Policies and the Existing Reinsurance Agreements, as more fully described in Article II and Schedule I attached hereto.

"**SOC**" has the meaning set forth in Section 2.13(a).

"**Subcontractor**" has the meaning set forth in Section 2.5.

"**Third Party Claim**" has the meaning set forth in Section 4.5(a).

"**Transaction Agreements**" has the meaning set forth in the Master Agreement.

Section 1.2 Construction. For the purposes of this Agreement, (i) words (including capitalized terms defined herein) in the singular shall be held to include the plural and vice versa and words (including capitalized terms defined herein) of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement, unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation"; (iv) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (v) all references herein to "$" or "Dollars" shall refer to the coin or currency of the United States which as of the time of payment is the legal tender for the payment of public and private debts in the United States, unless otherwise specified; (vi) references to any Transaction Agreements shall be deemed to include all subsequent amendments, restatements, amendments and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendments and restatements, extensions, supplements and other modifications are not prohibited by any Transaction Agreement and are effected in accordance with the terms of the applicable agreement; and (vii) references to Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

Section 1.3 Headings. The Article and Section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE II

SERVICES

Section 2.1 Description of the Services. The Services shall consist of all administrative and other services necessary or appropriate with respect to the proper administration of the Reinsured Liabilities and the Existing Reinsurance Agreements during the term of this Agreement including those items described herein or set forth on Schedule I attached hereto, all on the terms as set forth in this Agreement. Notwithstanding any other provision of this Agreement to the contrary, the Ceding Company shall have the right to direct the Administrator in connection with the Services to perform any action reasonably necessary to comply with Applicable Law, or to cease performing any action that constitutes a violation of Applicable Law.

Section 2.2 Commitment to Provide. The Ceding Company hereby appoints the Administrator to provide, and the Administrator agrees to provide the Ceding Company from and after the Effective Date during the term of this Agreement with, the Services. The Services shall be provided by the Administrator in all material respects in accordance with the terms of the Reinsured Policies. In addition, the Administrator shall provide the Services (i) in accordance with the applicable terms of this Agreement and the Reinsurance Agreement; (ii) in compliance with Applicable Law, including the maintenance by the Administrator of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Services under this Agreement; (iii) with care, skill, expertise, prudence and diligence that would be expected from experienced and qualified personnel performing such duties in like circumstances; and (iv) subject to the foregoing, with the skill, diligence, care, effort and expertise that are at least equal in quality to the standards the Administrator applies in providing similar services in respect of life insurance policies issued by the Administrator in its own name. The parties shall reasonably cooperate with each other in the transfer of the performance of the Services to the Administrator hereunder. The intention of the parties hereto is that the Administrator shall perform all Services in such a manner as to minimize the involvement of the Ceding Company and its Affiliates, subject to any requirements under Applicable Law that specific actions be taken by the Ceding Company or its Affiliates without the Administrator acting on its or their behalf. The Administrator will give the Ceding Company timely notice of any actions that are legally required to be taken by the Ceding Company or its Affiliates solely with respect to the Reinsured Liabilities and, to the extent reasonably practicable, will prepare in a timely manner the forms of any documentation required for the Ceding Company or its Affiliates to comply therewith.

Section 2.3 Remittances. If the Administrator or any of its Affiliates receives any remittance or other payment that it is not entitled to receive under the terms of this Agreement or any other Transaction Agreement, the Administrator or such Affiliate shall hold such remittance or other payment in trust for the benefit of the Ceding Company, endorse any such remittance to the order of the Ceding Company and promptly transfer such remittance or other payment to the Ceding Company.

Section 2.4 Facilities, Personnel and Resources. To the extent not subcontracted to a Subcontractor, the Administrator shall at all times maintain sufficient facilities and trained personnel of the kind necessary to perform its obligations under this Agreement in accordance with the performance standards set forth herein. Without limiting the generality of the foregoing, the Administrator will have and maintain, from the Effective Date and thereafter during the term of this Agreement, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative or otherwise) as may be necessary or appropriate to discharge its obligations under the terms of this Agreement.

Section 2.5 Subcontracting. The Administrator may subcontract for the performance of any Services at the Administrator's sole expense (in each case, a "Subcontractor"), to an Affiliate or, with the prior written consent of the Ceding Company, which consent shall not be unreasonably withheld, conditioned or delayed, to a third party. In addition, each Subcontractor shall be duly licensed to the extent required under Applicable Law so as to permit the performances of the Services in compliance with Applicable Law. Notwithstanding the foregoing, no such subcontracting shall relieve the Administrator from any of its obligations or liabilities hereunder, and the Administrator shall remain responsible for all obligations, liabilities, actions and omissions of such Subcontractor with regards to the providing of such service or services as if provided by the Administrator. Unless specifically agreed in writing by the Ceding Company, neither Subcontractors nor their personnel shall have the power or authority to act as agent or attorney-in-fact of the Ceding Company or bind the Ceding Company in any way.

Section 2.6 Compensation. In consideration for the promises made by the Ceding Company under this Agreement and the other Transaction Documents, the Administrator shall provide the Services pursuant to this Agreement at its sole cost and expense, and shall not receive any separate fee from the Ceding Company for the provision of the Services, other than as contemplated in Section 8.2(e).

Section 2.7 Books and Records; Other Information.

(a) On and after the Effective Time, the Administrator shall assume responsibility for maintaining accurate and complete books and records of all transactions pertaining to the Reinsured Policies and Existing Reinsurance Agreements and all data used by the Administrator in the performance of Services, including claims files and any documents relating to claims, any communications relating to any Reinsured Policy, any communications with any Governmental Authority, complaint logs and accounting and reporting ("Administration Books and Records"). The Administration Books and Records shall be maintained (i) in accordance with any and all Applicable Laws and (ii) in an accessible format. The Administration Books and Records with respect to each Reinsured Policy must be maintained for at least the seven (7) year period following the termination of this Agreement (or such longer period as would comply with the records retention policies of the Administrator then in effect with regards to its own business). Following the end of such seven (7) year or longer period, as applicable, the Administration Books and Records may be destroyed only after the Administrator has given the Ceding Company at least sixty (60) days prior written notice of the Administration Books and Records the Administrator intends to destroy. During such sixty (60) day period, the Ceding Company may, at its sole cost and expense, have the right to take possession of such Administration Books and Records in the format maintained by the Administrator. The Administrator shall maintain the confidentiality of such Administration Books and Records, including compliance with Section 11.10, and such information shall be used only for purposes relating to the transactions contemplated under the Reinsurance Agreement.

(b) All such Administration Books and Records pertaining to a Reinsured Policy shall be the property of the Ceding Company and shall be made available (including access to appropriate employees and representatives of the Administrator, so long as such access shall not unreasonably interfere with the regular performance of such employees' and representatives' duties to the Administrator) to the Ceding Company, auditors or other designees, and regulatory agencies, upon reasonable prior notice during normal business hours, for review, audit, inspection, examination and reproduction. Upon the reasonable request of the Ceding Company from time to time, the Administrator shall also make copies of Administration Books and Records available to the Ceding Company through electronic means. The Administrator shall have the right to retain copies of all such Administration Books and Records.

(c) The Administrator shall maintain facilities and procedures for safekeeping all Administration Books and Records relating to the Reinsured Policies or otherwise used in the performance of services under this Agreement consistent with those applicable to the books and records of the Administrator and its Affiliates with respect to life insurance policies issued by the Administrator or its Affiliates. The Administrator shall back up all of its computer files relating to the Reinsured Policies or otherwise used in the performance of services under this Agreement on the same basis and shall maintain back-up files in a manner consistent with the policies and procedures of the Administrator and its Affiliates regarding the back-up of computer files and storage of back-up files.

Section 2.8 [Reserved]

Section 2.9 Reporting. From and after the Effective Date for the duration of this Agreement, the Administrator shall prepare and provide to the Ceding Company all reports required by Schedule II.[1]

Section 2.10 Power of Attorney.

(a) Subject to the terms and conditions set forth herein, the Ceding Company hereby appoints and names the Administrator, acting through its authorized officers and employees, as the Ceding Company's exclusive lawful attorney-in-fact, from and after the Effective Date for so long as the Administrator is authorized to perform the Services and solely to the extent necessary to provide the Services, (a) to do any and all lawful acts that the Ceding Company might have done with respect to the Reinsured Liabilities or the Existing Reinsurance Agreements, and (b) to proceed by all lawful means (i) to perform any and all of the Ceding Company's obligations with respect to the Reinsured Liabilities or the Existing Reinsurance Agreements, (ii) to enforce any right and defend (in the name of the Ceding Company, when necessary) against any liability arising from or relating to the Reinsured Liabilities or the Existing Reinsurance Agreements, (iii) subject to the limitations set forth in Article V, to sue or defend (in the name of the Ceding Company, when necessary) any Regulatory Action or Legal Action arising from or relating to the Reinsured Liabilities or Existing Reinsurance Agreements, (iv) to collect any and all sums due or payable in respect of the Reinsured Liabilities or Existing Reinsurance Agreements, (v) to sign (in the Ceding Company's name, when necessary) vouchers, receipts, releases and other papers in connection with any of the foregoing matters, and (vii) to do everything necessary in connection with the satisfaction of the Administrator's obligations and the exercise of its rights under this Agreement, but in all cases only to the extent of the rights and authority granted to the Administrator pursuant to this Agreement and in accordance with the terms hereof.

(b) In order to assist the Administrator in the performance of the Services hereunder, as reasonably requested by the Administrator in writing from time to time, the Ceding Company shall deliver to the Administrator, in the form reasonably requested by the Administrator in writing, evidence of its appointment of the Administrator as its attorney-in-fact with respect to all matters required, necessary or appropriate to administer the Reinsured Liabilities or the Existing Reinsurance Agreements.

Section 2.11 Information Safeguards and Security Breaches. The Administrator shall maintain administrative, technical and physical safeguards that are reasonably designed to (a) ensure the security and confidentiality of Confidential Information of the Ceding Company; (b) protect against any anticipated threats or hazards to the security or integrity of such Confidential Information; (c) protect against unauthorized access to or use of such Confidential Information that could result in substantial harm

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[1] Following the signing of the Master Transaction Agreement, the parties thereto agree to cooperate in good faith to finalize the form and content of the reporting by the Administrator under this Agreement The parties agree that the Administrator will provide reports as reasonably required by the Ceding Company in order to allow them to properly administer, account for and accommodate any applicable financial reporting for the business reinsured.

or inconvenience to the Person that is the subject of such Confidential Information and (d) ensure the proper disposal of such Confidential Information, in each case not less than the standards required by Applicable Law. In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Administrator, the Administrator shall at its expense, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of the Ceding Company or the Administrator by Applicable Law and as reasonably requested by the Ceding Company to inform each impacted individual of such security breach and to implement curative action required by Applicable Law. As promptly as practicable, but in no event later than twenty-four (24) hours after becoming aware of a security breach, the Administrator shall notify the Ceding Company thereof.

Section 2.12 SOC Reports.

(a) Upon the Ceding Company's written request, but in no event more than once per contract year, the Administrator shall, and shall require its Subcontractors to, promptly complete, an industry standard information security audit and assessment process (the "Security Assessment"), which, if available, will include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type 2 for other facilities) relating to the Administrator and such Subcontractors. Promptly upon completion of the Security Assessment, the Administrator shall, and shall cause its Subcontractors to, take commercially reasonable steps to remediate, to the Ceding Company's reasonable satisfaction, any material deficiencies identified by the Ceding Company as a result of the Security Assessment. The Administrator's failure to (a) remediate such material deficiencies or (b) at any time during the term of this Agreement, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Administrator's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Administrator. The Ceding Company's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Administrator's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process. The Administrator anticipates that it will receive annual SOC Reports from its Subcontractors and that such SOC Reports will be prepared by one of the nationally-recognized accounting firms, and the Administrator shall use it commercially reasonable efforts to enforce any rights the Administrator has to receive any such SOC Reports from its Subcontractors. The Administrator shall provide to the Ceding Company such other publicly-available financial information concerning the Administrator and its Subcontractors as may be reasonably requested by the Ceding Company. Further, commencing on the date hereof and for as long as this Agreement is in effect, within twenty (20) days after the end of each calendar quarter, the Administrator shall deliver to the Ceding Company a completed quarterly management representation letter to the Ceding Company's Chief Accounting Officer, in the such form as the Ceding Company may reasonably request, on accounting, reporting, internal controls and disclosure issues in support of the management representation letter to be issued by the Ceding Company to its independent accountants.

(b) The Administrator shall provide to the Ceding Company (i) access to the Administrator's Sarbanes-Oxley Act and Model Audit Rules control documentation and the results of any internal control testing performed by it with respect to the Reinsured Liabilities, and access to the books, records and employees of the Administrator for purposes of independently performing tests of the Administrator's documentation and controls, as reasonably requested by the Ceding Company from time to time; and (ii) prompt notice of significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Reinsured Liabilities. The Administrator shall use its commercially reasonable efforts to remedy, as promptly as reasonably practicable, significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Reinsured Liabilities.

(c) During the term of this Agreement, upon any reasonable request from the Ceding Company or its representatives, subject to compliance with Applicable Law relating to the exchange of information and to the confidentiality requirements under Section 11.10, the Administrator shall (i) provide, or cause its Subcontractors to provide, to the Ceding Company and its representatives reasonable on-site and desk access during normal business hours to review the books and records (including any such materials developed on or after the Effective Date) under the control of the Administrator or a Subcontractor pertaining to the Reinsured Liabilities and the Services to be provided under this Agreement and the reinsurance to be provided under the Reinsurance Agreement; provided that such access shall not unreasonably interfere with the conduct of the business of the Administrator or the Subcontractor, and (ii) permit, or cause its Subcontractors to permit, the Ceding Company and its representatives to make copies of such records, in each case at no cost to the Administrator. Access provided to the Ceding Company or its representatives pursuant to this Section 2.13(c) shall be provided by the Administrator upon forty-eight (48) hours advance written notice or as otherwise reasonably requested by the Ceding Company. The parties agree and acknowledge that reasonable access includes facilitating audits by the Ceding Company or its representatives to comply with Applicable Laws relating to the Reinsured Liabilities.

Section 2.13 Disaster Recovery. The Administrator will implement a disaster recovery plan that is (a) consistent with current industry standards, (b) contains service level agreements for recovery time objectives and recovery point objectives to be agreed in good faith between the Ceding Company and the Administrator, and (c) no less stringent than what the Administrator deploys for its own system and records, maintain its systems and records (including the Administration Books and Records) in accordance with such plan, and test such plan from time to time. Such disaster recovery plan will include, but not be limited to, the provision of an incremental backup of the Administrator's applicable systems no less than daily, a full backup of the Administrator's applicable systems no less than weekly, and a second full backup of the Administrator's applicable systems no less than monthly. The daily backups will be stored by the Administrator for at least one (1) week, the weekly backups will be stored by the Administrator for at least one (1) month, and the monthly backups will be stored by the Administrator for at least one (1) year. The backups of the Administrator's applicable systems will be stored at a facility outside of the Administrator's facility. In the event of a Business Interruption, the Administrator will implement its disaster recovery plan. The term "Business Interruption" means (i) any material interruption or interference with the Administrator's ability to continue to provide Services, including any temporary loss of Policyholder information or adverse effect on the Administrator's operating environment or telecommunications infrastructure used to provide the Services or (ii) any event, whether anticipated or unanticipated, which disrupts the normal course of business operations.

Section 2.14 Coordinators. As of the Effective Date, each party shall appoint and provide written notice to the other party pursuant to Section 11.1, of the name, title and contact information for an individual who shall be a current officer or employee of such party or an Affiliate thereof and shall serve as such party's primary contact with respect to issues that may arise out of the scope or performance of this Agreement (each, a "Coordinator"). The parties may replace their respective Coordinator by giving notice pursuant to Section 11.1 to the other party stating the name, title and contact information for the new Coordinator. Each Coordinator will have primary responsibility on behalf of its respective party, to communicate and coordinate with the other Coordinator with respect to this Agreement. The Coordinators shall meet, either in person or telephonically, from time to time as necessary or appropriate to discuss open issues related to this Agreement and performance hereunder.

Section 2.15 Decision Authority. Notwithstanding anything in this Agreement to the contrary, the Ceding Company shall have the right to direct the Administrator to take any action, or to refrain from taking any action in connection with, and shall retain the authority to make all final decisions with respect to, the performance of the Services, in each case, to the extent necessary to comply with Applicable Law.

Section 2.16 Product Filings. The Administrator shall have the exclusive authority to make filings with respect to the Reinsured Policies with applicable Governmental Authorities, in the name of and on behalf of the Ceding Company, to apply for amendments to any policy form, including, without limitation, any application, endorsement or rider; provided that the Administrator shall deliver to the Ceding Company copies of any filings it makes with Governmental Authorities relating to the Reinsured Policies prior to making such filings. The Ceding Company shall cooperate with the Administrator in seeking approval of any reasonable filing made pursuant to this Section 2.17.

ARTICLE III

CEDING COMPANY RESPONSIBILITIES

Section 3.1 Books and Records; Other Information. On the Effective Date, the Ceding Company shall promptly transfer to the Administrator all Books and Records related to the Reinsured Liabilities. Further, the Ceding Company shall, and shall cause its designees (other than the Administrator) to, provide the Administrator with access to all other information in the possession or control of the Ceding Company and such designees which pertains to, and which the Administrator reasonably requests in connection with, any claim, loss or obligations arising out of any Reinsured Liabilities; provided, however, that nothing herein shall require the Ceding Company to disclose any information to the Administrator or its representatives if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any Applicable Law or contract (including any confidentiality agreement to which the Ceding Company or any of its Affiliates is a party) (it being understood that the Ceding Company shall use its reasonable best efforts to enable such information to be furnished or made available to the Administrator or its representatives without so jeopardizing privilege or contravening such Applicable Law or contract) or require the Ceding Company to disclose its tax records (other than premium tax filings) or any personnel or related records.

Section 3.2 Licenses. The Ceding Company hereby grants to the Administrator, and the Administrator hereby accepts, a non-exclusive, perpetual, royalty-free, non-transferable license to use those items set forth on Schedule III attached hereto (the "Scheduled Licenses") solely in connection with the performance by the Administrator of the Services hereunder. Except as otherwise agreed upon in writing or under the terms and provisions of the Transaction Agreements, the Ceding Company agrees that it will not interfere with the use by the Administrator of any of the Scheduled Licenses following the Effective Date.

Section 3.3 Other Services. The Ceding Company shall (a) forward to the Administrator all mail, notices, communications and other correspondence received by the Ceding Company in respect of the Reinsured Liabilities as promptly as practicable following the Ceding Company's receipt thereof [and (b) maintain all records regarding any Reinsured Liabilities that are terminated prior to the Effective Date.][2]

Section 3.4 Remittances. The Ceding Company shall promptly notify the Administrator in writing of any payments received by the Ceding Company from a third party that relate to the Reinsured Liabilities. The Ceding Company shall transfer such amounts to the Administrator as soon as reasonably practicable.

ARTICLE IV

INDEMNIFICATION

Section 4.1 Administrator Indemnification. From and after the Effective Date, the Administrator shall indemnify and defend the Ceding Company and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, a "Ceding Company Indemnified Party" and collectively, with each other Ceding Company Indemnified Party, the "Ceding Company Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Ceding Company Indemnified Parties directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Administrator under this Agreement to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (iv) Losses arising from security breaches as described in Section 2.12 to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, the Ceding Company, or its permitted designees, (v) any breach or violation of any Applicable Law by the Administrator or any of its Affiliates in connection with this Agreement (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Ceding Company, or its permitted designees), or (vi) any enforcement of this indemnity.

[2] Note to Sidley: Please clarify intent. Under Section 3.1, the Books and Records are delivered to the Administrator.

Section 4.2 Ceding Company Indemnification. From and after the Effective Date, the Ceding Company shall indemnify and defend the Administrator and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Administrator Indemnified Party" and collectively, with each other Administrator Indemnified Party, the "Administrator Indemnified Parties") and hold each of them harmless from and against all Losses asserted against, imposed on or incurred by the Administrator Indemnified Parties, directly or indirectly, by reason of or arising out of or in connection with (i) fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Ceding Company during the term of this Agreement; (ii) acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Ceding Company during the term of this Agreement; (iii) any breach of any term, condition, or obligation to be performed by the Ceding Company or its designees under this Agreement, (iv) any breach or violation of any Applicable Law by the Ceding Company (except when such breach or violation happens as a result of the written or express direction or request of, or with the prior written consent of, the Administrator), or (iv) any enforcement of this indemnity.

Section 4.3 [Reserved]

Section 4.4 [Reserved]

Section 4.5 Indemnification Procedures.

(a) If any Person entitled to indemnification under Section 4.1 or Section 4.2 (the "Indemnitee") receives notice of assertion or commencement of any a claim or demand made by, or an action, proceeding or investigation instituted by, any Person not a party to this Agreement (a "Third Party Claim") against such Indemnitee in respect of which the party required to indemnify such Indemnitee under Section 4.1 or Section 4.2 (the "Indemnitor") may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor prompt written notice (but in no event later than 30 days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Loss (to the extent practicable) and shall reference the specific sections of this Agreement that form the basis of such claim; provided, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay. Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) Business Days 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 may assume the defense thereof with counsel selected by the Indemnitor. 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. 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. All of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense of any Third Party Claim, and, if the Indemnitor assumes such defense, such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information that 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, conditioned or delayed), and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided 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 full and complete release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any non-monetary relief or 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 as provided in this Section 4.5(b) 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 V

REGULATORY ACTIONS AND LEGAL ACTIONS

Section 5.1 Regulatory Actions.

(a) If the Administrator or the Ceding Company receives notice of, or otherwise becomes aware of, any Regulatory Action, such party shall promptly notify the other party thereof. The term "Regulatory Action" shall mean any examination or action initiated by a Governmental Authority related to the Reinsured Liabilities.

(b) The Administrator shall initially respond to and resolve all Regulatory Actions relating to the Reinsured Liabilities; provided, however, that the Administrator shall provide its proposed response to the Ceding Company for its prior review and comment and shall consider in good faith any recommendations made by the Ceding Company.

(c) Except as set forth in Sections 5.1(b) and 5.2, the Administrator shall supervise and control the defense and/or settlement of all Regulatory Actions, at its own cost and expense, and in the name of the Ceding Company when necessary.

(d) At the Ceding Company's request, the Administrator shall provide the Ceding Company with a report of any pending Regulatory Actions covered under this Section 5.1, summarizing the nature of any such pending Regulatory Actions, the alleged actions or omissions, if any, giving rise to such Regulatory Actions and copies of any files or other documents that the Ceding Company may reasonably request in connection with its review of such matters, other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege.

Section 5.2 Defense of Regulatory Actions.

(a) Notwithstanding anything in this Agreement to the contrary, the Ceding Company shall have the right to engage its own separate legal representation, at its own cost and expense, and to participate fully in the defense of any Regulatory Actions without waiving any right to indemnification that may be available under Article IV hereof. The Administrator and the Ceding Company shall cooperate with each other with respect to the administration of any Regulatory Actions.

(b) Notwithstanding anything in this Agreement to the contrary, the Ceding Company, upon written notice to the Administrator, shall have the right at any time to assume sole and exclusive control over the response, defense, settlement or other resolution of any Regulatory Action; provided, that the Ceding Company shall be solely responsible for all costs and expenses related thereto and any increased liability of the Administrator hereunder or under the Reinsurance Agreement resulting from the Ceding Company's control thereof. The Administrator shall have the right, at its sole expense, to engage its own separate legal representation and to participate fully in, but not control, any such defense, settlement, or compromise assumed by the Ceding Company. Notwithstanding the foregoing, the Ceding Company shall not settle or compromise any such Regulatory Action without the Administrator's prior written consent (not to be unreasonably withheld, delayed or conditioned) unless (i) there is no finding or admission of any violation of Applicable Law or any violation of the rights of any Person by the Administrator or any of its Affiliates, (ii) the Ceding Company pays all settlement amounts with respect thereto, and (iii) the terms of the proposed settlement of the Regulatory Action do not impose injunctive or any other equitable relief or result in any restriction or condition which could reasonably be expected to have a material adverse effect on the Reinsured Policies or any other business of the Administrator.

Section 5.3 Notice of Litigation.

(a) The Administrator shall promptly notify the Ceding Company of any litigation, arbitration or other legal proceeding (other than a Regulatory Action) that has been instituted or threatened in writing under any Reinsured Liabilities or that names the Ceding Company as a party and is related to any Reinsured Liabilities (each, a "Legal Action") and in no event more than five (5) Business Days after receipt or notice thereof.

(b) The Ceding Company shall promptly notify the Administrator of any Legal Action made, brought or threatened in writing to be made or brought against the Ceding Company after the Effective Date to the extent known to it and not made against or served on the Administrator as administrator hereunder, and in no event more than five (5) Business Days after receipt or notice thereof, and shall promptly furnish to the Administrator copies of all pleadings in connection therewith.

Section 5.4 Defense of Litigation.

(a) Subject to Section 5.4(c), the Administrator shall supervise and control the investigation, contest, defense and/or settlement of all Legal Actions, at its own cost and expense, and in the name of the Ceding Company when necessary; provided, that the Administrator shall provide its proposed response to the Ceding Company for its prior review and comment and shall consider in good faith any recommendations made by the Ceding Company.

(b) Notwithstanding anything in this Agreement to the contrary, the Ceding Company shall have the right to engage its own separate legal representation, at its own expense, and to participate fully in, but not control, the defense of any Legal Action relating to the Reinsured Policies with respect to which the Ceding Company is a named party to the extent that such Legal Action, if successful, could (in the Ceding Company's reasonable opinion) materially interfere with the business, assets, liabilities, obligations, financial condition, results of operations or reputation of the Ceding Company other than the Reinsured Liabilities. The Administrator and the Ceding Company shall use commercially reasonable efforts to cooperate with each other with respect to the administration of any such Legal Action. The Administrator shall not settle or compromise any Legal Action without the Ceding Company's prior written consent (not to be unreasonably withheld, delayed or conditioned) unless (i) there is no finding or admission of any violation of Applicable Law or any violation of the rights of any Person by the Ceding Company, (ii) the Administrator obtains a complete release for the Ceding Company and its Affiliates that are parties to such Legal Action, and (iii) the sole relief provided is monetary damages that are paid in full by the Administrator.

(c) The Administrator shall keep the Ceding Company informed of the progress of all pending Legal Actions and, at the Ceding Company's request (which requests shall be reasonable in their frequency and nature as reasonably determined by the Administrator), provide to the Ceding Company a report summarizing the nature of any pending Legal Action, the alleged actions or omissions, if any, giving rise to such Legal Action and copies of any files or other documents that the Ceding Company may reasonably request in connection with its review of such matters, in each case other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege.

ARTICLE VI

NOTIFICATION TO POLICYHOLDERS AND CONTRACTHOLDERS

Section 6.1 Notification to Policyholders and Contractholders. To the extent required by Applicable Law or as required for the efficient performance of the Services, the Administrator agrees to send to Policyholders and any applicable service providers, custodians or other counterparties a written notice prepared by the Administrator and reasonably acceptable to the Ceding Company to the effect that the Administrator has been appointed by the Ceding Company to provide the Services. The Administrator shall provide such notice at a time and in a manner reasonably acceptable to the Ceding Company and the Administrator and in all events in accordance with Applicable Law.

ARTICLE VII

COOPERATION

Section 7.1 Cooperation. Each party shall cooperate to the extent reasonably possible with the other party and shall execute and provide such additional documentation as may become necessary or appropriate to enable such other party to fully carry out its responsibilities under this Agreement and to effectuate the intention of the parties under the Reinsurance Agreement and this Agreement.

ARTICLE VIII

DURATION; TERMINATION

Section 8.1 Duration. This Agreement shall commence at the Effective Time and continue with respect to each Reinsured Policy until no further Services in respect of such Reinsured Policy are required, unless this Agreement is earlier terminated under Section 8.2.

Section 8.2 Termination.

(a) This Agreement is subject to immediate termination at the option of the Ceding Company upon written notice to the Administrator on the occurrence of any of the following events:

(i) A voluntary or involuntary proceeding is commenced in any jurisdiction by or against the Administrator for the purpose of conserving, rehabilitating or liquidating the Administrator;

(ii) There is a material breach by the Administrator or any applicable Subcontractor of any material term or condition of this Agreement that is not cured by the Administrator or such Subcontractor within thirty (30) days after receipt of written notice from the Ceding Company of such breach;

(iii) Any license required to be held by the Administrator under Applicable Laws to provide the Services in any material respect (A) shall be revoked and not reinstated within sixty (60) days of receipt of notice of such revocation by the Administrator or (B) shall expire and not be reinstated within sixty (60) days; or

(iv) The Reinsurance Agreement is recaptured or terminated.

(b) This Agreement may be terminated at any time upon the mutual written consent of the parties hereto, which writing shall state the effective date of termination.

(c) In the event that this Agreement is terminated under Section 8.2(a)(i), (ii) or (iii), the Ceding Company shall select a third-party administrator that is reasonably acceptable to the Administrator to perform the services required by this Agreement. The Administrator shall pay all reasonable fees and charges imposed by the selected administrator and shall bear all reasonable transition costs associated with the transition of the performance of the services required under this Agreement to such administrator, including the expense of providing Policyholder notices as provided in Section 6.1.

(d) In the event that this Agreement is terminated, the Administrator shall cooperate fully in the transfer of the Services and the Administration Books and Records maintained by the Administrator pursuant to this Agreement (or, where appropriate, copies thereof) to the third-party administrator selected pursuant to Section 8.2(c) or to the Ceding Company so that such third-party administrator or the Ceding Company will be able to perform the services required under this Agreement.

(e) Notwithstanding anything herein to the contrary, following termination of this Agreement for any reason, at the Ceding Company's option and subject to the payment by the Ceding Company to the Administrator of prevailing market rates for the Services hereunder, the Administrator shall continue to perform the Services in accordance with the terms of this Agreement for a period not to exceed nine (9) months from the date of such termination.

ARTICLE IX

INABILITY TO PERFORM SERVICES; ERRORS

Section 9.1 Inability to Perform Services. In the event that the Administrator is unable to perform, or cause to be performed, all or a portion of the Services for any reason for a period that could reasonably be expected to exceed ten (10) days or such shorter period as may be required by Applicable Law, the Administrator shall as promptly as reasonably practicable provide notice to the Ceding Company of its inability to perform the applicable Services and the parties shall cooperate in good faith to determine how to provide or otherwise obtain an alternative means of providing such Services. The Administrator shall be responsible for all fees, costs and expenses incurred in order to obtain such alternative means of providing the applicable Services and in order to restore such Services.

Section 9.2 Errors. The Administrator shall, at its own expense, correct any errors in the Services caused by it as promptly as reasonably practicable following notice of such errors from the Ceding Company or any other Person or upon discovery thereof by the Administrator.

ARTICLE X

INSURANCE COVERAGE

Section 10.1 Insurance Coverage. Without limiting the Administrator's undertaking to indemnify and hold the Ceding Company harmless as set forth herein, during the term of this Agreement, the Administrator shall obtain and maintain cyber, errors and omissions and fidelity bond insurance with commercially reasonable limits from an insurer or insurers with policyholder ratings of at least "A-" and financial ratings of at least "VII" in the then latest edition of Best's Insurance Guide.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notice. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed duly given at the time when (i) received by the receiving party if mailed by United States registered or certified mail, return receipt requested; (ii) received by the receiving party if mailed by overnight express mail; (iii) sent by the sending party by means of electronic mail, followed by confirmation mailed by first-class mail or overnight express mail; or (iv) delivered to the receiving party in person or by commercial courier. All such notices and communications shall be sent or delivered to the parties as follows:

if to the Ceding Company:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Administrator:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

Section 11.2 Assignment. This Agreement shall not be assigned by any party hereto without the prior written approval of the other party hereto, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that the Administrator may subcontract its rights and obligations to perform Services under this Agreement in accordance with Section 2.5. Subject to the foregoing, the rights and obligations of the parties under this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective designees, subcontractors, transferees, successors and permitted assigns.

Section 11.3 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 11.4 Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation (including that of joint venture or partnership) between either party hereto and any other Person.

Section 11.5 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Agreement, and this Agreement and the Reinsurance Agreement, including the Schedules and Exhibits attached hereto and thereto, contain the sole and entire agreement between the parties with respect to the subject matter hereof.

Section 11.6 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof by a writing executed by, in the case of the Ceding Company, [the President, Chief Executive Officer or an Executive Vice President] and, in the case of the Administrator, [the President, Chief Operating Officer or a Vice President]. A waiver on any one occasion shall not be deemed to be a waiver of the same term or condition or any other term or condition on any future occasion.

Section 11.7 Amendment. This Agreement may be modified or amended only by a writing duly executed by each of the parties hereto.

Section 11.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 11.9 No Third Party Beneficiaries. Other than the parties specified in Sections 4.1 and 4.2, this Agreement is intended solely for the benefit of the parties hereto and their permitted successors and assigns, and it is not the intention of the parties to confer any rights as a third party beneficiary to this Agreement upon any other Person.

Section 11.10 Treatment of Confidential Information.

(a) Each party may come into possession or knowledge of Confidential Information of the other in connection with the obligations to be performed by such party under this Agreement.

(b) "Confidential Information" with respect to a party, means any and all information provided by, made available by or obtained on behalf of, such party, any of its Affiliates or representatives, on, before or after the date hereof, including, with respect to the Ceding Company, Non-Public Personal Information and all data relating to the contractholders of the Reinsured Policies (including their rights and obligations under the Reinsured Policies) which is maintained, processed or generated by the Ceding Company in connection with administration of the Reinsured Liabilities; provided that Confidential Information does not include information that (i) is generally available to the public other than as a result of a disclosure by the receiving party in violation of its confidentiality obligation, (ii) is independently developed by the receiving party, its Affiliates or any of its representatives without use or access to the disclosing party's Confidential Information, or (iii) is rightfully obtained by the receiving party from a third party without, to the knowledge of the receiving party, breach by such third party of a duty of confidentiality of any nature to the disclosing party; provided that the foregoing exceptions shall not supersede the obligations of the receiving party with respect to any Non-Public Personal Information. For the avoidance of doubt, as between the Ceding Company and the Administrator, Confidential Information of the Administrator includes the foregoing categories of information relating to the business or operations of, or provided by or on behalf of, any of the Administrator's Subcontractors, whether such information is provided to the Ceding Company on, before or after the date hereof.

(c) "Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to the Ceding Company's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of the Reinsured Policies or contracts issued by the Ceding Company, and their representatives, (ii) any such personally identifiable information or data that the Administrator or its representatives or Subcontractors collect or derive from interactions with the Ceding Company's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of the Reinsured Policies, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

(d) The Ceding Company and the Administrator agree to hold each other's Confidential Information in strictest confidence and to take all reasonable steps to ensure that Confidential Information is not disclosed in any form by any means by such party, its Affiliates or by any of its representative or Subcontractors to third parties of any kind, other than the representatives performing services for such party who need access to such Confidential Information in the course and scope of providing such services, except as is authorized by the other party in advance and in compliance with all Applicable Law. If any Confidential Information needs to be disclosed as required by Applicable Law or court order, the disclosing party shall (if permitted by Applicable Law) provide prompt notice to the other party prior to such disclosure so that such other party may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(e) The Administrator may disclose the Ceding Company's Confidential Information to the Administrator's Subcontractors with a reasonable need to know, subject to such Subcontractor first being obligated to information security, confidentiality and limited use restrictions no less protective of the Ceding Company's Confidential Information than the provisions in this Agreement. Further, the Ceding Company will negotiate in good faith and diligently to agree to additional confidentiality and limited use terms and conditions as may reasonably be required by the Administrator's Subcontractors whose confidential information may be disclosed to the Ceding Company in connection with the Services. Until such time as such additional confidentiality terms and conditions are agreed to in writing by the Ceding Company, the Administrator may be limited by its contractual obligations with its Subcontractors in sharing certain Confidential Information with the Ceding Company.

(f) The Administrator (and its Subcontractors) may use the Ceding Company's Confidential Information; provided that such party shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of the Ceding Company's Confidential Information which are no less rigorous than those maintained by the Administrator (or such Subcontractor) for its own information of a similar nature (but not less than using a reasonable standard of care), and in compliance with the terms of the Privacy and Security Addendum in the form attached as Exhibit A hereto.

(g) Further to the foregoing, the Administrator shall, and shall cause its representatives, Affiliates, and Subcontractors to, protect the confidentiality of the Ceding Company's Confidential Information (including the Non-Public Personal Information) by:

(i) holding all such information transmitted to them by or on behalf of the Ceding Company in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of such information;

(iii) using such information solely in connection with carrying out the Administrator's obligations under this Agreement and in compliance with the Ceding Company's consumer privacy notices;

(iv) disclosing such information to third parties only as necessary to perform services under this Agreement and in compliance with the Ceding Company's consumer privacy notices; and

(v) disclosing such information as may be required by Applicable Law or court order; provided that the Administrator (or its Subcontractors) as applicable shall (if permitted by Applicable Law) provide prompt notice to the Ceding Company prior to such disclosure so that the Ceding Company may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

Section 11.11 Trademarks. The Administrator hereby acknowledges that the Ceding Company has adopted and is using the names and marks listed on Schedule IV hereto in connection with the Reinsured Policies (collectively, the "Licensed Names and Marks"). The Ceding Company and the Administrator agree as follows:

(a) The Ceding Company[3] hereby grants to the Administrator and the Administrator hereby accepts a limited, non-exclusive, non-transferable (except to Subcontractors as permitted below), royalty-free license to use the Licensed Names and Marks in connection with the Services, subject to the terms and conditions set forth in this Agreement. The Administrator is granted no rights to use the Licensed Names and Marks, other than those rights specifically described and expressly licensed in this Agreement and no right is granted hereunder for the use of the Licensed Names and Marks in connection with any services other than the Services. None of the rights licensed to the Administrator under this Section 11.11 may be assigned, sublicensed or otherwise transferred by the Administrator (other than to Subcontractors), nor shall such rights inure to the benefit of any trustee in bankruptcy, receiver or successor of the Administrator, whether by operation of law or otherwise, without the prior written consent of the Ceding Company, and any assignment, sublicense or other transfer without such consent shall be null and void.

(b) The Administrator agrees that it will use the Licensed Names and Marks in a manner that is consistent with the manner in which the Ceding Company used them prior to the date hereof and, otherwise, only in accordance with the performance and usage standards established by the Ceding Company and communicated to the Administrator in writing (including graphic standards as prescribed by the Ceding Company). The Administrator shall have no right

[3] NTD: To be revised/conformed to reflect Voya entity with ownership of Names and Marks.

to use the Licensed Names and Marks in connection with advertisements, brochures, audio or visual presentations, or any other materials used in the sale or advertising of the Administrator's services.

(c) The Administrator agrees not to use the Licensed Names and Marks in partial form without the prior written consent of the Ceding Company, which the Ceding Company may withhold at its sole discretion. The Administrator agrees not to adopt or use any trademarks, service mark, logo or design confusingly similar to the Licensed Names and Marks. It is understood that the Ceding Company retains the right, in its sole discretion, to modify the Licensed Names and Marks, upon reasonable prior notice to the Administrator, subject to a reasonable period to enable the Administrator to transition to the use of the modified Licensed Names and Marks.

(d) The Administrator acknowledges that all rights in the Licensed Names and Marks and the goodwill attached thereto belong exclusively to the Ceding Company. All uses of the Licensed Names and Marks by the Administrator shall inure solely to the benefit of the Ceding Company and any registration of the Licensed Names and Marks shall be registered by the Ceding Company in its name, it being understood that the present license shall not in any way affect the ownership by the Ceding Company of the Licensed Names and Marks, each of which shall continue to be the exclusive property of the Ceding Company. At its option, the Ceding Company may, in its own name and at its own expense, maintain appropriate trademark and service mark protection for the Licensed Names and Marks. The Administrator shall not at any time during the term of this Agreement or at any time thereafter do or cause to be done any act contesting the validity of the Licensed Names and Marks, contesting or in any way impairing or tending to impair the Ceding Company's entire right, title and interest in the Licensed Names and Marks and the registrations thereof or adversely affecting the value of the Licensed Names and Marks. The Administrator shall not represent that it has any right, title or interest in the reputation and good will of the Ceding Company. The Administrator shall not represent that it has any right, title or interest in the Licensed Names and Marks other than the rights expressly granted by this Agreement.

(e) The right to institute and prosecute actions for infringement of the Licensed Names and Marks is reserved exclusively to the Ceding Company, and the Ceding Company shall have the right to join the Administrator in any such actions as a formal party. Any such action shall be conducted at the Ceding Company's expense. The Administrator shall provide prompt written notice to the Ceding Company of any infringement or unauthorized use of the Licensed Names and Marks of which it is aware, and agrees to assist the Ceding Company at the Ceding Company's expense in any such action brought by the Ceding Company. It is understood, however, that the Ceding Company is not obligated to institute and prosecute any such actions in any case in which it, in its sole judgment, may consider it inadvisable to do so.

(f) The agreements and covenants contained in this **Error! Reference source not found.** shall continue in effect until such time as this Agreement is terminated pursuant to Article VIII or such longer period that the Administrator continues to perform the Services pursuant to Section 8.2(e). As promptly after termination of this Agreement (or such longer period that the Administrator continues to perform the Services pursuant to Section 8.2(e)) as is reasonably practicable, the Administrator shall discontinue all use of the Licensed Names and

Marks. Upon termination, all of the Administrator's rights to the Licensed Names and Marks shall revert to and continue to reside with and be owned exclusively by the Ceding Company.

Section 11.12 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of the Ceding Company or the Administrator under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 11.13 Survival. Upon termination of this Agreement for any reason whatsoever, Article IV, and Sections 2.7, 11.1, 11.3, 11.7, 11.9, 11.10, 11.12 and 11.14 shall survive such termination.

Section 11.14 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 11.1, 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, without the necessity of posting bond or other undertaking, 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 11.14.

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

VOYA INSURANCE AND ANNUITY COMPANY

By: ________________________________

Name:

Title:

RELIASTAR LIFE INSURANCE COMPANY

By: ________________________________

Name:

Title:

SCHEDULE I

Services[4]

[I. Policyholder Services

Providing all policy administration functions with respect to the Reinsured Policies including, but not limited to, call center, inforce processing, customer disbursements, agent licensing, policy accounts, and reconciliations.

Billing and collecting premiums and loan payments due under the Reinsured Policies, processing returns of unearned premiums when appropriate, and handling any returned items. Maintaining billing registers or other proof of billings, both as to timing and to address mailed.

Providing toll-free call center for telephone customer service relating to the Reinsured Policies and maintaining adequate documentation of all such communications.

Maintaining applications, account value (including credited interest rates), Policyholder, premium and other necessary records, including all computer records, so as to enable the Ceding Company to determine, at any time, the true and accurate status of the life insurance in force under the Reinsured Policies.

Responding to general inquiries from Policyholders, beneficiaries and other authorized Persons regarding the Reinsured Policies.

Producing appropriate manual and automatic correspondence to Policyholders. [Processing Reinsured Policy loan requests and Reinsured Policy loan repayments. Processing of surrender, withdrawal, maturity, and other benefit payments.][5]

Processing of Reinsured Policy changes requested by Policyholders that arise in the normal course of doing business, including, but not limited to, name changes, address changes, beneficiary changes, ownership changes, assignments, the exercise of purchase options or contractual rights under the terms of the Reinsured Policies and similar transactions.

Providing annual statements for any Reinsured Policies that require these. Producing upon request any contractually-required projections.

Preparing and delivering replacement or duplicate policy forms, certificates and endorsements relating to the Reinsured Policies.

Ensuring that any non-guaranteed elements (including any guaranteed rate setting) do not breach the provisions of any Reinsured Policy or any Applicable Law.

Providing a periodic electronic feed, at agreed upon frequency, of premium and other commissionable events by Reinsured Policy to facilitate payment of commissions to producer

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[4] Note to Draft: Scope of services listed in Schedule I subject to further review and discussion among the parties.

[5] Note to Draft: To be determined whether this is applicable.

agents. Payment of commission that constitute Policy Liabilities in accordance with Section III.B. below.

Providing information to support state reporting requirements for agent contracting and commissions with respect to the Reinsured Policies.

Managing, responding and consulting with the Ceding Company, pursuant to the processes described in Article V, with respect to consumer, Department of Insurance or other complaints.

Maintaining complaint log with respect to the Reinsured Polices that contains all required data elements and providing a copy to the Ceding Company upon request. Gathering and providing information required by the Ceding Company to respond to levies, subpoenas or other regulatory inquiries relating to the Reinsured Policies.

Completing communications and remediation processes, and tracking same, related to the Reinsured Policies as dictated by Governmental Authorities.

Performing all information reporting, withholding, and notice functions in accordance with all applicable requirements of the Code, Treasury Regulations, and forms issued by the Internal Revenue Service, including administering all penalty notices relating to prior years' reporting, with respect to the Reinsured Policies.

Providing unclaimed property and escheatment review services with respect to the Reinsured Policies.

Communicating to, and cooperating with, any applicable insurance regulators of the Ceding Company in connection with any market conduct exams relating to the Reinsured Policies.

Providing other administrative services as the Ceding Company may reasonably request in writing in connection with the maintenance, support and administration of the Reinsured Liabilities, or as may be required under Applicable Law.

II. Claims Processing Services

Receiving, recording and evaluating death claims submitted.

Corresponding with claimants or their representatives on claims, including providing appropriate claims forms with all required language, sending Explanation of Benefits at payment, if applicable, and sending all required follow-ups.

Payment of death benefits, including calculation and payment of any post-mortem interest.

Calculating and processing settlement options as requested by claimants for death proceeds.

Maintaining claims register that contains data sufficient to understand the status of claims at any time as well as to provide reporting as required. Providing periodic reports to the Ceding Company on death claims in accordance with Section III.B. below.

In the event of non-payment of a claim on account of incomplete or insufficient data, receipt of the claim shall be confirmed with, and the reason for nonpayment shall be communicated to, the claimant within [thirty (30)] days from date of receipt of the claim form or the period prescribed by Applicable Law, whichever is less.

Identifying, collecting and tracking reinsurance recoverables under the Existing Reinsurance Agreements and sending all required or requested claims papers to the reinsurers thereunder to ensure timely claims recoveries.

III. Company-Related Services

A. Existing Reinsurance Agreement Services

The Administrator shall have the authority and responsibility to, and shall, manage and administer the Existing Reinsurance Agreements, including providing all reports and notices required with regard to the Existing Reinsurance Agreements to the reinsurers within the time required by the Existing Reinsurance Agreements and doing all other things necessary to comply with the terms and conditions of the Existing Reinsurance Agreements. Without limiting the foregoing, the Administrator shall timely pay all reinsurance premiums due to the reinsurers under the Existing Reinsurance Agreements to the extent such reinsurance premiums constitute a Reinsured Liability, and shall have the right to collect all reinsurance recoverables due thereunder. Notwithstanding the foregoing, the Ceding Company shall reasonably cooperate with the Administrator, at the Administrator's cost and expense, in the administration of the Existing Reinsurance Agreements to the extent that the Ceding Company's participation is required thereunder or reasonably requested by the Administrator or the counterparty to any Existing Reinsurance Agreement.

B. Financial Reporting Services

Services Provided to the Ceding Company

[Calculating reserves on GAAP, Statutory and Tax bases on the Reinsured Policies in a manner consistent with past practice on not less than a calendar month basis (with such calculation to be delivered to the Ceding Company no later than the fifth (5th) Business Day after the applicable month-end), and otherwise as may reasonably be required by the Ceding Company from time to time in order to comply with the Ceding Company's financial reporting requirements and obligations.

Providing monthly data file to the Ceding Company containing a level of detail which supports statutory balance sheet and income statement requirements. Information supplied includes, but is not limited to, premium, paid claims, pending claims and surrenders. Data file in form of a trial balance will support direct vs. ceded vs. assumed differentiation as required for statutory balance sheet and income statement reporting.

Providing monthly data file to the Ceding Company in order to augment the monthly data file delivered pursuant to the immediately preceding paragraph, such file to contain information regarding the reinsurance coverage provided by the Administrator broken down by contract reference and such additional level of detail as may be mutually agreed to by the parties, which will tie back to reinsurance information on the general ledger.

Annually providing sufficient detail regarding reinsurance, including by line of insurance business and reinsurance treaty or contract reference, to support completion of Schedule S which will tie back to reinsurance information on general ledger.

Providing written notice of any changes in the reserve basis or reserve methodology used in calculating statutory reserves.

Providing Monthly Trial Balance by the fifth (5th) Business Day to facilitate standard reporting needs and minimize ad hoc requests, detailing:

- Month's Cash transactions, Accrual is format to support GAAP vs. Stat reporting;
- Level required to support statutory line of business (individual vs. group) (net as to reinsurance); and
- Indicator for direct and ceded, product, premiums/deposits by state.

Reporting of such information with respect to the Reinsured Policies as the Ceding Company may reasonably require from time to time for statutory filings, tax filings and reporting purposes no later than the fifth (5th) Business Day after the applicable quarter-end.

Providing annual information for regulatory required reporting by [February 7th] of each year, unless otherwise specified below, including but not limited to:

- RBC support;
- Exhibits 5 and 7 support;
- Exhibit of Life Insurance support;
- Schedules F, S, and T support;
- Blue Book Footnote detail support;
- Rating agency survey information; and
- Operational detail in support of annual Market Conduct Survey (by March 15th).

Performing reconciliation of suspense, cash, and bank accounts related to Reinsured Policies.

Providing assistance and supporting documentation as needed with regard to any inquiries or audit requests from regulators in a timely manner.

Providing data reliance certification for annual Actuarial Opinion regulatory requirement.][6]

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[6] NTD: Parties to discuss reporting obligations. Voya intends to provide standard quarterly reports with respect to the Retained Business.

C. General Services

Conducting reviews of, advising on relevancy of, and implementing all new Applicable Laws determined to be relevant in all fifty (50) states with respect to the Reinsured Liabilities.

Monitoring the Reinsured Policies' compliance with all Applicable Laws.

Subject to Section 2.7, making available records relating to the Reinsured Policies for audit by the Ceding Company upon reasonable notice and during regular business hours. Such records shall include, but not be limited to, Policyholder records, in force listings, premium records, consumer and regulatory complaint logs, sample correspondence, claims records and other Books and Records maintained on behalf of the Ceding Company.

Providing the Ceding Company privacy notices to Policyholders pursuant to the Gramm-Leach-Bliley Act, HIPAA and any other Applicable Law.

Providing information with respect to the Reinsured Policies necessary to allow the Ceding Company to complete the Annual Life & Annuity Market Conduct Annual Statement (MCAS).

Implementing crediting rate changes or other changes to non-guaranteed elements in accordance with the Reinsurance Agreement.

Maintaining compliant anti-money laundering program and managing compliance with monitoring requirements. Conducting annual anti-money laundering and fraud training, including California claims training for all relevant employees.

[Providing metrics for agent oversight function.]

Providing services related to OFAC compliance. In connection therewith, the Administrator shall not process any premium payment or pay any claim with respect to the Reinsured Policies or Existing Reinsurance Agreements if such actions are prohibited under any Applicable Law, including regulations promulgated by the Office of Foreign Assets Control of the U.S. Treasury Department implementing U.S. economic and trade sanctions against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in the proliferation of weapons of mass destruction.]

SCHEDULE II

Reporting

[To come.]

SCHEDLUE III

Scheduled Licenses

[To come.]

SCHEDULE IV

Licensed Names and Marks

<u>EXHIBIT U-2</u>
Form of Life Business Reinsurance Agreement

[See attached.]

REINSURANCE AGREEMENT (LIFE BUSINESS)

between

VOYA INSURANCE AND ANNUITY COMPANY

and

RELIASTAR LIFE INSURANCE COMPANY

effective as of [●]

Treaty Number [●]

TABLE OF CONTENTS

Schedules

REINSURANCE AGREEMENT (LIFE BUSINESS)

This REINSURANCE AGREEMENT (this "Agreement"), effective as of [●] (the "Effective Date"), is made by and between Voya Insurance and Annuity Company, an insurance company organized under the Laws of the State of Iowa (the "Ceding Company") and ReliaStar Life Insurance Company, an insurance company organized under the Laws of the State of Minnesota (the "Reinsurer").

WITNESSETH:

WHEREAS, Athene Holding Ltd, VA Capital Company LLC (the "Buyer Parent"), and Voya Financial, Inc. (the "Seller"), the ultimate parent of the Ceding Company, have entered into a Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, the Seller will sell, and [NewCo], a wholly owned subsidiary of Buyer Parent (the "Buyer") will purchase, all of the issued and outstanding shares of common stock of the Ceding Company;

WHEREAS, in connection with the closing of the sale of the Ceding Company to the Buyer, the Ceding Company and the Reinsurer, an indirect wholly-owned subsidiary of the Seller, wish to enter into a coinsurance transaction with respect to certain life insurance business of the Ceding Company;

WHEREAS, subject to the terms, conditions and limitations contained herein, the Ceding Company desires to cede, on a coinsurance basis, and the Reinsurer desires to accept, the Reinsured Liabilities (as defined below); and

WHEREAS, the Ceding Company and Reinsurer have entered into that certain Administrative Services Agreement, dated as of [●] (the "Administrative Services Agreement"), pursuant to which the Reinsurer, as Administrator, has agreed to perform certain administrative services with respect to the Reinsured Policies (as defined below).

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Ceding Company and the Reinsurer hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" shall mean (a) any civil, criminal or administrative action, suit, claim, litigation, arbitration or similar proceeding, in each case, before a Governmental Entity, or (b) any investigation or written inquiry by a Governmental Entity other than any examination by a taxing authority, including a tax audit.

"Administrative Services Agreement" shall have the meaning specified in the Recitals hereto.

"Administrator" shall mean the Reinsurer, in its capacity as the administrator pursuant to the Administrative Services Agreement or any successor appointed in accordance with Section 9.01(a).

"Affiliate" shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person, and the term "Affiliated" shall have a correlative meaning. For the purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" shall have the meaning specified in the Preamble hereto.

"Applicable Tax Gross-Up Percentage" shall mean one minus the highest federal tax rate applicable to United States corporations as of the Effective Date or, in the event of a recapture pursuant to Section 10.02, the Recapture Effective Date.

"Authorized Representative" shall have the meaning specified in Section 13.01(a)(i).

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by Law to close in New York, New York or Des Moines, Iowa.

"Buyer" shall have the meaning specified in the Recitals hereto.

"Buyer Parent" shall have the meaning specified in the Recitals hereto.

"Ceded IMR" shall mean, collectively, as of any date of determination, the amount of the Existing IMR that remains unamortized as of such date, and the amount of the New Effective Date IMR that remains unamortized as of such date, in each case, determined in accordance with Reinsurer SAP.

"Ceded Reserves" shall mean an amount equal to the Quota Share of the Net Statutory Reserves.

"Ceding Company" shall have the meaning specified in the Preamble hereto.

"Ceding Company Domiciliary State" means the State of Iowa, or, if the Ceding Company changes its state of domicile to another state within the United States, such other state.

"Ceding Company Domiciliary State SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Ceding Company Domiciliary State consistently applied by the Ceding Company.

"Ceding Company Extra-Contractual Obligations" shall mean Extra-Contractual Obligations (a) arising on or after the Effective Date to the extent caused by any act of, or failure to act by, the Ceding Company or any of its Affiliates following the Effective Date except to the extent such act or failure to act was with the consent or at the direction of the Administrator or (b) arising from the failure of the Ceding Company to implement the Reinsurer's recommendations with respect to contractual guarantees, mortality charges, administrative charges and other non-guaranteed elements of the Reinsured Polices in accordance with Section 2.05, except to the extent that such recommendations do not comply with applicable Law, generally accepted actuarial standards of practice or the terms of the Reinsured Policies.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Effective Date" shall have the meaning specified in the Preamble hereto.

"Estimated Life Business Required Initial Premium" shall have the meaning specified in Section 3.02(b).

"Excluded Liabilities" shall mean (a) all Ceding Company Extra-Contractual Obligations, (b) any liabilities resulting from any change to the terms of any Reinsured Policy after the Effective Date, unless such change is required by applicable Law or made by or at the direction of the Administrator, and (c) any ex gratia payments made by the Ceding Company (other than ex gratia payments made by or at the direction of the Administrator).

"Existing IMR" shall mean the Quota Share of the Ceding Company's interest maintenance reserves relating to the Reinsured Policies as of the Effective Date, determined in accordance with Ceding Company Domiciliary State SAP.

"Existing Reinsurance Agreements" means (a) the reinsurance agreements under which the Ceding Company has ceded to reinsurers risks arising in respect of the Reinsured Policies, as may be amended and in effect from time to time, and (b) any reinsurance agreement entered into by the Ceding Company at the direction of the Administrator to replace any of such reinsurance agreements under clause (a) following any termination or recapture thereof, as all such reinsurance agreements may be in force and effect from time to time and at any time, in each case that are (i) in force or are being treated as being in force or (ii) terminated but under which there remains any outstanding liability or obligation.

"Extra-Contractual Obligations" shall mean any liabilities or obligations arising out of or relating to the Reinsured Polices (other than liabilities or obligations arising under the express terms and conditions, and within the applicable policy limits, of the Reinsured Policies), including liabilities or obligations for fines, penalties, taxes, fees, forfeitures, compensatory damages, and punitive, special, treble, bad faith, tort, exemplary or other forms of extra-contractual damages, as well as all legal fees and expenses relating thereto, including the costs of any settlement or arbitration award, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, in bad faith or otherwise (actual or alleged) arising out of or relating to the Reinsured Policies, including (a) the form, marketing, sale, underwriting, production, issuance, cancellation or administration of the Reinsured Policies, (b) the investigation, defense, trial, settlement or handling of claims, benefits or payments under the Reinsured Policies, (c) the failure to pay, the delay in payment, 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 Reinsured Policies (d) fines or other penalties associated with escheat or unclaimed property liabilities arising under or relating to the Reinsured Policies, (e) the failure of the Reinsured Policies or the payments thereunder to qualify for their intended or expected tax status, or (f) any tax, penalty or interest imposed in respect of any withholding or reporting obligation in respect of taxes.

"Fair Market Value" shall mean, as of any date of determination and with respect to any asset, the market value of such asset on such date of determination as determined in accordance with Schedule III attached hereto.

"Foreign Account Tax Compliance Act" or "FATCA" has the meaning set forth in Section 9.02.

"Governmental Entity" shall mean 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.

"Initial Premium Assets" shall have the meaning specified in Section 3.02(c).

"Law" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Entity pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"Life Business Ceding Commission" means $[●].

"Life Business Required Initial Premium" shall have the meaning specified in Section 3.02(a).

"Master Agreement" shall have the meaning specified in the Recitals hereto.

"Net Statutory Reserves" shall mean the net statutory reserves of the Ceding Company in respect of the Reinsured Policies, which shall be calculated in good faith on a *seriatim* basis in accordance with the methodologies set forth on Schedule IV.

"New Effective Date IMR" shall mean any new interest maintenance reserve that is created on the Effective Date as a result of the transactions contemplated by this Agreement, determined in accordance with Ceding Company Domiciliary State SAP.

"Non-Public Personal Information" shall have the meaning specified in Section 16.09(b).

"Permits" shall mean any licenses, certificates of authority or other similar certificates, registrations, franchises, permits, approvals or other similar authorizations issued to a Person by a Governmental Entity.

"Permitted Investments" shall have the meaning specified in Section 8.02(b).

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

"Producer" means any agent, broker, producer, distributer, third party administrator, reinsurance intermediary or representative.

"Proprietary Information" shall have the meaning specified in Section 16.09(a).

"Quota Share" shall mean one hundred percent (100%).

"Recapture Effective Date" shall have the meaning specified in Section 10.02(b).

"Recapture Payment" shall have the meaning specified in Section 10.03.

"Recapture Triggering Event" means any of the following occurrences:

(a) there has been a failure by the Reinsurer (i) to pay any undisputed amounts due hereunder to the Ceding Company or the Administrator or (ii) to fund the Trust Account to any undisputed amount required hereunder and, in the case of either (i) or (ii), and such breach has not been cured within thirty (30) calendar days after the Reinsurer's receipt of written notice thereof from the Ceding Company;

(b) a Reinsurance Credit Event (i) has occurred and is continuing and (ii) the Reinsurer has not remedied such event on or prior to the date that is forty-five (45) calendar days after the Reinsurer receives notice in writing from the Ceding Company of such event; or

(c) the Reinsurer has been placed into liquidation, rehabilitation, conservation, supervision, receivership or similar proceedings (whether voluntary or involuntary), or there has been instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or assume control of its operations.

"Reinsurance Credit Event" shall have the meaning specified in Section 8.01.

"Reinsurance Receivables" shall mean the Quota Share of any and all of the following amounts due to the Ceding Company:

(a) all premiums and policy loan payments received by the Ceding Company on the Reinsured Policies, net of amounts returned on the Reinsured Policies as a result of experience rating or similar provisions;

(b) any and all recoveries, including litigation recoveries, relating to the Reinsured Liabilities or the Reinsured Policies;

(c) without duplication, all other payments, collections, releases of funds, recoveries and other considerations or payments with respect to the Reinsured Policies, including all premiums, payments, reimbursements, interest or other amounts that the Ceding Company receives on or after the Effective Date in connection with any reinstatement or reissuance of a Reinsured Policy;

(d) any amounts due and payable from reinsurers under the Existing Reinsurance Agreements;

(e) any recoveries of assessments and similar charges paid on or after the Effective Date with respect to the Reinsured Policies in connection with participation by the Ceding Company or the Reinsurer, whether voluntary or involuntary, in any guaranty association established or governed by any state or other jurisdiction, arising on account of insolvencies, rehabilitation or similar proceedings; and

(f) any investment income actually received by the Ceding Company relating to items (a) through (e) above.

"Reinsured Liabilities" shall mean the Quota Share of the following liabilities of the Ceding Company, in each case, net of amounts actually collected by or on behalf of the Ceding Company under the Existing Reinsurance Agreements:

(a) all claims, benefits, unearned premiums, periodic payments, interest on claims or unearned premiums, amounts payable for returns or refunds of premium amounts, withdrawals, surrenders, loans or experience refunds and any other amounts payable but unpaid under the Reinsured Policies;

(b) all claims expenses, including litigation expenses, to the extent incurred on or after the Effective Date;

(c) all liabilities arising out of or resulting from changes to the terms and conditions of the Reinsured Policies agreed to in writing by the Reinsurer, initiated by the holder of any Reinsured Policy pursuant to the terms and conditions of such Reinsured Policy or mandated by applicable Law;

(d) all commissions (including bonuses, supplemental commissions, profit sharing and overrides), expense allowances, other compensation and other servicing and administration fees payable with respect to premium paid on or after the Effective Date under the Reinsured Policies to or for the benefit of Producers;

(e) all contractual benefits arising under the Reinsured Policies payable to a Governmental Entity pursuant to any applicable escheat or unclaimed property law;

(f) all premium taxes and guaranty fund assessments payable by the Ceding Company with respect to premium paid on or after the Effective Date under the Reinsured Policies;

(g) amounts paid to reinsurers under the Existing Reinsurance Agreements allocable to periods on or after the Effective Time with respect to the Reinsured Policies; and

(h) the Reinsurer Extra-Contractual Obligations;

provided, that in no event shall "Reinsured Liabilities" include any Excluded Liabilities.

"Reinsured Policies" shall mean (a) all life insurance policies issued by the Ceding Company on the policy forms that are listed on Schedule I and in force on the Effective Date, including any rider forms that are listed on Schedule I and any amendments or endorsements attached thereto as of the Effective Date, and (b) all life insurance policies issued by the Ceding Company on such policy and rider forms prior to the Effective Date that have lapsed but are subject to reinstatement and, in each case, any conversion or renewal of such policy or contract or any individual policy issued thereunder or in accordance with the terms thereof.[1]

"Reinsurer" shall have the meaning specified in the Preamble hereto.

"Reinsurer Domiciliary State" means the State of Minnesota or, if the Reinsurer changes its state of domicile to another state within the United States, such other state.

"Reinsurer Extra-Contractual Obligations" shall mean all Extra-Contractual Obligations other than Ceding Company Extra-Contractual Obligations.

"Reinsurer SAP" shall mean the statutory accounting principles and practices prescribed or permitted for domestic life insurance companies by the Insurance Commissioner of the Reinsurer Domiciliary State, consistently applied by the Reinsurer.

"Reserves Report" shall have the meaning specified in Section 7.01.

"Retained Asset Account" means the retained asset account maintained by the Ceding Company to hold life insurance death benefits until withdrawn by the applicable beneficiaries thereof.

"Seller" shall have the meaning specified in the Recitals hereto.

"Terminal Accounting Report" shall have the meaning specified in Section 10.03.

"Third Party Actuary" shall mean a nationally recognized accounting or actuarial firm mutually agreed upon by the parties hereto; provided, that if the parties are unable to mutually agree, they shall jointly request the President of the Society of Actuaries to appoint, within ten (10) Business Days from the date of such request, a nationally recognized accounting or actuarial firm with actuarial expertise independent of both the Ceding Company and the Reinsurer and their respective Affiliates to serve as the Third Party Actuary. In the event that the President of the Society of Actuaries declines to so make such appointment, the parties shall jointly request the American Arbitration Association to make such appointment.

[1] **Note to Draft**: To include all direct or assumed policies that are Excluded Business and not subject to a different Restructuring Agreement; provided, however, that prior to the Closing, at Seller's option, the Seller may make an offer to Buyer Parent that the Company retain (i) the GAAS-Alger VUL block and/or (ii) the Preferred Advantage Investment-Only Variable Annuity block, subject to the Buyer Parent's consent which Buyer Parent may withhold in its sole and absolute discretion.

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"Unamortized Ceding Commission" shall mean an amount equal to: (a) the Life Business Ceding Commission, multiplied by (b)(i) the Ceded Reserves as of the Recapture Effective Date, divided by (ii) the Ceded Reserves as of the Effective Date.

Section 1.02 Other Definitional Provisions.

(a) For purposes of this Agreement, the words "hereof," "herein," "hereby" and other words of similar import refer to this Agreement as a whole, including all Schedules and Exhibits to this Agreement, 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) 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 and vice versa.

(e) The Schedules and Exhibits hereto are hereby incorporated by reference into the body of this Agreement.

(f) All references herein to Articles, Sections, Subsections, Paragraphs, Exhibits and Schedules shall be deemed references to Articles and Sections and Subsections and Paragraphs of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require.

(g) All terms defined in this Agreement shall have the defined meaning when used in any Schedule, Exhibit, certificate, report or other documents attached hereto or made or delivered pursuant hereto unless otherwise defined therein.

ARTICLE II

COVERAGE

Section 2.01 Scope and Basis of Reinsurance.

(a) This Agreement shall be effective as of [●] [A.M.][P.M.] on the Effective Date.

(b) This Agreement is an agreement for indemnity reinsurance made solely between the Ceding Company and the Reinsurer.

(c) Subject to the terms, conditions and limits of this Agreement, the Ceding Company shall automatically cede and the Reinsurer shall automatically reinsure, on a coinsurance basis, all of the Reinsured Liabilities.

(d) Subject to the terms, conditions and limits of this Agreement, the Reinsurer shall follow the fortunes of the Ceding Company, and to that end the Reinsurer's liability for the Reinsured Policies shall be identical to that of the Ceding Company and shall be subject to the same risks, terms, conditions, interpretations, waivers, modifications, alterations and cancellations to which the Ceding Company is subject with respect to the Reinsured Policies.

(e) Notwithstanding anything to the contrary herein, the Reinsurer shall not be liable for any Excluded Liabilities.

Section 2.02 Policy Changes.

(a) The Ceding Company shall not, without the prior written consent of the Reinsurer or at the direction of the Administrator, terminate, amend, modify or waive any provision or provisions of the Reinsured Policies, except to the extent required by applicable Law.

(b) Any terminations, amendments, modifications or waivers made by the Ceding Company in violation of Section 2.02(a) shall be disregarded for purposes of this Agreement, and the reinsurance with respect to the affected Reinsured Policy will continue as if such termination, amendment, modification or waiver had not been made.

Section 2.03 Reinstatement of Surrendered Policies. If a Reinsured Policy that has lapsed is reinstated according to its terms and the Ceding Company's reinstatement policies, the Reinsurer will automatically reinstate the reinsurance with respect to such Reinsured Policy; provided, that, to the extent that the reinstatement of such Reinsured Policy requires payment of premiums in arrears or reimbursement of claims paid, the Reinsurer shall be entitled to all Reinsurance Receivables in arrears and all reimbursements of Reinsured Liabilities paid on such Reinsured Policy.

Section 2.04 Misstatement of Fact. In the event of a change in the amount payable under a Reinsured Policy due to a misstatement of fact, the Reinsurer's liability with respect to such Reinsured Policy will change proportionately. Such Reinsured Policy will be rewritten by the Administrator from commencement on the basis of the adjusted amounts using premiums and such other terms based on the correct facts, and the proper adjustment for the difference in Reinsurance Receivables, without interest, will be made.

Section 2.05 Non-Guaranteed Elements. From and after the Effective Date, the Ceding Company shall establish all contractual guarantees, mortality charges, administrative charges and other non-guaranteed elements of the Reinsured Policies; provided, that the Reinsurer shall be permitted to provide recommendations regarding the contractual guarantees, credited interest rates and other non-guaranteed elements of the Reinsured Policies and, to the extent such recommendations comply with applicable Law, generally accepted actuarial standards of practice, and the terms of the Reinsured Policies, and the Ceding Company shall not unreasonably take any actions that contravene such recommendations and shall promptly incorporate such recommendations. If the Ceding Company fails to adhere to such recommendations, then the Ceding Company shall promptly notify the Reinsurer in writing of such failure.

Section 2.06 Programs of Internal Replacement. The Ceding Company shall not solicit, or allow any of its Affiliates to solicit, directly or indirectly, policy holders of the Reinsured Policies in connection with any program of internal replacement. The term "program of internal replacement" means any program sponsored or supported by the Ceding Company or any of its

Affiliates that is offered on a targeted basis to policy owners of the Reinsured Policies in which a Reinsured Policy is exchanged for another policy that is written by the Ceding Company or any Affiliate of the Ceding Company or any successor or assignee of any of them that is not reinsured under this Agreement. Notwithstanding the foregoing, neither the Ceding Company nor its Affiliates shall be prohibited from maintaining for issuance any existing products of the Ceding Company or its Affiliates that are offered to their respective clients generally or any products that are developed and offered generally by the Ceding Company or its Affiliates not specifically directed to the policyholders of the Reinsured Policies nor shall the Ceding Company or any of its Affiliates be prohibited from engaging in general solicitation or marketing efforts not targeted at policy owners of the Reinsured Policies.

Section 2.07 Conservation Program. Upon the request of the Reinsurer, the Ceding Company shall reasonably cooperate and work with the Reinsurer to develop and implement a conservation or policyholder outreach program with respect to the Reinsured Policies, at the sole expense of the Reinsurer.

Section 2.08 Retrocession. The Reinsurer may retrocede all or any portion of the risks ceded to it pursuant to this Agreement without the consent of the Ceding Company.

Section 2.09 Interest Maintenance Reserve. The Ceding Company and the Reinsurer agree that the Ceded IMR shall be ceded to and maintained and calculated by the Reinsurer.

Section 2.10 Existing Reinsurance.

The Ceding Company shall not (i) amend or terminate any of the Existing Reinsurance Agreements, waive any rights thereunder, consent to any change to the reinsurance rates thereunder or settle or compromise any disputes thereunder, to the extent that any such actions relate in whole or in part to the Reinsured Policies, or (ii) enter into any new reinsurance agreements that would constitute Existing Reinsurance Agreements with respect to any Reinsured Policy, in each case without the prior written consent of the Reinsurer.

ARTICLE III

REINSURANCE PREMIUMS

Section 3.01 Reinsurance Premiums. The payment of the Life Business Required Initial Premium is a condition precedent to the liability of the Reinsurer under this Agreement. The Reinsurer shall be entitled to all Reinsurance Receivables, which shall be payable in accordance with Section 7.04 and the Administrative Services Agreement.

Section 3.02 Initial Premium; True-Up.

(a) On the Effective Date, the Ceding Company shall pay to the Reinsurer in accordance with this Section 3.02 an initial premium (the "Life Business Required Initial Premium") equal to:

(i) the Ceded Reserves as of the Effective Date, plus

(ii) the Existing IMR, divided by the Applicable Tax Gross-Up Percentage, plus

(iii) the New Effective Date IMR, divided by the Applicable Tax Gross-Up Percentage, minus

(iv) the Quota Share of the amount of outstanding policy loans on the Reinsured Policies as of the Effective Date, if any, net of any unearned policy loan interest on such loans but including amounts of interest due and accrued with respect thereto; plus

(v) the Quota Share of an amount equal to the Fair Market Value of the assets held in the Retained Asset Account as of the Effective Date.

(b) The amount of the Life Business Required Initial Premium actually paid on the Effective Date (such estimated amount, the "Estimated Life Business Required Initial Premium") shall be determined on an estimated basis in accordance with the Master Agreement.

(c) To effectuate the payment of the Estimated Life Business Required Initial Premium and the Life Business Ceding Commission, the Ceding Company shall transfer to the Reinsurer assets with an aggregate Fair Market Value equal to such Estimated Life Business Required Initial Premium less the Life Business Ceding Commission. A list of the assets so transferred (the "Initial Premium Assets"), including an estimate of the Fair Market Value of each such asset as of the Effective Date, is set forth on Schedule III attached hereto.[2]

(d) The Estimated Life Business Required Initial Premium shall be subject to adjustment in accordance with the Master Agreement.

ARTICLE IV

CEDING COMMISSION

Section 4.01 Ceding Commission. The Reinsurer shall pay to the Ceding Company the Life Business Ceding Commission on the Effective Date.

ARTICLE V

ADMINISTRATION FEE

Section 5.01 Service Fees. In consideration for the transactions contemplated under this Agreement, the Administrator shall provide the services under the Administrative Services Agreement at its sole cost and expense and shall not receive any separate fee from the Ceding Company for the provision of such services.

[2] **Note to Draft**: This schedule will be attached at closing.

ARTICLE VI

REINSURED LIABILITIES

Section 6.01 Payment of Reinsured Liabilities. In accordance with the terms of the Administrative Services Agreement, the Administrator shall pay, without duplication, directly on a gross basis, all Reinsured Liabilities. The Reinsurer's obligations with respect to the Reinsured Liabilities shall be satisfied to the extent of any direct payments of the Reinsured Liabilities by the Administrator pursuant to the Administrative Services Agreement.

ARTICLE VII

REPORTING AND SETTLEMENTS

Section 7.01 Reinsurer Reporting. Within [ ] Business Days following the end of each calendar quarter and any Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a report setting forth (i) the Ceded Reserves and (ii) the Ceded IMR, in each case, as of the end of such calendar quarter or such Recapture Effective Date, as applicable (the "Reserves Report").

Section 7.02 Mutual Reporting. Each party shall provide written notice to the other party of the occurrence of any Recapture Triggering Event with respect to the disclosing party or any Reinsurance Credit Event within five (5) Business Days learning of any such occurrence. In addition, each party shall promptly respond to the other party's reasonable inquiries from time to time concerning the determination of whether a Recapture Triggering Event has occurred with respect to the responding party or a Reinsurance Credit Event has occurred.

Section 7.03 Reports by the Administrator. The Administrator shall provide to the Reinsurer periodic accounting and other reports with respect to the Reinsured Policies as specified in the Administrative Services Agreement.

Section 7.04 Settlements. Except as otherwise set forth herein or in the Administrative Services Agreement, on an ongoing basis (a) amounts owed hereunder by the Reinsurer to the Ceding Company shall be settled through the direct payment of Reinsured Liabilities by the Administrator under the Administrative Services Agreement, and (b) amounts owed hereunder by the Ceding Company to the Reinsurer shall be settled through the direct collection of such amounts by the Administrator and payment of such amounts to the Reinsurer under the Administrative Services Agreement; provided that the Ceding Company shall pay over to the Reinsurer all Reinsurance Receivables actually collected by the Ceding Company.

ARTICLE VIII

CREDIT FOR REINSURANCE

Section 8.01 Credit for Reinsurance.

(a) The Reinsurer shall use reasonable best efforts to maintain in full force and effect at all times during the term of this Agreement all Permits that are necessary to ensure that the Ceding Company will receive credit on its statutory financial statements in its Ceding Company Domiciliary State for the reinsurance provided pursuant to this Agreement. If the Reinsurer fails to maintain all such Permits or the Ceding Company otherwise does not receive credit on its statutory financial statements in the Ceding Company Domiciliary State for the reinsurance provided pursuant to this Agreement (a "Reinsurance Credit Event"), then the Reinsurer shall promptly take such steps as are necessary to: (a) restore such Permits; (b) becomes an authorized reinsurer in the Ceding Company Domiciliary State; or (c) establish a qualified reinsurance trust or provide a letter of credit or other form of collateral permitted under applicable Law, in each case, such that the Ceding Company shall be able to obtain credit on its statutory financial statements in the Ceding Company Domiciliary State for the reinsurance provided by this Agreement, it being understood that the Reinsurer shall have the sole discretion to elect among the methods available to it. All such steps shall be completed no later than the end of the calendar quarter in which such Reinsurance Credit Event occurs.

(b) Notwithstanding anything contained in this Section 8.01 to the contrary, in the event that (i) there is a repeal of or amendment or other modification to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173) that would authorize a Governmental Authority in any jurisdiction of the United States where the Ceding Company is licensed to transact business, or is an authorized reinsurer, to apply the applicable rules for credit for reinsurance in such jurisdiction to the Ceding Company, and (ii) the Ceding Company reasonably determines that it is obligated under Applicable Law to comply with such rules in order to receive statutory financial statement credit in any such jurisdiction, then Section 8.01(a) hereof shall automatically be deemed to be amended without any action by the Parties to require that the Reinsurer shall take all steps necessary so as to enable the Ceding Company to obtain full and complete statutory financial statement credit for the reinsurance provided by this Agreement in any such jurisdiction in addition to, and to the same extent as, the Ceding Company Domiciliary State.

ARTICLE IX

ADMINISTRATION

Section 9.01 Policy Administration. Pursuant to the Administrative Services Agreement, the Administrator shall administer the Reinsured Policies on behalf of the Ceding Company. In the event of a termination of the Administrative Services Agreement, other than by reason of the termination of this Agreement, the Ceding Company shall delegate the administration of the Reinsured Liabilities to a third-party administrator reasonably acceptable to the Reinsurer. The Ceding Company and such replacement third-party administrator shall enter into an administrative services agreement on substantially similar terms and conditions as the Administrative Services Agreement and pursuant to which such replacement third-party administrator agrees to provide services substantially similar to the services set forth in the Administrative Services Agreement. In the event of any such delegation in accordance with this Section 9.01(a), such replacement shall be the "Administrator" as defined in this Agreement and the new administrative services agreement shall be the "Administrative Services Agreement" as defined in this Agreement.

Section 9.02 The Foreign Account Tax Compliance Act. Both the Reinsurer and the Ceding Company agree to provide all information necessary to comply (or permit the other Party to comply) with Sections 1471 – 1474 of the US Internal Revenue Code, (the "Foreign Account Tax Compliance Act" or "FATCA") and any Treasury Regulations or other guidance issued pursuant thereto, including, without limitation, Forms W-9, Forms W-8BEN-E, and any information necessary for the Reinsurer or the Ceding Company, to the extent applicable, to enter into an agreement described in Section 1471(b) of the US Internal Revenue Code and to comply with the terms of that agreement or to comply with the terms of any inter-governmental agreements between the US and any other jurisdictions relating to FATCA. This information shall be provided upon execution of this Agreement, promptly upon reasonable demand by either party to this agreement and promptly upon learning that any such information previously provided has become obsolete or incorrect.

Section 9.03 Anti-Money Laundering. The Ceding Company has established and will maintain reasonable policies and procedures to comply in all material respects with applicable laws and regulations relating to anti-money laundering and anti-terrorism financing activities including, without limitation, the U.S.A. Patriot Act, the lists promulgated or maintained by the United States Department of Treasury naming specially designated nationals or blocked persons, and any other laws, regulations, executive orders or similar actions that impose sanctions or prohibit or restrict transactions or relations with designated persons, entities, organizations or governments.

ARTICLE X

TERM AND TERMINATION

Section 10.01 Duration of Agreement. Unless the Reinsured Policies are recaptured in accordance with Section 10.02, this Agreement shall continue in force until such time as the Ceding Company has no further liabilities or obligations with respect to the Reinsured Liabilities.

Section 10.02 Recapture.

(a) Neither party shall be permitted to cause a recapture of the Reinsured Policies except in accordance with this Section 10.02. For the avoidance of doubt, neither party shall be permitted to cause a partial recapture of the Reinsured Policies pursuant to this Section 10.02.

(b) The Ceding Company may terminate this Agreement and recapture all of the Reinsured Policies in the event of the occurrence of a Recapture Triggering Event with respect to the Reinsurer by promptly providing the Reinsurer or its Authorized Representative with written notice of such recapture, specifying a recapture date (the "Recapture Effective Date").

Section 10.03 Recapture Payment.

(a) In the event the Reinsured Policies are recaptured in full (including if this Agreement is rejected by any liquidator, receiver, rehabilitator, trustee or similar Person acting on behalf of the Ceding Company), a net accounting and settlement as to any balance due under this

Agreement shall be undertaken by the Administrator, which calculations shall be as of the Recapture Effective Date. Within fifteen (15) Business Days following the Recapture Effective Date, the Reinsurer shall deliver to the Ceding Company a Terminal Accounting Report setting forth the amount of the Recapture Payment (the "Terminal Accounting Report"). Within three (3) Business Days after the finalization of the Terminal Accounting Report in accordance with Section 10.04, the Reinsurer shall pay to the Ceding Company an amount (the "Recapture Payment") equal to:

(i) the Ceded Reserves, plus

(ii) the amount of the Ceded IMR that remains unamortized as of the Recapture Effective Date, divided by the Applicable Tax Gross-Up Percentage, minus

(iii) the Unamortized Ceding Commission, in each case, as of the Recapture Effective Date);

in the case of each of (i) through (iii), as set forth in the Terminal Accounting Report.

Section 10.04 Determination of Recapture Payment.

(a) After the receipt by the Ceding Company from the Reinsurer of the Terminal Accounting Report provided for in Section 10.03(a), and until such time as such report is finalized pursuant to this Section 10.04(a), the Ceding Company and its authorized representatives shall have, upon prior written notice, reasonable access during normal business hours to the working papers of the Reinsurer relating to such report and the items set forth thereon. The Ceding Company shall have the right to review such report and comment hereon for a period of thirty (30) Business Days after receipt of such report. Any changes in such reports that are agreed to by the parties within such thirty (30) Business Day review period shall be incorporated into a final report. In the event the Ceding Company does not dispute such report within such thirty (30) Business Day review period, such report shall be deemed final.

(b) In the event that a dispute arises regarding any item or items in the Terminal Accounting Report within such thirty (30) Business Day review period, each of the parties shall prepare separate written reports of such item or items remaining in dispute and refer such reports to the Third Party Actuary within ten (10) calendar days after the expiration of such thirty (30) Business Day review period.

(c) The Third Party Actuary shall resolve within thirty (30) calendar days the dispute regarding such item or items in Terminal Accounting Report; provided, however, that the dollar amount of each item in dispute shall be determined within the range of dollar amounts proposed by the Ceding Company and the Reinsurer.

(d) The determinations by the Third Party Actuary as to the items in dispute shall be in writing and shall be final and binding on the parties. The fees, costs and expenses of retaining the Third Party Actuary shall be shared equally by the Ceding Company and the Reinsurer.

(e) The Reinsurer may, at its option, pay the Recapture Payment in cash by wire transfer of immediately available funds or in kind with assets with an aggregate fair market value (determined in accordance with a methodology agreed to by the Ceding Company and the Reinsurer that is substantially similar to the methodology set forth on Schedule III) equal to such amount.

Section 10.05 Survival. All provisions of this Agreement will survive any termination of this Agreement and recapture of the Reinsured Policies to the extent necessary to carry out the purpose of this Agreement.

ARTICLE XI

ERRORS AND OMISSIONS

Section 11.01 Errors and Omissions. Any unintentional or accidental failure to comply with the terms of this Agreement which can be shown to be the result of an oversight or clerical error relating to the administration of reinsurance by either party will not constitute a breach of this Agreement; provided, that, upon discovery, the error shall be promptly corrected so that both parties are restored to the position they would have occupied had the oversight or clerical error not occurred. Should it not be possible to restore both parties to this position, the party responsible for the oversight or clerical error will be responsible for any resulting liabilities and expenses.

ARTICLE XII

DISPUTE RESOLUTION

Section 12.01 Consent to Jurisdiction. Each party hereto hereby irrevocably and unconditionally submits to the non-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 for recognition and enforcement of any judgment in respect thereof. In any 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 hereto also agrees that any final and nonappealable 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 hereto 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 16.05, constitute good, proper and sufficient service thereof.

Section 12.02 Service of Process. The Reinsurer hereby designates the Commissioner of Insurance the Ceding Company Domiciliary State as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Company. A copy of any such process shall be delivered to the Reinsurer in accordance with Section 16.05.

(a) Waiver of Trial by Jury. THE REINSURER AND THE CEDING COMPANY HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.

ARTICLE XIII

INSOLVENCY

Section 13.01 Insolvency.

(a) A party to this Agreement will be deemed "insolvent" when it:

(i) applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor (the "Authorized Representative") of its properties or assets;

(ii) is adjudicated as bankrupt or insolvent;

(iii) files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation, rehabilitation, conservation or similar Law; or

(iv) becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the party's domicile.

(b) In the event of the insolvency of either party, the rights or remedies of this Agreement will remain in full force and effect.

(c) Insolvency of the Ceding Company. In the event of the insolvency, liquidation or rehabilitation of the Ceding Company or the appointment of a liquidator, receiver or statutory successor of the Ceding Company, the reinsurance coverage provided hereunder shall be payable by the Reinsurer directly to the policyholders or beneficiaries under the Reinsured Policies, as applicable, on the basis of the liability of the Ceding Company for the Reinsured Liabilities without diminution because of such insolvency, liquidation, rehabilitation or appointment or because such liquidator, receiver or statutory successor has failed to pay any claims or any portion thereof. The liquidator, receiver or statutory successor of the Ceding Company shall give written notice to the Reinsurer of the pendency of each claim against the Ceding Company with respect to such Reinsured Liabilities within a reasonable time after each such claim is filed in the insolvency, liquidation or rehabilitation proceeding. During the pendency of any such claims, the Reinsurer may, at its own expense, investigate such claim and interpose in the proceeding in which such claim is to be adjudicated any defense or defenses that the Reinsurer may reasonably deem available to the Ceding Company or its liquidator, receiver or statutory successor. The expenses incurred in connection therewith by the Reinsurer shall be chargeable, subject to court approval, against the Ceding Company as part of the expense of such insolvency, liquidation or rehabilitation to the extent of any benefit that accrues to the Ceding Company, solely as a result of the defense or defenses undertaken by the Reinsurer.

ARTICLE XIV

TAXES

Section 14.01 Taxes. No taxes, allowances, or other expenses will be paid by the Reinsurer to the Ceding Company for any Reinsured Policy, except as specifically referred to in this Agreement.

Section 14.02 DAC Tax Election. The Ceding Company and the Reinsurer hereby elect and agree under Treasury Regulations Section 1.848-2(g)(8) as follows:

(a) The Ceding 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 hereto 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 Ceding 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 2018;

(e) The Reinsurer will submit to the Ceding 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 Ceding Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within thirty (30) calendar days of the Ceding Company's receipt of the Reinsurer's calculation. If the Ceding Company does not so notify the Reinsurer, the Ceding Company will report the amount of net consideration as determined by the Reinsurer in the Ceding Company's tax return for the previous calendar year;

(g) If the Ceding Company contests the Reinsurer's calculation of the amount of net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) calendar days of the date on which the Ceding Company submits its alternative calculation.

Both the Ceding Company and the Reinsurer are subject to U.S. taxation under Subchapter L of Chapter 1 of the Code.

ARTICLE XV

COVENANTS

Section 15.01 Covenants of the Ceding Company.

(a) Compliance with Law. The Ceding Company shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to the Ceding Company, or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Ceding Company's ability to perform its obligations, or on the Reinsurer's rights or obligations, under this Agreement.

Section 15.02 Covenants of the Reinsurer.

(a) Compliance with Law. The Reinsurer shall comply with all Laws applicable to, and all Permits issued by any Governmental Entity to the Reinsurer, or by which it or its properties or assets is bound or subject, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Reinsurer's ability to perform its obligations, or on the Ceding Company's rights or obligations, under this Agreement.

ARTICLE XVI

MISCELLANEOUS

Section 16.01 Currency. All payments due under this Agreement shall be made in U.S. Dollars.

Section 16.02 Right of Setoff and Recoupment.

(a) Each of the Ceding Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to setoff or recoup any undisputed balance or balances, whether on account of Reinsurance Receivables, allowances, credits, Reinsured Liabilities or otherwise, due from one party to the other under this Agreement and may setoff or recoup such balance or balances against any balance or balances due to the former from the latter under this Agreement; provided that the Reinsurer may not set off or recoup any such balance or balances against amounts required to be paid by the Administrator pursuant to the terms of the Administrative Services Agreement.

(b) Except as set forth above in the provision to Section 16.02(a), the rights provided under this Section 16.02 are in addition to any rights of setoff that may exist at common law. The parties' setoff rights may be enforced notwithstanding any other provision of this Agreement including the provisions of Article XIII.

Section 16.03 No Third-Party Beneficiaries. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer. The acceptance of risks under this Agreement by the Reinsurer will create no right or legal relation between the Reinsurer and the insured, owner, beneficiary, or assignee of any insurance policy of the Ceding Company. In addition, nothing expressed or implied in this Agreement is intended to or shall confer remedies, obligations or liabilities upon any Person other than the parties hereto and their respective administrators, successors, legal representatives and permitted assigns or relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 16.04 Amendment. This Agreement may not be changed or modified or in any way amended except by a written instrument duly executed by the proper officers of both parties to this Agreement, and any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and duly executed by the proper officers of both parties to this Agreement.

Section 16.05 Notices.

(a) All demands, notices, reports and other communications provided for herein shall be delivered by the following means: (i) hand-delivery; (ii) overnight courier service (*e.g.*, FedEx, Airborne Express, or DHL); (iii) registered or certified U.S. mail, postage prepaid and return receipt requested; or (iv) facsimile transmission or e-mail; provided, that the fax or e-mail is confirmed by delivery using one of the three (3) methods identified in clauses (i) through (iii). All such demands, notices, reports and other communications shall be delivered to the parties as follows:

if to the Ceding Company:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Reinsurer:

ReliaStar Life Insurance Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

(b) Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 16.05.

(c) If either party hereto becomes aware of any change in applicable Law restricting the transmission of notices or other information in accordance with the foregoing, such party shall notify the other party hereto of such change in Law and such resulting restriction.

Section 16.06 Good Faith. Each of the Ceding Company and the Reinsurer hereby covenants and agrees that it shall act in utmost good faith and deal fairly with each other in order to accomplish the objectives of this Agreement; provided that each Party absolutely and irrevocably waives resort to the duty of "utmost good faith" or any similar principle in connection with the formation of this Agreement or the Administrative Services Agreement.

Section 16.07 Inspection of Records.

(a) Upon giving at least five (5) Business Days' prior written notice, the Reinsurer, or its duly authorized representatives, will have the right to audit, examine and copy, electronically or during regular business hours at the home office of the Ceding Company, any and all books, records, statements, correspondence, reports, and other documents that relate to the Reinsured Policies, or this Agreement, subject to the confidentiality provisions contained in this Agreement. In the event the Reinsurer exercises its inspection rights, the Ceding Company must provide a reasonable work space for such audit, examination or copying, cooperate fully and faithfully, and produce any and all materials reasonably requested to be produced, subject to confidentiality provisions contained in this Agreement. The expenses related to such inspections shall be borne by the Reinsurer.

(b) The Reinsurer's right of access as specified above will survive until all of the Reinsurer's obligations under this Agreement and the Administrative Services Agreement have terminated or been fully discharged.

Section 16.08 Confidentiality.

(a) The parties will keep confidential and not disclose or make competitive use of any shared Proprietary Information, as defined below, unless:

(i) The information becomes publicly available or is obtained other than through unauthorized disclosure by the party seeking to disclose or use such information;

(ii) The information is independently developed by the recipient; or

(iii) The disclosure is required by Law; provided, that, if applicable, the party required to make such disclosure will allow the other party to seek an appropriate protective order.

"Proprietary Information" includes, but is not limited to, underwriting manuals and guidelines, applications, contract forms, agent lists and premium rates and allowances of the Reinsurer and the Ceding Company, but shall not include the existence of this Agreement and the identity of the parties. Additionally, Proprietary Information may be shared by either party on a need-to-know basis with its officers, directors, employees, Affiliates, third-party service providers, auditors, consultants or retrocessionaires, or in connection with the dispute process specified in this Agreement.

(b) The Ceding Company shall not provide to the Reinsurer, and the Reinsurer shall have no right to access, any Non-Public Personal Information except to the extent (i) necessary for purposes of administration of this Agreement and (ii) requested in writing by a duly authorized representative of the Reinsurer. The Reinsurer and its representatives and service providers will protect the confidentiality and security of Non-Public Personal Information (as defined below) provided to it hereunder by:

(i) holding all Non-Public Personal Information in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of Non-Public Personal Information; and

(iii) disclosing and using Non-Public Personal Information received under this Agreement for purposes of carrying out the Reinsurer's obligations under this Agreement, for purposes of retrocession, or as may be required or permitted by Law.

"Non-Public Personal Information" is personally identifiable medical, financial, and other personal information about proposed, current and former applicants, policy owners, contract holders, insureds, annuitants, claimants, and beneficiaries of Reinsured Policies or contracts issued by the Ceding Company, and their representatives, that is not publicly available. Non-Public Personal Information does not include de-identified personal data, *i.e.*, information that does not identify, or could not reasonably be associated with, an individual.

Section 16.09 Successors. This Agreement will be binding upon the parties hereto and their respective successors and assigns including any Authorized Representative of either party. Neither party may effect any novation of this Agreement without the other party's prior written consent.

Section 16.10 Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties with respect to the business reinsured hereunder and supersede any and all prior representations, warranties, prior agreements or understandings between the parties pertaining to the subject matter of this Agreement. There are no understandings between the parties other than as expressed in this Agreement and the Exhibits hereto. In the event of any express conflict between this Agreement and the Exhibits hereto, the Exhibits hereto will control.

Section 16.11 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 16.12 Construction. This Agreement will be construed and administered without regard to authorship and without any presumption or rule of construction in favor of either party. This Agreement is between sophisticated parties, each of which has reviewed this Agreement and is fully knowledgeable about its terms and conditions.

Section 16.13 Non-Waiver. Neither the failure nor any delay on the part of the Ceding Company or the Reinsurer to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the further exercise of that right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. No waiver of any right, remedy, power or privilege with respect to any occurrence shall be construed as a waiver of that right, remedy, power or privilege with respect to any other occurrence. No prior transaction or dealing between the parties will establish any custom, usage or precedent waiving or modifying any provision of this Agreement. No waiver shall be effective unless it is in writing and signed by the party granting the waiver.

Section 16.14 Further Assurances. From time to time, as and when requested by a party hereto, the other party hereto shall execute and deliver all such documents and instruments and shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 16.15 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the Ceding Company Domiciliary without giving effect to any principles of conflicts of law thereof that are not mandatorily applicable by Law and would permit or require the application of the Laws of another jurisdiction.

Section 16.16 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 party hereto and delivered to the other party. Each party hereto 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. When this Agreement has been fully executed by the Ceding Company and the Reinsurer, it will become effective as of the Effective Date.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the Effective Date.

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

RELIASTAR LIFE INSURANCE COMPANY

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE I

POLICY FORMS AND RIDER FORMS

[To come]

SCHEDULE II

INITIAL PREMIUM ASSETS

[To come]

SCHEDULE III

ASSET VALUATION METHODOLOGY

The Fair Market Value of any asset shall be the end-of-day price on the day prior to the closing date of the reinsurance transaction determined in accordance with the following pricing matrix, whereby Security Type is determined by the Ceding Company's "ASSET_CLASS_CATEGORY" classification and "FLAG_AGENCY" field.[3]

ASSET_CLASS_CATEGORY	FLAG_AGENCY	Primary Source	Secondary Source	Tertiary Source	Quaternary Source
ABS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
ABS-FLOATER		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CLO		JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMBS		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-A	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
CMO-B	Y	IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
CMO-B	N	JPM Pricing Direct	IDC	Broker Quotes	Analyst/Trader
COMMERCIAL MORTGAGES		DebtX	Analyst/Trader		
EMD-CORPORATE		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EMD-SOVEREIGN		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
EQUITY SECURITIES		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
LIMITED PARTNERSHIPS		NAV Statement	Analyst/Trader		
MUNICIPAL		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PRIVATE-BIG		See Private Placement Process	Analyst/Trader		
PRIVATE-IG		See Private Placement Process	Analyst/Trader		
PUBLIC-BIG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
PUBLIC-IG		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
SHORT-TERM		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader
US TREASURY		IDC	JPM Pricing Direct	Broker Quotes	Analyst/Trader

Commercial Mortgages shall be priced by DebtX. The Reinsurer will be responsible for requesting Debt X pricing, and the Ceding Company agrees that it shall provide all relevant information and inputs necessary to permit Debt X to price the Commercial Mortgages (DebtX Fields are listed in Schedule A hereto).

Limited Partnerships and similar alternative investments will be valued based on most recent NAV, adjusted for any inflows/outflows since the last reported NAV Statement from the fund. The Ceding Company agrees to provide the most recent NAV Statement and any other Fund correspondence since the date of the most recent NAV Statement to the Reinsurer, where such NAV Statement shall value the investment as of a date no older than 150 calendar days prior to delivery of asset to the Reinsurer.

Private Placements shall be valued consistent with the Ceding Company's internal policies for such assets, provided that the Reinsurer reserves the right to challenge any Private Placement price using Brokers quotes from any of SeaPort Global Securities LLC, StoneCastle Securities LLC or

[3] These are fields from seriatim holdings file. Data room file 2.5.1 – Single Source by USGAAP Entity RLI SLD VIAC_06302017.

J.P. Morgan Securities Inc., and where any such Broker quote is lower than the Ceding Company's price by 3.5 points or more, the parties agree that such Broker quote shall be used as the value for such asset in lieu of the Ceding Company's price for such asset. In cases where a Broker may provide a spread in lieu of a price with respect to a Private Placement, such spread shall be converted to a price by applying such spread to the interpolated U.S. Treasury curve[4] as of close of business on the Business Day before the Effective Date.

Any position which is valued via the Analyst/Trader protocol shall be valued by the Ceding Company, consistent with the Ceding Company's valuation policy. The Ceding Company agrees to provide the Reinsurer documentation supporting such valuation, including valuation methodology, inputs and assumptions and any other information necessary for the Reinsurer to re-perform the measurement, and to the extent that there are differences, the parties agree in good faith to come to an agreed-upon valuation.

Additionally, the Ceding Company shall also agree to provide any valuation source with all information reasonably required by such valuation source to price any of the assets.

For any asset for which the Ceding Company would normally use a pricing service (the "Ceding Company Pricing Service") that is different from the pricing service to be used hereunder (the "Reinsurer Pricing Service"), the Ceding Company reserves the right to challenge the price provided by the Reinsurer Pricing Service by directly presenting such challenge to the Reinsurer Pricing Service. In the event that (i) the Reinsurer Pricing Service accepts the Ceding Company's challenge, and (ii) the accepted challenge results in a change to the challenged price of 3.5 points or more, the price determined pursuant to such challenge process shall be used to value the asset.

[4] Daily treasury rate published online by the U.S. Treasury Department (treasury.gov).

SCHEDULE A – DEBTX FIELDS

As Of Date

Loan Number

Original Loan Date

Current Loan Amount

Maturity Date

Modified Loan

Modified Loan Date

Modified Loan Amount

Unpaid Principal Balance

Rate Type

Payment Amount

Next Payment Due Date

Paid Through Date

Balloon Date

Balloon Payment

Percent Owned

Lien Position

Borrower Name

Property Name

Property Address

Property City

Property State

Property Zip Code

Remaining Future Funding

Total Maturity Balance

Type of Jr Lien Allowed

Jr Lien Balance

Margin

Initial Rate Cap

Lifetime Rate Floor

Rate Adjustment Frequency

First Interest Rate Adjustment Date

Prepayment Penalty Type

Prepayment Penalty Term

Prepayment Penalty Structure

Call Feature

Call Frequency

Next Call Date

Origination Amortization Term- Months

Original Stated Term- Balloon Term

Interest Period

I/OConverts P&I- Amort Schedule

Current Property Value As of Date

Current LTV

Current Property Value

Current Property Value Source

Current LTV Combined

Property Type

Single Tenant

Tenant Name

Ground Lease

Recourse To Borrower

Guaranty Type

Credit Tenant/Tenant Lease

Current Net Cash Flow Reserve

Current Net Cash Flow

Occupancy Percentage

As of Date for Occupancy

Current NOI

Current NOI Date

Current DSCR Source

Debt Reserve Services

Current DSCR

Current DSCR- As of Date

Cross Default

Crossed Loan Number

Current Interest Rate

Payment Structure

Original Appraised Value

Original Appraised Value Source

Orig LTV

Orig LTVCombined

Prior Liens

Interest Accrual Basis

ARM Index

ARM Next Rate Change Date

Initial Maturity Date

Lockout Provision

Lockout End Date

SCHEDULE IV

NET STATUTORY RESERVES[5]

[To come]

[5] Note to Draft: To include IBNR, dividend accruals and due and uncollected premium.

<u>EXHIBIT V-1</u>

Form of Restructuring Assignment and Assumption Agreement

[See attached.]

EXHIBIT V-1

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of [●], 2018 has been made and entered into by and among Voya Financial, Inc., a corporation organized under the laws of the State of Delaware ("Seller"), on behalf of itself and its Affiliates (other than Assignee) (collectively, "Assignors"), and [•][1], a [•]("Assignee").

W I T N E S S E T H

WHEREAS, reference is made to that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Transaction Agreement") by and among Seller, VA Capital Company LLC, a Delaware limited liability company, and Athene Holding Ltd., a Bermuda limited company;

WHEREAS, the Master Transaction Agreement contemplates the execution and delivery of this Agreement prior to the Closing of the transactions contemplated thereby; and

WHEREAS, Assignors desire to assign to the Assignee, and the Assignee desires to assume, the Excluded Intellectual Property and Excluded Liabilities.

NOW, THEREFORE, in consideration of the mutual promises made herein and upon the terms and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Master Transaction Agreement.

2. Assumption of Excluded Liabilities. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the date hereof, the Assignors hereby assign to Assignee, and Assignee irrevocably and unconditionally assumes and becomes responsible for, all of the Excluded Liabilities.

3. Assignment and Assumption of Excluded Intellectual Property. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the date hereof, (a) the Assignors hereby irrevocably and unconditionally assign to Assignee all of Assignors' right, title and interest in, to and under the Excluded Intellectual Property; and (b) the Assignee hereby irrevocably and unconditionally assumes such Excluded Intellectual Property.

4. No Modification of the Master Transaction Agreement. Nothing contained herein shall release any of the parties to the Master Transaction Agreement from any of their respective obligations under the Master Transaction Agreement or in any way supersede, enlarge, diminish, limit, amend or modify any of the representations, warranties, indemnities, covenants or agreements of such parties set forth in the Master Transaction Agreement. In the event of any

[1] Note to Draft: Applicable Voya affiliate to be determined.

conflict or inconsistency between the terms of the Master Transaction Agreement and the terms hereof, the terms of the Master Transaction Agreement shall govern.

5. General Provisions. Sections 10.3 (Interpretation), 10.4 (Entire Agreement; Third Party Beneficiaries), 10.5 (Governing Law), 10.6 (Assignment), 10.7 (Jurisdiction; Enforcement), 10.8 (Severability; Amendment; Modification; Waiver) and 10.11 (Counterparts) of the Master Transaction Agreement are each hereby incorporated by reference *mutatis mutandis*.

[*Signature Page Follows*]

IN WITNESS WHEREOF, each of the Assignors and Assignee has caused this instrument to be signed by its proper and duly authorized officers as of the date and year first written above.

ASSIGNORS:

VOYA FINANCIAL, INC.

By:________________________________
Name:
Title:

[VOYA AFFILIATE]

By:________________________________
Name:
Title:

ASSIGNEE:

[VOYA AFFILIATE]

By:________________________________
Name:
Title:

EXHIBIT V-2

Form of Restructuring Bill of Sale

[See attached.]

EXHIBIT V-2

FORM OF BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale"), dated as of [•], 2018, has been made and entered into among Voya Financial, Inc., a corporation organized under the laws of the State of Delaware ("Seller"), on behalf of itself and its Affiliates (other than Transferee) (collectively, "Transferors"), and [•][1], a [•] ("Transferee").

W I T N E S S E T H

WHEREAS, reference is made to that certain Master Transaction Agreement, dated as of [•], 2017 (the "Master Transaction Agreement"), by and among Seller, VA Capital Company LLC, a Delaware limited liability company, and Athene Holding Ltd., a Bermuda limited company;

WHEREAS, the Master Transaction Agreement contemplates the execution and delivery of this Bill of Sale prior to the Closing of the transactions contemplated thereby; and

WHEREAS, Transferors desire to sell, and Transferee desires to purchase, all of Transferors' rights, titles and interests in the Excluded Assets and Excluded Books and Records.

NOW, THEREFORE, in consideration of the mutual promises made herein and upon the terms and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Master Transaction Agreement.

2. Sale and Purchase. Pursuant to the requirements of the Master Transaction Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the date hereof, (a) Transferors hereby sell, convey, assign, transfer and deliver to Transferee, and its successors and assigns, all of their respective right, title and interest in and to, free and clear of all Liens other than Permitted Liens, all of the Excluded Assets and Excluded Books and Records and (b) Transferee hereby purchases, acquires and accepts from Transferors, all of Transferors' respective right, title and interest in and to the Excluded Assets and Excluded Books and Records.

3. No Modification of the Master Transaction Agreement. Nothing contained herein shall release any of the parties to the Master Transaction Agreement from any of their respective obligations under the Master Transaction Agreement or in any way supersede, enlarge, diminish, limit, amend or modify any of the representations, warranties, indemnities, covenants or agreements of such parties set forth in the Master Transaction Agreement. In the event of any conflict or inconsistency between the terms of the Master Transaction Agreement and the terms hereof, the terms of the Master Transaction Agreement shall govern.

4. General Provisions. Sections 10.3 (Interpretation), 10.4 (Entire Agreement; Third Party Beneficiaries), 10.5 (Governing Law), 10.6 (Assignment), 10.7 (Jurisdiction; Enforcement), 10.8 (Severability; Amendment; Modification; Waiver) and 10.11 (Counterparts) of the Master

[1] Note to Draft: Applicable Voya affiliate to be determined.

Transaction Agreement are each hereby incorporated by reference *mutatis mutandis*.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the Transferors and Transferee has caused this instrument to be signed by its proper and duly authorized officers as of the date and year first written above.

TRANSFERORS:

VOYA FINANCIAL, INC.

By:_________________________________
Name:
Title:

[VOYA AFFILIATE]

By:_________________________________
Name:
Title:

TRANSFEREE:

[VOYA AFFILIATE]

By:_________________________________
Name:
Title:

<u>EXHIBIT W</u>

[RESERVED]

EXHIBIT X-1

Form of Release, Consent and Novation Agreement (2011 Stop Loss Reinsurance Agreement)

[See attached.]

FORM OF RELEASE, CONSENT AND NOVATION AGREEMENT

This **RELEASE, CONSENT AND NOVATION AGREEMENT**, dated as of [ ] (this "**Agreement**"), is entered into by and among ReliaStar Life Insurance Company, an insurance company domiciled in the State of Minnesota ("**RLI**"), Voya Insurance and Annuity Company, an insurance company domiciled in the State of Iowa ("**VIAC**") and [ ], an insurance company domiciled the State of [ ] and an affiliate of RLI ("**Assignee**").

WHEREAS, RLI and VIAC entered into that certain Stop Loss Reinsurance Agreement, effective as of January 1, 2012 (the "**Original Reinsurance Agreement**"), which was amended and restated by that certain Amended and Restated Stop Loss Reinsurance Agreement, effective as of October 1, 2016, (such Original Reinsurance Agreement as amended and restated prior to the date of this Agreement, the "**Reinsurance Agreement**"); and

WHEREAS, the parties hereto desire (a) that VIAC assign and novate to the Assignee, and Assignee assume by novation (i) all of VIAC's right, title and interest in and to the Reinsurance Agreement and (ii) any and all liabilities and obligations, whether past, present or future, and whether express, contingent or otherwise, to RLI under, with respect to, in connection with or otherwise arising out of or relating to the Reinsurance Agreement, and (b) to provide a full and final release of VIAC from and in respect of the Reinsurance Agreement and such liabilities and obligations, in each case, upon the terms and subject to the conditions set forth herein.

NOW, **THEREFORE**, in consideration of the foregoing, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, and intending to be legally bound hereby on and after the date hereof, the parties hereto hereby agree as follows:

1. Reinsurance Novation and Consent.

(a) Effective as of 12:00 a.m. on [ ] (the "**Effective Date**"),[1] VIAC hereby assigns and transfers by way of novation to Assignee (i) any and all of VIAC's right, title and interest in, to and under each of the Reinsurance Agreement and the Original Reinsurance Agreement, and (ii) any and all of VIAC's obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to each of the Reinsurance Agreement and the Original Reinsurance Agreement, in each case whether arising before, on or after the date hereof or the Effective Date (collectively such obligations and liabilities, the "**Reinsurance Obligations and Liabilities**").

(b) Effective as of the Effective Date, Assignee (i) hereby expressly accepts and agrees to such assignment and transfer by way of novation of (A) any and all of VIAC's rights, title and interest in, to and under each of the Reinsurance Agreement and the Original Reinsurance Agreement and (B) the Reinsurance Obligations and Liabilities to itself and (ii) expressly assumes (A) any and all of VIAC's rights, title and interest in, to and under each of the Reinsurance Agreement and the Original Reinsurance Agreement and (B) all of the Reinsurance Obligations and Liabilities. VIAC hereby acknowledges and agrees that, from and after the Effective Date, it

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[1] NTD: To be the first day of the quarter during which the Closing occurs.

shall no longer be entitled to exercise any rights or interests or take any actions under either of the Reinsurance Agreement or the Original Reinsurance Agreement.

(c) RLI hereby expressly acknowledges, consents and agrees to the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above. Each of RLI and VIAC acknowledges and agrees that, by entering into this Agreement, RLI and VIAC shall be deemed to have provided any consents that may be required under any provision of the Reinsurance Agreement, including Section 11 of Article II of the Reinsurance Agreement, in respect of the assignments, transfers assumptions and novations contemplated by this Section 1. Each of RLI and VIAC hereby further waive any and all notice and delivery requirements contained in the Reinsurance Agreement, including the provisions of Section 21 of Article II of the Reinsurance Agreement.

(d) RLI, VIAC and Assignee each hereby acknowledges and agrees that, from and after the Effective Date:

(i) RLI shall be entitled to enforce the Reinsurance Agreement directly against Assignee and shall have a direct right of action against Assignee in respect of the Reinsurance Obligations and Liabilities with the same effect as if Assignee had executed and delivered the Reinsurance Agreement in lieu of VIAC and was an original party thereto in lieu of VIAC; and

(ii) without prejudice to the rights and remedies of RLI against Assignee in respect of the Reinsurance Obligations and Liabilities and notwithstanding anything to the contrary in the Reinsurance Agreement, RLI shall not make any claim or demand, directly or indirectly, against VIAC with respect to, in connection with or arising out of the observance and performance of the covenants, representations and warranties and agreements under, or any default, breach or non-performance attributable to VIAC or Assignee under, the Reinsurance Agreement, whether relating to periods before, on or after the date hereof or the Effective Date.

(e) Each of RLI, VIAC and Assignee agrees that, as of the Effective Date, (i) the Reinsurance Agreement is hereby amended so that all references to "Voya Insurance and Annuity Company" or "Reinsurer" therein shall be references to "[*insert name of Assignee*]" and (ii) the Reinsurance Agreement shall, save as so amended, continue in full force and effect without any other changes or amendments.

2. <u>Consideration for Novation.</u>

(a) In consideration for the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above, each of RLI and VIAC shall, in accordance with Article VI of the Reinsurance Agreement, calculate and settle on the date hereof any amounts due the other party under the Reinsurance Agreement for the quarterly Accounting Period ending on the Effective Date (the "<u>Terminal Accounting and Settlement</u>"). In addition, Assignee shall pay to VIAC on the date hereof the amount of the Loss Carryforward Balance as of the end of such Accounting Period (the "<u>Loss Carryforward Balance Release</u>"). Without prejudice to any rights and remedies of RLI and Assignee under the Reinsurance Agreement, each of RLI and VIAC agree and acknowledge that to the extent the calculation of the Terminal Accounting and Settlement was based on the Parties' best estimates as of the date hereof, notwithstanding the results of any subsequent calculations, such Terminal Accounting and Settlement shall be binding as between RLI and VIAC and the payment of any such Terminal Accounting and Settlement shall, together with the Loss Carryforward Balance Release, constitute each of RLI's and VIAC's payment in full of its obligations to each other under the Reinsurance Agreement.

(b) For the avoidance of doubt, nothing in this Agreement shall have any effect on the Loss Carryforward Balance as of the Effective Date, which Loss Carryforward Balance shall continue to be calculated in accordance with the terms of Section 4 of Article V and Schedule F of the Reinsurance Agreement.

3. Mutual Releases.

(a) RLI does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge VIAC from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) the Original Reinsurance Agreement, (iii) the Reinsurance Obligations and Liabilities, or (iv) any action or omission by VIAC, whether before, on or after Effective Date, in connection with any of the foregoing, which have been alleged or asserted against VIAC or which, whether currently known or unknown, RLI ever could have alleged or asserted or ever could allege or assert, in any capacity, against VIAC in connection with the foregoing.

(b) VIAC does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge RLI from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees, penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) the Original Reinsurance Agreement, (iii) any and all of RLI's obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to any of the Reinsurance Agreement or the Original Reinsurance Agreement or (iv) any action or omission by RLI, whether before, on or after the Effective Date, in connection with any of the foregoing, which have been alleged or asserted against RLI or which, whether currently known or unknown, VIAC ever could have alleged or asserted or ever could allege or assert, in any capacity, against RLI in connection with the foregoing.

4. Release of all Unknown or Unanticipated Claims.

It is understood by each of RLI and VIAC that there is a risk that, subsequent to the execution of this Agreement, each such party may incur or suffer loss, damage or injuries which are in some way caused by or related to matters which are the subject of this Agreement, but which are unknown or unanticipated at the time of the execution of this Agreement. Further, there is a risk that the loss or damage presently known may be or become greater than each such party now expects or anticipates. Each of RLI and VIAC, respectively, assumes this risk and the releases set forth in this Agreement shall apply to all unknown or unanticipated results, as well as those known and anticipated.

5. Representations and Warranties.

Each party hereto represents and warrants to the other party that:

(a) It is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) It has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) The person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;

(d) The execution, delivery and performance of this Agreement is fully authorized by it;

(e) It has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(f) Neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(g) There is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending action, agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(h) Any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to be obtained in connection with this Agreement or to make this Agreement valid and binding has been obtained and is in full force and effect.

6. Miscellaneous.

(a) **Headings**. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

(b) **Definitions**. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

(c) **Successors and Assigns**. This Agreement shall be binding upon and shall inure solely to the benefit of the parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the parties to create any third party beneficiaries, except as specifically provided in this Agreement.

(d) **Execution in Counterpart**. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

(e) **Amendments**. This Agreement may be amended only by written agreement of the parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

(f) **Choice of Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without giving effect to the choice of law provisions.

(g) **Entire Agreement**. This terms expressed herein constitute the entire agreement between the parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

(h) **Severability**. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (ii) the parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

(i) **Interpretation**. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(j) **Incontestability**. In consideration of the mutual covenants and agreements contained herein, each party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by them or their officers designated below as of the date first written above.

RELIASTAR LIFE INSURANCE COMPANY

By: ________________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ________________________________
Name:
Title:

[*Insert name of Assignee*]

By: ________________________________
Name:
Title:

EXHIBIT X-2

Form of Release, Consent and Novation Agreement (2012 Stop Loss Reinsurance Agreement)

[See attached.]

FORM OF RELEASE, CONSENT AND NOVATION AGREEMENT

This **RELEASE, CONSENT AND NOVATION AGREEMENT**, dated as of [ ] (this "**Agreement**"), is entered into by and among Security Life of Denver Insurance Company, an insurance company domiciled in the State of Colorado ("**SLD**"), Voya Insurance and Annuity Company (f/k/a ING USA Annuity & Life Insurance Company), an insurance company domiciled in the State of Iowa ("**VIAC**") and [ ], an insurance company domiciled the State of [ ] and an affiliate of SLD ("**Assignee**").

WHEREAS, SLD and VIAC entered into that certain Stop Loss Reinsurance Agreement, effective as of April 1, 2011 (the "**Original Reinsurance Agreement**"), which was amended by that certain Amendment One Attached to and Made a Part of Stop Loss Reinsurance Agreement, effective as of July 1, 2011, which was further amended by that certain Amendment Two Attached to and Made a Part of Stop Loss Reinsurance Agreement, effective as of December 31, 2012, which was further amended by that certain Amendment Three Attached to and Made a Part of Stop Loss Reinsurance Agreement, effective as of July 1, 2013 (such Original Reinsurance Agreement as amended prior to the date of this Agreement, the "**Reinsurance Agreement**"); and

WHEREAS, the parties hereto desire (a) that VIAC assign and novate to the Assignee, and Assignee assume by novation (i) all of VIAC's right, title and interest in and to the Reinsurance Agreement and (ii) any and all liabilities and obligations, whether past, present or future, and whether express, contingent or otherwise, to SLD under, with respect to, in connection with or otherwise arising out of or relating to the Reinsurance Agreement, and (b) to provide a full and final release of VIAC from and in respect of the Reinsurance Agreement and such liabilities and obligations, in each case, upon the terms and subject to the conditions set forth herein.

NOW, **THEREFORE**, in consideration of the foregoing, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, and intending to be legally bound hereby on and after the date hereof, the parties hereto hereby agree as follows:

1. Reinsurance Novation and Consent.

(a) Effective as of 12:00 a.m. on [ ] (the "**Effective Date**"),[1] VIAC hereby assigns and transfers by way of novation to Assignee (i) any and all of VIAC's right, title and interest in, to and under each of the Reinsurance Agreement and the Original Reinsurance Agreement, and (ii) any and all of VIAC's obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to each of the Reinsurance Agreement and the Original Reinsurance Agreement, in each case whether arising before, on or after the date hereof or the Effective Date (collectively such obligations and liabilities, the "**Reinsurance Obligations and Liabilities**").

(b) Effective as of the Effective Date, Assignee (i) hereby expressly accepts and agrees to such assignment and transfer by way of novation of (A) any and all of VIAC's rights, title and interest in, to and under each of the Reinsurance Agreement and the Original Reinsurance Agreement and (B) the Reinsurance Obligations and Liabilities to itself and (ii) expressly assumes (A) any and all of VIAC's rights, title and interest in, to and under each of the Reinsurance

[1] NTD: To be the first day of the quarter during which the Closing occurs.

Agreement and the Original Reinsurance Agreement and (B) all of the Reinsurance Obligations and Liabilities. VIAC hereby acknowledges and agrees that, from and after the Effective Date, it shall no longer be entitled to exercise any rights or interests or take any actions under either of the Reinsurance Agreement or the Original Reinsurance Agreement.

(c) SLD hereby expressly acknowledges, consents and agrees to the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above. Each of SLD and VIAC acknowledges and agrees that, by entering into this Agreement, SLD shall be deemed to have provided any consents that may be required under any provision of the Reinsurance Agreement, including Section 11 of Article II of the Reinsurance Agreement, in respect of the assignments, transfers assumptions and novations contemplated by this Section 1. Each of SLD and VIAC hereby further waive any and all notice and delivery requirements contained in the Reinsurance Agreement, including the provisions of Section 21 of Article II of the Reinsurance Agreement.

(d) SLD, VIAC and Assignee each hereby acknowledges and agrees that, from and after the Effective Date:

(i) SLD shall be entitled to enforce the Reinsurance Agreement directly against Assignee and shall have a direct right of action against Assignee in respect of the Reinsurance Obligations and Liabilities with the same effect as if Assignee had executed and delivered the Reinsurance Agreement in lieu of VIAC and was an original party thereto in lieu of VIAC; and

(ii) without prejudice to the rights and remedies of SLD against Assignee in respect of the Reinsurance Obligations and Liabilities and notwithstanding anything to the contrary in the Reinsurance Agreement, SLD shall not make any claim or demand, directly or indirectly, against VIAC with respect to, in connection with or arising out of the observance and performance of the covenants, representations and warranties and agreements under, or any default, breach or non-performance attributable to VIAC or Assignee under, the Reinsurance Agreement, whether relating to periods before, on or after the date hereof or the Effective Date.

(e) Each of SLD, VIAC and Assignee agrees that, as of the Effective Date, (i) the Reinsurance Agreement is hereby amended so that all references to "Voya Insurance and Annuity Company", "ING USA Annuity & Life Insurance Company" or "Reinsurer" therein shall be references to "[*insert name of Assignee*]" and (ii) the Reinsurance Agreement shall, save as so amended, continue in full force and effect without any other changes or amendments.

2. <u>Consideration for Novation.</u>

(a) In consideration for the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above, each of SLD and VIAC shall, in accordance with Article VI of the Reinsurance Agreement, calculate and settle on the date hereof any amounts due the other party under the Reinsurance Agreement for the quarterly Accounting Period ending on the Effective Date (the "**Terminal Accounting and Settlement**"). In addition, Assignee shall pay to VIAC on the date hereof the amount of the Loss Carryforward Balance as of the end of such

Accounting Period (the "**Loss Carryforward Balance Release**"). Without prejudice to any rights and remedies of SLD and Assignee under the Reinsurance Agreement, each of SLD and VIAC agree and acknowledge that to the extent the calculation of the Terminal Accounting and Settlement was based on the Parties' best estimates as of the date hereof, notwithstanding the results of any subsequent calculations, such Terminal Accounting and Settlement shall be binding as between SLD and VIAC and the payment of any such Terminal Accounting and Settlement shall, together with the Loss Carryforward Balance Release, constitute each of SLD's and VIAC's payment in full of its obligations to each other under the Reinsurance Agreement.

(b) For the avoidance of doubt, nothing in this Agreement shall have any effect on the Loss Carryforward Balance as of the Effective Date, which Loss Carryforward Balance shall continue to be calculated in accordance with the terms of Section 4 of Article V and Schedule F of the Reinsurance Agreement.

3. Mutual Releases.

(a) SLD does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge VIAC from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) the Original Reinsurance Agreement, (iii) the Reinsurance Obligations and Liabilities, or (iv) any action or omission by VIAC, whether before, on or after Effective Date, in connection with any of the foregoing, which have been alleged or asserted against VIAC or which, whether currently known or unknown, SLD ever could have alleged or asserted or ever could allege or assert, in any capacity, against VIAC in connection with the foregoing.

(b) VIAC does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge SLD from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees, penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) the Original Reinsurance Agreement, (iii) any and all of SLD's obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to any of the Reinsurance Agreement or the Original Reinsurance Agreement or (iv) any action or omission by SLD, whether before, on or after the Effective Date, in connection with any of the foregoing, which have been alleged or asserted against SLD or which, whether currently known or unknown, VIAC ever could have alleged or asserted or ever could allege or assert, in any capacity, against SLD in connection with the foregoing.

4. Release of all Unknown or Unanticipated Claims.

It is understood by each of SLD and VIAC that there is a risk that, subsequent to the execution of this Agreement, each such party may incur or suffer loss, damage or injuries which are in some way caused by or related to matters which are the subject of this Agreement, but which are unknown or unanticipated at the time of the execution of this Agreement. Further, there is a risk that the loss or damage presently known may be or become greater than each such party now expects or anticipates. Each of SLD and VIAC, respectively, assumes this risk and the releases set forth in this Agreement shall apply to all unknown or unanticipated results, as well as those known and anticipated.

5. Representations and Warranties.

Each party hereto represents and warrants to the other party that:

(a) It is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) It has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) The person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;

(d) The execution, delivery and performance of this Agreement is fully authorized by it;

(e) It has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(f) Neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(g) There is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending action, agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(h) Any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to be obtained in connection with this Agreement or to make this Agreement valid and binding has been obtained and is in full force and effect.

6. Miscellaneous.

(a) **Headings**. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

(b) **Definitions**. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

(c) **Successors and Assigns**. This Agreement shall be binding upon and shall inure solely to the benefit of the parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the parties to create any third party beneficiaries, except as specifically provided in this Agreement.

(d) **Execution in Counterpart**. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

(e) **Amendments**. This Agreement may be amended only by written agreement of the parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

(f) **Choice of Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without giving effect to the choice of law provisions.

(g) **Entire Agreement**. This terms expressed herein constitute the entire agreement between the parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

(h) **Severability**. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (ii) the parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

(i) **Interpretation**. Wherever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(j) **Incontestability**. In consideration of the mutual covenants and agreements contained herein, each party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by them or their officers designated below as of the date first written above.

SECURITY LIFE OF DENVER INSURANCE COMPANY

By: ________________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ________________________________
Name:
Title:

[*Insert name of Assignee*]

By: ________________________________
Name:
Title:

<u>EXHIBIT X-3</u>

Form of Release, Consent and Novation Agreement (2014 Stop Loss Reinsurance Agreement)

[See attached.]

EXHIBIT X-3

FORM OF RELEASE, CONSENT AND NOVATION AGREEMENT

This **RELEASE, CONSENT AND NOVATION AGREEMENT**, dated as of [ ] (this "**Agreement**"), is entered into by and among Security Life of Denver Insurance Company, an insurance company domiciled in the State of Colorado ("**SLD**"), Voya Insurance and Annuity Company (f/k/a ING USA Annuity & Life Insurance Company), an insurance company domiciled in the State of Iowa ("**VIAC**") and [ ], an insurance company domiciled the State of [ ] and an affiliate of SLD ("**Assignee**").

WHEREAS, SLD and VIAC entered into that certain Stop Loss Reinsurance Agreement, effective as of January 1, 2014 (the "**Reinsurance Agreement**"); and

WHEREAS, the parties hereto desire (a) that VIAC assign and novate to the Assignee, and Assignee assume by novation (i) all of VIAC's right, title and interest in and to the Reinsurance Agreement and (ii) any and all liabilities and obligations, whether past, present or future, and whether express, contingent or otherwise, to SLD under, with respect to, in connection with or otherwise arising out of or relating to the Reinsurance Agreement, and (b) to provide a full and final release of VIAC from and in respect of the Reinsurance Agreement and such liabilities and obligations, in each case, upon the terms and subject to the conditions set forth herein.

NOW, **THEREFORE**, in consideration of the foregoing, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, and intending to be legally bound hereby on and after the date hereof, the parties hereto hereby agree as follows:

1. Reinsurance Novation and Consent.

(a) Effective as of 12:00 a.m. on [ ] (the "**Effective Date**"),[1] VIAC hereby assigns and transfers by way of novation to Assignee (i) any and all of VIAC's right, title and interest in, to and under the Reinsurance Agreement, and (ii) any and all of VIAC's obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to the Reinsurance Agreement, in each case whether arising before, on or after the date hereof or the Effective Date (collectively such obligations and liabilities, the "**Reinsurance Obligations and Liabilities**").

(b) Effective as of the Effective Date, Assignee (i) hereby expressly accepts and agrees to such assignment and transfer by way of novation of (A) any and all of VIAC's rights, title and interest in, to and under the Reinsurance Agreement and (B) the Reinsurance Obligations and Liabilities to itself and (ii) expressly assumes (A) any and all of VIAC's rights, title and interest in, to and under the Reinsurance Agreement and (B) all of the Reinsurance Obligations and Liabilities. VIAC hereby acknowledges and agrees that, from and after the Effective Date, it shall no longer be entitled to exercise any rights or interests or take any actions under the Reinsurance Agreement.

(c) SLD hereby expressly acknowledges, consents and agrees to the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above. Each of SLD and VIAC acknowledges and agrees that, by entering into this Agreement,

[1] NTD: To be the first day of the quarter during which the Closing occurs.

SLD shall be deemed to have provided any consents that may be required under any provision of the Reinsurance Agreement, including Section 3 of Article XIX of the Reinsurance Agreement, in respect of the assignments, transfers assumptions and novations contemplated by this Section 1. Each of SLD and VIAC hereby further waive any and all notice and delivery requirements contained in the Reinsurance Agreement, including the provisions of Article XXII of the Reinsurance Agreement.

(d) SLD, VIAC and Assignee each hereby acknowledges and agrees that, from and after the Effective Date:

(i) SLD shall be entitled to enforce the Reinsurance Agreement directly against Assignee and shall have a direct right of action against Assignee in respect of the Reinsurance Obligations and Liabilities with the same effect as if Assignee had executed and delivered the Reinsurance Agreement in lieu of VIAC and was an original party thereto in lieu of VIAC; and

(ii) without prejudice to the rights and remedies of SLD against Assignee in respect of the Reinsurance Obligations and Liabilities and notwithstanding anything to the contrary in the Reinsurance Agreement, SLD shall not make any claim or demand, directly or indirectly, against VIAC with respect to, in connection with or arising out of the observance and performance of the covenants, representations and warranties and agreements under, or any default, breach or non-performance attributable to VIAC or Assignee under, the Reinsurance Agreement, whether relating to periods before, on or after the date hereof or the Effective Date.

(e) Each of SLD, VIAC and Assignee agrees that, as of the Effective Date, (i) the Reinsurance Agreement is hereby amended so that all references to "Voya Insurance and Annuity Company", "ING USA Annuity & Life Insurance Company" or "Reinsurer" therein shall be references to "[*insert name of Assignee*]" and (ii) the Reinsurance Agreement shall, save as so amended, continue in full force and effect without any other changes or amendments.

2. <u>Consideration for Novation.</u>

(a) In consideration for the assignments, transfers, assumptions and novations contemplated by Section 1(a) and Section 1(b) above, each of SLD and VIAC shall, in accordance with Article XII of the Reinsurance Agreement, calculate and settle on the date hereof any amounts due the other party under the Reinsurance Agreement for the quarterly Reporting Period ending on the Effective Date (the "**Terminal Accounting and Settlement**"). In addition, Assignee shall pay to VIAC on the date hereof the amount of the Loss Carryforward Balance as of the end of such Accounting Period (the "**Loss Carryforward Balance Release**"). Without prejudice to any rights and remedies of SLD and Assignee under the Reinsurance Agreement, each of SLD and VIAC agree and acknowledge that to the extent the calculation of the Terminal Accounting and Settlement was based on the Parties' best estimates as of the date hereof, notwithstanding the results of any subsequent calculations, such Terminal Accounting and Settlement shall be binding as between SLD and VIAC and the payment of any such Terminal Accounting and Settlement shall, together with the Loss Carryforward Balance Release, constitute each of SLD's and VIAC's payment in full of its obligations to each other under the Reinsurance Agreement.

(b) For the avoidance of doubt, nothing in this Agreement shall have any effect on the Loss Carryforward Balance as of the Effective Date, which Loss Carryforward Balance shall continue to be calculated in accordance with the terms of Article X and Schedule D of the Reinsurance Agreement.

3. Mutual Releases.

(a) SLD does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge VIAC from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) the Reinsurance Obligations and Liabilities, or (iii) any action or omission by VIAC, whether before, on or after Effective Date, in connection with any of the foregoing, which have been alleged or asserted against VIAC or which, whether currently known or unknown, SLD ever could have alleged or asserted or ever could allege or assert, in any capacity, against VIAC in connection with the foregoing.

(b) VIAC does hereby, effective as of the Effective Date, unequivocally, voluntarily, knowingly, willingly, unconditionally, completely, irrevocably and immediately remise, release, acquit, exculpate and forever discharge SLD from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, damages, demands, liabilities, losses, costs, amounts, fees, penalties, interest, expenses or obligations of any kind, character or description, whether absolute or contingent, at law or at equity, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, direct or indirect, known or unknown, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise in connection with, arising out of, or relating to, the (i) the Reinsurance Agreement, (ii) any and all of SLD’s obligations and liabilities under, with respect to, in connection with or otherwise arising out of or relating to any of the Reinsurance Agreement or (iii) any action or omission by SLD, whether before, on or after the Effective Date, in connection with any of the foregoing, which have been alleged or asserted against SLD or which, whether currently known or unknown, VIAC ever could have alleged or asserted or ever could allege or assert, in any capacity, against SLD in connection with the foregoing.

4. Release of all Unknown or Unanticipated Claims.

It is understood by each of SLD and VIAC that there is a risk that, subsequent to the execution of this Agreement, each such party may incur or suffer loss, damage or injuries which are in some way caused by or related to matters which are the subject of this Agreement, but which are unknown or unanticipated at the time of the execution of this Agreement. Further, there is a risk that the loss or damage presently known may be or become greater than each such party now expects or anticipates. Each of SLD and VIAC, respectively, assumes this risk and the releases set forth in this Agreement shall apply to all unknown or unanticipated results, as well as those known and anticipated.

5. Representations and Warranties.

Each party hereto represents and warrants to the other party that:

(a) It is a corporation duly organized and validly existing under the laws of the state in which it is incorporated;

(b) It has all the requisite corporate power and authority to execute, deliver and perform this Agreement;

(c) The person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;

(d) The execution, delivery and performance of this Agreement is fully authorized by it;

(e) It has executed and delivered this Agreement and this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, and to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law);

(f) Neither the execution nor delivery of this Agreement nor compliance with or fulfillment of the terms, conditions, and provisions hereof, conflicts with, results in a material breach or violation of the terms, conditions, or provisions of, or constitutes a material default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under (i) its organizational documents, (ii) any judgment, decree, order, contract, agreement, indenture, instrument, note, mortgage, lease, governmental permit, or other authorization, right, restriction or obligation to which it is a party or any of its property subject or by which it is bound, in any material respects, or (iii) any federal, state, or local law, statute, ordinance, rule, or regulation applicable to it in any material respects;

(g) There is no pending, or to the best of its knowledge, threatened, litigation against it in any court or before any commission or regulatory body, whether federal, state or local, which challenges the validity or enforceability of this Agreement and it has no notice of any pending action, agreements, transactions, or negotiations to which it is a party or is likely to be made a party that would render this Agreement or any part hereof void, voidable, or unenforceable; and

(h) Any authorization, consent, approval, order, license, certificate, or permit or act of or from, or declaration of filing with, any governmental entity or other party, required to be obtained in connection with this Agreement or to make this Agreement valid and binding has been obtained and is in full force and effect.

6. <u>Miscellaneous.</u>

(a) **<u>Headings</u>**. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

(b) **<u>Definitions</u>**. Capitalized terms used but not defined herein shall have the meaning set forth in the Reinsurance Agreement.

(c) **<u>Successors and Assigns</u>**. This Agreement shall be binding upon and shall inure solely to the benefit of the parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the parties to create any third party beneficiaries, except as specifically provided in this Agreement.

(d) **<u>Execution in Counterpart</u>**. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or email with PDF attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

(e) **<u>Amendments</u>**. This Agreement may be amended only by written agreement of the parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

(f) **<u>Choice of Law</u>**. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without giving effect to the choice of law provisions.

(g) **<u>Entire Agreement</u>**. This terms expressed herein constitute the entire agreement between the parties with respect to the subject matter of this Agreement. There are no understandings between the parties with respect to the subject matter of this Agreement other than as expressed in this Agreement.

(h) **<u>Severability</u>**. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph so long as the economic or legal substance of the transaction contemplated hereby is not affected in any material adverse manner to any party, and (ii) the parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

(i) **<u>Interpretation</u>**. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(j) **<u>Incontestability</u>**. In consideration of the mutual covenants and agreements contained herein, each party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by them or their officers designated below as of the date first written above.

SECURITY LIFE OF DENVER INSURANCE COMPANY

By: ____________________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ____________________________________
Name:
Title:

[*Insert name of Assignee*]

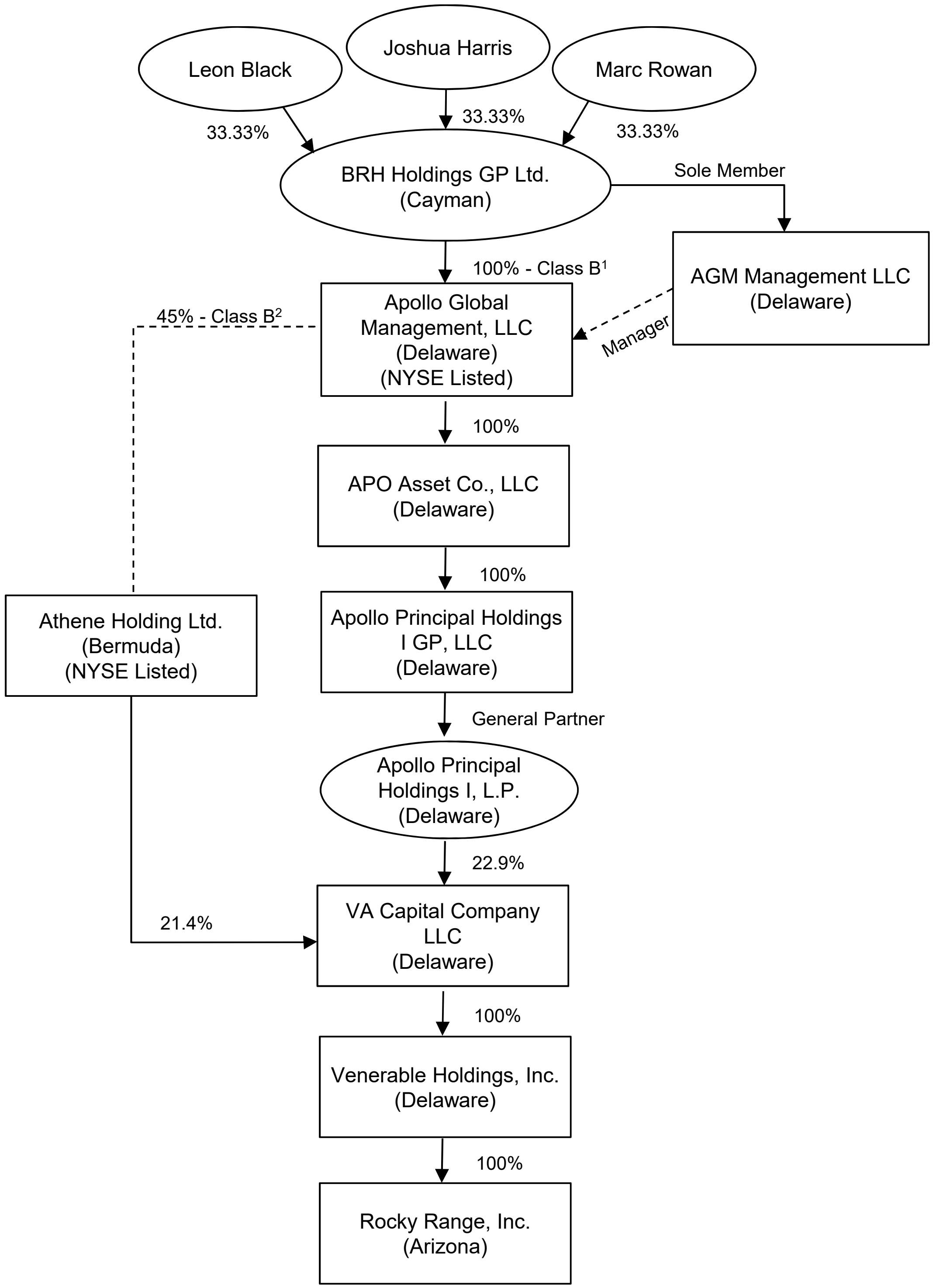
By: ____________________________________
Name:
Title:

EXHIBIT Y

Form of RPS Administrative Services Agreement

[To come.]

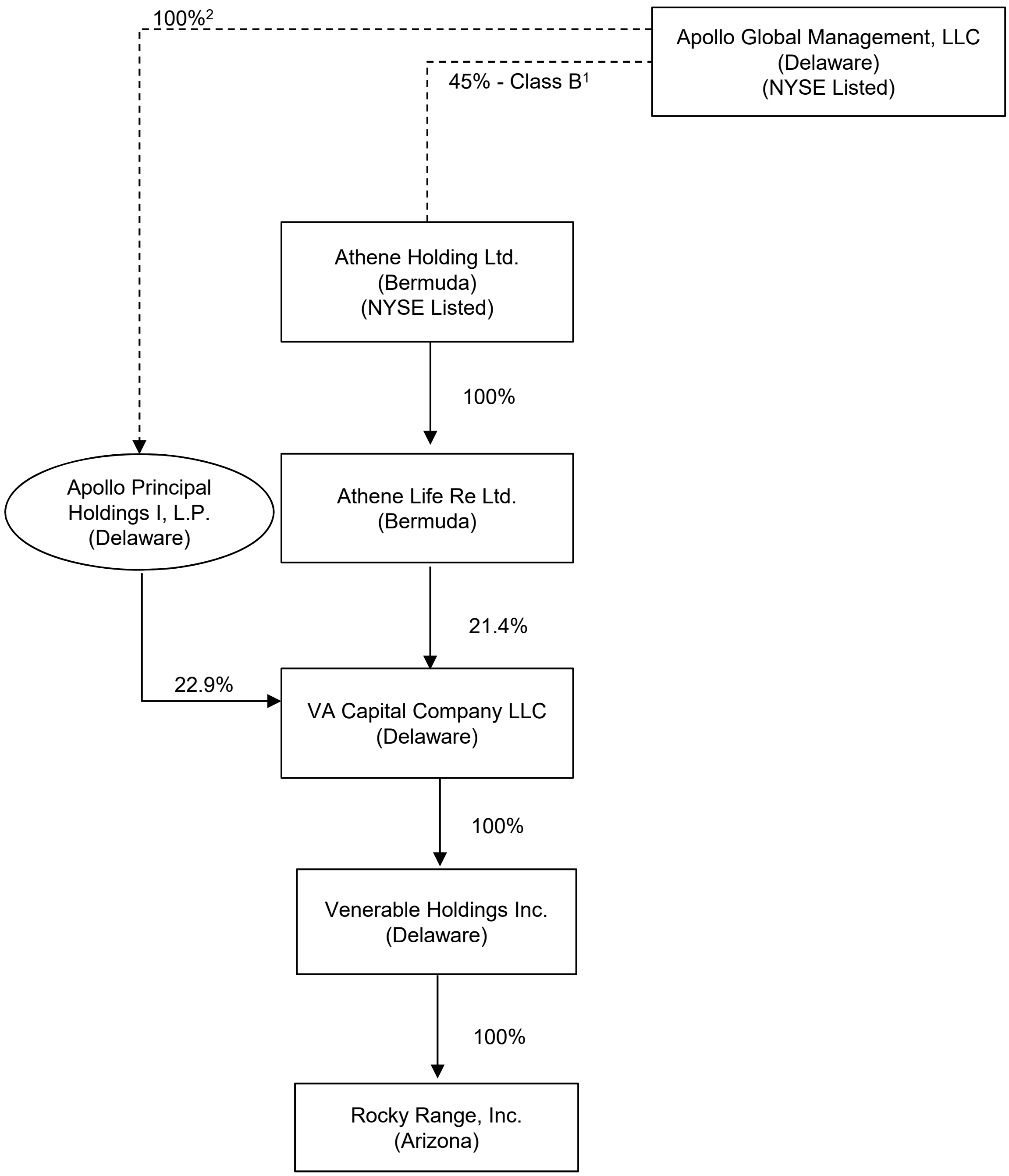
Pre-Acquisition AGM Control Chart



1 The Class B Shareholder, BRH Holdings GP, Ltd. (BRH), holds voting, non-economic interests in Apollo Global Management, LLC (AGM). No holder of AGM's voting Class A shares holds more than 10% of the combined Class A and B shares entitled to vote in AGM. The Class B shares held by BRH represent 54.3% of the total voting power of AGM shares entitled to vote but no economic interest in AGM.

2 Please refer to the Pre-Acquisition AHL Control Chart for further detail. The Class B common shares of Athene Holding Ltd. (AHL) are owned by members of the "Apollo Group" which consists of (i) AGM, (ii) AAA Guarantor – Athene, L.P., (iii) any investment fund or other collective investment vehicle whose general partner or managing member is owned by AGM or one or more of AGM's subsidiaries, (iv) BRH Holdings GP, Ltd. and its shareholders, and (v) any affiliate of any of the foregoing. Such Class B shares represent 45% of the voting power of AHL's equity. No holder of AHL's Class A shares holds more than 10% of the voting power of AHL's equity.

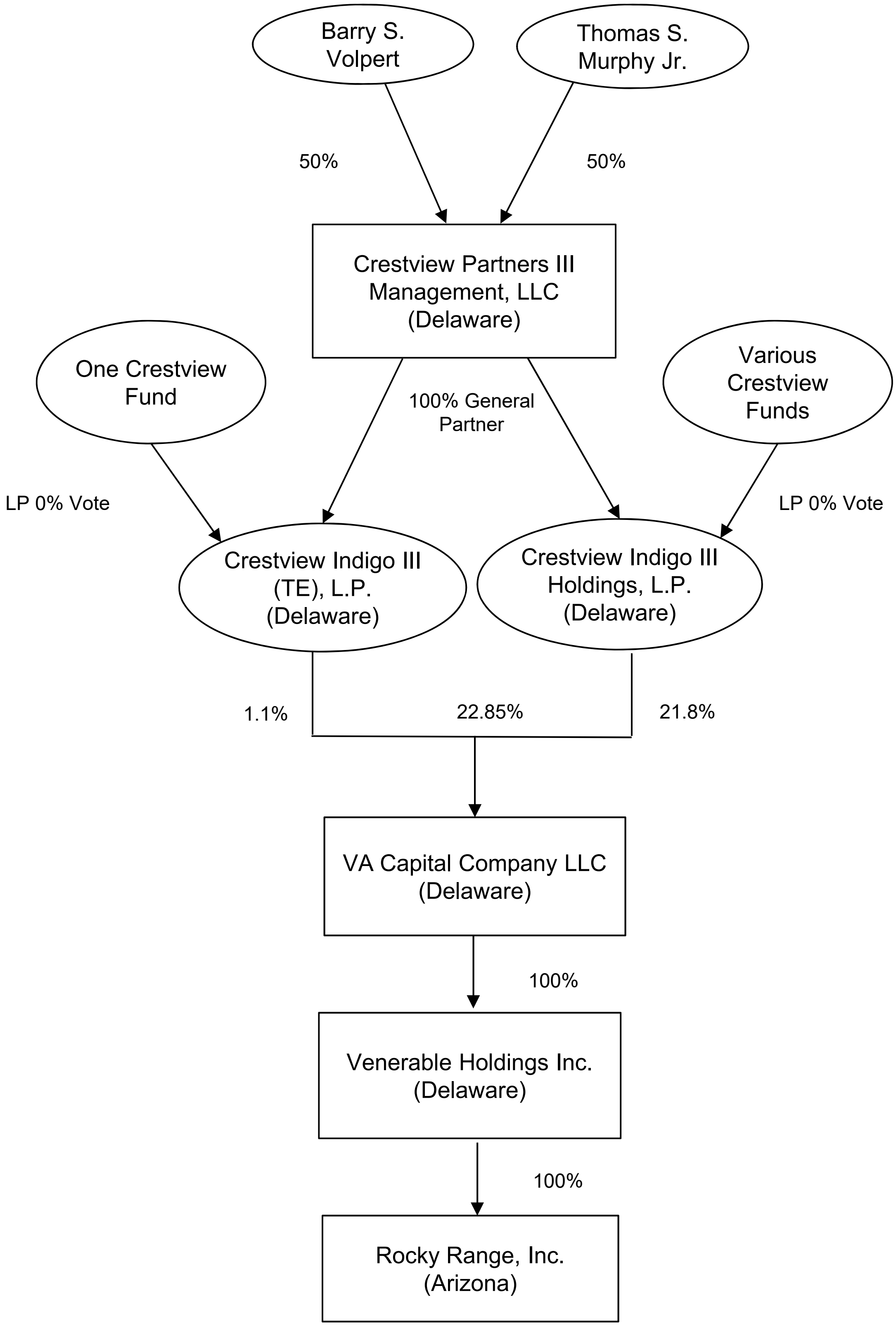
Pre-Acquisition AHL Control Chart

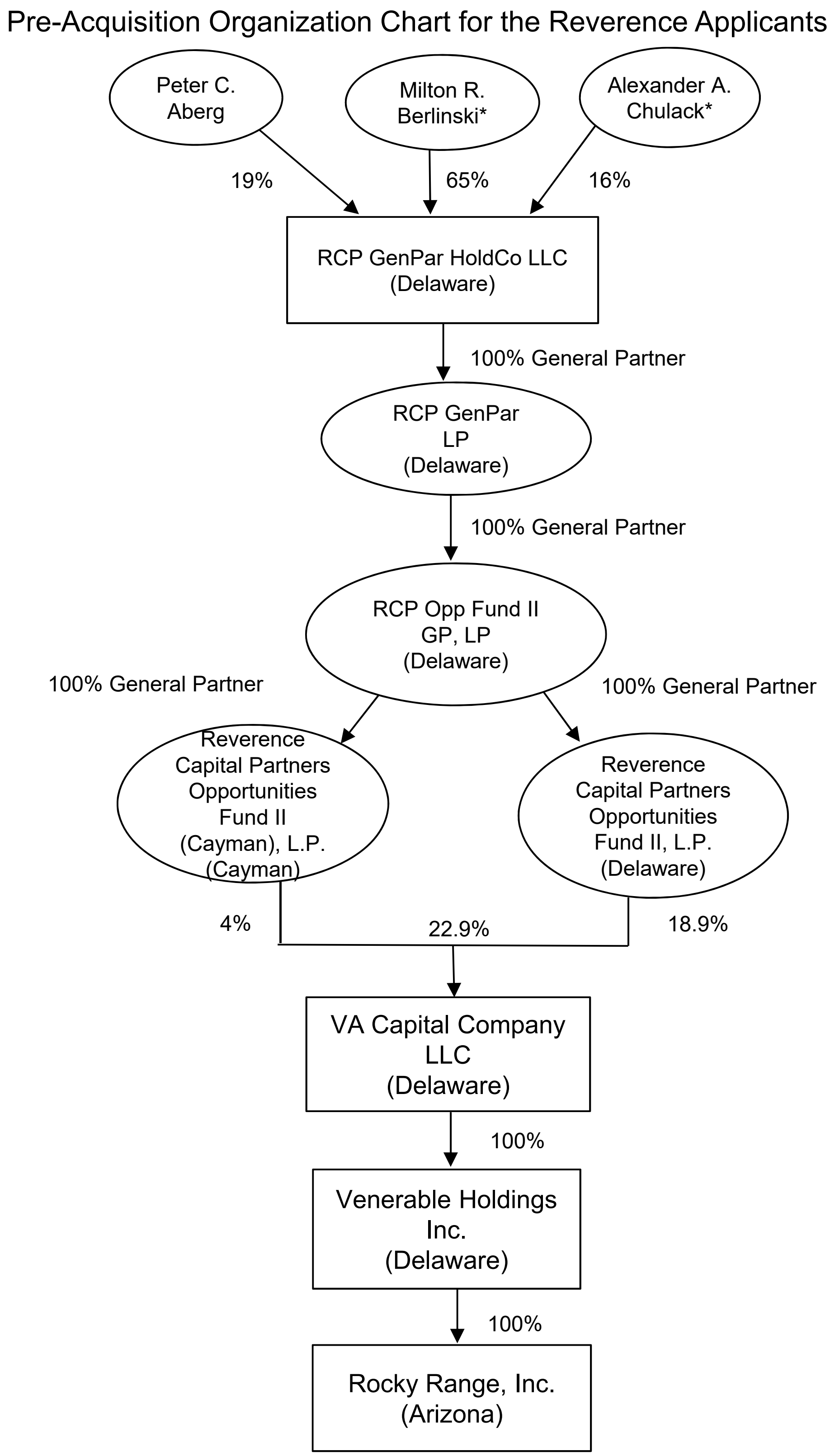


1 The Class B common shares of Athene Holding Ltd. (AHL) are owned by members of the “Apollo Group” which consists of (i) AGM, (ii) AAA Guarantor – Athene, L.P., (iii) any investment fund or other collective investment vehicle whose general partner or managing member is owned by AGM or one or more of AGM’s subsidiaries, (iv) BRH Holdings GP, Ltd. and its shareholders, and (v) any affiliate of any of the foregoing. Such Class B shares represent 45% of the voting power of AHL’s equity. No holder of AHL’s Class A shares holds more than 10% of the voting power of AHL’s equity.

2 Please refer to the Pre-Acquisition AGM Control Chart for further detail.

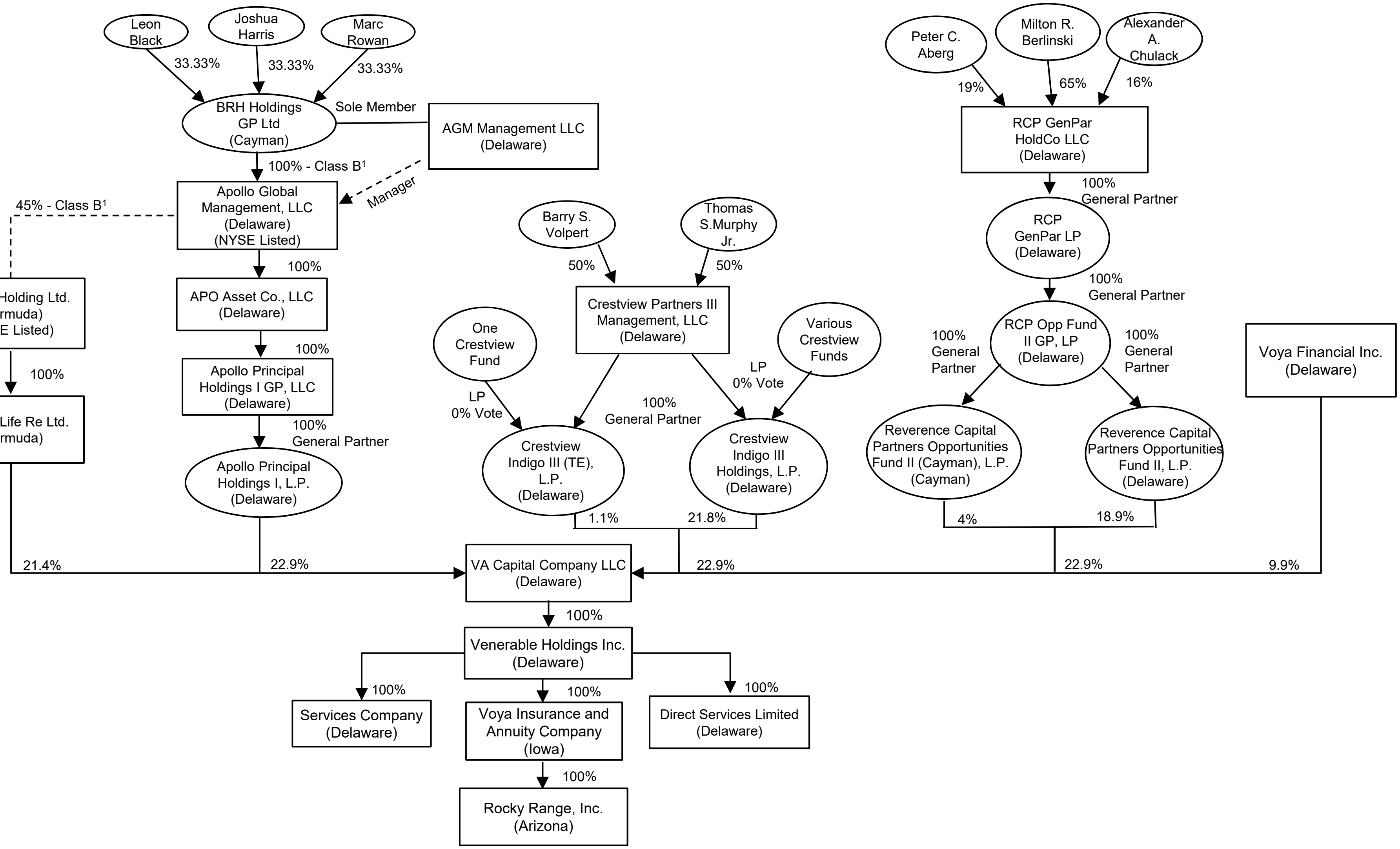
Pre-Acquisition Organization Chart for the Crestview Applicants





*RCP GenPar HoldCo LLC has five members that collectively have the ability to exercise control of it and thereby control each of the Applicants that is not an individual. The five members are Milton R. Berlinski, MRB ICBC LLC, an investment vehicle controlled by Milton R. Berlinski, Peter C. Aberg, Alexander A. Chulack and ZAAZ Capital Partners LLC, an investment vehicle controlled by Alexander A. Chulack. Each of the investment vehicles that is a member of RCP GenPar HoldCo LLC is a passive investment vehicle controlled and managed by the respective Individual Applicant for whom it was established.

Post-Acquisition Control Chart of the Applicants



1 The Class B Shareholder, BRH Holdings GP, Ltd. (BRH), holds voting, non-economic interests in Apollo Global Management, LLC (AGM). No holder of AGM's voting Class A shares holds more than 10% of the combined Class A and B shares entitled to vote in AGM. The Class B shares held by BRH represent 54.3% of the total voting power of AGM shares entitled to vote but no economic interest in AGM.

2 Please refer to the Post-Acquisition AHL Control Chart for further detail. The Class B common shares of Athene Holding Ltd. (AHL) are owned by members of the "Apollo Group" which consists of (i) AGM, (ii) AAA Guarantor – Athene, L.P., (iii) any investment fund or other collective investment vehicle whose general partner or managing member is owned by AGM or one or more of AGM's subsidiaries, (iv) BRH Holdings GP, Ltd. and its shareholders, and (v) any affiliate of any of the foregoing. Such Class B shares represent 45% of the voting power of AHL's equity. No holder of AHL's Class A shares holds more than 10% of the voting power of AHL's equity.

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Exhibit C

Directors and Executive Officers of Buyer

NAME	POSITION	BUSINESS ADDRESS
Dave Marcinek	Senior Managing Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Cynthia Meyn	Chief Operating Officer	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Valay Shah	Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Matthew Michelini	Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Dan Kilpatrick	Director	667 Madison Avenue, 10th Floor New York, New York 10065
Peter Aberg	Director	477 Madison Avenue, 23rd Floor New York, New York 10022
Mark Epley	Independent Director	600 Madison Avenue New York, New York 10022
Howard Shecter	Independent Director	599 Lexington Avenue New York, New York 10022
Ned Sadaka	Independent Director	600 Madison Avenue, Suite 2400 New York, New York 10022

Directors and Executive Officers of Buyer Parent

NAME	POSITION	BUSINESS ADDRESS
Dave Marcineck	Chief Executive Officer	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019

Marc Rowan	Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
William Wheeler	Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Barry Volpert	Director	667 Madison Avenue, 10th Floor New York, New York 10065
Milton Berlinski	Director	477 Madison Avenue, 23rd Floor New York, New York 10022
Steven Pesner	Independent Director	7 Times Square New York, New York 10036
Marc Gamsin	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019

Directors and Executive Officers of APH-I GP

NAME	POSITION	BUSINESS ADDRESS
Leon Black	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
Robert MacGoey	Chief Accounting Officer	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
John Suydam	Secretary	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019

Directors and Executive Officers of ALRe

NAME	POSITION	BUSINESS ADDRESS

Frank Gillis	Director, Chief Executive Officer	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Adam Laing	SVP, Chief Financial Officer and Principal Representative	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Tab Shanafelt	EVP, Chief Operating Officer, General Counsel and Secretary[7]	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Natasha Courcy	VP, General Counsel and Secretary[8]	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
James Belardi	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
William Wheeler	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Gernot Lohr	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Hope Schefler Taitz	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Robert Borden	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda

[7] Effective March 30, 2018, Mr. Shanafelt will resign at which point Ms. Courcy will succeed in the role of General Counsel and Secretary. An NAIC Biographical Affidavit has been provided for each of Mr. Shanafelt and Ms. Courcy.
[8] Pursuant to the note above, Ms. Courcy will become the General Counsel and Secretary effective April 1, 2018.

Directors and Executive Officers of AHL

NAME	POSITION	BUSINESS ADDRESS
James Belardi	Chairman, Chief Executive Officer and Chief Investment Officer	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
William Wheeler	President	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Grant Kvalheim	EVP	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Martin Klein	EVP, Chief Financial Officer	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Frank Gillis	EVP	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
John Rhodes	EVP, Chief Risk Officer	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Gernot Lohr	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Matthew Michelini	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Dr. Manfred Puffer	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Marc Rowan	Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Lawrence J. Ruisi	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda

Hope Schefler Taitz	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Arthur Wrubel	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
H. Carl McAll	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Marc Beilinson	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Robert Borden	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda
Brian Leach	Independent Director	Chesney House, First Floor 96 Pitts Bay Road Pembroke, HM08, Bermuda

Directors and Executive Officers of AGM

NAME	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
Scott Kleinman	Co-President	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019

James Zelter	Co-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
John Suydam	Chief Legal Officer	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Michael Ducey	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Paul Fribourg	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Robert Kraft	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
A.B. Krongard	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019
Pauline Richards	Independent Director	c/o Apollo Global Management, LLC 9 West 57th Street, 43rd Floor New York, New York 10019

Directors and Executive Officers of Crestview Partners

NAME	POSITION	BUSINESS ADDRESS
Barry S. Volpert	Chief Executive Officer	c/o Crestview Advisors, L.L.C. 667 Madison Ave., 10th Floor New York, New York 10065
Thomas S. Murphy, Jr.	Managing Director	c/o Crestview Advisors, L.L.C. 667 Madison Ave., 10th Floor New York, New York 10065

<u>Exhibit D</u>

NAIC Biographical Affidavits

Submitted confidentially under separate cover.

<u>Exhibit E-1</u>

Plan of Operations of the Domestic Insurer

Submitted confidentially under separate cover.

Exhibit E-2

Four-Year Financial Projections of the Domestic Insurer

Submitted confidentially under separate cover.

<u>Exhibit F-1</u>

Crestview Equity Commitment Letter

Submitted confidentially under separate cover.

Exhibit F-2

Reverence Equity Commitment Letter

Submitted confidentially under separate cover.

Exhibit F-3

Debt Commitment Letter

Submitted confidentially under separate cover.

ADMINISTRATIVE SERVICES AGREEMENT (FUND OPS)[1]

by and among

VOYA SERVICES COMPANY,
as Administrator,

and

VOYA INSURANCE AND ANNUITY COMPANY,
as Recipient

[1] NTD: Voya is in the process of looking into whether any of the Separate Accounts are "shared", *i.e.*, do they support reinsured contracts as well as non-reinsured contracts.

ADMINISTRATIVE SERVICES AGREEMENT (FUND OPS)

This **ADMINISTRATIVE SERVICES AGREEMENT (FUND OPS)** (this "Agreement"), dated [●], 2018, is entered into by and among, on the one hand, **VOYA INSURANCE AND ANNUITY COMPANY** ("Recipient"), and **VOYA SERVICES COMPANY** (in its role as third party administrator hereunder, the "Administrator"), on the other hand.

Recitals

WHEREAS, Athene Holding Ltd, VA Capital Company LLC ("Buyer Parent"), and Voya Financial, Inc., an affiliate of Administrator ("Seller"), have entered into that certain Master Transaction Agreement, dated as of [●], 2017 (the "Master Agreement"), pursuant to which, among other things, Seller will sell, and Buyer Parent shall cause Venerable Holdings, Inc. ("Buyer") to purchase, all of the issued and outstanding shares of common stock of Recipient; and

WHEREAS, Recipient desires that the Administrator serve as the third-party administrator for Recipient in order to provide certain fund accounting and other administrative services with respect to the Separate Accounts (as defined below).

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, Recipient and the Administrator hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms used herein shall have the meanings given below.

"**Abandoned**" and "**Abandonment**" have the meaning set forth in Section 2.14.

"**Additional Services**" has the meaning set forth in Section 2.1(b).

"**Administration Books and Records**" has the meaning set forth in Section 2.6(a).

"**Administrative Account**" has the meaning set forth in Section 2.7(a).

"**Administrator**" has the meaning set forth in the preamble.

"**Administrator Indemnified Party**" has the meaning set forth in Section 4.2.

"**Affiliate**" means, with respect to any Person, at the time in question, any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "control", for purposes of this definition, means the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ability to exercise voting power through the ownership of more than fifty percent (50%) of the voting securities, on a fully diluted and converted basis, of the controlled Person, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, code or common law or any rules, regulations, administrative interpretations or orders issued by any Governmental Authority pursuant to any of the foregoing, and any order, writ, injunction, directive, administrative interpretation, judgment or decree applicable to a Person or such Person's business, properties, assets, officers, directors, employees or agents.

"**Books and Records**" means all original files and records (or copies thereof), in whatever form (including computer-generated, recorded or stored records, and any database, magnetic or optical media), in the possession or under the control of Recipient, the Administrator or any of their respective Affiliates which are related to or otherwise reasonably necessary for the administration of the Separate Accounts or the provision or receipt of the Services.

"**Business Day**" means any day other than (i) a Saturday, (ii) a Sunday or (iii) a day on which banking institutions or trust companies in the City of New York are authorized or required by Applicable Law to close.

"**Business Interruption**" has the meaning set forth in Section 2.15.

"**Buyer**" has the meaning set forth in the recitals.

"**Buyer Parent**" has the meaning set forth in the recitals.

"**Closing Date**" has the meaning set forth in the Master Agreement.

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

"**Commencement Date**" has the meaning set forth in Section 2.1(a).

"**Confidential Information**" has the meaning set forth in Section 8.10.

"**Coordinator**" has the meaning set forth in Section 2.11.

"**Designated Senior Executives**" has the meaning set forth in Section 2.16.

"**Direct Costs**" means the costs of (a) full-time employees providing or supporting the Services determined on the basis of total compensation including salary, bonus, long-term incentives and other employee benefits, and (b) any information technology infrastructure or systems used to provide the Services.

"**Dispute**" has the meaning set forth in Section 2.16(a).

"**Dollars**" has the meaning set forth in Section 1.2(v).

"**Force Majeure Event**" has the meaning set forth in Section 2.17.

"**Governmental Authority**" means any domestic or foreign, federal, state or local governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority.

"**Indemnitee**" has the meaning set forth in Section 4.3(a).

"**Indemnitor**" has the meaning set forth in Section 4.3(a).

"**IP Claim**" has the meaning set forth in Section 4.1(g).

"**Legal Action**" has the meaning set forth in Section 5.2(b).

"**Losses**" means any and all damages, losses, liabilities, obligations, costs, expenses (including reasonable attorneys' fees and expenses); provided, however, that "Losses" shall not include any amounts constituting consequential, special or punitive damages except as provided herein.

"**Master Agreement**" has the meaning set forth in the recitals.

"**New York Court**" has the meaning set forth in Section 8.13(a).

"**Non-Public Personal Information**" has the meaning set forth in Section 8.10(c).

"**Person**" means any natural person, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority or business organization.

"**Recipient**" has the meaning set forth in the preamble.

"**Recipient Indemnified Parties**" has the meaning set forth in Section 4.1.

"**Regulatory Action**" has the meaning set forth in Section 5.1.

"**Representatives**" means, with respect to a party or any of their respective Affiliates, such Person's directors, officers, employees, agents, subcontractors and advisors (including investment bankers and counsel).

"**Retained Books and Records**" has the meaning set forth in Section 3.1.

"**Security Assessment**" has the meaning set forth in Section 2.10.

"**Seller**" has the meaning set forth in the recitals.

"**Separate Accounts**" means the accounts set forth on Schedule I, with respect to the variable life insurance policies and annuity contracts set forth on Schedule I. [2]

"**Service Fees and Expenses**" has the meaning set forth in Section 2.5(a).

"**Services**" means the services that the Administrator is to provide under this Agreement to Recipient in respect of the Separate Accounts, as more fully described in ARTICLE II and Schedule II attached hereto.

"**Service Term**" has the meaning set forth in Section 2.2.

"**Significant Service Shortfall**" has the meaning set forth in Section 2.13.

"**SOC**" has the meaning set forth in Section 2.10.

"**Subcontractor**" has the meaning set forth in Section 2.4.

"**Third Party Claim**" has the meaning set forth in Section 4.3(a).

"**Transaction Agreements**" has the meaning set forth in the Master Agreement.

"**Transition Services Agreement**" means that certain Transition Services Agreement, dated as of [●], by and between Administrator and Buyer.

"**Unauthorized Access**" has the meaning set forth in Section 8.10(h).

Section 1.2 Construction. For the purposes of this Agreement, (i) words (including capitalized terms defined herein) in the singular shall be held to include the plural and vice versa and words (including capitalized terms defined herein) of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement, unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation"; (iv) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (v) all references herein to "$" or "Dollars" shall refer to the coin or currency of the United States which as of the time of payment is the legal tender for the payment of public and private debts in the United States, unless otherwise specified; (vi) references to any Transaction Agreements shall be deemed to include all subsequent amendments, restatements, amendments and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendments and restatements, extensions, supplements and other modifications are not prohibited by any Transaction Agreement and are effected in accordance with the terms of the applicable agreement; and (vii) references to

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[2] NTD: This list should include all types of outstanding variable contracts issued through the Separate Accounts as of Closing, other than Retained Business, which will be administered in connection with Voya's reinsurance of those variable contracts.

Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

Section 1.3 Headings. The Article and Section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE II

SERVICES

Section 2.1 Services Overview.

(a) Description of the Services. The Services shall consist of the services described in this Agreement or on Schedule II attached hereto, subject to the terms, conditions and limitations of this Agreement. Schedule II shall set forth the start date on which the provision of each Service shall commence (the "Commencement Date"). Recipient, in its sole discretion, may designate any Affiliate or designated third party to receive a Service; provided, that the Administrator shall not be required to perform any such Service for an Affiliate not a party hereto if the Administrator reasonably determines that its provision of such Services to such Affiliate (i) will violate Applicable Law, or (ii) is reasonably likely to require the Administrator to take actions with regard to any Governmental Authority which it reasonably determines could have a material adverse impact on its business; provided, further, that in no event shall the Administrator be required to perform any Services designated to an Affiliate of Recipient organized or incorporated in the State of New York. Any additional incremental cost to the Administrator caused by such change shall be borne by Recipient. Notwithstanding any other provision of this Agreement to the contrary, Recipient shall have the right to direct the Administrator in connection with the Services to perform any action necessary to comply with Applicable Law, or to cease performing any action that constitutes a violation of Applicable Law.

(b) Additional Services. The parties each have used commercially reasonable efforts to identify and describe the Services. However, the parties acknowledge and agree that there may be services which are not identified on Schedule II that (a) were used in the Business (as defined in the Master Agreement) in the twelve (12) months prior to the effective date of the Master Agreement, (b) had been performed by the employees then-currently employed by, or Business IT Systems (as defined in the Master Agreement) then-used by, the Administrator or any of its Affiliates at the time of the request, (c) are necessary as of the Closing Date for the administration of the Separate Accounts with respect to their investment in the underlying funds, and (d) cannot be performed by the Recipient with its remaining assets and employees and those of its Affiliates using commercially reasonable efforts (the "Additional Services"). Recipient may provide written notice to the Administrator requesting such Additional Services setting forth in reasonable detail a description of the requested Additional Service(s), the proposed start date or dates, (w) at any time during the first one hundred and twenty (120) days following the Closing Date, (x) in the case of a recurring service provided on a quarterly basis, within thirty (30) days following the last day of the first full calendar quarter after the Closing Date, (y) in the case of a recurring service provided on a semiannual basis, within thirty (30) days following the last day of the second full calendar quarter after the Closing Date, and (z) in the case of a recurring service provided on an annual basis, within thirty (30) days following the last day of the first full calendar year after the Closing Date. The Administrator shall be afforded a reasonable period of time to notify Recipient of the Service Fees and Expenses based on the Administrator's actual cost and to commence providing any Additional Service after such service becomes a Service. For the avoidance of doubt, the Administrator's obligations to perform Additional Services shall be subject to additional limitations set forth in Section 2.2. Any Additional Services shall in all respects be subject to the terms of this Agreement, shall be considered added to Schedule II as applicable, shall constitute an amendment to this Agreement which shall be signed by the parties and shall thereafter be considered a Service. For clarity, Additional Services shall not include any policy administration services relating to the administration of variable life insurance policies or annuity contracts that invest in the Separate Accounts.[3]

Section 2.2 Commitment to Provide. Recipient hereby appoints the Administrator to provide, and the Administrator hereby agrees to provide to Recipient, from and after the Commencement Date for the applicable Service and during the term for such Service (the "Service Term"), the Services. The Services shall be provided by the Administrator in all material respects in accordance with the terms of the Separate Accounts. In addition, the Administrator shall provide the Services (a) in accordance with the applicable terms of this Agreement; (b) in compliance with Applicable Law, including the maintenance by the Administrator of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Services under this Agreement; (c) with care, skill, expertise, prudence and diligence that would be expected from experienced and qualified personnel performing such duties in like circumstances; and (d) subject to the foregoing, in accordance with the skill, diligence, care, effort and expertise that are at least equal in quality to the standards the Administrator applies in providing similar services in respect of annuity contracts and, to the extent there are any, other products similar to the Separate Accounts, issued by the Administrator in its own name.

Section 2.3 Facilities, Personnel and Resources. To the extent not subcontracted to a Subcontractor, the Administrator shall at all times maintain sufficient facilities and trained personnel of the kind necessary to perform its obligations under this Agreement in accordance with the performance standards set forth herein. Without limiting the generality of the foregoing, the Administrator will have and maintain, from the date hereof and thereafter during the term of this Agreement, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative or otherwise) as may be necessary or appropriate to discharge its obligations under the terms of this Agreement.

Section 2.4 Subcontracting. The Administrator may subcontract for the performance of any Services at the Administrator's sole expense (except as set forth in Section 2.5(b)) to an Affiliate or, with prior written consent of Recipient, which consent shall not be unreasonably withheld, conditioned or delayed, to a third party (in each case, a "Subcontractor"). In addition, each Subcontractor shall be duly licensed to the extent required under Applicable Law so as to permit the performances of the Services in compliance with Applicable Law. Notwithstanding the foregoing, no such subcontracting shall relieve the Administrator from any of its obligations or

[3] NTD: Given the narrow scope of Services contemplated by this Agreement, additional services should only cover fund-related services, not other aspects of Separate Accounts. Services with respect to any other aspects of the Separate Accounts should be dealt with in the TSA.

liabilities hereunder, the Administrator shall remain responsible for all obligations, liabilities, actions and omissions of such Subcontractor with regards to the providing of such service or services as if provided by the Administrator. Unless specifically agreed in writing by Recipient, neither Subcontractor nor its personnel shall have the power or authority to act as agent or attorney-in-fact of Recipient or bind Recipient in any way.

Section 2.5 Compensation.

(a) Recipient shall pay to the Administrator the Administrator's actual Direct Costs, allocable general corporate overhead, and, subject to Section 2.5(b), costs of vendors and approved Subcontractors) for providing the Services (the "Service Fees and Expenses"), with the methodologies for allocations of general corporate overhead charged to the Recipient being consistent with the historical methodologies for the allocation of such costs in the twelve (12) month period prior to the Closing Date; provided, that the allocated costs of such general corporate overhead shall not exceed sixteen percent (16%) of the Direct Costs. The Administrator shall invoice Recipient on a monthly basis in arrears for Service Fees and Expenses. Each monthly invoice shall list all Services and Service Fees and Expenses in the format of Schedule III. 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 thirty (30) days after the date of receipt of the monthly invoice. Should Recipient dispute any portion of the amount due from it on any invoice or require any adjustment to an invoiced amount, then Recipient shall notify the Administrator in writing of the nature and basis of the dispute or adjustment within thirty (30) days of receiving the invoice using, if necessary, the dispute resolution procedures set forth in Section 2.16. The parties shall use commercially reasonable efforts to resolve the dispute prior to the payment due date.

(b) Recipient shall reimburse the Administrator for all of its reasonable and documented out-of-pocket expenses actually incurred in connection with the provision of the Services to the Recipient, including the fees of any Subcontractors for which the Recipient has consented to the subcontracting to such Subcontractor (such consent not to be unreasonably withheld, conditioned or delayed) and the costs and expenses of any travel, including transportation, lodging and meals, of any employee or agent of the Administrator, its Affiliates or its permitted Subcontractors who is required to travel to any location other than the Administrator's facilities in connection with the performance of the Services; provided, that (i) such travel has been approved in writing by Recipient; and (ii) such costs and expenses of travel are incurred in accordance with Recipient's generally applicable travel policies that have been provided in writing to the Administrator.

Section 2.6 Books and Records; Other Information.

(a) On and after the Closing Date, the Administrator shall assume responsibility for maintaining accurate and complete books and records of all transactions pertaining to the Separate Accounts and all data used by the Administrator in the performance of Services, including claims (as identified in Schedule II hereto) files and any documents relating to such claims, any communications relating to any Separate Account, any communications with any Governmental Authority, complaint logs, and accounting and reporting, in each case, other than Retained Books and Records ("Administration Books and Records"). The Administration Books and Records shall be maintained (i) in accordance with any and all Applicable Laws and (ii) in an accessible format.

The Administration Books and Records with respect to each Separate Account must be maintained for at least the seven (7) year period following the termination of this Agreement (or such longer period as would comply with the records retention policies of the Administrator then in effect with regards to its own business). Following the end of such seven (7) year or longer period, as applicable, the Administration Books and Records may be destroyed only after the Administrator has given Recipient at least sixty (60) days prior written notice of the Administration Books and Records the Administrator intends to destroy. During such sixty (60) day period, Recipient may, at its sole cost and expense, have the right to take possession of such Administration Books and Records in the format maintained by the Administrator. The Administrator shall maintain the confidentiality of such Administration Books and Records, including compliance with Section 8.10, and such information shall be used only for purposes relating to the transactions contemplated under this Agreement.

(b) All Administration Books and Records pertaining to a Separate Account shall be the property of Recipient and shall be made available (including access to appropriate employees and representatives of the Administrator, so long as such access shall not unreasonably interfere with the regular performance of such employees' and representatives' duties to the Administrator) to Recipient, auditors or other designees, and regulatory agencies, upon reasonable prior notice during normal business hours, for review, audit, inspection, examination and reproduction. Upon the reasonable request of Recipient from time to time, that Administrator shall also make copies of Administration Books and Records available to Recipient through electronic means. The Administrator shall have the right to retain copies of all such Administration Books and Records.

(c) The Administrator shall maintain facilities and procedures for safekeeping all Administration Books and Records relating to the Separate Accounts or otherwise used in the performance of services under this Agreement consistent with those applicable to the books and records of the Administrator and its Affiliates with respect to annuity contracts issued by the Administrator or its Affiliates. To the extent required by the Services, the Administrator shall back up all of its computer files relating to the Separate Accounts or otherwise used in the performance of services under this Agreement on the same basis and shall maintain back-up files in a manner consistent with the policies and procedures of the Administrator and its Affiliates regarding the back-up of computer files and storage of back-up files and Applicable Law.

Section 2.7 Payments.

(a) The Administrator has established, and shall during the term of this Agreement maintain, one account with [Citibank, N.A.] for each Separate Account for use by the Administrator in providing the Services (each, an "Administrative Account"). The Administrator shall make payments concerning each Separate Account from funds in such Separate Account's Administrative Account.

(b) The Administrator shall request that the Recipient deposit to each Administrative Account funds in amounts such that the applicable Administrative Account will contain sufficient funds (including payments reasonably expected to be received by the Separate Accounts on such Business Day) to pay amounts then due or reasonably expected to become due to be paid by the relevant Separate Account in connection with the Services. The Recipient shall, at all times, maintain sufficient funds in the Administrative Accounts to pay all amounts due in connection with the Separate Accounts as they become due.

(c) Recipient check stock shall be used for all payments made in respect of the Separate Accounts and the Services.

Section 2.8 Power of Attorney.

(a) Subject to the terms and conditions set forth herein, Recipient hereby appoints and names the Administrator, acting through its authorized officers and employees, as Recipient's exclusive lawful attorney-in-fact, from and after the Closing Date for so long as the Administrator is authorized to perform the Services and solely to the extent necessary to provide the Services, (a) to do any and all lawful acts that Recipient might have done with respect to the Separate Accounts, and (b) to proceed by all lawful means (i) to perform any and all of Recipient's obligations with respect to the Separate Accounts, (ii) to collect any and all sums due or payable in respect of the Separate Accounts, (iii) to sign (in Recipient's name, when necessary) vouchers, receipts, releases and other papers in connection with any of the foregoing matters, (iv) to take actions necessary to maintain the Separate Accounts in compliance with Applicable Law and (v) to do everything necessary in connection with the satisfaction of the Administrator's obligations and the exercise of its rights under this Agreement, but in all cases only to the extent of the rights and authority granted to the Administrator pursuant to this Agreement and in accordance with the terms hereof.

(b) In order to assist the Administrator in the performance of the Services hereunder, as reasonably requested by the Administrator in writing from time to time, Recipient shall deliver to the Administrator, in the form reasonably requested by the Administrator in writing, evidence of its appointment of the Administrator as its attorney-in-fact with respect to all matters required, necessary or appropriate to perform the Services.

Section 2.9 Information Safeguards and Security Breaches. The Administrator shall (to the extent it has the ability to access Confidential Information of Recipient) maintain administrative, technical and physical safeguards that are reasonably designed to (a) ensure the security and confidentiality of such Confidential Information; (b) protect against any anticipated threats or hazards to the security or integrity of such Confidential Information; (c) protect against unauthorized access to or use of such Confidential Information that could result in substantial harm or inconvenience to the Person that is the subject of such Confidential Information and (d) ensure the proper disposal of such Confidential Information, in each case not less than the standards required by Applicable Law. In the event of a security breach involving any Non-Public Personal Information in the possession or control of the Administrator, the Administrator shall, at its expense, as promptly as commercially reasonable but in no event later than required under Applicable Law, take all actions required of the Recipient or the Administrator by Applicable Law and as reasonably requested by the Recipient to inform each impacted individual of such security breach and to implement curative action required by Applicable Law. As promptly as reasonably practicable, but in no event later than forty-eight (48) hours after becoming aware of a security breach, the Administrator shall notify Recipient thereof.

Section 2.10 SOC Reports.

(a) Upon Recipient's written request, but in no event more than once per contract year, the Administrator shall, and shall require its Subcontractors to, promptly complete, an industry standard information security audit and assessment process (the "Security Assessment"), which, if available, will include any industry standard information security questionnaires and relevant Service Organization Control ("SOC") audit reports (a SOC-1 Type II for datacenters or SOC-2 Type II for other facilities) relating to the Administrator and such Subcontractors. Promptly upon completion of the Security Assessment, the Administrator shall, and shall cause its Subcontractors to, take commercially reasonable steps to remediate, to Recipient's reasonable satisfaction, any material deficiencies identified by Recipient as a result of the Security Assessment. The Administrator's failure to (a) remediate such material deficiencies or (b) at any time during the term of this Agreement, to meet or exceed in all material respects any of the requirements, standards, or controls described in the Administrator's most recently completed information security questionnaire will, in either case, constitute a material breach of this Agreement by the Administrator. Recipient's consent, not to be unreasonably withheld or delayed, shall be required prior to any change to the Administrator's administrative, technical and physical safeguards intended to protect Confidential Information if such proposed changes could reasonably be expected to materially and adversely affect the controls or standards of protection previously specified or approved through the Security Assessment process. The Administrator anticipates that it will receive annual SOC Reports from its Subcontractors and that such SOC Reports will be prepared by one of the nationally-recognized accounting firms, and the Administrator shall use it commercially reasonable efforts to enforce any rights the Administrator has to receive any such SOC Reports from its Subcontractors. The Administrator shall provide to Recipient such other publicly-available financial information concerning the Administrator and its Subcontractors as may be reasonably requested by Recipient. Further, commencing on the date hereof and for as long as this Agreement is in effect, within twenty (20) days after the end of each calendar quarter, the Administrator shall deliver to Recipient a completed quarterly management representation letter to Recipient's Chief Accounting Officer, in the such form as Recipient may reasonably request, on accounting, reporting, internal controls and disclosure issues in support of the management representation letter to be issued by Recipient to its independent accountants.

(b) The Administrator shall provide to Recipient (i) access to the Administrator's Sarbanes-Oxley Act and Model Audit Rules control documentation and the results of any internal control testing performed by it with respect to the Separate Accounts, and access to the books, records and employees of the Administrator for purposes of independently performing tests of the Administrator's documentation and controls, as reasonably requested by Recipient from time to time; and (ii) prompt notice of significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Separate Accounts. The Administrator shall use its commercially reasonable efforts to remedy, as promptly as reasonably practicable, significant deficiencies, material weaknesses or material omissions in internal controls identified in connection with such internal control testing related to the Separate Accounts.

(c) During the term of this Agreement, upon any reasonable request from Recipient or its Representatives, subject to compliance with Applicable Law relating to the exchange of information and to the confidentiality requirements under Section 8.10, the Administrator shall (i) provide, or cause its Subcontractors to provide, to Recipient and its Representatives reasonable on-site and desk access during normal business hours to review the books and records (including any such materials developed on or after the Closing Date) under the control of the Administrator or a Subcontractor pertaining to the Separate Accounts and the Services to be provided under this Agreement; provided that such access shall not unreasonably interfere with the conduct of the business of the Administrator or the Subcontractor, and (ii) permit, or cause its Subcontractors to permit, Recipient and its Representatives to make copies of such records, in each case at no cost to the Administrator. Access provided to Recipient or its Representatives pursuant to this Section 2.10 shall be provided by the Administrator upon forty-eight (48) hours advance written notice or as otherwise reasonably requested by Recipient. The parties agree and acknowledge that reasonable access includes facilitating audits by Recipient or its Representatives to comply with Applicable Laws relating to the Separate Accounts.

Section 2.11 Coordinators. As of the Closing Date, the Administrator and Recipient shall appoint and provide written notice to the other party pursuant to Section 8.1, of the name, title and contact information for an individual who shall be a current officer or employee of such party or an Affiliate thereof and shall serve as such party's primary contact with respect to issues that may arise out of the scope or performance of this Agreement (each, a "Coordinator"). The parties may replace their respective Coordinator by giving notice pursuant to Section 8.1 to the other party stating the name, title and contact information for the new Coordinator. Each Coordinator will have primary responsibility on behalf of its respective party, to communicate and coordinate with the other Coordinator with respect to this Agreement. The Coordinators shall meet, either in person or telephonically, from time to time as necessary or appropriate to discuss open issues related to this Agreement and performance hereunder.

Section 2.12 Transition Services. The Administrator shall have no obligation to perform any particular Service or other obligation to the extent that it is unable to provide such Service or perform such obligation as a result of the failure of Recipient or its Affiliates to provide to the Administrator or its Affiliates services required to be provided by Recipient or its Affiliates under the Transition Services Agreement. Such nonperformance by the Administrator of any such Service or other obligation shall not be deemed to be a breach of this Agreement, shall not create liability for the Administrator under this Agreement, and the provisions of Section 4.1 shall be inapplicable thereto; provided that (a) the Administrator shall be obligated to provide any such Service and perform any such obligation in accordance with the terms of this Agreement following the cure or remediation of any such failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement, and (b) the Administrator shall, in any event, use commercially reasonable efforts to perform such Service despite any failure of Recipient or its respective Affiliates to provide to the Administrator or its Affiliates the applicable services required to be provided under the Transition Services Agreement.

Section 2.13 Shortfall in Services. If Recipient provides the Administrator with written notice of the occurrence of any Significant Service Shortfall (as defined below) in the Services, as reasonably determined by Recipient in good faith, the Administrator shall use commercially reasonable efforts to rectify such Significant Service Shortfall as soon as reasonably possible. For purposes of this Section 2.13, a "Significant Service Shortfall" shall be deemed to have occurred if the timing or quality of performance of one or more Services provided by the Administrator hereunder falls below the standard required by Section 2.2 hereof; provided that the Administrator's obligations under this Agreement shall be relieved to the extent, and for the duration of, any Force Majeure Event as set forth in Section 2.17. Any dispute as to whether a Significant Service Shortfall occurred shall be resolved in accordance with Section 2.16(a).

Section 2.14 Abandonment; Maintenance. The Administrator shall not Abandon (as defined below) any of the Services for which it is responsible. The parties agree that if the Administrator breaches or threatens to breach the foregoing covenant, Recipient may be irreparably harmed, and Recipient shall be entitled to apply to a court of competent jurisdiction for an injunction compelling specific performance by the Administrator of its obligations under this Agreement. "Abandon" or "Abandonment" means the threatened or actual intentional refusal by the Administrator to provide or perform any material element(s) of the Services in breach of its obligations under this Agreement. Notwithstanding the foregoing, the Administrator shall have the right to: (a) shut down temporarily for routine maintenance the operation of any facilities or systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable for general maintenance purposes, provided that the Administrator gives Recipient at least seven (7) days prior written notice of such scheduled maintenance, which shall occur outside of normal business hours or at other time mutually agreed by the parties, (b) shut down for emergency purposes the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator shall notify Recipient as soon as is commercially reasonable thereafter and shall use commercially reasonable efforts not to materially disrupt the operation of Recipient, and (c) shut down temporarily for "escalated" or "high priority" purposes (*e.g.*, system security updates/patches) the operation of any facilities and systems providing any Service if in the Administrator's reasonable judgment such action is necessary or advisable; provided, that the Administrator gives Recipient the same prior notice that it gives for any such maintenance to its internal clients and Affiliates.

Section 2.15 Disaster Recovery Program. The Administrator will implement a disaster recovery plan that is (a) consistent with current industry standards, (b) contains service level agreements for recovery time objectives and recovery point objectives to be agreed in good faith between the parties, and (c) no less stringent than what the Administrator deploys for its own system and records, maintain its systems and records (including the Administration Books and Records) in accordance with such plan, and test such plan from time to time. Such disaster recovery plan will include, but not be limited to, the provision of an incremental backup of the Administrator's applicable systems no less than daily, a full backup of the Administrator's applicable systems no less than weekly, and a second full backup of the Administrator's applicable systems no less than monthly. The daily backups will be stored by the Administrator for at least one (1) week, the weekly backups will be stored by the Administrator for at least one (1) month, and the monthly backups will be stored by the Administrator for at least one (1) year. The backups of the Administrator's applicable systems will be stored at a facility outside of the Administrator's facility. In the event of a Business Interruption, the Administrator will implement its disaster recovery plan. The term "Business Interruption" means (i) any material interruption or interference with the Administrator's ability to continue to provide Services, including any adverse effect on the Administrator's operating environment or telecommunications infrastructure used to provide the Services or (ii) any event, whether anticipated or unanticipated, which disrupts the normal course of business operations.

Section 2.16 Dispute Resolution.

(a) Amicable Resolution. The parties mutually desire that friendly collaboration will continue between them during the term of this Agreement. 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 and Expenses hereunder), then the Coordinators shall seek to resolve the Dispute amicably. If the Coordinators are unable to resolve a Dispute in a timely manner, then either Coordinator, by written request to the other, may request that such Dispute be referred for resolution to a designated senior executive of each party ("Designated Senior Executives"), which Designated Senior Executives will have fifteen (15) days to resolve such Dispute. If the Designated Senior Executives for each party do not agree to a resolution of such Dispute within fifteen (15) days after the reference of the matter to them, either party may bring an action regarding such dispute.

(b) Non-Exclusive Remedy. Nothing in this Section 2.16 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 Section 2.14 or Section 8.10, (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 8.13. 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 2.16(a).

Section 2.17 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 any of the following circumstances or events beyond the reasonable control of the party relying on such circumstance or event: changes in Applicable Law, riots, war, public disturbance, fire, explosion, storm, flood, acts of God, acts of terrorism (each, a "Force Majeure Event"), then (a) the party shall give written notice to the other party, (b) 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 (c) the affected party shall be excused from its obligations to the extent limited by such Force Majeure Event 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. Recipient shall be relieved of the obligation to pay any Service Fees and Expenses and other amounts for the provision of the Services obligations limited by such Force Majeure Event throughout the duration of such Force Majeure Event.

ARTICLE III

RESPONSIBILITIES

Section 3.1 Books and Records; Other Information. On the Commencement Date of any Services with respect to a Separate Account, Recipient shall promptly transfer to the Administrator all Books and Records related to such Separate Account except for any such Books and Records that Recipient is required to retain under Applicable Law (the "Retained Books and Records"). On the Closing Date, the Recipient shall provide the Administrator with a copy of any Retained Books and Records. Further, Recipient shall, and shall cause its designees to, provide the Administrator with access to all information in the possession or control of Recipient and such designees which pertains to, and which the Administrator requests in connection with, any claim, loss or obligations arising out of the Separate Accounts; provided, however, that nothing herein shall require Recipient to disclose information to the Administrator or its representatives if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any Applicable Law or contract (including any confidentiality agreement to which Recipient or any of its Affiliates is a party) (it being understood that Recipient shall use its reasonable best efforts to enable such information to be furnished or made available to the Administrator or its representatives without so jeopardizing privilege or contravening such Applicable Law or contract) or require Recipient to disclose its tax records (other than premium tax filings) or any personnel or related records; provided, further, the Administrator shall comply with all Applicable Laws with respect to the use and disclosure of such information. In addition, Recipient shall make all such Books and Records and other information contemplated in this Section 3.1 available for inspection and copying by the Administrator upon at least one (1) Business Day's prior notice by the Administrator to Recipient during regular business hours.

Section 3.2 Additional Documentation. On and after the Commencement Date for any Services with respect to a Separate Account, Recipient shall, and shall, if applicable, cause its designees to, cooperate with the Administrator and provide such access to Representatives of Recipient and such additional documentation, information, computer and hard copy files and data (including Books and Records, or copies thereof, which have not previously been provided to the Administrator) as may be necessary or appropriate to assist in the administration of such Separate Account of Recipient and to enable the Administrator to fully carry out its responsibilities under this Agreement.

Section 3.3 Licenses. Recipient hereby grants to the Administrator, and the Administrator hereby accepts, a non-exclusive, royalty-free, non-transferable license during the applicable Services Term, to use those items set forth on Schedule IV attached hereto solely as necessary for the performance by the Administrator of the Services hereunder.

Section 3.4 Trademarks. Administrator hereby acknowledges that Recipient has adopted and is using the names and marks listed on Schedule IV hereto in connection with the Separate Accounts (collectively, the "Licensed Names and Marks"). Recipient and Administrator agree as follows:

(a) Recipient hereby grants to the Administrator and Administrator hereby accepts a limited, non-exclusive, non-transferable (except to Subcontractors as permitted below), royalty-free license to use the Licensed Names and Marks solely as necessary to provide the Services, subject to the terms and conditions set forth in this Agreement. The Administrator is granted no rights to use the Licensed Names and Marks, other than those rights specifically described and expressly licensed in this Agreement and no right is granted hereunder for the use of the Licensed Names and Marks in connection with any services other than the Services. None of the rights licensed to the Administrator under this Section 3.4 may be assigned, sublicensed or otherwise transferred by the Administrator (other than to Subcontractors), nor shall such rights inure to the benefit of any trustee in bankruptcy, receiver or successor of the Administrator, whether by operation of law or otherwise, without the prior written consent of Recipient, and any assignment, sublicense or other transfer without such consent shall be null and void.

(b) The Administrator agrees that it will use the Licensed Names and Marks in a manner that is consistent with the manner in which Recipient used them prior to the date hereof and, otherwise, only in accordance with the performance and usage standards established by Recipient and communicated to Administrator in writing (including graphic standards as prescribed by Recipient). The Administrator shall have no right to use the Licensed Names and Marks in connection with advertisements, brochures, audio or visual presentations, or any other materials used in the sale or advertising of Administrator's services.

(c) The Administrator agrees not to use the Licensed Names and Marks in partial form without the prior written consent of Recipient, which Recipient may withhold at its sole discretion. The Administrator agrees not to adopt or use any trademarks, service mark, logo or design confusingly similar to the Licensed Names and Marks. It is understood that Recipient retains the right, in its sole discretion, to modify the Licensed Names and Marks, upon reasonable prior notice to the Administrator.

(d) The Administrator acknowledges that all rights in the Licensed Names and Marks and the goodwill associated therewith belong exclusively to each respective Recipient. All uses of the Licensed Names and Marks by the Administrator shall inure solely to the benefit of Recipient and any registration of the Licensed Names and Marks shall be registered by Recipient in its name, it being understood that the present license shall not in any way affect the ownership by Recipient of the Licensed Names and Marks, each of which shall continue to be the exclusive property of Recipient. At its option, Recipient may, in its own name and at its own expense, maintain appropriate trademark and service mark protection for the Licensed Names and Marks. The Administrator shall not at any time during the term of this Agreement or at any time thereafter do or cause to be done any act contesting the validity of the Licensed Names and Marks, contesting or in any way impairing or tending to impair Recipient's entire right, title and interest in the Licensed Names and Marks and the registrations thereof or adversely affecting the value of the Licensed Names and Marks or the reputation and goodwill of Recipient. The Administrator shall not represent that it has any right, title or interest in the reputation and good will of Recipient. The Administrator shall not represent that it has any right, title or interest in the Licensed Names and Marks other than the rights expressly granted by this Agreement.

(e) The right to institute and prosecute actions for infringement of the Licensed Names and Marks is reserved exclusively to each respective Recipient, and Recipient shall have the right to join the Administrator in any such actions as a formal party. Any such action shall be conducted at Recipient's expense. The Administrator shall provide prompt written notice to Recipient of any infringement or unauthorized use of the Licensed Names and Marks of Recipient of which it is aware, and agrees to assist Recipient at Recipient's expense in any such action brought by Recipient. It is understood, however, that Recipient is not obligated to institute and prosecute any such actions in any case in which it, in its sole judgment, may consider it inadvisable to do so.

(f) The agreements and covenants contained in this Section 3.4 shall continue in effect until such time as this Agreement is terminated pursuant to ARTICLE VI. As promptly after termination of this Agreement as is reasonably practicable, the Administrator shall discontinue all use of the Licensed Names and Marks (but in no event will such use extend beyond ninety (90) calendar days after termination). Prior to any such termination, the Administrator shall take all commercially reasonable actions necessary to effect such discontinuance, including notifying contractowners, producers, suppliers, service providers, regulatory agencies and other relevant Persons of the discontinuance. Upon termination, all of the Administrator's rights to the Licensed Names and Marks shall revert to and continue to reside with and be owned exclusively by Recipient.

Section 3.5 Other Obligations. Recipient shall forward to the Administrator all mail, notices, communications and other correspondence received by Recipient in respect of the Separate Accounts as promptly as practicable following Recipient's receipt thereof. Each party shall adhere, and shall cause its Representatives to adhere, to (x) all applicable policies and procedures of the other party and its Affiliates relating to the Services in effect as of the Closing Date, and such other reasonable applicable policies and procedures with respect to which the other party notifies such party in writing, within a reasonable period of time following receipt of such notice (except that a party may require the other party to comply, and in such case the other party shall comply, immediately following receipt of any notice relating to policies or procedures addressing compliance with Applicable Law or such party's cybersecurity or data security policies or requirements), and (y) to all security and access policies of the other party, at all times during the term of this Agreement, to the extent that such party or its Representatives requires ingress to and egress from the premises occupied by the other party or its Affiliates, for reasonable purposes necessary to the delivery or receipt of Services hereunder or the performance of any obligations required by this Agreement.

Section 3.6 Disclaimer of Responsibility. The Administrator shall have no responsibility or liability and Recipient shall continue to be, at all times, solely responsible for each of the following:

(a) Failure of Recipient or its Affiliates to fulfill all lawful obligations with respect to the Separate Accounts, regardless of any dispute between Recipient and the Administrator;

(b) Any prospectuses, advertisements and other solicitation materials, training programs and materials, insurance contracts, amendments, endorsements and other forms provided by, used by or required by Recipient or its Affiliates; or

(c) (i) The accuracy and completeness of all data and information provided by Recipient; (ii) any errors in and with respect to data obtained from Recipient caused by inaccurate or incomplete data provided by Recipient; or (iii) accuracy and completeness of Recipient's policies and procedures or business rules provided to the Administrator.

Section 3.7 Examinations. The Administrator acknowledges that regulators with jurisdiction over Recipient and any of its Affiliates may have authority to examine Recipient. To the extent any such examinations relate to this Agreement, the Administrator shall cooperate with any such examinations as reasonably requested by the Recipient at the Recipient's cost and expense. For the avoidance of doubt, such cooperation shall not be deemed to be a Service.

ARTICLE IV

INDEMNIFICATION

Section 4.1 Indemnification of Recipient. From and after the Closing Date, Recipient and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Recipient Indemnified Party" and collectively, with each other Recipient Indemnified Party, the "Recipient Indemnified Parties") shall not be responsible for, and the Administrator shall indemnify and hold each Recipient Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Recipient Indemnified Parties, arising out of or attributable to:

(a) Fraud, theft or embezzlement by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(b) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, Subcontractors, successors or assigns of the Administrator during the term of this Agreement;

(c) Security breaches as described in Section 2.9 to the extent the actions resulting in such breaches were not the result of the written or express direction or request of, or made with the prior written consent of, Recipient or its respective permitted designees;

(d) The Administrator's willful misconduct or negligence with regard to its provision of the Services; or which arise out of a material breach of this Agreement by the Administrator;

(e) Any wrongful use of Recipient's Confidential Information obtained under this Agreement;

(f) Fines, penalties and interest paid to a Governmental Authority arising out of a breach of Applicable Law by the Administrator;

(g) actual or alleged infringement or violation of a third party's Intellectual Property (as defined in the Master Agreement) rights ("IP Claims") arising out of or in connection with the supply of the Services provided by or on behalf of the Administrator; or

(h) Any enforcement of this indemnity.

Section 4.2 Indemnification of the Administrator. From and after the Closing Date, the Administrator and its Affiliates, controlling Persons, officers, designees, directors, employees, agents, representatives and assigns (each, an "Administrator Indemnified Party" and collectively, with each other Administrator Indemnified Party, the "Administrator Indemnified Parties") shall not be responsible for, and Recipient shall indemnify and hold each Administrator Indemnified Party harmless from and against, any and all Losses asserted against, imposed on or incurred by the Administrator Indemnified Parties, arising out of or attributable to:

(a) Acts of negligence or willful misconduct committed by directors, officers, employees, agents, subcontractors, successors or assigns of Recipient during the term of this Agreement;

(b) Recipient's willful misconduct or negligence or which arise out of the breach of this Agreement by Recipient;

(c) Third party claims for loss or damage; except for third party claims for which the Administrator would have an obligation to indemnify Recipient under Section 4.1;

(d) Recipient's wrongful use of the Administrator's Confidential Information obtained under this Agreement;

(e) IP Claims arising out of or in connection with the use of the Services by Recipient; provided, however, that the Recipient shall have no indemnification obligations as to IP Claims based on the use of any Allocated Intellectual Property, Business IT Systems, Business Software (each, as defined in the Master Agreement); or

(f) Any enforcement of this indemnity.

Section 4.3 Indemnification Procedures.

(a) If any Person entitled to indemnification under Section 4.1 or Section 4.2 (the "Indemnitee") receives notice of assertion or commencement of any a claim or demand made by, or an action, proceeding or investigation instituted by, any Person not a party to this Agreement (a "Third Party Claim") against such Indemnitee in respect of which the party required to indemnify such Indemnitee under Section 4.1 or Section 4.2 (the "Indemnitor") may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor prompt written notice (but in no event later than 30 days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Loss (to the extent practicable) and shall reference the specific sections of this Agreement that form the basis of such claim; provided, that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay. Thereafter, the Indemnitee shall deliver to the Indemnitor, within five (5) Business Days 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 may assume the defense thereof with counsel selected by the Indemnitor. 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. 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. All of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense of any Third Party Claim, and, if the Indemnitor assumes such defense, such cooperation shall include the retention and (upon the Indemnitor's request) the provision to the Indemnitor of records and information that 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, conditioned or delayed), and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided 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 full and complete release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any non-monetary relief or 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 as provided in this Section 4.3(b) 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 4.4 IP Claims. Further, in the event that the provision of any Service infringes, violates or constitutes the misappropriation of, is alleged to infringe, violate or misappropriate or, in the reasonable judgment of the Administrator's counsel, is likely to infringe, violate or constitute the misappropriation of, any Intellectual Property of any third party, the Administrator shall use commercially reasonable efforts at its sole expense either (a) procure for Recipient the right to continue to use such infringing, violating or misappropriating portions of the Services or (b) modify or replace such infringing, violating or misappropriating portions of the Services so that they are non-infringing, non-violating or non-misappropriating, as applicable, and of at least equivalent performance and functionality to that prior to such modification or replacement. If the Administrator is unable after the use of commercially reasonable efforts, to complete either of the options under subsection (a) or (b) above, the Administrator shall notify Recipient, and the parties shall cooperate to determine a commercially reasonable alternative approach for the provision of such Service without infringing, violating or misappropriating the Intellectual Property of any third party.

Section 4.5 Mitigation of Damages. Each indemnified party must mitigate, in accordance with Applicable Law, any Indemnifiable Losses (as defined in the Master Agreement) for which such indemnified party seeks indemnification under this Agreement.

Section 4.6 Insurance. Notwithstanding anything to the contrary contained herein, (a) each party shall use commercially reasonable efforts to use insurance provided by a third party to cover any Indemnifiable Losses applicable to it, and (b) no party indemnified under this ARTICLE IV shall be indemnified or held harmless hereunder to the extent such Indemnifiable Losses are covered by insurance provided by a third Person.

Section 4.7 Exclusive Remedy. Each party acknowledges and agrees that, following the date hereof, other than in the case of actual fraud or as otherwise provided by Applicable Law, the following shall be the sole and exclusive remedies of such party for any claims arising from or related to this Agreement: (a) the right to indemnification as provided in this ARTICLE IV; (b) the right to require performance of any Service to the extent required under Section 2.2; (c) the right to require re-performance of any Service to the extent required under Section 2.13; (d) the right to an injunction, specific performance or other equitable non-monetary relief when available under Applicable Law; (e) the right to terminate this Agreement pursuant to ARTICLE VI; (f) the right to actual damages for breach of Section 3.4 or Section 8.10 (but, for the purposes of clarity, not for breach of any other section of this Agreement); and (g) with respect to equitable relief available hereunder, including Section 2.16(b).

Section 4.8 Limitation of Liability.

(a) NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES, OR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, EXCEPT (I) TO THE EXTENT AWARDED OR PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM OR PAID TO A THIRD PARTY IN CONNECTION WITH A DATA SECURITY BREACH; (II) FOR CLAIMS BASED ON A BREACH OF SECTION 8.10 HEREUNDER; OR (III) FOR CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) THE MAXIMUM AGGREGATE LIABILITY OF A PARTY UNDER THIS AGREEMENT SHALL BE CAPPED AT THE AMOUNT OF SERVICE FEES AND EXPENSES PAYABLE BY RECIPIENT TO THE ADMINISTRATOR UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE OF THE EVENT GIVING RISE TO SUCH LIABILITY, EXCEPT FOR (I) CLAIMS BASED ON A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (II) CLAIMS BASED ON A PARTY'S FAILURE TO PAY SERVICE FEES AND EXPENSES IN ACCORDANCE WITH THE TERMS OF SECTION 2.3, AND (III) AS PROVIDED IN SECTION 4.8(c) BELOW; PROVIDED, THAT IF THE MOST RECENT EVENT GIVING RISE TO LIABILITY OCCURS PRIOR TO THE TWELVE (12) MONTH ANNIVERSARY OF THE EFFECTIVE DATE OF THE AGREEMENT, THEN THE AMOUNT IN THIS SECTION 4.8(b) SHALL EQUAL TWELVE (12) TIMES THE RESULT OBTAINED BY DIVIDING (X) THE TOTAL FEES ACTUALLY PAID BY RECIPIENT TO THE ADMINISTRATOR UNDER THE

AGREEMENT FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH THE DATE ON WHICH SUCH EVENT OCCURRED, BY (Y) THE NUMBER OF MONTHS FROM THE EFFECTIVE DATE OF THIS AGREEMENT THROUGH SUCH DATE.

(c) SEPARATE AND APART FROM THE LIMITATION SET FORTH IN SECTION 4.8(b), IN NO EVENT SHALL ANY PARTY BE LIABLE FOR DAMAGES AS A RESULT OF A DATA SECURITY BREACH IN AN AMOUNT IN EXCESS OF THIRTY-FIVE MILLION DOLLARS ($35,000,000).

ARTICLE V

REGULATORY ACTIONS AND LEGAL ACTIONS

Section 5.1 Regulatory Actions. The Administrator shall have no responsibility or liability in respect of any complaints, inquiries or proceedings made by any Governmental Authority with respect to the Separate Accounts (each, a "Regulatory Action") other than (a) to notify Recipient in writing promptly of any such Regulatory Action of which the Administrator becomes aware as promptly as practicable after becoming aware thereof, and (b) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case, other than such files, documents and other information as would reasonably be expected to, in the judgment of counsel to the Administrator, lead to the loss or waiver of the Administrator's rights in respect of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Regulatory Actions.

Section 5.2 Contested Claims; Legal Actions.

(a) If, in the course of providing the Services pursuant to ARTICLE II, the Administrator determines that a claim for payment under any Separate Account either requires investigation or should be contested or denied, in whole or in part, the Administrator shall promptly, and in any event within five (5) Business Days of such determination, notify Recipient in writing of such determination for Recipient's direction. Following such notification, the Administrator shall act only in accordance with the direction of Recipient consistent with the Services in connection with such claim.

(b) The Administrator shall have no responsibility or liability in respect of any lawsuit, action, arbitration or other dispute resolution proceeding that is instituted or threatened with respect to any matter relating to the Separate Accounts (each, a "Legal Action") other than (i) to notify Recipient in writing promptly of any such Legal Action of which the Administrator becomes aware, and (ii) to provide Recipient (and any third party that Recipient may designate in writing) copies of any files or other documents that Recipient may reasonably request in connection with its review of such matters, in each case other than such files, documents and other information as would, in the judgment of counsel to the Administrator, lead to the loss or waiver of legal privilege. Recipient shall reimburse the Administrator for any reasonable costs and expenses incurred by the Administrator in respect of any such Legal Actions.

ARTICLE VI

TERM AND TERMINATION

Section 6.1 Term. Subject to Section 6.2, Section 6.3 and Section 6.4, this Agreement shall remain in force and effect for so long as any of the Separate Accounts are in effect unless terminated pursuant to the terms of this Agreement.

Section 6.2 Termination by Mutual Consent. This Agreement may be terminated by mutual agreement of the parties in writing at any time.

Section 6.3 Termination Upon Notice. This Agreement may be terminated by Recipient upon one hundred and eighty (180) days' prior written notice to the Administrator.

Section 6.4 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:

(a) If such breach arises from Recipient's non-payment of an amount that is not in dispute, Recipient shall cure the breach within fifteen (15) calendar days after receipt of written notice of such non-payment. If Recipient does not cure such breach by such date, then Recipient shall pay the Administrator, the undisputed amount plus an amount of interest equal to one percent (1.0%) per month from and including the date such payment is due under this provision until, but excluding, the date of payment. The parties agree that this rate of interest constitutes reasonable liquidated damages and not an unenforceable penalty.

(b) 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.

(c) In the case of any such breach that is not cured in accordance with Section 6.4, and subsections (a) and (b) above, then the non-defaulting party shall also have the right to terminate Services upon written notice thereof to the defaulting party.

Section 6.5 Return of Information and Books and Records after Termination. Upon termination of this Agreement, Recipient will return to the Administrator all of the Administrator's Confidential Information, if any, and any other similar or related materials, and the Administrator will return all of the data and files of Recipient, including its Books and Records and Recipient's Confidential Information. Recipient agrees to allow the Administrator reasonable access to, including the right to make copies of, all such returned materials in the event such access is requested by the Administrator for any reasonable and legitimate purpose, including, but not limited to, as a result of any Regulatory Action or Legal Action.

Section 6.6 Effect of Termination. Termination of this Agreement for any reason under this ARTICLE VI shall not affect (i) any liabilities or obligations of either party arising before such termination or out of the events causing such termination; or (ii) any damages or other remedies to which a party may be entitled under this Agreement, at law or in equity, arising from any breaches of such liabilities or obligations. Termination of this Agreement shall automatically terminate any work orders then in effect and, other than as provided in Section 6.5, the Administrator's obligation to render any Service (including any Additional Service) to the Recipient. In the event of termination of this Agreement, Recipient will pay for all Services rendered through the effective date of termination (including for work in progress) and all work related to Section 6.5 performed before or after the effective date of termination in accordance with the terms of this Agreement.

ARTICLE VII

COOPERATION

Section 7.1 Cooperation. The Recipient and the Administrator shall cooperate to the extent reasonably possible with each other and shall execute and provide such additional documentation as may become necessary or appropriate to enable each other to fully carry out their respective responsibilities under this Agreement and to effectuate the intention of the parties under this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notice. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed duly given at the time when (i) received by the receiving party if mailed by United States registered or certified mail, return receipt requested; (ii) received by the receiving party if mailed by overnight express mail; (iii) sent by the sending party by means of electronic mail, followed by confirmation mailed by first-class mail or overnight express mail; or (iv) delivered to the receiving party in person or by commercial courier. All such notices and communications shall be sent or delivered to the parties as follows:

if to Recipient:

Voya Insurance and Annuity Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

if to the Administrator:

Voya Services Company
[Address]
Attention: [●]
Telephone: [●]
Email: [●]

Section 8.2 Assignment. This Agreement shall not be assigned by any party hereto without the prior written approval of the other party hereto; provided, however, that the

Administrator may subcontract its rights and obligations to perform Services under this Agreement in accordance with Section 2.4. Subject to the foregoing, the rights and obligations of the parties under this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective designees, subcontractors, transferees, successors and permitted assigns. Any entity into which the Administrator may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Administrator shall be a party, or any entity acquiring all or substantially all of the business or assets of the Administrator, shall be the successor of the Administrator hereunder without any further act on the part of either party.

Section 8.3 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 8.4 Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation (including that of joint venture or partnership) between either party hereto and any other Person.

Section 8.5 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Agreement, and this Agreement, and including the Schedules and Exhibits attached hereto and thereto, contain the sole and entire agreement between the parties with respect to the subject matter hereof.

Section 8.6 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof by a writing executed by, in the case of Recipient, [the President, Chief Executive Officer or an Executive Vice President] and, in the case of the Administrator, [the President, Chief Operating Officer or a Vice President]. A waiver on any one occasion shall not be deemed to be a waiver of the same term or condition or any other term or condition on any future occasion.

Section 8.7 Amendment. This Agreement may be modified or amended only by a writing duly executed by each of the parties hereto.

Section 8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 8.9 Third Party Beneficiaries. Other than the parties specified in Sections 8.10(c) and 4.2, this Agreement is intended solely for the benefit of the parties hereto and their permitted successors and assigns, and it is not the intention of the parties to confer any rights as a third party beneficiary to this Agreement upon any other Person.

Section 8.10 Treatment of Confidential Information.

(a) Each party may come into possession or knowledge of Confidential Information (as defined below) of the other in connection with the obligations to be performed by such party under this Agreement.

(b) "Confidential Information" with respect to a party, means any and all information provided by, made available by or obtained on behalf of, such party, any of its Affiliates or Representatives, on, before or after the date hereof, including, with respect to Recipient, Non-Public Personal Information and all data relating to the contractholders of the Separate Accounts (including their rights and obligations under the Separate Accounts) which is maintained, processed or generated by the Recipient; provided that Confidential Information does not include information that (i) is generally available to the public other than as a result of a disclosure by the receiving party in violation of its confidentiality obligation, (ii) is independently developed by the receiving party, its Affiliates or any of its Representatives without use or access to the disclosing party's Confidential Information, or (iii) is rightfully obtained by the receiving party from a third party without, to the knowledge of the receiving party, breach by such third party of a duty of confidentiality of any nature to the disclosing party; provided that the foregoing exceptions shall not supersede the obligations of the receiving party with respect to any Non-Public Personal Information. For the avoidance of doubt, as between Recipient and the Administrator, Confidential Information of the Administrator includes the foregoing categories of information relating to the business or operations of, or provided by or on behalf of, any of the Administrator's Subcontractors, whether such information is provided to Recipient on, before or after the date hereof.

(c) "Non-Public Personal Information" means any (i) personally identifiable information or data (including medical, financial and other personal information) concerning or relating to Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Separate Accounts or contracts issued by Recipient, and their representatives, (ii) any such personally identifiable information or data that the Administrator or its Representatives or Subcontractors collect or derive from interactions with Recipient's past, current or prospective applicants, customers, clients, employees, agents, suppliers, vendors, policy owners, contract holders, insureds, claimants, and beneficiaries of Separate Accounts, or (iii) an aggregation or a derivation thereof; provided that information that is otherwise publicly available shall not be considered "Non-Public Personal Information".

(d) Recipient and the Administrator agree to hold each other's Confidential Information in strictest confidence and to take all reasonable steps to ensure that Confidential Information is not disclosed in any form by any means by such party, its Affiliates or by any of its Representative or Subcontractors to third parties of any kind, other than the Representatives performing services for such party who need access to such Confidential Information in the course and scope of providing such services, except as is authorized by the other party in advance and in compliance with all Applicable Law. If any Confidential Information needs to be disclosed as required by Applicable Law or court order, the disclosing party shall (if permitted by Applicable Law) provide prompt notice to the other party prior to such disclosure so that such other party may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(e) The Administrator may disclose Recipient's Confidential Information to the Administrator's Subcontractors with a reasonable need to know, subject to such Subcontractor first being obligated to information security, confidentiality and limited use restrictions no less protective of Recipient's Confidential Information than the provisions in this Agreement. Further, Recipient will negotiate in good faith and diligently to agree to additional confidentiality and limited use terms and conditions as may reasonably be required by the Administrator's Subcontractors whose confidential information may be disclosed to Recipient in connection with the Services. Until such time as such additional confidentiality terms and conditions are agreed to in writing by Recipient, the Administrator may be limited by its contractual obligations with its Subcontractors in sharing certain Confidential Information with Recipient.

(f) The Administrator (and its Subcontractors) may use Recipient's Confidential Information; provided that such party shall establish and maintain safeguards against the unauthorized access, destruction, loss or alteration of the Recipient's Confidential Information which are no less rigorous than those maintained by the Administrator (or such Subcontractor) for its own information of a similar nature (but not less than using a reasonable standard of care), and in compliance with the terms of the Privacy and Security Addendum in the form attached as Schedule V hereto.

(g) Further to the foregoing, the Administrator shall, and shall cause its Representatives, Affiliates, and Subcontractors to, protect the confidentiality of Recipient's Confidential Information (including the Non-Public Personal Information) by:

(i) holding all such information transmitted to them by or on behalf of Recipient in strict confidence;

(ii) maintaining appropriate measures that are designed to protect the security, integrity and confidentiality of such information;

(iii) using such information solely in connection with carrying out the Administrator's obligations under this Agreement and in compliance with the Recipient's consumer privacy notice;

(iv) disclosing such information to third parties only as necessary to perform services under this Agreement and in compliance with the Recipient's consumer privacy notice; and

(v) disclosing such information as may be required by Applicable Law or court order; provided that the Administrator (or its Subcontractors) as applicable shall (if permitted by Applicable Law) provide prompt notice to Recipient prior to such disclosure so that Recipient may (at its expense) seek a protection order or other appropriate remedy which is necessary to protect its interest.

(h) Unauthorized Acts. Each party shall (i) 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"), (ii) promptly furnish to the other party full details of the Unauthorized Access and use commercially reasonable efforts to assist the other party in investigating or preventing the reoccurrence of any Unauthorized Access, (iii) cooperate with the other party in any litigation and investigation against third parties deemed necessary by such party to protect its proprietary rights, and (iv) use commercially reasonable efforts to prevent a recurrence of any such Unauthorized Access. To the extent that a party inadvertently obtains access to any Confidential Information of the other party to which it was otherwise not intended to have access, such party shall immediately notify the other party when they are aware that they have received such Confidential Information or upon notice from the other party, they shall maintain confidentiality of such information until such time that it is either destroyed or returned to the other party, and shall promptly destroy any such Confidential Information and instruct its employees not use or otherwise act on such Confidential Information.

Section 8.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of Recipient or the Administrator under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 8.12 Survival. Upon termination of this Agreement for any reason whatsoever, the obligations set forth in Section 2.5 (to the extent amounts owed thereunder are in respect of periods up to and including such termination date), Section 6.5, Section 6.6 and ARTICLE IV and ARTICLE VIII shall survive such termination.

Section 8.13 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 8.1, 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, without the necessity of posting bond or other undertaking, 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 (as defined in the Master Agreement) 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 8.13.

Section 8.14 Insurance Coverage. Without limiting the Administrator's undertaking to indemnify and hold the Recipient harmless as set forth herein, during the term of this Agreement, the Administrator shall obtain and maintain cyber, errors and omissions and fidelity bond insurance with minimum limits of no less than ten million dollars ($10,000,000) from an insurer or insurers with policy holder ratings of at least "A-" and financial ratings of at least "VII" in the then-latest edition of Best's Insurance Guide.

Signature Pages Follow.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

VOYA SERVICES COMPANY

By: ______________________________
Name:
Title:

VOYA INSURANCE AND ANNUITY COMPANY

By: ______________________________
Name:
Title:

SCHEDULE I

Separate Accounts

[Administrator to provide.]

SCHEDULE II

Services[4]

[See attached.]

[4] Scope of services to be discussed and finalized between signing and closing.

SCHEDULE III

Form of Invoice

[To come.]

SCHEDULE IV

Scheduled Licenses and Trademarks

[To come.]

SCHEDULE V

Privacy and Security Addendum

[To come.]

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

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	2007	Fund VI	Opportunistic Buyouts	Building 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				Real Estate		

	2007	Fund VI	Opportunistic Buyouts	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.

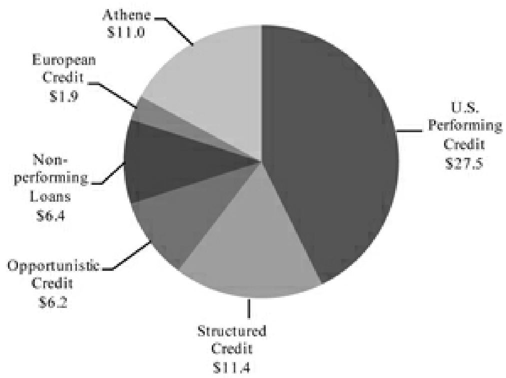
(3) Includes add-on investment in Zurn Industries Inc.
(4) Subsequent to merger with SOURCECORP.

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.

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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.

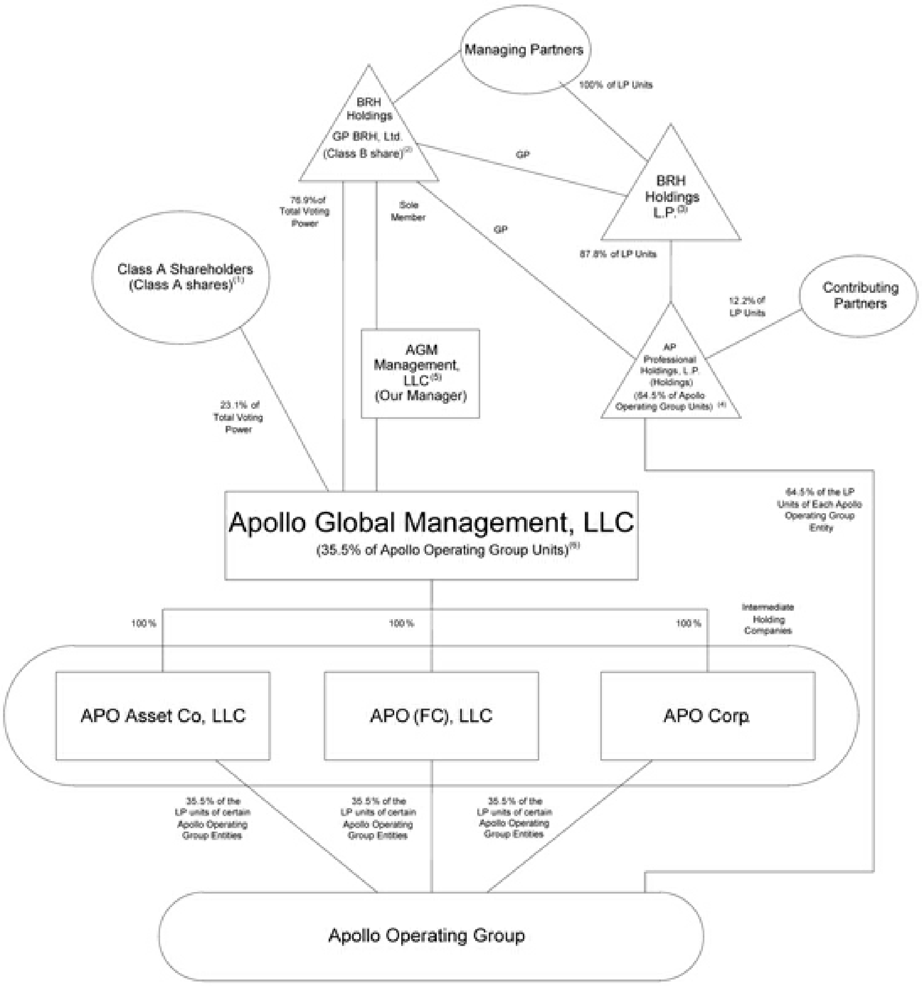
In addition, the growth in our fee-generating AUM during the last year has primarily been in our credit segment. The average management fee rate for these new credit products is at market rates for such products and in certain cases is below our historical rates. Also, due to the complexity of these 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.

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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.

	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.

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

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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

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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.

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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.

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(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

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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,		Amount Change	Percentage Change	Year Ended December 31,		Amount Change	Percentage Change
	2012	2011			2011	2010		
	(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

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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.

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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.

	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)			
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.

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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.

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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.

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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

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.

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 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

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.

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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.

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)

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	—	&1151;
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

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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

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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

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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 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				% of Net Assets of Consolidated Funds	Fair Value				% of Net Assets of Consolidated Funds
Investments, at Fair Value – Affiliates	Private Equity	Credit	Total	Cost		Private Equity	Credit	Total	Cost	
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:

	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	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 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 &bbsp;	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) &bbsp;	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

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$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

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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&bbsp;	$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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APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands, except share data)

	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.

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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	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 serving in this position on August 14, 2012)*	2011	1,000,000	—	2,049,194	—	1,360,000	4,409,194
	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.

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.

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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.

	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:

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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.

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

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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

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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

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, 2013 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	T	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 T

The aggregate market value of the Class A shares of the Registrant held by non-affiliates as of June 30, 2013 was approximately $3,364.7 million, which includes non-voting Class A shares with a value of approximately $1,084.5 million.

As of February 26, 2014 there were 148,952,653 Class A shares and 1 Class B share outstanding.

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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 report 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, that is an indirect subsidiary of Apollo Global Management, LLC;

“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;

(ii) the net asset value, or “NAV,” of our credit funds, other than certain collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”), which have a fee generating basis other than the mark-to-market value of the underlying assets, 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 asset 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;

“Contributing Partners” refer to those of our partners and their related parties (other than our Managing Partners) who indirectly beneficially 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, 2013 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 indirectly beneficially own their interests in the 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). The realized and the estimated unrealized value is adjusted such that 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 a 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 publicly traded vehicles 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. ("AAA"), Apollo Investment Corporation ("AINV"), Apollo Commercial Real Estate Finance, Inc. ("ARI"), Apollo Residential Mortgage, Inc. ("AMTG"), Apollo Tactical Income Fund Inc. ("AIF"), and Apollo Senior Floating Rate Fund Inc. ("AFT"); such publicly traded vehicles may be required, or elect, to return all or a portion of capital gains and investment income;

"private equity investments" refer 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" refer 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 many 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, 2013, we had total AUM of $161 billion, including approximately $50 billion in private equity, $101 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 26% net IRR on a compound annual basis from inception through December 31, 2013.

Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 23 years and lead a team of 710 employees, including 277 investment professionals, as of December 31, 2013. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, Toronto, 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 include chemicals, natural resources, 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 a value-oriented, distressed investor, to deploy significant amounts of new capital within challenging economic environments. 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 approximately $161 billion as of December 31, 2013, consisting of approximately $50 billion in our private equity business, approximately $101 billion in our credit business and approximately $9 billion in our real estate business. We have grown our total AUM at a 34% compound annual growth rate from December 31, 2004 to December 31, 2013. 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 our funds' assets with a long-term focus, which is an important component in generating attractive returns for our investors. We believe the long-term capital we manage 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, 2013, approximately 96% of our AUM was in funds with a contractual life at inception of seven years or more, and 7% 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 or furnished pursuant to Section 13(a) 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.

Our Businesses

We have three business segments: private equity, credit and real estate. We also manage AP Alternative Assets, L.P., a publicly listed permanent capital vehicle. The sole investment held by AAA is its investment in AAA Investments, L.P. (“AAA Investments”). AAA Investments owns through its subsidiaries the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries, “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 ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

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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 securities. 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:

Apollo Global Management, LLC

Private Equity	Credit	Real Estate
• Distressed Buyouts and Debt Investments • Corporate Carve-outs • Opportunistic Buyouts • Natural Resources	• U.S. Performing Credit • Structured Credit • Opportunistic Credit • Non-performing Loans • European Credit • Athene	• Global opportunistic and value added investments in distressed debt and equity recapitalization transactions • Senior and subordinated debt • Commercial mortgage backed securities
AUM: $49.9 billion(1)(2)	**AUM: $100.9 billion(1)(2)(3)**	**AUM: $9.3 billion(2)(3)**

Strategic Investment Accounts(4)
Generally invests in or alongside certain Apollo funds
and other Apollo-sponsored transactions

(1) All data is as of December 31, 2013.
(2) See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.
(3) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.
(4) As of December 31, 2013, there was $1.1 billion that had yet to be deployed to an Apollo fund within our three segments.

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 seek 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, sizable amounts of available long-term capital, 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.

Corporate Carve-outs

Corporate Carve-outs are less market-dependent than distressed investing, but are equally complicated. In these transactions, Apollo funds seek to extract a business that is highly integrated within a larger corporate parent to create a stand-alone business. These are labor-intensive transactions, which we believe require deep industry knowledge, patience and creativity, to unlock value that has largely been overlooked or undermanaged. Importantly, because of the highly negotiated nature of many of these transactions, Apollo believes it is often difficult for the seller to run a competitive process, which ultimately allows Apollo funds to achieve compelling purchase prices.

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 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. In certain situations, capital from ANRP may be invested in sizable natural resources transactions alongside our larger, more general private equity funds as appropriate on a pro-rata basis. ANRP completed its fundraising period during the fourth quarter of 2012, and had over $1.3 billion of committed capital as of December 31, 2013.

AP Alternative Assets, L.P.

AAA is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited (“AAA Guernsey”), 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 its 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 Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the “AAA Transaction”). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA’s only material investment and as of December 31, 2013 and 2012, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an approximate 72.5% and 77.2%, respectively, economic ownership stake (without giving effect to restricted common shares issued under Athene’s management equity plan and conversion of AAA Investments note receivable), and effectively 45% of the voting power of Athene. As of December 31, 2013, Apollo did not own any equity in Athene directly. Apollo owned approximately 2.6% of AAA as of December 31, 2013.

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.

Private Equity Fund Holdings

The following table presents the current list of portfolio companies of our private equity funds, excluding AION Capital Partners Limited ("AION") and Apollo Asia Private Credit Fund, L.P. ("APC"), as of December 31, 2013:

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region
American Gaming Systems	2013	Fund VIII	Distressed Buyouts	Media, Cable & Leisure	North America
Apex Energy	2013	ANRP	Opportunistic Buyouts	Natural Resources	North America
Aurum	2013	Fund VII	Opportunistic Buyouts	Consumer & Retail	Western Europe
Double Eagle Energy	2013	ANRP	Opportunistic Buyouts	Natural Resources	North America
Hostess	2013	Fund VII	Corporate Carve-outs	Consumer & Retail	North America
McGraw-Hill Education	2013	Fund VII	Corporate Carve-outs	Media, Cable & Leisure	North America
Nine Entertainment	2013	Fund VII	Distressed Buyouts	Media, Cable & Leisure	Australia
Novitex	2013	Fund VII	Corporate Carve-Outs	Financial & Business Services	North America
NRI	2013	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
EP Energy	2012	Fund VII & ANRP	Corporate Carve-outs	Natural Resources	North America
Great Wolf Resorts	2012	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	North America
Pinnacle	2012	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
Talos	2012	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
Taminco	2012	Fund VII	Opportunistic Buyouts	Chemicals	Western Europe
Ascometal	2011	Fund VII & ANRP	Corporate Carve-outs	Natural Resources	Western Europe
Brit Insurance	2011	Fund VII	Opportunistic Buyouts	Financial & Business Services	Western Europe
CORE Media Group	2011	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	North America
Sprouts Farmers Markets	2011	Fund VI	Opportunistic Buyouts	Consumer & Retail	North America
Welspun	2011	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	India
Aleris International	2010	Fund VII & VI	Distressed Buyouts	Natural Resources	Global
Athlon	2010	Fund VII	Opportunistic Buyouts	Natural Resources	North America
Constellium	2010	Fund VII	Corporate Carve-outs	Natural Resources	Western Europe

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Gala Coral Group	2010	Fund VII & VI	Distressed Buyouts	Media, Cable & Leisure	Western Europe
Monier	2010	Fund VII	Distressed Buyouts	Packing & Materials	Western Europe
Veritable Maritime	2010	Fund VII	Opportunistic Buyouts	Distribution & Transportation	North America
Dish TV	2009	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	India
Caesars Entertainment	2008	Fund VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Norwegian Cruise Line	2008	Fund VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Vantium	2008	Fund VII	Debt Investments	Financial & Business Services	North America
Claire's	2007	Fund VI	Opportunistic Buyouts	Consumer & Retail	Global
Jacuzzi Brands	2007	Fund VI	Opportunistic Buyouts	Manufacturing & Industrial	North America
Noranda Aluminum	2007	Fund VI	Corporate Carve-outs	Natural Resources	North America
Prestige Cruise Holdings	2007	Fund VII & VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Berry Plastics(1)	2006	Fund VI & V	Corporate Carve-outs	Packaging & Materials	North America
CEVA Logistics(2)	2006	Fund VI	Corporate Carve-outs	Distribution & Transportation	Western Europe
Rexnord(3)	2006	Fund VI	Opportunistic Buyouts	Manufacturing & Industrial	North America
Verso Paper	2006	Fund VI	Corporate Carve-outs	Packaging & Materials	North America
Affinion Group	2005	Fund V	Corporate Carve-outs	Financial & Business Services	North America
PLASE Capital	2003	Fund V	Opportunistic Buyouts	Financial & Business Services	North America
Momentive Performance Materials	2000/2004/ 2006	Fund IV, V & VI	Corporate Carve-outs	Chemicals	North America
Debt Investment Vehicles - Fund VII	Various	Fund VII	Debt Investments	Various	Various
Debt Investment Vehicles - Fund VI	Various	Fund VI	Debt Investments	Various	Various

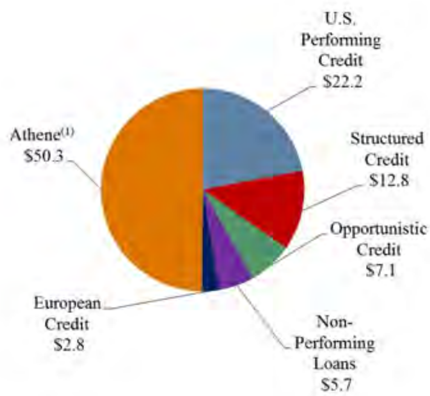
(1) Prior to merger with Covalence Specialty Material Holdings Corp.
(2) Includes add-on investment in EGL, Inc.
(3) Includes add-on investment in Zurn Industries Inc.

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, 2013, Apollo's credit segment had total AUM and fee-generating AUM of $100.9 billion and $88.2 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 as of December 31, 2013
(in billions)



(1) Excludes sub-advised AUM.

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, 2013, our U.S. performing credit group had total AUM and fee-generating AUM of $22.2 billion and $17.5 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, well diversified portfolios, and low historical defaults, 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, 2013, our structured credit group had total AUM and fee-generating AUM of $12.8 billion and $9.4 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, 2013, our opportunistic credit group had total AUM and fee-generating AUM of $7.1 billion and $4.8 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 and acquiring assets as a result of distressed market situations. Certain of the non-performing loan investment vehicles that we manage own captive pan-European loan servicing and property management platforms. These loan servicing and property management platforms currently operate in six European countries, employed approximately 700 individuals as of December 31, 2013 and directly service consumer credit receivables and loans secured by 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, 2013, our non-performing loans group had total AUM and fee-generating AUM of $5.7 billion and $4.3 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, 2013, our European credit group had total AUM and fee-generating AUM of $2.8 billion and $1.9 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 ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

On October 2, 2013, Athene Holding Ltd. closed its acquisition of the U.S. annuity operations of Aviva plc ("Aviva USA"), which added approximately $44 billion of total and fee-generating AUM within Apollo's credit segment and as a result, Athene is estimated to be one of the largest fixed annuity companies in the United States.

Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. (“Athene Asset Management”), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2013, all of Athene’s assets were managed by Athene Asset Management. Athene Asset Management had $59.5 billion of total AUM as of December 31, 2013 in accounts owned by or related to Athene (the “Athene Accounts”), of which approximately $9.2 billion, or approximately 15.5%, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. The vast majority of such assets are in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities and insurance-linked securities. We expect this percentage to increase over time provided that it continues to perform successfully in providing asset management services to Athene. Athene Asset Management receives a gross management fee equal to 0.40% per annum on all AUM in the Athene Accounts, with certain limited exceptions for all of the services which Athene Asset Management provides to Athene. In addition, the Company receives sub-advisory fees with respect to a portion of the assets in the Athene Accounts.

Real Estate

Our real estate group has a dedicated team of multi-disciplinary real estate professionals whose investment activities are integrated and coordinated with our private equity and credit business segments. We take a broad view of markets and property types in targeting debt and equity investment opportunities, including the acquisition and recapitalization of real estate portfolios, platforms and operating companies and distressed for control situations. As of December 31, 2013, our real estate group had total and fee generating AUM of approximately $9.3 billion and $5.9 billion, respectively, through a combination of investment funds, strategic accounts and Apollo Commercial Real Estate Finance, Inc. ("ARI"), a publicly-traded, commercial mortgage real estate investment trust managed by Apollo.

With respect to our funds' equity investments, we take a value-oriented approach and our funds will invest in assets located in primary and secondary markets. We pursue opportunistic investments in various real estate asset classes, which historically have included hospitality, office, industrial, retail, healthcare, residential and non-performing loans. Our equity funds under management currently include our legacy Citi Property Investors ("CPI") business, the real estate investment management business we acquired from Citigroup in November 2010, and AGRE U.S. Real Estate Fund, L.P., our U.S. focused, opportunistic fund we closed in 2012.

With respect to our debt activities, our funds and accounts offer financing across a broad spectrum of property types and at various points within a property's capital structure, including first mortgage and mezzanine financing and preferred equity. In addition to ARI, we also manage strategic accounts focused on investing in commercial mortgage-backed securities and other commercial real estate loans.

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, 2013, approximately $12 billion of our total AUM was managed through SIAs.

Fundraising and Investor Relations

We believe our performance track record across our funds and our focus on client service have 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 the fundraising effort for Apollo Investment Fund VIII, L.P. ("Fund VIII"), investors representing over 92% of Apollo Investment Fund VII, L.P.'s ("Fund VII") capital committed to Fund VIII. In addition, many of our investment professionals commit their own capital to each private equity fund. The single largest unaffiliated investor in Fund VIII represents 5% of Fund VIII's commitments.

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 AINV, AFT, AIF and AMTG. AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT, AIF 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, due diligence, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies through management consulting arrangements. 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 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 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, due 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, AIF 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"), Apollo Credit Opportunity Fund II, L.P. ("COF II"), Apollo Credit Opportunity Fund III, L.P. ("COF III"), and AGRE U.S. Real Estate Fund, L.P. 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.

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.

Fees and Carried Interest

Our revenues and other income consist principally of (i) management fees, which may be based upon a percentage of the committed or invested capital, adjusted assets, gross invested capital, fund net asset value, stockholders' equity or the capital accounts of the limited partners of the funds, and may be subject to offset as discussed in note 2 to the consolidated financial statements, (ii) advisory and transaction fees, net relating to certain actual and potential private equity, credit and real estate investments as more fully discussed in note 2 to the consolidated financial statements, (iii) income based on the performance of our funds, which consists of allocations, distributions or fees from our private equity, credit and real estate funds, and (iv) investment income from our investments as general partner and other direct investments primarily in the form of net gains from investment activities as well as interest and dividend income.

The composition of our revenues will vary based on market conditions and the cyclicality of the different businesses in which we operate. Our funds' returns are driven by investment opportunities and general market conditions, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the underlying portfolio company investments of the funds, the industries in which the portfolio companies operate, the overall economy as well as other market conditions.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies, general partners and co-invest vehicles 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 as of December 31, 2013, and 2012 of $843.7 million and $258.3 million, respectively.

Apollo has an ongoing obligation, subject to certain stipulations, 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 by AAA to Apollo's affiliates pursuant to the carried interest distribution rights that are applicable to investments made through AAA Investments.

In September 2013, an indirect subsidiary of Apollo Global Management, LLC agreed to invest up to approximately €18.2 million ($23.9 million) in a limited partnership (the "KBCD Partnership"), a wholly-owned subsidiary which has agreed to acquire a minority stake in KBC Bank Deutschland AG, the German subsidiary of Belgian KBC Group NV (and certain third party purchasers agreed to acquire, in aggregate, all of the other shares in KBC Bank Deutschland AG). The aforementioned indirect subsidiary of Apollo Global Management, LLC is the general partner of the KBCD Partnership. The limited partners in the KBCD Partnership are managed by subsidiaries of Apollo Global Management, LLC. The acquisition is subject to antitrust and regulatory approval, which is expected to take approximately nine months. Consequently, there is no assurance that the acquisition will close.

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, credit, and real estate 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 either directly or as a "relying advisor" 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 AIF is a registered management investment company under the Investment Company Act. AINV is an investment company that has elected to be treated as a business development company under the Investment Company Act. Each of AFT, AIF and AINV has elected 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, each needs to distribute during each calendar year at least 98% of its ordinary income and 98.2% of its capital gains, which would take into account short-term and long-term capital gains and losses. 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).

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.

In addition, Apollo Global Securities, LLC ("AGS") 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.

As the ultimate parent of the general partner or manager of certain shareholders of Athene Holding, Ltd. ("Athene"), we are subject to insurance holding company system laws and regulations in Delaware, Iowa and New York, which are the states in which the insurance company subsidiaries of Athene are domiciled. These regulations generally require each insurance company subsidiary 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 an insurance company subsidiary to pay dividends and make other distributions to its parent company. 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 within a specified category, require prior notice and approval or non-disapproval by the applicable domiciliary insurance department.

The insurance laws of each of Delaware, Iowa and New York prohibit any person from acquiring control of a domestic insurance company or its parent company unless that person has filed a notification with specified information with that state's Commissioner or Superintendent of Insurance (the "Commissioner") and has obtained the Commissioner's prior approval. Under applicable Delaware, Iowa and New York statutes, the acquisition of 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 ("NAIC") has promulgated amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have introduced bills to adopt such amendments.

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.

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 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.

Apollo Management Singapore Ptc Ltd. was granted a Capital Markets Service License with the Monetary Authority of Singapore in October 2013. In addition, Apollo Capital Management is registered with the Securities and Exchange Board of India as a foreign institutional investor.

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. 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.”

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 our 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 Compliance Officer 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. Several of these competitors have 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. Competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue transactions or raise capital for their investment funds. 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. Our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. Similarly, certain of our credit funds rely on the availability of attractive financing for their investments. 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 such portfolio companies and lead to lower-yielding investments with respect to such funds 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, a 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 or an increase in the amount of transaction and advisory fees we share with our fund investors 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. In addition, some of our investors have requested, and we expect to continue to receive requests from investors, that we share with them a larger share, or all, of the transaction and advisory fees generated by our funds' investments. To the extent we accommodate such requests, it would result in a decrease in the amount of fee revenue we could earn.

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, Fund VII and Fund VIII, 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.

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, Fund VII and Fund VIII are larger private equity funds, and this capital may not be deployed as profitably as other 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 may not necessarily be designed to protect our shareholders. Consequently, these regulations often serve to limit our activities. For example, federal bank regulatory agencies have recently issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. To the extent that such guidance limits the amount or cost of financing our funds are able to obtain for transactions, the returns on our funds' investments may suffer.

Regulatory changes could adversely affect our business. As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the 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 have been active debates both nationally and internationally over the appropriate extent of regulation and oversight in a number of areas which are or may be relevant to us, including private investment funds and their managers and the so-called "shadow banking" sector. 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 includes the following provisions that could have an adverse impact on our ability to continue to operate our businesses.

- The Dodd-Frank Act established the Financial Stability Oversight Council (the "FSOC"), which is comprised of representatives of all the major U.S. financial regulators, to act as the financial system's systemic risk regulator with the authority to review the activities of non-bank financial companies predominantly engaged in financial activities that are designated as "systemically important." Such designation is applicable to companies where material financial distress could pose risk to the financial stability of the United States. On April 3, 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. The final rule and interpretive guidance detail a three-stage process, with the level of scrutiny increasing at each stage. Initially, the FSOC will apply a broad set of uniform quantitative metrics to screen out financial companies that do not warrant additional review. The FSOC will consider whether a company has at least $50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, total debt outstanding, a minimum leverage ratio of total consolidated assets (excluding separate accounts) to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities of less than 12 months) to total consolidated assets (excluding separate accounts) of 10%. A company that meets or exceeds both the asset threshold and one of the other thresholds will be subject to additional review. The review criteria could, and is expected to, evolve over time. While we believe it to be unlikely that we would be designated as systemically important, if such designation were to occur, we would be subject to significantly increased levels of regulation, which includes, without limitation, a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Board of Governors of the Federal Reserve System (the "Federal Reserve").
- The Dodd-Frank Act, under what has become known as the "Volcker Rule," generally prohibits depository institution holding companies (including certain foreign banks with U.S. branches and insurance companies with U.S. depository institution subsidiaries), insured depository institutions and subsidiaries and affiliates of such entities (collectively, "banking entities") from investing in, sponsoring or having certain other relationships with private equity funds or hedge funds. The Volcker Rule became effective on July 21, 2012. The statute provides banking entities a period of two years to conform their activities and investments to the requirement of the statute, i.e., until July 21, 2014. However, the Federal Reserve is permitted to extend this conformance

period, one year at a time, for a total of no more than three additional years. Pursuant to this authority and in connection with the adoption on December 10, 2013 of final rules implementing the Volcker Rule, the Federal Reserve extended the conformance period for an additional year, until July 21, 2015. By the expiration of such date, banking entities must have wound down, sold or otherwise conformed their activities investments and relationships to the requirements of the Volcker Rule. In addition, the Dodd-Frank Act includes a special provision to address the difficulty banking entities may experience in conforming investments in a private equity fund that qualifies as an “illiquid fund,” specifically, a fund that as of May 1, 2010 was principally invested in, or was contractually committed to principally invest in, illiquid assets and makes all investments pursuant to, and consistent with, an investment strategy to principally invest in illiquid assets. For such a fund, a banking entity may seek approval for an extended conformance period of up to five years. While there remains substantial uncertainty regarding the availability of extensions and transition period relief, as well as general practical implications under the Volcker Rule, there are likely to be adverse implications on our ability to raise funds from banking organizations as a result of this prohibition.

- The Dodd-Frank Act requires many 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. As described elsewhere in this Form 10-K, all of the investment advisers of our investment funds operated in the U.S. are registered as investment advisers with the SEC.

- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

- The Dodd-Frank Act imposes mandatory clearing and will impose exchange or swap execution facility trading and margin requirements on many swaps and derivative transactions (including formerly unregulated over-the-counter derivatives). Dodd-Frank also creates new categories of regulated market participants, such as “swap-dealers,” “security-based swap dealers,” “major swap participants” and “major security-based swap participants” who will be subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements, which will give rise to new administrative costs. Even if certain new requirements are not directly applicable to us, they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. Moreover, new exchange or swap execution facility trading and trade reporting requirements may lead to reductions in the liquidity or price transparency of certain swaps and derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Position limits imposed by various regulators, self-regulatory organizations or trading facilities on derivatives may also limit our ability to affect desired trades. Position limits are the maximum amounts of net long or net short positions that any one person or entity may own or control in a particular financial instrument. For example, the Commodities Futures Trading Commission ("CFTC"), on November 5, 2013, re-proposed rules that would establish specific limits on positions in 28 physical commodity futures and option contracts as well as swaps that are economically equivalent to such contracts. If the CFTC's proposed rules are adopted, we may be required to aggregate the positions of our various investment funds and the positions of our funds' portfolio companies. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect our operations and profitability.

- The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers.

- The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the FSOC, the Federal Reserve and the SEC.

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.

It is impossible to determine the full extent of the impact on us of the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Exemptions from Certain Laws. We regularly rely on exemptions from various requirements of law or regulation, including 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. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Regulation D, which was recently amended to prohibit issuers (including our funds) from relying on certain of the exemptions from registration if the fund or any of its "covered persons" (including certain officers and directors, but also including certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the fund) has been the subject of a "disqualifying event," or constitutes a "bad actor," which can result from a variety of criminal, regulatory and civil matters. If any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially adversely affect our business, financial condition and results of operations. In addition, if certain of our employees or any potential significant fund investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation, or make it more difficult to raise new funds. 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.

Portfolio Company Regulatory Environment. The regulatory environment in which our funds' portfolio companies operate may affect our business. We or certain of our investment funds potentially could be held liable under ERISA for the pension obligations of one or more of our funds' portfolio companies if we or the investment fund were determined to be engaged in a "trade or business" and deemed part of the same "controlled group" as the portfolio company, and the pension obligations of any particular portfolio company could be material. In a recent decision of a federal appellate court (Sun Capital Partners III LP v. New England Teamsters & Trucking Indus. Pension Fund), a private equity fund was held to be engaged in a "trade or business" under ERISA. In addition, based on positions taken by European governmental authorities, we or certain of our investment funds potentially could be liable for fines if portfolio companies deemed to be under our control are found to have violated European antitrust laws. Such potential, or future, liability may materially affect our business.

Future Regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed in the U.S. or elsewhere. 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 or other sanctions 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. New laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business and divert significant management and operational resources and attention from our 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 Conduct Authority, which replaced the Financial Services Authority as of April 1, 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 November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the “AIFM,” which was required to be implemented in the national laws of the European Union (“EU”) member states by July 22, 2013. The AIFM is also likely to be implemented in the countries which form part of the European Economic Area (the “EEA”). The AIFM imposes significant new regulatory requirements on investment managers operating within the EEA, 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 EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting. In some countries, additional obligations are imposed, for example in Germany, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). In the longer term (late 2015 at the earliest) non-EEA managers of non-EEA funds may be able to register under the AIFM. Where Apollo registers under the AIFM, Apollo will have more freedom to promote relevant funds in the EEA, although this will be subject to full compliance with all the requirements of the AIFM, which include (among other things) 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 funds invest in an EEA 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 or investments in the EEA and could limit our operating flexibility within the relevant jurisdictions.

In July 2012, the European Parliament adopted the Regulation on OTC derivatives, central counterparties and trade repositories, known as “EMIR.” EMIR comes into force in stages and implements requirements similar to, but not the same as, those in Title VII of Dodd Frank, in particular requiring reporting of all derivative transactions, risk mitigation (in particular initial and variation margin) for OTC derivative transactions and central clearing of certain OTC derivative contracts. EMIR has minimal impact on the Apollo funds at present but is likely to apply more fully as additional implementation stages are reached. Compliance with the requirements is likely to increase the burdens and costs of doing business.

In 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. 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. Additionally, the Organization for Economic Co-Operation and Development ("OECD") issued an action plan in July 2013 calling for a coordinated multi-jurisdictional approach to "base erosion and profit shifting" by multinational companies. The action plan identified 15 actions the OECD determined are needed to address "base erosion and profit shifting" and generally set target dates for completion of each of the items between 2014 and 2015. Any changes to international tax laws, including new definitions of “permanent establishment”, could impact the tax treatment of our foreign earnings and adversely impact the investment returns of our 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, payment of dividends and distributions to shareholders, review and/or approval of transactions with affiliates 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 amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have introduced bills to adopt such amendments. 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. Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the U.S.

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 also entered into strategic partnerships and separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. 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 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and in certain cases defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the 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 a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance our private equity funds' existing portfolio investments came 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 credit funds 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. Further, AFT and AIF, as registered investment companies, are permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. The ability of each of AFT, AIF and AINV to pay dividends will be restricted if its asset coverage ratio falls below 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 IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board, or "IASB," and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Apollo. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Apollo, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

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, 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.

Our funds' portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses.

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, following the initial two years of operation 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. Each investment management agreement for such funds 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, management investment companies under the Investment Company Act, and AINV, a management 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 and an undrawn revolving credit facility under the 2013 AMH Credit Facilities described in note 14 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 2013 AMH Credit Facilities are scheduled to mature on January 18, 2019. 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 2013 AMH Credit Facilities 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 civil or criminal lawsuits brought against us were to result in a finding of substantial legal liability or culpability, 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 qualified professionals 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 the employees of our portfolio companies, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our businesses.

Underwriting activities expose us to risks.

Apollo Global Securities, LLC, a subsidiary of ours, may act as an underwriter in securities offerings. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite.

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 fund investments, including real estate 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, economic and tax 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, India, Australia, 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.

In addition, as a result of the complexity of, and lack of clear precedent or authority with respect to, the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. For example, certain countries such as Australia, China, and India, where our funds have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits. With respect to India, in 2012 the Supreme Court of India held in favor of a taxpayer finding that the sale of a foreign company that indirectly held Indian assets was not subject to Indian tax. However, the tax laws were amended in 2012 to subject such gains to Indian tax with retroactive effect. Further, a general anti-avoidance rule was also introduced that would provide a basis for the tax authorities to subject other sales and investments through intermediate holding jurisdictions such as Mauritius to

Indian tax. While such rule is effective for tax years beginning on or after April 1, 2015, concerns have been raised with respect to these new rules including their retroactive effect in certain circumstances. Indian taxation of the capital gains of a foreign investor, upon a direct or indirect sale of an Indian company, therefore remains uncertain.

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. Each of Fund VI, Fund VII and Fund VIII, 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 AUM 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 and other fund investments could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies and certain other fund investments, including real estate investments, on the basis of financial projections for such investments. 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 investment'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 such investments. 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 such strategies 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 performance of certain of our funds' investments, 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 bribery, 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 bribery, fraud and other deceptive practices 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.

Regulations governing AFT's and AIF's operation affect their ability to raise, and the way in which they raise, additional capital.

As registered investment companies under the Investment Company Act, each of AFT and AIF may issue debt securities or preferred stock and borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, each of AFT and AIF is permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. If the value of its assets declines, such fund may be unable to satisfy this test. If that happens, such fund 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. Further, each of AFT and AIF may raise capital by issuing common shares, however, the offering price per common share must equal or exceed the net asset value per share, exclusive of any underwriting commissions or discounts, of our shares.

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, 2013, we had 146,280,784 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, 2013, 42,364,563 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 228,954,598 Class A shares on behalf of our Managing Partners and Contributing Partners subject to the Amended and Restated Exchange Agreement. See "Item 13. Certain Relationships and Related Party Transactions-Amended and Restated Exchange Agreement." 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 61.0% of the AOG Units as of December 31, 2013. 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, as was done in connection with the Company's Secondary Offering in May 2013. 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, as was done in connection with the Company's Secondary Offering in May 2013. 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 69.3% of the total combined voting power of our shares entitled to vote as of December 31, 2013. 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 over the past several years 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 whether or when 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. In its published revenue proposal for 2014, 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, 2012 and 2013 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 non-residents of New York 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 2014 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 69.3% of the voting power of Apollo Global Management, LLC as of December 31, 2013. Therefore, they have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

Our board of directors has no authority over our operations other than that which our manager has chosen to delegate to it.

For 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, and our board of directors has 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.

For so long as the Apollo control condition is satisfied, our manager (i) nominates and elects all directors to our board of directors, (ii) sets the number of directors of our board of directors and (iii) fills 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.

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 69.3% of the combined voting power of our shares entitled to vote as of December 31, 2013. 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 61.0% of Apollo Operating Group's economic returns through the AOG Units owned by Holdings as of December 31, 2013. 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-Amended and Restated 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. Pursuant to the exceptions available to a controlled company under the rules of the NYSE, we have elected not to have a nominating and corporate governance committee comprised entirely of independent directors, nor a compensation committee comprised entirely of independent directors. 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, structuring, and disposition of investments. For example, the earlier taxable disposition of assets following an exchange transaction by a Managing Partner or Contributing Partner may accelerate payments under the tax receivable agreement and increase the present value of such payments, and the taxable disposition of assets before an exchange or transaction by a Managing Partner or Contributing Partner may increase the tax liability of a Managing Partner or Contributing Partner without giving rise to any rights to such Managing Partner or Contributing Partner to receive payments under the tax receivable agreement.

- 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 make quarterly distributions to our Class A shareholders. Accordingly, we expect to cause the Apollo Operating Group to make distributions to its unitholders (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 may 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. 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.

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).

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 may incur different and 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 our Managing Partners and Contributing Partners for most of the actual tax benefits we realize as a result of the tax basis step-up we receive in connection with 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 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. ("APO Corp."), a wholly owned subsidiary of Apollo Global Management, LLC, would otherwise be required to pay in the future.

We have entered into a tax receivable agreement with our Managing Partners and Contributing Partners 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 and certain other tax benefits, including imputed interest expense, related to entering into the tax receivable agreement. In April 2013 and April 2012, the Apollo Operating Group made a distribution of $30.4 million and $5.8 million, respectively, to APO Corp. and APO Corp. made a payment to satisfy the liability under the tax receivable agreement to the Managing Partners and Contributing Partners from a realized tax benefit for the tax years 2012 and 2011. Future payments that APO Corp. may make to our Managing Partners and Contributing Partners could be material in amount. In the event that any other of our current or future U.S. 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 U.S corporation 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-Amended and Restated 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 may 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 after June 30, 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 after June 30, 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. 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 foreign subsidiaries that would be classified as corporations for U.S. Federal income tax purposes. Such entities may be passive foreign investment companies, or "PFICs," or controlled foreign corporations, or "CFCs," 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 unrelated business taxable income ("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. For example, APO Asset Co., LLC will hold interests in entities treated as partnerships, or otherwise subject to tax on a flow-through basis, that will incur indebtedness. 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.

) 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 New York, California, Houston, Toronto, 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

Litigation and Contingencies-Apollo 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 our business

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 (“AGM”), which is affiliated with funds that are the beneficial owners of 68% 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 AGM 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 AGM as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, plaintiffs filed opposition papers on February 7, 2013, and defendants filed replies on April 5, 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. On June 13, 2013, the Court extended all defendants’ deadlines to respond to the Frank complaint until 21 days after a ruling on the motion to transfer and consolidate. On July 24, 2013 the Frank court transferred the case to Judge Bryant, who is presiding over In re: Trilegiant, but the cases have not yet been consolidated. On September 25, 2013, the Court held oral argument on Defendants’ motions to dismiss. AGM believes that plaintiffs’ claims against it in these cases are without merit. For this reason, and because the claims against AGM are in their early stages, no reasonable 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. Likewise, on April 23, 2012, the United States Securities and Exchange Commission 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. Finally, on March 14, 2013, the United States Department of Justice unsealed an indictment against Messrs. Villalobos and Buenrostro alleging, among other crimes, fraud in connection with those same activities; again, Apollo is not accused of any wrongdoing and in fact is alleged to have been defrauded by the defendants. Additionally, on April 15, 2013, Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") brought a civil action in the United States Bankruptcy Court for the District of Nevada against Apollo. This action alleges that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seek to recover purported fees they claim Apollo has not paid them for a portion of Arvco's placement agent services. In addition, the Arvco Debtors allege that Apollo has interfered with the Arvco Debtors' commercial relationships with third parties, purportedly causing the Arvco Debtors to lose business and to incur fees and expenses in the defense of various investigations and litigations. The Arvco Debtors also seek compensation from Apollo for these alleged lost profits and fees and expenses. The Arvco Debtors' complaint asserts various theories of recovery under the Bankruptcy Code and the common law. Apollo denies the merit of all of the Arvco Debtors' claims and will vigorously contest them. The Bankruptcy Court has stayed the civil action until April 2014. For these reasons, no 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 certain Apollo-managed funds prospectively elected to waive their management fees. Program participants received an interest in the future profits, if any, that would be earned on the invested amounts representing 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 implemented the program, but the investment period for all funds was terminated as of December 31, 2012. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

On May 19, 2013, Apollo was served with a subpoena by the New York State Department of Financial Services (the "DFS") regarding its investments in any annuity or life businesses, or annuity contracts or life policies. The subpoena is part of what we understand to be an industry-wide investigation by the DFS into investments by financial institutions in annuity and life insurance companies. Apollo is cooperating with the investigation.

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

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

On October 24, 2013, certain investment funds managed by affiliates of Apollo beneficially owned approximately 22% of the limited liability company interests of CEVA Holdings, LLC ("CEVA"). Under the limited liability company agreement governing CEVA, certain investment funds managed by affiliates of Apollo hold a majority of the voting power of CEVA and have the right to elect a majority of the board of CEVA. CEVA may be deemed to be controlled by Apollo, but this statement is not meant to be an admission that control exists. As a result, it appears that we are required to provide disclosures as set forth below pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA") and Section 13(r) of the Exchange Act.

CEVA has provided Apollo with the information below relevant to Section 13(r) of the Exchange Act. The disclosure below does not relate to any activities conducted by Apollo and does not involve Apollo or its management. The disclosure relates solely to activities conducted by CEVA and its consolidated subsidiaries. Apollo has not independently verified or participated in the preparation of the disclosure below.

"Through an internal review of its global operations, CEVA has identified the following transactions in an Initial Notice of Voluntary Self-Disclosure that CEVA filed with the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") on October 28, 2013. CEVA's review is ongoing. CEVA will file a further report with OFAC after completing its review.

The internal review indicates that, in February 2013, CEVA Freight Holdings (Malaysia) SDN BHD ("CEVA Malaysia") provided customs brokerage for export and local haulage services for a shipment of polyethylene resin to Iran shipped on a vessel owned and/or operated by HDS Lines, also an SDN. The revenues and net profits for these services were approximately $779.54 USD and $311.13 USD, respectively. In September 2013, CEVA Malaysia provided customs brokerage services for the import into Malaysia of fruit juice from Alifard Co. in Iran via HDS Lines. The revenues and net profits for these services were approximately $227.41 USD and $89.29 USD, respectively.

These transactions violate the terms of internal CEVA compliance policies, which prohibit transactions involving Iran. Upon discovering these transactions, CEVA promptly launched an internal investigation, and is taking action to block and prevent such transactions in the future. CEVA intends to cooperate with OFAC in its review of this matter."

PART II-OTHER INFORMATION

ITEM 5. MARKETS 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, 2014 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, 2014, there was 1 holder of our Class B share.

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	
2013	High	Low
First Quarter	$ 24.87	$ 17.72
Second Quarter	28.14	20.86
Third Quarter	29.98	22.61
Fourth Quarter	34.88	28.04

	Sales Price	
2012	High	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

	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

Cash Distribution Policy

With respect to fiscal year 2013, we paid four cash distributions of $1.05, $0.57, $1.32 and $1.01 per Class A share on February 28, 2013, May 30, 2013, August 30, 2013, and November 29, 2013, respectively, (aggregating to $3.95 per Class A share) and we have declared an additional cash distribution of $1.08 per Class A share in respect of the fourth quarter of 2013 which was paid on February 26, 2014 to holders of record of Class A shares at the close of business on February 19, 2014. 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 2012, we paid four cash distributions of $0.46, $0.25, $0.24 and $0.40 per Class A share on February 29, 2012, May 30, 2012, August 31, 2012, and November 30, 2012, respectively, aggregating to $1.35 per Class A share. 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 paid four cash distributions of $0.17, $0.22, $0.24 and $0.20 per Class A share on January 14, 2011, June 1, 2011, August 29, 2011 and December 2, 2011, respectively, aggregating to $0.83 per Class A share. 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 17 to our consolidated financial statements.

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 2013 AMH Credit Facilities, as defined in note 14 to our consolidated financial statements, do not contain restrictions on our or our subsidiaries' ability to pay distributions; however, instruments governing indebtedness that we or our subsidiaries incur in the future may contain 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 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, 2013, approximately 26.2 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 the 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 2013

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, 2013.

Unregistered Sale of Equity Securities

On October 16, 2013 and November 13, 2013, we issued 6,878 and 297,634 Class A shares, net of taxes, to Apollo Management Holdings, L.P., respectively, for an aggregate purchase price of $219,683 and $9,038,609, respectively. The issuances were exempt from registration under the Securities Act in accordance with Section 4(a)(2) and Rule 506(b) 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.

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, 2013, 2012 and 2011 and the selected historical consolidated statements of financial condition data as of December 31, 2013 and 2012 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 statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2010 and 2009 and the selected consolidated statements of financial condition data as of December 31, 2011, 2010 and 2009 from our audited consolidated financial statements which are not included in this document.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates, net	$ 196,562	$ 149,544	$ 81,953	$ 79,782	$ 56,075
Management fees from affiliates	674,634	580,603	487,559	431,096	406,257
Carried interest income (loss) from affiliates	2,862,375	2,129,818	(397,880)	1,599,020	504,396
Total Revenues	3,733,571	2,859,965	171,632	2,109,898	966,728
Expenses:					
Compensation and benefits:					
Equity-based compensation	126,227	598,654	1,149,753	1,118,412	1,100,106
Salary, bonus and benefits	294,753	274,574	251,095	249,571	227,356
Profit sharing expense	1,173,255	872,133	(60,070)	575,367	167,548
Total Compensation and Benefits	1,594,235	1,745,361	1,340,778	1,943,350	1,495,010
Interest expense	29,260	37,116	40,850	35,436	50,252
Professional fees	83,407	64,682	59,277	61,919	33,889
General, administrative and other	98,202	87,961	75,558	65,107	61,066
Placement fees	42,424	22,271	3,911	4,258	12,364
Occupancy	39,946	37,218	35,816	23,067	29,625
Depreciation and amortization	54,241	53,236	26,260	24,249	24,299
Total Expenses	1,941,715	2,047,845	1,582,450	2,157,386	1,706,505
Other Income:					
Net gains (losses) from investment activities	330,235	288,244	(129,827)	367,871	510,935
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	24,201	48,206	-
Income from equity method investments	107,350	110,173	13,923	69,812	83,113
Interest income	12,266	9,693	4,731	1,528	1,450
Gain from repurchase of debt[1]	-	-	-	-	36,193
Other income, net	40,114	1,964,679	205,520	195,032	41,410
Total Other Income	689,707	2,301,085	118,548	682,449	673,101
Income (loss) before income tax provision	2,481,563	3,113,205	(1,292,270)	634,961	(66,676)
Income tax provision	(107,569)	(65,410)	(11,929)	(91,737)	(28,714)
Net Income (Loss)	2,373,994	3,047,795	(1,304,199)	543,224	(95,390)
Net (income) loss attributable to Non-Controlling Interests[2][3]	(1,714,603)	(2,736,838)	835,373	(448,607)	(59,786)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 659,391	$ 310,957	$ (468,826)	$ 94,617	$ (155,176)
Distributions Declared per Class A Share	$ 3.95	$ 1.35	$ 0.83	$ 0.21	$ 0.05
Net Income (Loss) Available to Class A Share - Basic	$ 4.06	$ 2.06	$ (4.18)	$ 0.83	$ (1.62)
Net Income (Loss) Available to Class A Share -Diluted	$ 4.03	$ 2.06	$ (4.18)	$ 0.83	$ (1.62)

	As of December 31,				
	2013	2012	2011	2010	2009
			(in thousands)		
Statement of Financial Condition Data					
Total assets	$ 22,477,981	$ 20,636,858	$ 7,975,873	$ 6,552,372	$ 3,385,197
Debt (excluding obligations of consolidated variable interest entities)	750,000	737,818	738,516	751,525	933,834
Debt obligations of consolidated variable interest entities	12,423,962	11,834,955	3,189,837	1,127,180	-
Total shareholders' equity	6,688,722	5,703,383	2,648,321	3,081,419	1,299,110
Total Non-Controlling Interests	$ 4,051,453	$ 3,036,565	$ 1,921,920	$ 2,930,517	$ 1,603,146

(1) 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.

(2) 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.

(3) 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, issuances of Class A shares in settlement of vested RSUs in 2010, 2011, 2012, and 2013, and the Company's secondary offering in May 2013. See "Item 8. Financial Statements and Supplementary Data" for details of the ownership percentage. Additionally, in November 2013, certain AOG Units were exchanged for Class A shares and sold, which also impacted the ownership interest.

I'S DISCUSSION AND ANALYSIS OF FINANCIAL
JLTS 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, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011. 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 is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 23 years and lead a team of 710 employees, including 277 investment professionals, as of December 31, 2013.

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 real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

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.

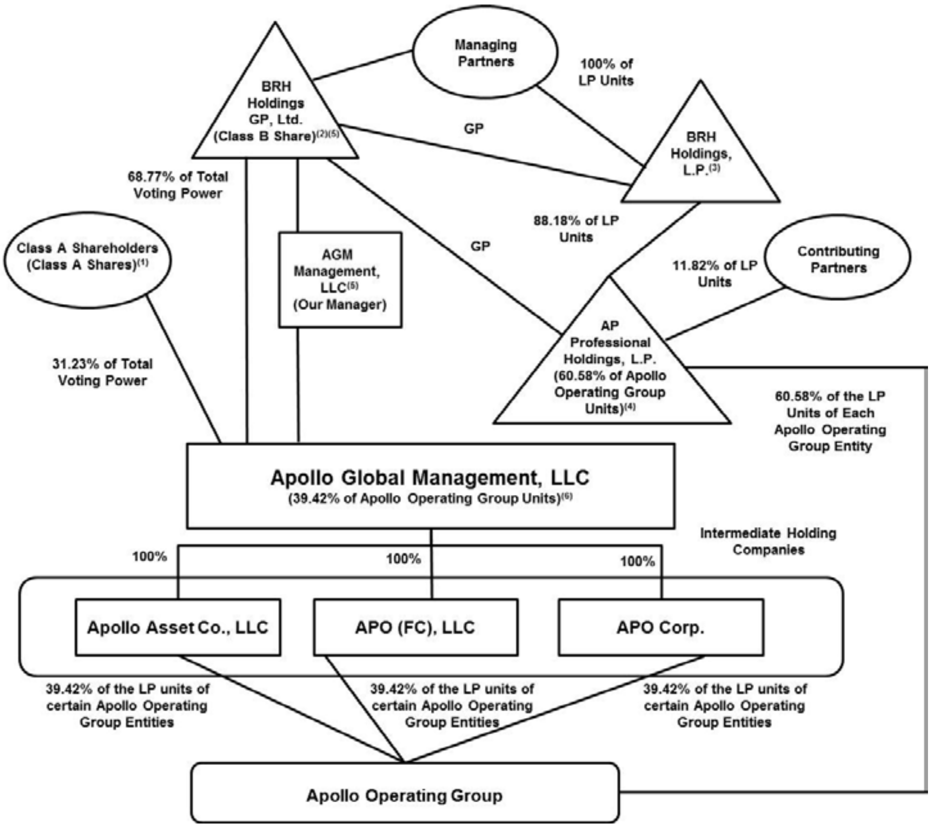
In addition, the growth in our fee-generating AUM during the last year has primarily been in our credit segment. The average management fee rate for these new credit products is at market rates for such products and in certain cases is below our historical rates. Also, due to the complexity of these 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, 2013, approximately 96% of our total AUM was in funds with a contractual life at inception of seven years or more, and 7% of our total AUM was in permanent capital vehicles with unlimited duration.

As of December 31, 2013, we had total AUM of $161.2 billion across all of our businesses. On December 31, 2013, Apollo Investment Fund VIII, L.P. ("Fund VIII") held a final closing raising a total of $17.5 billion in third-party capital and approximately $880 million of additional capital from Apollo and affiliated investors, and as of December 31, 2013, Fund VIII had $18.2 billion of uncalled commitments, or "dry powder," remaining. Additionally, Fund VII held a final closing in December 2008, raising a total of $14.7 billion, and as of December 31, 2013, Fund VII had $3.4 billion of uncalled commitments remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 26% net IRR on a compound annual basis from inception through December 31, 2013. For further detail related to fund performance metrics across all of our businesses, see "-The Historical Investment Performance of Our Funds."

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 30.21% of the Class A shares outstanding and 11.91% of the economic interests in the Apollo Operating Group. The Class A shares held by investors other than the Strategic Investors represent 31.23% of the total voting power of our shares entitled to vote and 27.51% 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 Holdings GP, Ltd., which in turn holds our only outstanding Class B share. The Class B share represents 68.77% 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 53.42% 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 60.58% 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 53.42% of the AOG Units. Our Contributing Partners, through their ownership interests in Holdings, beneficially own 7.16% of the AOG Units.

(5) BRH Holdings GP, Ltd 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 39.42% 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

As a global investment manager, we are affected by numerous factors, including the condition of financial markets and the economy. Fluctuations in equity prices, which may be volatile, can significantly impact the valuation of our funds' portfolio companies and related income we may recognize. In the U.S., the S&P 500 Index rose 9.9% in the fourth quarter of 2013, bringing the full year appreciation to 29.6% and closed at a new record high at the end of the fourth quarter of 2013. Outside the U.S., world equity markets also continued to rise in the fourth quarter of 2013, completing a strong year. The MSCI All Country World ex USA Index was up 4.4% in the fourth quarter of 2013 and 12.3% for the year ended December 31, 2013. Importantly, we believe that the continued strength in the equity markets has been accommodative for continued equity capital markets activity, including IPOs and secondary offerings of the portfolio companies within our funds.

Conditions in the global credit markets also have a significant impact on our business. Credit indices rose in the fourth quarter of 2013, completing a positive year, with the BoAML HY Master II Index up 3.5% in the fourth quarter of 2013 and 7.4% for the year ended December 31, 2013, while the S&P/LSTA Leveraged Loan Index was up 1.7% during the fourth quarter of 2013 and 5.3% for the year ended December 31, 2013. Benchmark interest rates increased sharply during the fourth quarter of 2013 with the U.S. 10-year Treasury up approximately 40 basis points to 3.0%, following the Federal Reserve’s commencement of tapering its quantitative easing policy.

In terms of economic conditions, the Bureau of Economic Analysis reported that real GDP in the U.S. increased at an annual rate of 3.2% in the fourth quarter of 2013 and 1.9% for the full year ended December 31, 2013. As of January 2014, The International Monetary Fund estimates that the U.S. economy will expand by 2.8% in 2014. Additionally, the U.S. unemployment rate remained elevated at 7.0% as of December 31, 2013, despite recent signs of improvement.

Amid the generally favorable backdrop of elevated asset prices, Apollo continued to generate significant realizations for fund investors. Apollo returned $5.8 billion and $22.6 billion of capital and realized gains to the limited partners of the funds it manages during the fourth quarter of 2013 and the full year ended December 31, 2013, respectively. Apollo’s fundraising activities also continued at a strong pace, with $10.0 billion and $22.1 billion of new capital raised during the fourth quarter and full year 2013, respectively, as institutional investors continued to allocate capital towards 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. We believe Apollo’s expertise in credit and its focus on nine core industry sectors, combined with more than 20 years of investment experience, has allowed Apollo to respond quickly to changing environments. Apollo’s core industry sectors cover chemicals, natural resources, 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.

Market Considerations

Our revenues consist of the following:

- Management fees, which are calculated based upon any of "net asset value," "gross assets," "adjusted par asset value," "adjusted costs of all unrealized portfolio investments," "capital commitments," "adjusted assets," "invested capital," "capital contributions," 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)

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 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 second quarter of 2013, monitoring fees based on Athene's capital and surplus and the change in the market value of the derivative contracts related to Athene's capital and surplus recorded in advisory and transaction fees from affiliates, net, as disclosed in note 17 to the consolidated financial statements, were reclassified from the private equity segment to the credit segment to better evaluate the performance of Apollo's private equity and credit segments in making key operating decisions. Reclassifications have been made to the prior period financial data for Apollo's reportable segments to conform to the current presentation. The impact of this reclassification on the ENI for the private equity and credit segment is reflected in the table below for the years ended December 31, 2012 and 2011:

	Impact of Reclassification on Economic Net (Loss) Income	
	Private Equity Segment	Credit Segment
For the year ended December 31, 2012	$(16,787)	$16,787
For the year ended December 31, 2011	$(8,768)	$8,768

During the fourth quarter of 2013, certain reclassifications were made to prior period financial data within salary, bonus and benefits and profit sharing expense to conform to the current presentation. The impact of these reclassifications on management business ENI and incentive business ENI is reflected in the table below for Apollo’s three reportable segments for the years ended December 31, 2012 and 2011.

	Impact of Reclassification on Management Business Economic Net Income (Loss)		
	Private Equity Segment	**Credit Segment**	**Real Estate Segment**
For the year ended December 31, 2012	$24,397	$(17,082)	$(7,315)
For the year ended December 31, 2011	3,434	(2,081)	(1,353)

	Impact of Reclassification on Incentive Business Economic Net (Loss) Income		
	Private Equity Segment	**Credit Segment**	**Real Estate Segment**
For the year ended December 31, 2012	$(24,397)	$17,082	$7,315
For the year ended December 31, 2011	(3,434)	2,081	1,353

As it relates to the reclassifications described above, the impact to the combined segments' ENI for all periods presented was zero.

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, net 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 (the costs associated with the 2007 private placement are expected to be recurring components of our costs but at a diminishing rate, we may be able to incur lower cash compensation costs with the granting of equity-based compensation). The AOG Units were fully vested and amortized as of June 30, 2013;

(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 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. The AOG Units were fully amortized as of June, 2013.
- 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 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;

(ii) the NAV, of our credit funds, other than certain CLOs and CDOs, which have a fee generating basis other than the mark-to-market value of the underlying assets, 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 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 and co-investment ownership, (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 asset 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, 2013, 2012 and 2011. Changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

	As of December 31,		
	2013	2012	2011
		(in millions)	
Total Assets Under Management	$ 161,177 (1)	$ 113,379 (1)	$ 75,222
Fee-generating	128,368	81,934	58,121
Non-fee generating	32,809 (1)	31,445 (1)	17,101
Private Equity	49,908	37,832	35,384
Fee-generating	34,173	27,932	28,031
Non-fee generating	15,735	9,900	7,353
Credit(2)	100,886	64,406	31,867
Fee-generating	88,249	49,518	26,553
Non-fee generating	12,637	14,888	5,314
Real Estate(2)	9,289	8,800	7,971
Fee-generating	5,946	4,484	3,537
Non-fee generating	3,343	4,316	4,434

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, 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, 2013, our total fee-generating AUM increased primarily due to acquisitions and increases in subscriptions, this was partially offset by distributions, leverage, and movements between fee-generating and non-fee generating AUM. The fee-generating AUM of our private equity funds increased primarily due to subscriptions, offset primarily by distributions and movement between fee-generating and non-fee generating AUM. The fee-generating AUM of our credit funds increased during the year ended December 31, 2013 primarily due to acquisitions and subscriptions, and offset by decreases in leverage and distributions. The fee-generating AUM of our real estate segment increased primarily due to net segment transfers in and subscriptions, and was 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 generally 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, 2013, our total fee-generating AUM is comprised of approximately 97% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

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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, 2013, 2012 and 2011 are presented below:

	As of December 31, 2013			
	Private Equity	Credit	Real Estate	Total
	(in millions)			
Fee-generating AUM based on capital commitments	$ 19,630	$ 5,834	$ 156	$ 25,620
Fee-generating AUM based on invested capital	11,923	1,649	3,753	17,325
Fee-generating AUM based on gross/adjusted assets	925	72,202	1,769	74,896
Fee-generating AUM based on leverage	1,695	1,587	-	3,282
Fee-generating AUM based on NAV	-	6,977	268	7,245
Total Fee-Generating AUM	$ 34,173 (1)	$ 88,249	$ 5,946	$ 128,368

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2013 was 75 months.

	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	2,134	34,588
Fee-generating AUM based on leverage	3,610	3,101	-	6,711
Fee-generating AUM based on NAV	-	6,538	290	6,828
Total Fee-Generating AUM	$ 27,932 (1)	$ 49,518	$ 4,484	$ 81,934

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2012 was 61 months.

	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	18,023
Fee-generating AUM based on leverage	3,600	3,213	-	6,813
Fee-generating AUM based on NAV	-	1,822	225	2,047
Total Fee-Generating AUM	$ 28,031 (1)	$ 26,553	$ 3,537	$ 58,121

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2011 was 65 months.

AUM as of December 31, 2013, 2012 and 2011 was as follows:

	Total Assets Under Management As of December 31,		
	2013	2012	2011
		(in millions)	
AUM:			
Private equity	$ 49,908	$ 37,832	$ 35,384
Credit	100,886	64,406	31,867
Real estate	9,289	8,800	7,971
Total(1)	$ 161,177	$ 113,379	$ 75,222

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

The following table presents total AUM and fee-generating AUM amounts for our private equity segment by strategy:

	Total AUM As of December 31,			Fee-Generating AUM As of December 31,		
	2013	2012	2011	2013	2012	2011
			(in millions)			
Traditional Private Equity Funds	$ 46,998	$ 35,617	$ 34,232	$ 31,929	$ 25,706	$ 26,984
ANRP	1,367	1,284	-	1,295	1,295	-
Other	1,543 (1)	931 (1)	1,152	949 (1)	931 (1)	1,047
Total	$ 49,908	$ 37,832	$ 35,384	$ 34,173	$ 27,932	$ 28,031

(1) Represents co-investments contributed to Athene by AAA, through its investment in AAA Investments, as part of the AAA Transaction.

The following table presents total AUM and fee-generating AUM amounts for our credit segment by strategy:

	Total AUM			Fee-Generating AUM		
	As of December 31,			As of December 31,		
	2013	2012	2011(1)	2013	2012	2011(1)
	(in millions)					
Athene(2)	$ 50,345	$ 10,970	$ 5,974	$ 50,345	$ 10,845	$ 5,974
U.S. Performing Credit	$ 22,177	$ 27,509	$ 14,719	$ 17,510	$ 20,567	$ 11,377
Structured Credit	12,779	11,436	2,442	9,362	7,589	1,789
Opportunistic Credit	7,068	6,177	5,310	4,763	4,722	4,603
Non-Performing Loans	5,688	6,404	1,935	4,330	4,527	1,636
European Credit	2,829	1,910	1,434	1,939	1,268	1,122
Other	-	-	53	-	-	52
Total	$ 100,886	$ 64,406	$ 31,867	$ 88,249	$ 49,518	$ 26,553

(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 AUM and fee-generating AUM amounts for our real estate segment by strategy:

	Total AUM			Fee-Generating AUM		
	As of December 31,			As of December 31,		
	2013	2012	2011	2013	2012	2011
	(in millions)					
Debt	$ 5,731	$ 4,826	$ 4,042	$ 3,701	$ 2,332	$ 1,411
Equity	3,558	3,974	3,929	2,245	2,152	2,126
Total	$ 9,289	$ 8,800	$ 7,971	$ 5,946	$ 4,484	$ 3,537

The following tables summarize changes in total AUM and total AUM for each of our segments for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Change in Total AUM:			
Beginning of Period	$ 113,379 (1)	$ 75,222	$ 67,551
Income (Loss)	15,150	12,038	(1,477)
Subscriptions/Capital raised	22,142	9,688	3,797
Other inflows/Acquisitions	43,832	23,629	9,355
Distributions	(22,641)	(10,858)	(5,153)
Redemptions	(1,508)	(1,221)	(532)
Leverage	(9,177)	4,881	1,681
End of Period	$ 161,177 (1)	$ 113,379 (1)	$ 75,222
Change in Private Equity AUM:			
Beginning of Period	$ 37,832	$ 35,384	$ 38,799
Income (Loss)	10,656	8,108	(1,612)
Subscriptions/Capital raised	17,613	662	417
Distributions	(15,620)	(6,537)	(3,464)
Redemptions(2)	(176)	-	-
Net segment transfers	2,133	317	167
Leverage	(2,530)	(102)	1,077
End of Period	$ 49,908	$ 37,832	$ 35,384
Change in Credit AUM:			
Beginning of Period	$ 64,406	$ 31,867	$ 22,283
Income (Loss)	4,082	3,274	(110)
Subscriptions/Capital raised	3,439	5,504	3,094
Other inflows/Acquisitions	43,832	23,629	9,355
Distributions	(5,458)	(3,197)	(1,237)
Redemptions	(1,042)	(948)	(532)
Net segment transfers	(2,056)	(1,023)	(1,353)
Leverage	(6,317)	5,300	367
End of Period	$ 100,886	$ 64,406	$ 31,867
Change in Real Estate AUM:			
Beginning of Period	$ 8,800	$ 7,971	$ 6,469
Income	399	656	245
Subscriptions/Capital raised	1,090	475	286
Distributions	(1,559)	(1,124)	(452)
Redemptions (2)	(290)	(273)	-
Net segment transfers	1,179	1,412	1,186
Leverage	(330)	(317)	237
End of Period	$ 9,289	$ 8,800	$ 7,971

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

(2) Represents release of unfunded commitments primarily related to Fund III and several legacy CPI real estate funds that were past their investment periods.

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, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
		(in millions)	
Change in Total Fee-Generating AUM:			
Beginning of Period	$ 81,934	$ 58,121	$ 47,037
Income (Loss)	2,100	1,390	(393)
Subscriptions/Capital raised	21,104	5,873	2,547
Other inflows/Acquisitions	43,832	21,277	9,355
Distributions	(7,517)	(3,728)	(734)
Redemptions	(946)	(909)	(481)
Net movements between Fee-Generating and Non-Fee Generating	(6,215)	(564)	761
Leverage	(5,924)	474	29
End of Period	$ 128,368	$ 81,934	$ 58,121
Change in Private Equity Fee-Generating AUM:			
Beginning of Period	$ 27,932	$ 28,031	$ 27,874
Income (Loss)	398	285	(112)
Subscriptions/Capital raised	17,582	644	410
Distributions	(3,430)	(1,256)	(272)
Redemptions	(19)	-	-
Net segment transfers	482	50	(88)
Net movements between Fee-Generating and Non-Fee Generating	(6,858)	515	285
Leverage	(1,914)	(337)	(66)
End of Period	$ 34,173	$ 27,932	$ 28,031
Change in Credit Fee-Generating AUM:			
Beginning of Period	$ 49,518	$ 26,553	$ 16,484
Income	1,630	988	301
Subscriptions/Capital raised	2,504	4,953	1,795
Other inflows/Acquisitions	43,832	21,277	9,355
Distributions	(3,118)	(2,029)	(283)
Redemptions	(927)	(909)	(481)
Net segment transfers	(1,611)	(1,096)	(638)
Net movements between Fee-Generating and Non-Fee Generating	431	(1,030)	356
Leverage	(4,010)	811	(336)
End of Period	$ 88,249	$ 49,518	$ 26,553
Change in Real Estate Fee-Generating AUM:			
Beginning of Period	$ 4,484	$ 3,537	$ 2,679
Income (Loss)	72	117	(582)
Subscriptions/Capital raised	1,018	276	342
Distributions	(969)	(443)	(179)
Net segment transfers	1,129	1,045	726
Net movements between Fee-Generating and Non-Fee Generating	212	(48)	120
Leverage	-	-	431
End of Period	$ 5,946	$ 4,484	$ 3,537

Private Equity

During the year ended December 31, 2013, the AUM in our private equity segment increased by $12.1 billion, or 31.9%. This increase was a result of subscriptions of $17.5 billion in Fund VIII and $10.7 billion of income from improved unrealized gains, including $5.9 billion from Fund VII and $4.3 billion from Fund VI. Offsetting this increase was $15.6 billion of distributions, including $8.7 billion from Fund VII and $5.8 billion from Fund VI, and $2.5 billion of decreased leverage, including $2.0 billion in Fund VII.

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 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.

Credit

During the year ended December 31, 2013, AUM in our credit segment increased by $36.5 billion, or 56.6%. This increase consisted of $43.8 billion in acquisitions related to the acquisition of Aviva USA by Athene Holding Ltd., $4.1 billion in unrealized gains, subscriptions of $3.4 billion, including $0.9 billion in Financial Credit Investment II, L.P. ("FCI II") and $0.6 billion in COF III. This increase in AUM was partially offset by a decrease in leverage of $6.3 billion, including $1.0 billion in U.S. performing credit strategy from net CLO vehicle wind-down, $1.3 billion in COF II, and $0.8 billion in AMTG, $5.5 billion in distributions, including $1.9 billion from COF I, $0.6 billion from EPF I and $1.1 billion from COF II.

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 Capital LLC and its related management companies ("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 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 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.

Real Estate

During the year ended December 31, 2013, AUM in our real estate segment increased by $0.5 billion, or 5.5%. This increase was the result of $1.2 billion in net segment transfers in, including $0.6 billion from Athene Accounts related to subordinate commercial estate loans ("Athene CRE Lending") and $0.5 billion from Athene Accounts related to commercial mortgage backed securities, $1.1 billion in subscriptions, including $0.7 billion in AGRE Debt Fund I and $0.3 billion in Apollo Commercial Real Estate Finance Inc ("ARI"). These increases were partially offset by distributions of $1.6 billion, including $0.4 billion from Athene CRE Lending and $0.4 billion from CPI Capital Partners Asia Pacific, L.P.

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 CPI Capital Partners North America L.P., CPI Capital Partners Europe L.P., CPI Capital Partners Asia Pacific, L.P. (collectively, 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.

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,		
	2013	2012	2011
		(in millions)	
Private equity dollars invested	$ 2,561	$ 3,191	$ 3,350

The following table summarizes the uncalled private equity commitments as of December 31, 2013, 2012 and 2011:

	As of December 31,		
	2013	2012	2011
		(in millions)	
Uncalled private equity commitments	$ 23,689	$ 7,464	$ 8,204

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. 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 may 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 VIII, Fund VII and Fund VI 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, 2013, while Fund V has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2013. 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."

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Investment Record

Private Equity

The following table summarizes the investment record of our private equity funds. All amounts are as of December 31, 2013, 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, 2013 Gross IRR	As of December 31, 2013 Net IRR	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
				(in millions)									
Fund VIII[3]	2013	$ 18,377	$ 100	$ 183	$ -	$ 100	$ 100	NM [4]	NM [4]	N/A	N/A	N/A	N/A
AION[3]	-	376	55	67	-	57	57	NM [4]	NM [4]	NM [4]	NM [4]	N/A	N/A
ANRP	2012	1,323	370	415	19	437	456	18%	7%	NM [4]	NM [4]	NM [4]	NM [4]
Fund VII	2008	14,676	14,979	11,250	19,569	10,843	30,412	39	30	35%	26%	31%	22%
Fund VI	2006	10,136	12,457	9,710	12,541	9,551	22,092	15	12	11	9	6%	5%
Fund V	2001	3,742	5,192	3,742	12,385	463	12,848	61	44	61	44	61%	44%
Fund IV	1998	3,600	3,481	3,600	6,776	38	6,814	12	9	12	9	12%	9%
Fund III	1995	1,500	1,499	1,500	2,695	-	2,695	18	11	18	11	18%	12%
Fund I, II & MIA[5]	1990/92	2,220	3,773	2,220	7,924	-	7,924	47	37	47	37	47%	37%
Totals		$ 55,950	$ 41,906	$ 32,687	$ 61,909	$ 21,489	$ 83,398	39% [6]	26% [6]	39% [6]	25% [6]	39% [6]	25% [6]

	Vintage Year	Current Net Asset Value as of December 31, 2013	Total Return For the Year Ended December 31, 2013	Total Return For the Year Ended December 31, 2012	Total Return For the Year Ended December 31, 2011
AAA[7]	2006	$ 1,941.2	21%	20%	(8)%

(1) "Committed Capital Less Unfunded Capital Commitments" represents 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) Fund VIII and AION were launched during 2013 and 2012, respectively. Fund VIII had its final capital raise in 2013, 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) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. "MIA" represents a "mirrored" investment account established to mirror Funds I and II for investment in debt securities. 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.

(6) Total IRR is calculated based on total cash flows for all funds presented.

(7) AAA completed its initial public offering in June 2006 and is the sole limited partner in AAA Investments, L.P. ("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 Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2013, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an economic ownership stake of approximately 72.5% (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and as of December 31, 2013, effectively held 45% of the voting power of Athene. Additional

information related to AAA can be found on its website www.apolloalternativeassets.com. The information contained in AAA's website is not part of this Annual Report on Form 10-K.

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, 2013:

	Total Invested Capital	Total Value	Gross IRR[(1)]
	(in millions)		
Distressed for Control	$ 5,608	$ 16,593	29%
Non-Control Distressed	6,078	9,023	71
Total	11,686	25,616	49
Buyout Equity, Portfolio Company Debt and Other Credit[(2)]	29,795	57,269	23
Total	$ 41,481	$ 82,885	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 is defined as 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 VIII, Fund VII, Fund VI and Fund V private equity portfolios based on investment strategy. All amounts are as of December 31, 2013:

Fund VIII

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 100	$ 100
Total	$ 100	$ 100

Fund VII

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 10,302	$ 22,785
Other Credit and Classic Distressed[(1)]	4,677	7,627
Total	$ 14,979	$ 30,412

Fund VI

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 10,312	$ 18,402
Other Credit and Classic Distressed[(1)]	2,145	3,690
Total	$ 12,457	$ 22,092

Fund V

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity	$ 4,412	$ 11,874
Classic Distressed[1]	780	974
Total	$ 5,192	$ 12,848

(1) Classic Distressed is defined as investments in debt securities of issuers other than portfolio companies that are considered to be distressed.

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 December 31, 2013), our private equity funds have invested $29.6 billion, of which $16.6 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 6.1x, 7.7x and 6.6x, respectively as of December 31, 2013. 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 funds' purchases of portfolio companies.

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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 such CLOs representing a total AUM of approximately $9.4 billion as of December 31, 2013. Such CLO performance information is not included in the following credit investment record tables. All amounts are as of December 31, 2013, unless otherwise noted:

								As of December 31, 2013		As of December 31, 2012		As of December 31, 2011	
	Strategy	Vintage Year	Committed Capital	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	$ 104.4	$ 202.3	$ 103.9	$ 111.4	$ 215.3	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)
EPF II(3)(5)	Non-Performing Loans	2012	3,662.4	1,021.8	44.3	1,153.1	1,197.4	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)
FCI(3)	Structured Credit	2012	558.8	443.2	170.5	457.6	628.1	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)	NM (4)
AEC(3)	European Credit	2012	292.5	461.9	316.0	204.3	520.3	18.8%	11.9%	NM (4)	NM (4)	NM (4)	NM (4)
AESI(3)(5)	European Credit	2011	488.6	808.2	553.0	365.6	918.6	23.2	17.7	NM (4)	NM (4)	NM (4)	NM (4)
AIE II(5)	European Credit	2008	283.8	895.9	1,299.6	126.2	1,425.8	20.3	16.8	19.4%	15.6%	18.2%	14.2%
COF I	U.S. Performing Credit	2008	1,484.9	1,611.3	3,842.4	544.2	4,386.6	30.4	27.4	30.7	27.6	25.0	22.4
COF II	U.S. Performing Credit	2008	1,583.0	2,176.4	2,783.4	346.4	3,129.8	13.8	11.2	14.3	11.7	10.3	8.5
EPF I(5)	Non-Performing Loans	2007	1,779.7	2,338.7	2,108.8	2,017.4	4,126.2	21.2	16.4	18.6	11.6	16.6	8.8
ACLF	U.S. Performing Credit	2007	984.0	1,448.5	2,420.3	122.4	2,542.7	13.0	11.3	13.0	11.2	10.1	9.2
Artus(6)	U.S. Performing Credit	2007	106.6	190.1	225.9	-	225.9	6.9	6.7	7.0	6.8	3.6	3.4
Totals			$ 11,328.7	$ 11,598.3	$ 13,868.1	$ 5,448.6	$ 19,316.7						

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.

(2) As part of the acquisition of Stone Tower, 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) Apollo European Strategic Investment, L.P. ("AESI") was launched during 2011 and established its vintage year in the fourth quarter of 2011. Apollo European Principal Finance Fund II, L.P. ("EPF II"), Apollo European Credit Master Fund, L.P., ("AEC"), and Financial Credit Investment I, L.P. ("FCI") deployed capital prior to their vintage year and had their final capital raises in 2012, establishing their 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) Funds are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(6) Apollo/Artus Investors 2007-I, L.P. ("Artus") was liquidated during the fourth quarter 2013. Amounts presented represent the historical performance and returns for the fund.

The following table summarizes the investment record for certain funds and SIAs with no maturity date. All amounts are as of December 31, 2013, unless otherwise noted:

	Strategy	Vintage Year	Net Asset Value as of December 31, 2013	Net Return: Since Inception to December 31, 2013	Net Return: For the Year Ended December 31, 2013	Net Return: For the Year Ended December 31, 2012	Net Return: For the Year Ended December 31, 2011
			(in millions)				
ACSP(1)	Opportunistic Credit	2012	$ 272.7	NM (2)	NM (2)	NM (2)	NM (2)
ACSF(3)	Opportunistic Credit	2011	284.8	NM (3)	NM (3)	NM (3)	NM (3)
STCS(3)	Opportunistic Credit	2010	19.3	NM (3)	NM (3)	NM (3)	NM (3)
SOMA(4)	Opportunistic Credit	2007	673.8	58.4%	9.3%	15.1%	(10.5)%
ACF(3)	U.S. Performing Credit	2005	2,189.8	NM (3)	NM (3)	NM (3)	NM (3)
Value Funds(5)	Opportunistic Credit	2003/2006	288.8	74.1	4.7	10.8	(9.6)
Totals			$ 3,729.2				

(1) Apollo Centre Street Partnership, L.P. ("ACSP") is a strategic investment account with $615.0 million of committed capital. Net asset value is presented for the primary mandate and excludes investments in other Apollo funds.

(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) 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, 2013, the net returns from inception for ACSF, ACF and STCS were 37.8%, 3.2%, and 36.2%, 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) Net asset value and returns are for the primary mandate and excludes investments made by Apollo Special Opportunities Managed Account, L.P. ("SOMA") in other Apollo funds.

(5) 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.

The following table summarizes the investment record for our publicly traded vehicles in our credit segment as of December 31, 2013:

	Strategy	IPO Year(1)	Raised Capital(2)	Gross Assets	Current Net Asset Value	Net Return: Since Inception to December 31, 2013	Net Return: For the Year Ended December 31, 2013	Net Return: For the Year Ended December 31, 2012	Net Return: For the Year Ended December 31, 2011
			(in millions)						
AIF(3)	U.S. Performing Credit	2013	$ 275.7	$ 420.2	$ 282.2	NM (4)	NM (4)	NM (4)	NM (4)
AFT(3)	U.S. Performing Credit	2011	294.6	451.1	297.7	21.7%	9.2%	NM (4)	NM (4)
AMTG(5)	Structured Credit	2011	790.8	3,911.6	757.6	N/A (5)	N/A (5)	N/A (5)	N/A (5)
AINV(6)	Opportunistic Credit	2004	2,977.7	3,379.7	1,925.3	70.2	15.7	9.9%	(5.1)%
			$ 4,338.8	$ 8,162.6	$ 3,262.8				

(1) An initial public offering ("IPO") year represents the year in which the vehicle commenced trading on a national securities exchange. AIF, AFT and AMTG are publicly traded vehicles traded on the New York Stock Exchange ("NYSE"). AINV is a public investment company traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ").

(2) Amounts represent gross raised capital net of offering and issuance costs.

(3) AFT and AIF completed their initial public offerings during the first quarter of 2011 and 2013, respectively. Gross Assets represents total managed assets of these closed-end funds. Refer to www.agmfunds.com for the most recent financial information on AFT and AIF. The information contained in AFT's and AIF's website is not part of this Annual Report on Form 10-K.

(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) 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 Annual Report on Form 10-K.

(6) Net return for AINV represents net asset value 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 Annual Report on Form 10-K.

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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, 2013, unless otherwise noted:

	Vintage Year	Committed Capital	Current Net Asset Value	Total Invested Capital	Realized	Unrealized[1]	Total Value	As of December 31, 2013 Gross IRR	As of December 31, 2013 Net IRR	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
		(in millions)											
AGRE U.S. Real Estate Fund, L.P[3]	2012	$ 866.6	$ 547.3	$ 435.9	$ 4.1	$ 544.1	$ 548.2	17.3%	13.7%	NM [2]	NM [2]	NM [2]	NM [2]
AGRE Debt Fund I, LP	2011	816.4	736.1	812.2	173.5	731.1	904.6	13.1	11.1	NM [2]	NM [2]	NM [2]	NM [2]
2011 A4 Fund, L.P.	2011	234.7	210.7	205.9	83.6	203.8	287.4	13.5	11.7	NM [2]	NM [2]	NM [2]	NM [2]
AGRE CMBS Fund, L.P.	2009	418.8	67.1	301.0	447.0	63.1	510.1	13.5	11.3	14.1%	11.8%	NM [2]	NM [2]
CPI Capital Partners North America	2006	600.0	65.2	452.7	318.5	60.5	379.0	17.1 [4]	13.0 [4]	NM [4]	NM [4]	NM [4]	NM [4]
CPI Capital Partners Asia Pacific	2006	1,291.6	253.5	1,163.6	1,454.8	231.2	1,686.0	36.7 [4]	32.6 [4]	NM [4]	NM [4]	NM [4]	NM [4]
CPI Capital Partners Europe[5]	2006	1,596.9	583.7	1,053.9	182.4	549.0	731.4	2.4 [4]	0.6 [4]	NM [4]	NM [4]	NM [4]	NM [4]
CPI Other[6]	Various	2,403.8	868.8	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		$ 8,228.8	$ 3,332.4	$ 4,425.2	$ 2,663.9	$ 2,382.8	$ 5,046.7						

(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, L.P., 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 $153.4 million of co-invest commitments raised, which is included in the figures in the table above. A co-invest entity within AGRE U.S. Real Estate Fund is denominated in GBP and translated into U.S. dollars at an exchange rate of £1.00 to $1.66 as of December 31, 2013.

(4) As part of the CPI acquisition, Apollo acquired general partner interests in fully invested funds. The gross and net IRRs are presented in the investment record table above since acquisition on November 12, 2010. The net IRRs from the inception of the respective fund to December 31, 2013 were (6.8)%, 7.9% and (9.7)% 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 $1.37 as of December 31, 2013.

(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 are therefore not considered meaningful as we perform primarily an administrative role.

The following table summarizes the investment record for ARI as of December 31, 2013:

	IPO Year	Raised Capital	Gross Assets	Current Net Asset Value
		(in millions)		
ARI[1]	2009	$ 715.9	$ 907.5	$ 683.0

(1) ARI is a public company traded on the NYSE. Refer to www.apolloreit.com for the most recent financial information on ARI. The information contained in ARI's website is not part of this Annual Report on Form 10-K.

Athene and SIAs

As of December 31, 2013, Athene Asset Management managed $59.5 billion of total AUM in accounts owned by or related to Athene, of which approximately $9.2 billion, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. Of the approximately $9.2 billion of assets, the vast majority were in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities, and insurance-linked securities.

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 an additional approximate $7.2 billion of total AUM in SIAs as of December 31, 2013. The above investment record tables exclude certain funds and SIAs with an aggregate AUM of approximately $5.7 billion as of December 31, 2013, 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 by segment:

	As of December 31,		
	2013[(1)]	2012[(1)]	2011
	(in millions)		
Private Equity:			
Cost	$ 14,213	$ 16,927	$ 15,956
Fair Value	23,432	25,867	20,700
Credit:			
Cost	$ 15,642	$ 15,097 (2)	$ 10,917
Fair Value	16,656	16,287 (2)	11,696
Real Estate:			
Cost	$ 4,246	$ 3,848 (2)	$ 4,791
Fair Value	4,160	3,680 (2)	4,344

(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.

Overview of Results of Operations

Revenues

Advisory and Transaction Fees from Affiliates, Net. As a result of providing advisory services with respect to actual and potential private equity, credit, and real estate 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, net, in the consolidated statements of operations. See note 2 to our consolidated financial statements for more detail.

The Management Fee Offsets are calculated for each fund as follows:

- 65%-100% for private equity funds, gross advisory, transaction and other special fees;
- 65%-100% for certain credit funds, gross advisory, transaction and other special fees; and
- 100% for certain real estate funds, gross advisory, transaction and other special fees.

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 as a component of the calculation of the Management Fee Offset. 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.

As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's consolidated statements of operations, and any receivable from the respective funds is presented in Due from Affiliates on the consolidated statement of financial condition.

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 limited partnership agreement and/or 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.

As of December 31, 2013, approximately 70% of the value of our fund investments on a gross basis was determined using market-based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 30% 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, 2013 was 56%, 84% 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 a 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 and real estate 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 on an unconsolidated basis as of December 31, 2013 and 2012 and (ii) realized and unrealized carried interest income (loss) for our combined segments' incentive business as of and for the years ended December 31, 2013, 2012 and 2011:

	As of December 31,		For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	2013	2012									
	Carried Interest Receivable on an Unconsolidated Basis	Carried Interest Receivable on an Unconsolidated Basis	Unrealized Carried Interest (Loss) Income	Realized Carried Interest Income	Total Carried Interest Income (Loss)	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)
			(in millions)								
Private Equity Funds:											
Fund VII	$ 890.8	$ 904.3	$ (13.6)	$ 1,163.6	$ 1,150.0	$ 435.5	$ 472.1	$ 907.6	$ (135.9)	$ 260.2	$ 124.3
Fund VI	697.6	270.3	427.3	760.3	1,187.6 (1)	345.6 (5)	294.0	639.6	(723.6) (5)	80.7	(642.9)
Fund V	43.0	134.3	(91.2)	99.1	7.9	9.3	33.4	42.7	(51.6)	24.9	(26.7)
Fund IV	7.7	10.9	(3.2)	1.7	(1.5)	(7.0)	2.9	(4.1)	(118.1)	204.7	86.6
AAA/Other(2)	228.7 (3)	93.6	135.4 (5)	37.9	173.3	71.5 (5)	10.2	81.7	9.5 (5)	-	9.5
Total Private Equity Funds	1,867.8	1,413.4	454.7	2,062.6	2,517.3	854.9	812.6	1,667.5	(1,019.7)	570.5	(449.2)
Credit Funds:											
U.S. Performing Credit	179.9	401.7	(164.1)	284.6	120.5	206.3	154.3	360.6	(79.6)	62.0	(17.6)
Opportunistic Credit	59.8	36.7	20.4 (5)	36.7	57.1	7.7 (5)	41.5	49.2	(21.8) (5)	43.4	21.6
Structured Credit	54.3	21.2	32.7	11.2	43.9	18.5	13.4	31.9	-	-	-
European Credit	35.6	18.4	2.1	27.8	29.9	18.0	8.5	26.5	(18.7)	13.2	(5.5)
Non-Performing Loans	154.2	102.1	52.3	33.0	85.3	50.6	-	50.6	53.2	-	53.2
Total Credit Funds	483.8	580.1	(56.6)	393.3	336.7	301.1	217.7	518.8	(66.9)	118.6	51.7
Real Estate Funds:											
CPI Funds	5.3	10.8	(5.2)	0.5	(4.7)	10.4	4.7	15.1	-	-	-
AGRE U.S. Real Estate Fund	5.6	-	5.6	-	5.6	-	-	-	-	-	-
Other	4.3	-	4.3	-	4.3	-	-	-	-	-	-
Total Real Estate Funds	15.2	10.8	4.7	0.5	5.2	10.4	4.7	15.1	-	-	-
Total	$ 2,366.8 (4)	$ 2,004.3 (4)	$ 402.8	$ 2,456.4	$ 2,859.2	$ 1,166.4	$ 1,035.0	$ 2,201.4	$ (1,086.6)	$ 689.1	$ (397.5)

(1) Includes $452.3 million for Fund VI 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 income equates to its 20% of cumulative profits of the funds.

(2) Includes certain SIAs.

(3) Includes $100.9 million and $69.0 million of carried interest receivable from AAA Investments' investment in Athene Holding Ltd., as of December 31, 2013 and 2012, respectively, which may be settled in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd. or paid in cash if AAA sells the shares of Athene Holding Ltd. During years ended December 31, 2013 and 2012 the Company earned $31.9 million 54.8 million, respectively, from AAA Investments' investment in Athene Holding Ltd.

(4) There was a corresponding profit sharing payable of $992.2 million and $857.7 million as of December 31, 2013 and 2012, respectively, that resulted in a net carried interest receivable on an unconsolidated basis amount of $1,374.6 million and $1,146.6 million as of December 31, 2013 and 2012, respectively. Included within profit sharing payable are contingent consideration obligations of $135.5 million and $141.0 million as of December 31, 2013 and 2012, respectively.

(5) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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.

The general partners of the private equity, credit and real estate funds listed in the table above were accruing carried interest income as of December 31, 2013. As of December 31, 2013, AAA Investments (Co-Invest VI), L.P. ("AAA Co-Invest VI"), Fund VII and Fund VI were each above their hurdle rate of 8% and generating carried interest income. AAA Co-Invest VI is one of the investment partnerships (the “Contributed Partnerships”) that contributed to Athene in connection with the AAA Transaction. The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the AAA Transaction as further described under “-Liquidity and Capital Resources-Athene”.

The investment manager of AINV accrues carried interest in the management company business as it is earned. Additionally, certain of our credit funds, including AIE II, AESI, COF I, COF II, and EPF I were each above their hurdle rates or preferred return of 7.5%, 8.0%, 8.0%, 7.5%, and 8.0% respectively, and generating carried interest income. As of December 31, 2013, the CPI Funds and AGRE U.S. Real Estate Fund, L.P. were above their hurdle rate ranges of 8-13% and 10%, respectively.

The investment manager of AINV accrues carried interest in the management company business as it is earned. 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, 2013, approximately 90% 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, 2013, there were no such general partner obligations related to our 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 for our combined segments through December 31, 2013:

	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, 2013[2]	Maximum Carried Interest Income Subject to Potential Reversal[3]
	(in millions)				
Private Equity Funds:					
Fund VII	$ 890.8	$ 1,959.7	$ 2,850.5	$ -	$ 2,197.2
Fund VI	697.6	1,178.7	1,876.3	-	1,495.8
Fund V	43.0	1,410.2	1,453.2	-	81.2
Fund IV	7.7	597.2	604.9	-	7.6
AAA/Other	228.7	67.4	296.1	-	228.9
Total Private Equity Funds	1,867.8	5,213.2	7,081.0	-	4,010.7
Credit Funds:					
U.S. Performing Credit	179.9	618.3	798.2	-	445.5
Opportunistic Credit[4]	50.9	158.1	209.0	-	60.9
Structured Credit	54.3	44.4	98.7	-	63.4
European Credit	35.6	52.5	88.1	-	73.8
Non-Performing Loans	154.2	34.9	189.1	-	189.1
Total Credit Funds	474.9	908.2	1,383.1	-	832.7
Real Estate Funds:					
CPI Funds	4.8	5.2	10.0	-	4.8
AGRE U.S. Real Estate Fund	5.6	-	5.6	-	5.6
Other	4.8	-	4.8	-	4.8
Total Real Estate Funds	15.2	5.2	20.4	-	15.2
Total	$ 2,357.9	$ 6,126.6	$ 8,484.5	$ -	$ 4,858.6

(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.

(2) Amounts were computed based on the fair value of fund investments on December 31, 2013. 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, to the extent applicable, has been reduced by the general partner obligation to return previously distributed carried interest income or fees at December 31, 2013. 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, 2013. 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 those funds that are gross of taxes as defined in the respective funds' management agreement.

(4) Amounts exclude AINV, as carried interest income from this fund is not subject to contingent repayment by the general partner.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, profit sharing expense associated with the carried interest income earned from private equity, 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. See note 1 to our 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 obligations 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. See note 17 to our consolidated financial statements for further discussion of indemnification.

Each Managing Partner receives $100,000 per year in base salary for services rendered to us. 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 (all of which have fully vested) and certain employees were granted RSUs with a vesting period of typically six years (all of which have also fully vested). 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 credit segments, which generally vest over three years. In addition, the Company grants equity awards to certain employees, including RSUs and options, that generally vest and become exercisable in quarterly installments or annual installments depending on the contract terms over a period of three to six years. See note 16 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, professional fees, placement fees, occupancy, depreciation and amortization and other general operating expenses. Interest expense consists primarily of interest related to the 2007 AMH Credit Agreement and 2013 AMH Credit Facilities as discussed in note 14 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 reporting date and the closing reporting 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. For the Company's investments held by AAA, a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the consolidated statements of operations. 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. Interest income also includes payment-in-kind interest (or "PIK" interest) on a convertible note and from one of our credit funds.

Other Income (Loss), Net. Other income (loss), 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, reversal of a portion of the tax receivable agreement liability (see note 17 to our consolidated financial statements), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company’s affiliates and other miscellaneous non-operating 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 upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. 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 Interests in the consolidated financial statements. The Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 61.0%, 64.9% and 65.9% 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, 2013, 2012 and 2011, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 97.4%, 97.3% and 97.6% ownership interests held by limited partners in AAA as of December 31, 2013, 2012 and 2011, 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) attributable 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 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, 2013, 2012 and 2011, respectively. For additional analysis of the factors that affected our results at the segment level, see "-Segment Analysis" below:

	Year Ended December 31,		Amount Change	Percentage Change	Year Ended December 31,		Amount Change	Percentage Change
	2013	2012			2012	2011		
	(in thousands)				(in thousands)			
Revenues:								
Advisory and transaction fees from affiliates, net	$ 196,562	$ 149,544	$ 47,018	31.4%	$ 149,544	$ 81,953	$ 67,591	82.5%
Management fees from affiliates	674,634	580,603	94,031	16.2	580,603	487,559	93,044	19.1
Carried interest income (loss) from affiliates	2,862,375	2,129,818	732,557	34.4	2,129,818	(397,880)	2,527,698	NM
Total Revenues	3,733,571	2,859,965	873,606	30.5	2,859,965	171,632	2,688,333	NM
Expenses:								
Compensation and benefits:								
Equity-based compensation	126,227	598,654	(472,427)	(78.9)	598,654	1,149,753	(551,099)	(47.9)
Salary, bonus and benefits	294,753	274,574	20,179	7.3	274,574	251,095	23,479	9.4
Profit sharing expense	1,173,255	872,133	301,122	34.5	872,133	(60,070)	932,203	NM
Total Compensation and Benefits	1,594,235	1,745,361	(151,126)	(8.7)	1,745,361	1,340,778	404,583	30.2
Interest expense	29,260	37,116	(7,856)	(21.2)	37,116	40,850	(3,734)	(9.1)
Professional fees	83,407	64,682	18,725	28.9	64,682	59,277	5,405	9.1
General, administrative and other	98,202	87,961	10,241	11.6	87,961	75,558	12,403	16.4
Placement fees	42,424	22,271	20,153	90.5	22,271	3,911	18,360	469.4
Occupancy	39,946	37,218	2,728	7.3	37,218	35,816	1,402	3.9
Depreciation and amortization	54,241	53,236	1,005	1.9	53,236	26,260	26,976	102.7
Total Expenses	1,941,715	2,047,845	(106,130)	(5.2)	2,047,845	1,582,450	465,395	29.4
Other Income:								
Net gains (losses) from investment activities	330,235	288,244	41,991	14.6	288,244	(129,827)	418,071	NM
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	271,446	NM	(71,704)	24,201	(95,905)	NM
Income from equity method investments	107,350	110,173	(2,823)	(2.6)	110,173	13,923	96,250	NM
Interest income	12,266	9,693	2,573	26.5	9,693	4,731	4,962	104.9
Other income, net	40,114	1,964,679	(1,924,565)	(98.0)	1,964,679	205,520	1,759,159	NM
Total Other Income	689,707	2,301,085	(1,611,378)	(70.0)	2,301,085	118,548	2,182,537	NM
Income (loss) before income tax provision	2,481,563	3,113,205	(631,642)	(20.3)	3,113,205	(1,292,270)	4,405,475	NM
Income tax provision	(107,569)	(65,410)	(42,159)	64.5	(65,410)	(11,929)	(53,481)	448.3
Net Income (Loss)	2,373,994	3,047,795	(673,801)	(22.1)	3,047,795	(1,304,199)	4,351,994	NM
Net (income) loss attributable to Non-controlling Interests	(1,714,603)	(2,736,838)	1,022,235	(37.4)	(2,736,838)	835,373	(3,572,211)	NM
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 659,391	$ 310,957	$ 348,434	112.1%	$ 310,957	$ (468,826)	$ 779,783	NM

Note: "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, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $47.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This was attributable to an increase in advisory and transaction fees, net in the credit segment of $87.1 million, offset by a decrease in advisory and transaction fees, net in the private equity segment of $43.4 million. During the year ended December 31, 2013, gross and net advisory fees, including directors' fees, were $213.3 million and $140.0 million, respectively, and gross and net transaction fees were $133.5 million and $56.6 million, respectively. 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. The net transaction and advisory fees were further offset by $5.2 million and $5.3 million in broken deal costs during the years ended December 31, 2013 and 2012, respectively, primarily relating to Fund VII. Advisory and transaction fees are reported net of Management Fee Offsets as calculated under the terms of the applicable limited partnership agreements. See "-Overview of Results of Operations-Revenues-Advisory and Transaction Fees from Affiliates, Net" for a summary that addresses how the Management Fee Offsets are calculated.

Management fees from affiliates increased by $94.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in management fees earned by our credit, private equity and real estate segments of $92.8 million, $7.8 million and $7.1 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. Part of the increase in management fees earned from the credit funds was attributable to an increase of $13.6 million of fees earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation.

Carried interest income from affiliates increased by $732.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased carried interest income driven by increases in the fair value of portfolio investments held by certain funds and certain co-invest vehicles, primarily Fund VI, Fund VII, AAA Co-Invest VI, an indirect subsidiary of Athene Holding Ltd., SOMA and EPF I which had increased carried interest income of $548.1 million, $242.4 million, $115.7 million, $40.0 million and $34.5 million, respectively. This was offset by COF I, COF II, CLOs and Fund V, which had decreased carried interest income of $100.1 million, $48.3 million, $44.5 million and $34.8 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012. The remaining change was attributable to an overall increase in the fair value of portfolio investments of the other funds, which generated increased carried interest income of $17.5 million during the period. Part of the change in carried interest income from affiliates was attributable to a decrease in carried interest income of $37.9 million earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation during the year ended December 31, 2013 as compared to the same period in 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, 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 $63.6 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 and CLOs, primarily Fund VI, Fund VII, COF I, ACLF, CLOs, Fund V, COF II, AAA and ACF, 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.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits decreased by $151.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a reduction of equity-based compensation by $472.4 million, specifically the amortization of AOG Units which decreased by $450.9 million due to the expiration of the vesting period for the Managing Partners in June 2013. This was partially offset by an increase in profit sharing expense of $301.1 million as a result of the favorable performance of certain of our private equity and credit funds during the period. Included in profit sharing expense was $62.4 million and $62.1 million of expenses related to the Incentive Pool (as defined below) for the year ended December 31, 2013 and 2012, respectively. In addition, salary, bonus and benefits increased by $20.2 million as a result of an increase in headcount during the period as compared to the same period in 2012.

The Company 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. 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.

Interest expense decreased by $7.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to decreased interest expense related to expiring of interest rate swaps and a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the same period in 2012.

Professional fees increased by $18.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to higher legal and consulting fees incurred during the year ended December 31, 2013, as compared to the same period in 2012 due to the continued expansion of our global investment platform.

General, administrative and other expenses increased by $10.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in costs associated with the launch of new funds, increased travel, information technology, recruiting and other expenses incurred during the year ended December 31, 2013 as compared to the same period in 2012.

Placement fees increased by $20.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. 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 $15.4 million related to the launch of Fund VIII during the year ended December 31, 2013.

Occupancy expense increased by $2.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to additional expenses 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, 2013 as compared to the same period in 2012.

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 $932.2 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. Also included in profit sharing expense is $62.1 million and $35.2 million of expense related to the Incentive Pool for the years ended December 31, 2012 and 2011, respectively.

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 2007 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.

Other Income (Loss)

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net gains from investment activities increased by $42.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $54.3 million increase in net unrealized gains related to changes in the fair value of AAA Investments' portfolio investments, partially offset by an $11.5 million decrease in unrealized gains related to the change in the fair value of the investment in HFA during the year ended December 31, 2013 as compared to the same period in 2012.

Net gains (losses) from investment activities of consolidated VIEs increased by $271.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in net realized and unrealized losses relating to the debt held by the consolidated VIEs of $402.3 million and higher interest and other income of $92.7 million during the period. This was offset by a decrease in the fair values of investments held by the consolidated VIEs of $191.9 million and an increase in other expenses of $31.7 million during the year ended December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. 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 and EPF I had the most significant impact and together generated $81.9 million of income from equity method investments during the year ended December 31, 2013 as compared to a $84.2 million of income from equity method investments during the year ended December 31, 2012, resulting in a net decrease of $2.3 million. See note 4 to our consolidated financial statements for a complete summary of income from equity method investments by fund for the year ended December 31, 2013 and 2012.

Other income, net decreased by $1,924.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a gain on acquisition of $1,951.1 million recorded on the Stone Tower acquisition during April 2012. See note 3 to our consolidated financial statements for further discussion of the Stone Tower acquisition. The remaining offset was primarily attributable to income related to the reduction of the tax receivable agreement liability due to a change in estimated tax rates, and an unrealized gain on Athene related derivative contracts (see note 17 to our consolidated financial statements) during the year ended December 31, 2012 as compared to the same period in 2011. See note 12 to our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2013 and 2012.

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. See 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, compared to a bargain purchase gain on the Gulf Stream acquisition of $195.5 million during October 2011. See 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. See note 12 to our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2012 and 2011.

Income Tax Provision

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The income tax provision increased by $42.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. As discussed in note 13 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 taxable income of $209.5 million and $130.8 million for the year ended December 31, 2013 and 2012, respectively, after adjusting for permanent tax differences. The $78.7 million change in income before taxes resulted in increased federal, state and local taxes of $42.6 million during the period utilizing a marginal corporate tax rate and adjusting the estimated rate of tax Apollo expects to pay in the future. This was partially offset by a decrease in the income tax provision of $0.5 million which primarily resulted from a decrease in the NYC UBT, as well as taxes on foreign subsidiaries.

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 13 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.

Non-Controlling Interests

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net income attributable to Non-Controlling Interests consisted of the following:

	For the Year Ended December 31,		
	2013	2012	2011
AAA[(1)]	$ (331,504)	$ (278,454)	$ 123,400
Interest in management companies and a co-investment vehicle[(2)]	(18,872)	(7,307)	(12,146)
Other consolidated entities	43,357	50,956	(13,958)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(307,019)	(234,805)	97,296
Net income attributable to Appropriated Partners' Capital[(3)]	(149,934)	(1,816,676)	(202,235)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(1,257,650)	(685,357)	940,312
Net (Income) Loss attributable to Non-Controlling Interests	$ (1,714,603)	$ (2,736,838)	$ 835,373
Net income attributable to Appropriated Partners' Capital[(4)]	149,934	1,816,676	202,235
Other Comprehensive Income attributable to Non-Controlling Interests	(41)	(2,010)	(5,106)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$ (1,564,710)	$ (922,172)	$ 1,032,502

(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 97.4% during the year ended December 31, 2013, approximately 97.3% during the year ended December 31, 2012, and approximately 97.6% during the year ended December 31, 2011. As of December 31, 2013, 2012 and 2011, Apollo owned approximately 2.6%, 2.7% and 2.4% of AAA, 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 attributable to Non-Controlling Interests on the consolidated statements of comprehensive income.

Initial Public Offering and Secondary 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 Apollo Global Management, LLC's ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. Additionally, on May 15, 2013, the Company completed its resale of approximately 24.3 million Class A shares owned by Selling Shareholders (the "Secondary Offering"). In conjunction with the Secondary Offering there was an exchange of approximately 8.8 million AOG Units into Class A shares. As a result of the exchange, the Company's economic interests in the Apollo Operating Group increased from 35.6% to 38.0% and Holdings' economic interests in the Apollo Operating Group decreased from 64.4%

to 62.0%. Additionally, in November 2013, approximately 2.3 million AOG Units were exchanged for Class A shares and sold, which also impacted the economic interests of the Apollo Operating Group held by the Company and Holdings. See note 15 to our consolidated financial statements for additional information regarding impacts to the Company's and Holding's ownership interests in the Apollo Operating Group.

Net income attributable to Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Net income	$ 2,373,994	$ 3,047,795	$ (1,304,199)
Net income attributable to Non-Controlling Interests in consolidated entities	(456,953)	(2,051,481)	(104,939)
Net income after Non-Controlling Interests in consolidated entities	1,917,041	996,314	(1,409,138)
Adjustments:			
Income tax provision[1]	107,569	65,410	11,929
NYC UBT and foreign tax provision[2]	(10,334)	(10,889)	(8,647)
Capital increase related to equity-based compensation	-	-	(22,797)
Net (loss) income in non-Apollo Operating Group entities	(11,774)	948	1,345
Total adjustments	85,461	55,469	(18,170)
Net income (loss) after adjustments	2,002,502	1,051,783	(1,427,308)
Approximate ownership percentage of Apollo Operating Group	61.0%	64.9%	65.9%
Net income (loss) attributable to Non-Controlling Interests in Apollo Operating Group[3]	$ 1,257,650	$ 685,357	$ (940,312)

(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 62.7%, 65.2% and 67.4% during the years ended December 31, 2013, 2012 and 2011, respectively, to the consolidated net income of the Apollo Operating Group before a corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities.

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 underlying 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 are generally less predictable and more volatile in nature.

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

Private Equity

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, 2013, 2012, and 2011 respectively. ENI represents segment income, excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement, 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 Interests 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, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Private Equity[1]:									
Revenues:									
Advisory and transaction fees from affiliates, net	$ 78,371	$ -	$ 78,371	$ 121,744	$ -	$ 121,744	$ 58,145	$ -	$ 58,145
Management fees from affiliates	284,833	-	284,833	277,048	-	277,048	263,212	-	263,212
Carried interest income (loss) from affiliates:									-
Unrealized gains (losses)[2]	-	454,722	454,722	-	854,919	854,919	-	(1,019,748)	(1,019,748)
Realized gains	-	2,062,525	2,062,525	-	812,616	812,616	-	570,540	570,540
Total Revenues	363,204	2,517,247	2,880,451	398,792	1,667,535	2,066,327	321,357	(449,208)	(127,851)
Expenses:									
Compensation and Benefits:									
Equity compensation	31,967	-	31,967	31,213	-	31,213	31,778	-	31,778
Salary, bonus and benefits	109,761	-	109,761	104,068	-	104,068	121,711	-	121,711
Profit sharing expense	-	1,030,404	1,030,404	-	726,874	726,874	-	(96,833)	(96,833)
Total compensation and benefits	141,728	1,030,404	1,172,132	135,281	726,874	862,155	153,489	(96,833)	56,656
Other expenses	112,525	-	112,525	83,311	-	83,311	99,338	-	99,338
Total Expenses	254,253	1,030,404	1,284,657	218,592	726,874	945,466	252,827	(96,833)	155,994
Other Income:									
Income from equity method investments	-	78,811	78,811	-	74,038	74,038	-	7,960	7,960
Other income, net	13,006	1,695	14,701	4,653	-	4,653	7,081	-	7,081
Total Other Income	13,006	80,506	93,512	4,653	74,038	78,691	7,081	7,960	15,041
Economic Net Income (Loss)	$ 121,957	$ 1,567,349	$ 1,689,306	$ 184,853	$ 1,014,699	$ 1,199,552	$ 75,611	$ (344,415)	$ (268,804)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) 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 reporting 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,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Private Equity[1]:								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 78,371	$ 121,744	$ (43,373)	(35.6)%	$ 121,744	$ 58,145	$ 63,599	109.4%
Management fees from affiliates	284,833	277,048	7,785	2.8	277,048	263,212	13,836	5.3
Carried interest income (loss) from affiliates:								
Unrealized gains (losses)[2]	454,722	854,919	(400,197)	(46.8)	854,919	(1,019,748)	1,874,667	NM
Realized gains	2,062,525	812,616	1,249,909	153.8	812,616	570,540	242,076	42.4
Total carried interest income (loss) from affiliates	2,517,247	1,667,535	849,712	51.0	1,667,535	(449,208)	2,116,743	NM
Total Revenues	2,880,451	2,066,327	814,124	39.4	2,066,327	(127,851)	2,194,178	NM
Expenses:								
Compensation and benefits:								
Equity-based compensation	31,967	31,213	754	2.4	31,213	31,778	(565)	(1.8)
Salary, bonus and benefits	109,761	104,068	5,693	5.5	104,068	121,711	(17,643)	(14.5)
Profit sharing expense	1,030,404	726,874	303,530	41.8	726,874	(96,833)	823,707	NM
Total compensation and benefits expense	1,172,132	862,155	309,977	36.0	862,155	56,656	805,499	NM
Other expenses	112,525	83,311	29,214	35.1	83,311	99,338	(16,027)	(16.1)
Total Expenses	1,284,657	945,466	339,191	35.9	945,466	155,994	789,472	NM
Other Income:								
Income from equity method investments	78,811	74,038	4,773	6.4	74,038	7,960	66,078	NM
Other income, net	14,701	4,653	10,048	215.9	4,653	7,081	(2,428)	(34.3)
Total Other Income	93,512	78,691	14,821	18.8	78,691	15,041	63,650	423.2
Economic Net Income (Loss)	$1,689,306	$1,199,552	$ 489,754	40.8%	$ 1,199,552	$ (268,804)	$ 1,468,356	NM

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) 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 reporting 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, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, decreased by $43.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease of $35.4 million in net transaction and termination fees driven by the portfolio company investments of Fund VI, AAA Investments and Fund VII. The net transaction and termination fees related to Fund VI and AAA Investments decreased by $17.9 million and $8.8 million, respectively, due to termination fees earned in 2012 from Realogy, Rexnord and Smart & Final, compared to zero termination fees earned during the year ended December 31, 2013. For the years ended December 31, 2013 and 2012, the net transaction and termination fees related to Fund VII were $42.2 million and $50.9 million, respectively, a decrease of $8.7 million. For 2012, the fees related to Fund VII were driven by net transaction fees earned from EP Energy LLC and Great Wolf Resorts of $42.4 million, whereas during 2013 the fees were driven by net transaction fees earned from McGraw-Hill Education of $14.8 million and net termination fees earned from Taminco and Constellium (formerly Alcan) of $20.6 million. Net advisory fees also decreased by $8.0 million mainly due to decreased monitoring fees earned from portfolio company investments of Fund VI and AAA Investments, which include Berry Plastics, CEVA Logistics, Momentive Performance Materials and Caesars Entertainment. Included in advisory and transaction fees from affiliates is $19.1 million and $0.5 million recognized as a reversal of the Management Fee Offset for Fund V and Fund IV, respectively, and $18.5 million of additional Management Fee Offsets related to director fees, net of director fee income.

Management fees from affiliates increased by $7.8 million for year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was primarily attributable to Fund VIII, which launched in August 2013 and generated $65.0 million in management fees during the year ended December 31, 2013. The increase was also attributed to the Contributed Partnerships, which began earning fees in Q4 2012 as a result of the AAA Transaction and generated $10.3 million of management fees during the year ended December 31, 2013. See notes 4 and 17 to our consolidated financial statements for a complete summary of the AAA Transaction and fee arrangements related to management fees earned from the Contributed Partnerships. This increase was partially offset by decreased management fees earned from Fund VII of $42.4 million as a result of a change in the management fee rate and basis from capital commitments to invested capital due to the end of its investment period. Management fees earned from Fund VI also decreased by $8.3 million due to lower invested capital during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Carried interest income from affiliates increased by $849.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in carried interest income earned from Fund VI of $548.1 million, Fund VII of $242.4 million and AAA Co-Invest VI of $115.7 million, partially offset by a decrease of $34.8 million from Fund V. Included in carried interest income from affiliates was an increase of $1,249.9 million in realized gains mainly driven by increased dispositions of underlying portfolio investments held during the year by Fund VII, Fund VI, Fund V and AAA Co-Invest VI of $691.3 million, $466.3 million, $65.7 million and $37.9 million, respectively. The remaining change was attributable to a decrease in net unrealized carried interest income of $400.2 million mainly driven by Fund VII and Fund V of $449.0 million and $100.5 million, respectively, resulting from the reversal of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the year. Partly offsetting the decrease in net unrealized carried interest income were increases by Fund VI and AAA Co-Invest VI of $81.7 million and $77.7 million, respectively, due to increases in the fair values of the underlying portfolio investments held during the year.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, increased by $63.6 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 advisory and transaction fees, net, rendered during the year, primarily relating to Fund VII of $46.1 million and Fund VI of $11.2 million, as well as $9.9 million relating to AGS and ANRP . Gross advisory and transaction fees, including directors' fees and termination fees, were $275.7 million and $155.7 million for the years ended December 31, 2012 and 2011, respectively, an increase of $120.0 million. The transaction and termination fees earned during the year ended December 31, 2012 primarily related to seven portfolio investment transactions, specifically EP Energy LLC, 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 Athene Life Re Ltd., Constellium (formerly Alcan), Ascometal, 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 seven portfolio investments including debt investment vehicles invested in by Fund VI and Fund VII, EP Energy LLC, Caesars Entertainment, Berry Plastics, Momentive Performance Materials, CEVA Logistics and Realogy, which generated gross and net fees of $70.7 million and $29.8 million, respectively. The advisory fees earned during the year ended December 31, 2011 were primarily generated by advisory and monitoring arrangements with five portfolio investments including Berry Plastics, Caesars Entertainment, CEVA Logistics, debt investment vehicles invested in by Fund VI and Fund VII and Realogy, which generated gross and net fees of $69.3 million and $26.2 million, respectively. Advisory and transaction fees, including directors' fees and termination fees, are reported net of Management Fee Offsets totaling $154.0 million and $97.6 million for the years ended December 31, 2012 and 2011, respectively, an increase of $56.4 million.

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. The increase was also attributed to the Contributed Partnerships, which began earning fees in Q4 2012 as a result of the AAA Transaction and generated $1.4 million of management during the year ended December 31, 2012. See notes 4 and 17 to our consolidated financial statements for a complete summary of the AAA Transaction and fee arrangements related to management fees earned from the Contributed Partnerships. This increase was partially offset by a decrease in the management fees earned from AAA Investments of $4.0 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 increases in carried interest earned from Fund VI of $1,282.5 million, Fund VII of $783.3 million and Fund V of $69.4 million, partially offset by carried interest loss of $90.7 million from Fund IV. Included in carried interest income (loss) from affiliates for the year ended December 31, 2012, was an increase in net unrealized carried interest income (losses) 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 was a $111.1 million decrease to Fund IV's net unrealized carried interest loss 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 realized carried interest income in Fund IV of $201.8 million.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $310.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily a result of an increase of $303.5 million in profit sharing expense driven by an increase in carried interest income earned by certain of our private equity funds during the year. Also, salary, bonus and benefits and equity-based compensation increased by $5.7 million and $0.8 million, respectively, due to an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Included in profit sharing expense is $46.0 million and $50.3 million related to the Incentive Pool for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $29.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased placement fees and organizational expenses incurred in connection with the capital raising activities for Fund VIII. Professional fees also increased due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

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 $823.7 million increase in profit sharing expense mostly driven by the increase in carried interest income earned from our private equity funds during the year. Included in profit sharing expense is $50.3 million and $19.7 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 2007 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.

Other Income

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Income from equity method investments increased by $4.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by increases in the fair values of our private equity investments held, primarily from Apollo's ownership interest in Fund VII, Vantium A/B, C and D and AAA Investments which in total contributed to increased income from equity method investments of $5.6 million during the year. The increase in income from equity method investments was partially offset by a decrease of $1.2 million from the equity investment held in AION for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other income, net increased by $10.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 to our consolidated financial statements for more information on the tax receivable agreement.

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.

Credit

The following tables set forth segment statement of operations information and ENI for our credit segment for the years ended December 31, 2013, 2012, and 2011, 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 Interests 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, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Credit[1]:									
Revenues:									
Advisory and transaction fees from affiliates, net	$ 114,643	$ -	$ 114,643	$ 27,551	$ -	$ 27,551	$ 23,467	$ -	$ 23,467
Management fees from affiliates	392,433	-	392,433	299,667	-	299,667	186,700	-	186,700
Carried interest income from affiliates:						-			-
Unrealized (losses) gains [2]	-	(56,568)	(56,568)	-	301,077	301,077	-	(66,852)	(66,852)
Realized gains	36,922	393,338	430,260	37,842	179,933	217,775	44,540	74,113	118,653
Total Revenues	543,998	336,770	880,768	365,060	481,010	846,070	254,707	7,261	261,968
Expenses:									
Compensation and Benefits:									
Equity-based compensation	24,167	-	24,167	26,988	-	26,988	23,283	-	23,283
Salary, bonus and benefits	153,056	-	153,056	139,895	-	139,895	94,980	-	94,980
Profit sharing expense	-	142,728	142,728	-	138,444	138,444	-	36,762	36,762
Total compensation and benefits	177,223	142,728	319,951	166,883	138,444	305,327	118,263	36,762	155,025
Other expenses	162,064	-	162,064	149,051	-	149,051	94,995	-	94,995
Total Expenses	339,287	142,728	482,015	315,934	138,444	454,378	213,258	36,762	250,020
Other Income (Loss):									
Net (losses) from investment activities	-	(12,593)	(12,593)	-	(1,142)	(1,142)	-	(5,881)	(5,881)
Income from equity method investments	-	30,678	30,678	-	46,100	46,100	-	2,143	2,143
Other income (loss), net	28,540	8,508	37,048	15,008	-	15,008	(1,978)	-	(1,978)
Total Other Income (Loss)	28,540	26,593	55,133	15,008	44,958	59,966	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	(13,985)	-	(13,985)	(8,730)	-	(8,730)	(12,146)	-	(12,146)
Economic Net Income (Loss)	$ 219,266	$ 220,635	$ 439,901	$ 55,404	$ 387,524	$ 442,928	$ 27,325	$ (33,239)	$ (5,914)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 (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 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 reporting 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,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Credit[1]:								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 114,643	$ 27,551	$ 87,092	316.1%	$ 27,551	$ 23,467	$ 4,084	17.4%
Management fees from affiliates	392,433	299,667	92,766	31.0	299,667	186,700	112,967	60.5
Carried interest income from affiliates:								
Unrealized (losses) gain[2]	(56,568)	301,077	(357,645)	NM	301,077	(66,852)	367,929	NM
Realized gains	430,260	217,775	212,485	97.6	217,775	118,653	99,122	83.5
Total carried interest income from affiliates	373,692	518,852	(145,160)	(28.0)	518,852	51,801	467,051	NM
Total Revenues	880,768	846,070	34,698	4.1	846,070	261,968	584,102	223.0
Expenses:								
Compensation and benefits								
Equity-based compensation	24,167	26,988	(2,821)	(10.5)	26,988	23,283	3,705	15.9
Salary, bonus and benefits	153,056	139,895	13,161	9.4	139,895	94,980	44,915	47.3
Profit sharing expense	142,728	138,444	4,284	3.1	138,444	36,762	101,682	276.6
Total compensation and benefits	319,951	305,327	14,624	4.8	305,327	155,025	150,302	97.0
Other expenses	162,064	149,051	13,013	8.7	149,051	94,995	54,056	56.9
Total Expenses	482,015	454,378	27,637	6.1	454,378	250,020	204,358	81.7
Other Income:								
Net losses from investment activities	(12,593)	(1,142)	(11,451)	NM	(1,142)	(5,881)	4,739	(80.6)
Income from equity method investments	30,678	46,100	(15,422)	(33.5)	46,100	2,143	43,957	NM
Other income, net	37,048	15,008	22,040	146.9	15,008	(1,978)	16,986	NM
Total Other Income	55,133	59,966	(4,833)	(8.1)	59,966	(5,716)	65,682	NM
Non-Controlling Interests	(13,985)	(8,730)	(5,255)	60.2	(8,730)	(12,146)	3,416	(28.1)
Economic Net Income (Loss)	$ 439,901	$ 442,928	$ (3,027)	(0.7)%	$ 442,928	$ (5,914)	$ 448,842	NM

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 (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 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 reporting 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, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $87.1 million, during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Net advisory fees earned were $108.5 million and $21.5 million during the years ended December 31, 2013 and 2012, respectively, which was mainly driven by an increase in monitoring fees based on Athene capital and surplus fees of $91.1 million. Net transaction fees earned were $6.1 million and $6.0 million during the years ended December 31, 2013 and 2012, respectively. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets which totaled $28.0 million and $26.6 million for the years ended December 31, 2013 and 2012, respectively, a decrease of $1.4 million or 5.2%.

Management fees from affiliates increased by $92.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in management fees earned from Athene, EPF II, CLOs, and ACF of $72.5 million, $14.0 million, $10.4 million, and $8.7 million, respectively during the year ended December 31, 2013 compared to the same period in 2012. The increase in management fees was partially offset by a $7.8 million decrease in fees generated from COF II and a $7.7 million decrease in fees generated from SVF, compared to the same period in 2012. The remaining change was attributable to other credit funds, collectively, which contributed to an increase of $2.7 million in management fees during the year ended December 31, 2013 compared to the same period in 2012.

Carried interest income from affiliates decreased by $145.2 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to lower carried interest income related to COF I of $100.1 million, COF II of $48.3 million, CLOs of $44.5 million, offset by higher carried interest income related to SOMA of $40.0 million and EPF I of $34.5 million for the year ended December 31, 2013 compared to 2012. Included in carried interest income from affiliates was realized carried interest income which increased by $212.5 million, primarily resulting from increased dividends, interest income, and dispositions of portfolio investments held by COF I of $79.0 million, EPF I of $33.0 million, CLOs of $29.4 million, SOMA of $17.4 million, and CLF of $17.1 million as compared to 2012. The remaining change was attributable to other credit funds, which in aggregate contributed to an increase of $36.6 million in realized carried interest income. The increase in realized carried interest income was offset by a $357.6 million decrease in net unrealized carried interest loss. This offset primarily resulted from reversals of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the period by COF I, CLOs, CLF, and COF II.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, increased by $4.1 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 $54.1 million and $49.9 million for the years ended December 31, 2012 and 2011, respectively, an increase of $4.2 million or 8.4%. 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. Net advisory fees earned were $21.5 million and $17.5 million during the year ended December 31, 2012 and 2011, respectively, which was mainly driven by an increase in monitoring fees based on Athene's capital and surplus of $8.0 million. 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 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, 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 by 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 higher carried interest income related to COF I of $134.9 million, CLF of $77.4 million, CLOs of $72.2 million, and COF II of $69.1 million for the year ended December 31, 2012 compared to 2011. Included in carried interest income from affiliates was realized carried interest income which increased by $99.1 million, primarily resulting from increased dividends, interest income, and dispositions of portfolio investments held by COF I of $60.5 million, ACF of $16.7 million, and CLF of $11.5 million as compared to 2011. The remaining change was attributable to other credit funds, which in aggregate contributed to an increase of $10.4 million in realized carried interest income. The remaining increase relates to an increase in net unrealized carried interest income of $368.0 million driven by increases in the fair values of the underlying portfolio investments held during the year primarily by COF I of $74.4 million, CLOs of $71.8 million, COF II of $65.9 million, ACLF of $65.9 million, and AIE II of $27.0 million for the year ended December 31, 2012 as compared to 2011.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $14.6 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was primarily due to an increase in salary, bonus, and benefits of $13.2 million during the period, due to increased headcount, and an increase in profit-sharing expense of $4.3 million during the year ended December 31, 2013 as compared to the same period in 2012. Included in the profit sharing expense is the Incentive Pool, with expenses of $16.3 million and $11.8 million for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $13.0 million during the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was driven by a $7.1 million increase in placement fees mainly due to AIF, and a $5.0 million increase in professional fees attributable to higher legal and IT consulting fees during the year ended December 31, 2013 as compared to the same period in 2012.

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 $101.7 million due to the favorable performance of certain of our credit funds. In addition, salary, bonus and benefits expense increased by $44.9 million 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. Included in the profit sharing expense is the Incentive Pool, with expenses of $11.8 million and $15.5 million for the years ended December 31, 2012 and 2011, respectively.

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 fund-raising 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.

Other Income

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net losses from investment activities increased by $11.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was related to an increase in unrealized loss resulting from the change in the fair value of the investment in HFA as of December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $15.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I and COF II, which resulted in decreases in income from equity method investments of $13.3 million, and $4.0 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012.

Other income increased by $22.0 million during the year ended December 31, 2013, as compared to December 31, 2012, primarily due to a reduction of the tax receivable agreement liability due to a change in estimated tax rates and a $8.5 million unrealized gain on Athene-related derivative contracts (see note 17 to our consolidated financial statements).

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.

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, 2013, 2012, and 2011. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement, 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, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Real Estate:(1)									
Revenues:									
Advisory and transaction fees from affiliates, net	$ 3,548	$ -	$ 3,548	$ 749	$ -	$ 749	$ 698	$ -	$ 698
Management fees from affiliates	53,436	-	53,436	46,326		46,326	40,279		40,279
Carried interest income from affiliates:									
Unrealized gains	-	4,681	4,681	-	10,401	10,401	-	-	-
Realized gains	-	541	541	-	4,673	4,673	-	-	-
Total Revenues	56,984	5,222	62,206	47,075	15,074	62,149	40,977	-	40,977
Expenses:									
Compensation and Benefits:									
Equity-based compensation	10,207	-	10,207	10,741	-	10,741	13,111	-	13,111
Salary, bonus and benefits	31,936	-	31,936	30,611	-	30,611	34,405	-	34,405
Profit sharing expense	-	123	123	-	6,815	6,815	-	-	-
Total compensation and benefits	42,143	123	42,266	41,352	6,815	48,167	47,516	-	47,516
Other expenses	27,620	-	27,620	24,270	-	24,270	29,663	-	29,663
Total Expenses	69,763	123	69,886	65,622	6,815	72,437	77,179	-	77,179
Other Income:									
Income from equity method investments	-	3,722	3,722	-	982	982	-	726	726
Other income, net	2,402	-	2,402	1,271		1,271	9,694	-	9,694
Total Other Income	2,402	3,722	6,124	1,271	982	2,253	9,694	726	10,420
Economic Net (Loss) Income	$ (10,377)	$ 8,821	$ (1,556)	$ (17,276)	$ 9,241	$ (8,035)	$ (26,508)	$ 726	$ (25,782)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Real Estate:[1]								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 3,548	$ 749	$ 2,799	373.7%	$ 749	$ 698	$ 51	7.3%
Management fees from affiliates	53,436	46,326	7,110	15.3	46,326	40,279	6,047	15.0
Carried interest income from affiliates:					-			
Unrealized gains	4,681	10,401	(5,720)	(55.0)	10,401	-	10,401	NM
Realized gains	541	4,673	(4,132)	(88.4)	4,673	-	4,673	NM
Total carried interest income from affiliates	5,222	15,074	(9,852)	(65.4)	15,074	-	15,074	NM
Total Revenues	62,206	62,149	57	0.1	62,149	40,977	21,172	51.7
Expenses:								
Compensation and Benefits:								
Equity-based compensation	10,207	10,741	(534)	(5.0)	10,741	13,111	(2,370)	(18.1)
Salary, bonus and benefits	31,936	30,611	1,325	4.3	30,611	34,405	(3,794)	(11.0)
Profit sharing expense	123	6,815	(6,692)	(98.2)	6,815	-	6,815	NM
Total compensation and benefits	42,266	48,167	(5,901)	(12.3)	48,167	47,516	651	1.4
Other expenses	27,620	24,270	3,350	13.8	24,270	29,663	(5,393)	(18.2)
Total Expenses	69,886	72,437	(2,551)	(3.5)	72,437	77,179	(4,742)	(6.1)
Other Income:								
Income from equity method investments	3,722	982	2,740	279.0	982	726	256	35.3
Other income, net	2,402	1,271	1,131	89.0	1,271	9,694	(8,423)	(86.9)
Total Other Income	6,124	2,253	3,871	171.8	2,253	10,420	(8,167)	(78.4)
Economic Net (Loss)	$ (1,556)	$ (8,035)	$ 6,479	(80.6)%	$ (8,035)	$ (25,782)	$ 17,747	(68.8)%

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

Revenues

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to additional capital raised and invested and the realization of underlying investments for which transaction fees and termination fees, respectively, were earned during the year.

Management fees increased by $7.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Of this increase, $2.4 million was due to management fees earned from certain sub-advisory agreements and $1.2 million due to fees earned from 2012 CMBS-I Fund, L.P. and 2012 CMBS-II Fund, L.P., which began generating fees in the third quarter of 2012. Additionally, during 2013, ARI invested additional capital and AGRE Debt Fund I, L.P. raised additional fee generating capital which resulted in higher management fees earned during the year of $5.6 million. The increase in management fees was partially offset by a decrease in management fees earned from the CPI Funds of $2.4 million as a result of the realization of underlying investments during the year ended December 31, 2013. Further offsetting the increase was a decrease of $0.5 million in management fees from AGRE U.S. Real Estate Fund, L.P. which generated higher management fees in 2012 due to new commitments to the fund for which the management fees were calculated retrospectively back to the initial closing date of the fund.

Carried interest income from affiliates decreased by $9.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $5.7 million decrease in net unrealized carried interest income driven by a decrease in the fair values of the underlying portfolio investments for certain of the CPI Funds, partially offset by increases in the fair values of the underlying investments of AGRE U.S. Real Estate Fund, L.P. Also driving the change was a decrease in realized carried interest of $4.1 million from the CPI Funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

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 certain sub-advisory agreements and the launching of 2012 CMBS-I Fund, L.P. and 2012 CMBS-II Fund L.P. during the year ended December 31, 2012. In addition, increased management fees were earned from AGRE U.S. Real Estate Fund, L.P. of $2.5 million due to additional capital commitments raised 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 $1.1 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.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits decreased by $5.9 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in profit sharing expense of $6.7 million driven by the decreased carried interest income earned from our real estate funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This decrease was partially offset by an increase of $1.3 million in salary, bonus and benefits mainly driven by an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other expenses increased by $3.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased professional fees of $3.4 million due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Also, general and administrative expenses increased by $1.8 million due to higher fund-related organizational expenses incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was partially offset by a decrease in interest expense of $1.5 million due to the expiring of interest rate swaps and due to a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

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 $6.8 million in profit sharing expense driven by the increase carried interest income earned from our real estate funds. Offsetting this increase were decreases of $3.8 million and $2.4 million in salary, bonus and benefits and equity-based compensation, respectively, due to a decrease in headcount.

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 changes to 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.

Other Income

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Income from equity method investments increased by $2.7 million during ended December 31, 2012 as compared to the year ended December 31, 2012. This change was primarily driven by an increase of $2.2 million in income from equity method investments in AGRE U.S. Real Estate Fund, L.P.

Other income, net increased by $1.1 million during ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 in the consolidated financial statements for additional information on the tax receivable agreement.

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 $0.5 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 $0.2 million from Apollo's ownership interest in the CPI Funds and AGRE U.S. Real Estate Fund, L.P.

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.

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, 2013, 2012 and 2011, 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 Interests 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,		
	2013	2012	2011
	(in thousands)		
Management Business			
Revenues:			
Advisory and transaction fees from affiliates, net	$ 196,562	$ 150,044	$ 82,310
Management fees from affiliates	730,702	623,041	490,191
Carried interest income from affiliates	36,922	37,842	44,540
Total Revenues	964,186	810,927	617,041
Expenses:			
Equity-based compensation	66,341	68,942	68,172
Salary, bonus and benefits	294,753	274,574	251,095
Interest expense	29,260	37,116	40,850
Professional fees(1)	82,448	63,250	58,315
General, administrative and other(2)	97,085	86,550	73,972
Placement fees	42,424	22,271	3,911
Occupancy	39,946	37,218	35,816
Depreciation and amortization	11,046	10,227	11,132
Total Expenses	663,303	600,148	543,263
Other Income:			
Interest income	10,763	8,149	4,731
Other income, net	33,185	12,783	10,066
Total Other Income	43,948	20,932	14,797
Non-Controlling Interests	(13,985)	(8,730)	(12,146)
Economic Net Income	$ 330,846	$ 222,981	$ 76,429

(1) Excludes professional fees related to the consolidated funds.
(2) Excludes general and administrative expenses and interest income related to the consolidated funds.

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 and profit sharing expenses that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Incentive Business			
Revenues:			
Carried interest income from affiliates:			
Unrealized gains (losses)[1]	$ 402,835	$ 1,166,397	$ (1,086,600)
Realized gains	2,456,404	997,222	644,653
Total Revenues	2,859,239	2,163,619	(441,947)
Expenses:			
Profit sharing expense:			
Unrealized profit sharing expense[2]	195,298	426,098	(370,485)
Realized profit sharing expense	977,957	446,035	310,415
Total Profit Sharing Expense	1,173,255	872,133	(60,070)
Other Income:			
Other income, net	10,203	-	-
Net losses from investment activities[3]	(12,593)	(1,142)	(5,881)
Income from equity method investments	113,211	121,120	10,829
Total Other Income	110,821	119,978	4,948
Economic Net Income (Loss)	$ 1,796,805	$ 1,411,464	$ (376,929)

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA and APC, respectively. 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 with respect to 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 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 the reporting 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) 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 to return previously distributed carried interest income with respect to Fund VI. 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 with respect to Fund VI.

(3) Excludes investment income and net gains from investment activities related to consolidated funds and the consolidated VIEs.

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Summary

Below is the summary of our total reportable segments, including management and incentive businesses, and a reconciliation of ENI to Net Income Attributable to Apollo Global Management, LLC reported in our consolidated statements of operations:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Revenues	$ 3,823,425	$ 2,974,546	$ 175,094
Expenses	1,836,558	1,472,281	483,193
Other income	154,769	140,910	19,745
Non-Controlling Interests	(13,985)	(8,730)	(12,146)
Economic Net Income	2,127,651	1,634,445	(300,500)
Non-cash charges related to equity-based compensation	(59,847)	(529,712)	(1,081,581)
Income tax provision	(107,569)	(65,410)	(11,929)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(1,257,650)	(685,357)	940,312
Amortization of intangible assets	(43,194)	(43,009)	(15,128)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 659,391	$ 310,957	$ (468,826)

Liquidity and Capital Resources

Historical

Although we have managed our historical liquidity needs by looking at deconsolidated cash flows, our historical consolidated statements of cash flows reflects the cash flows of Apollo, as well as those of the 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:

	As of December 31, 2013		As of December 31, 2012	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
2007 AMH Credit Agreement	N/A	N/A	$ 728,273	4.95% (1)
2013 AMH Credit Facilities - Term Facility	750,000	1.37%	N/A	N/A
CIT secured loan agreements	N/A	N/A	9,545	3.47
Total Debt	$ 750,000	1.37%	$ 737,818	4.93%

(1) Includes the effect of interest rate swaps.

Additionally the 2013 AMH Credit Facilities provide for a $500 million revolving credit facility, which was undrawn as of December 31, 2013. See note 14 of our consolidated financial statements for information regarding the Company's debt arrangements.

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.

Cash Flows

Significant amounts from our consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011 are summarized and discussed within the table and corresponding commentary below:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Operating Activities	$ 1,025,382	$ 265,551	$ 743,821
Investing Activities	111,727	(84,791)	(129,536)
Financing Activities	(1,005,023)	21,960	(251,823)
Net Increase in Cash and Cash Equivalents	$ 132,086	$ 202,720	$ 362,462

Operating Activities

Net cash provided by operating activities was $1,025.4 million during the year ended December 31, 2013. During this period, there was $2,374.0 million in net income, to which $126.2 million of equity-based compensation and a $60.8 million change in fair value of contingent obligations 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, 2013 included $8,422.2 million in proceeds from sales of investments held by the consolidated VIEs, a $27.3 million change in deferred revenue, $66.8 million of distributions from investment activities, a $232.5 million increase in net unrealized losses on debt, a $587.5 million change in cash held at consolidated VIEs and a $141.2 million increase in profit sharing payable. These favorable cash adjustments were offset by $309.1 million in net unrealized gains from investments held by the consolidated funds and VIEs, $107.4 million of income from equity method investments, a $44.2 million decrease in due to affiliates, a $130.5 million decrease in due from affiliates, $137.1 million of net realized gains on debt, a $64.1 million change in other liabilities of Apollo funds, a $408.8 million increase in carried interest receivable and $9,841.8 million of purchases of investments held by the consolidated VIEs.

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 and a $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, a $497.7 million increase in net unrealized losses on debt and a $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, a $348.1 million change in cash held at consolidated VIEs, a $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 a $196.2 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, 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 a $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, a $325.2 million decrease in profit sharing payable and $41.8 million of realized gains on debt of the consolidated VIEs.

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. 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 provided by investing activities was $111.7 million for the year ended December 31, 2013, which was primarily comprised of $216.3 million relating to cash distributions received from equity method investments offset by $98.4 million of cash contributions to equity method investments. Cash contributions to equity method investments were primarily related to Fund VII, Fund VIII, COF III, EPF I, EPF II, AESI, ACSP, AION, AGRE U.S. Real Estate Fund, L.P. and Apollo SPN Investments I, L.P. Cash distributions from equity method investments were primarily related to Fund VI, Fund VII, COF I, COF II, Vantium C, ACLF, AIE II, ACSP and EPF II.

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.

Financing Activities

Net cash used in financing activities was $1,005.0 million for the year ended December 31, 2013, which was primarily comprised of $2,747.0 million related to issuance of debt by consolidated VIEs, $750.0 million related to debt refinancing and $688.9 million in contributions from Non-Controlling Interests in consolidated variable interest entities. This amount was offset by $2,218.1 million in repayment of term loans by consolidated VIEs, $334.2 million in distributions to consolidated VIEs, $147.4 million of distributions paid to Non-Controlling Interests in consolidated VIEs, $975.5 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $584.5 million in distributions, $85.9 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs, $12.2 million in distributions to Non-Controlling Interests in consolidated entities, $737.8 million in principal repayments of debt and repurchases of debt, $30.4 million in satisfaction of tax receivable agreements, $67.5 million in satisfaction of contingent obligations and $62.3 million in purchases of AAA units.

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, $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, $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.

Distributions

In addition to other distributions such as payments pursuant to the tax receivable agreement, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the Company's manager during 2011, 2012 and 2013 (in millions, except per share amounts):

Distribution Declaration Date	Distribution per Class A Share Amount	Distribution Payment Date	Distribution to Class A Shareholders	Distribution to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
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
For the year ended December 31, 2011	$ 0.83		$ 97.7	$ 199.2	$ 296.9	$ 17.4
February 10, 2012	$ 0.46	February 29, 2012	$ 58.1	$ 110.4	$ 168.5	$ 10.3
April 13, 2012	$ -	April 13, 2012	$ -	$ 11.0 (1)	$ 11.0	$ -
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
For the year ended December 31, 2012	$ 1.35		$ 172.9	$ 335.0	$ 507.9	$ 31.2
February 8, 2013	$ 1.05	February 28, 2013	$ 138.7	$ 252.0	$ 390.7	$ 25.0
April 12, 2013	-	April 12, 2013	-	55.2 (1)	55.2	-
May 6, 2013	0.57	May 30, 2013	80.8	131.8	212.6	14.3
August 8, 2013	1.32	August 30, 2013	189.7	305.2	494.9	30.8
November 7, 2013	1.01	November 29, 2013	147.7	231.2	$ 378.9	$ 24.1
For the year ended December 31, 2013	$ 3.95		$ 556.9	$ 975.4	$ 1,532.3	$ 94.2

(1) On April 13, 2012 and April 12, 2013, the Company made a $0.05 and a $0.23 distribution to the non-controlling interest holders in the Apollo Operating Group, respectively.

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, which 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 was 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. AIE I was fully liquidated as of December 31, 2013.

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 not yet realized would generally result when investments appreciate over their cost basis which would not have an impact on the Company’s cash flow.

On April 20, 2010, the Company announced that it entered into a strategic relationship agreement with 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. As of December 31, 2013, the Company had reduced fees charged to CalPERS on the funds it manages by approximately $87.3 million.

The Company granted approximately 2.1 million, 5.4 million and 8.1 million RSUs during the years ended December 31, 2013, 2012, and 2011 respectively. The average estimated fair value per share on the grant date was $26.95, $13.68 and $14.45 per RSU with a total fair value of the grants of $56.6 million, $73.5 million and $116.6 million at December 31, 2013, 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 $51.9 million, $36.6 million, $24.3 million, $5.0 million, $3.2 million and $0.5 million during the years ended December 31, 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, 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 "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 to return 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 7, 2014, the Company declared a cash distribution of $1.08 per Class A share, which was paid on February 26, 2014 to shareholders of record on February 19, 2014.

On January 15, 2014, the Company issued 138,241 Class A shares in settlement of vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On February 11, 2014, the Company issued 2,531,098 Class A shares in settlement of vested RSUs and vested options that were exercised. This issuance caused the Company's ownership interest in the Apollo Operation Group to increase from 39.0% to 39.4%.

On February 26, 2014, the Company issued 2,530 Class A shares in settlement of the exercise of vested options. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

Athene

Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

On October 2, 2013, Athene Holding Ltd. closed its acquisition of Aviva USA (the "Aviva USA Transaction"). Apollo had previously agreed to provide up to $100 million of capital support to Athene to the extent such support was necessary in connection with the closing of the Aviva USA transaction. The Company's commitment was not called in connection with the closing of the Aviva USA Transaction and as a result, the Company's commitment terminated upon the closing of the Aviva USA Transaction.

AAA, through its investment in AAA Investments, owns the majority of the economic equity of Athene Holding Ltd. See the discussion of the AAA Transaction in note 4 to our consolidated financial statements.

Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. ("Athene Asset Management"), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2013, all of Athene's assets were managed by Athene Asset Management. Athene Asset Management had $59.5 billion of total AUM as of December 31, 2013 in accounts owned by or related to Athene (the "Athene Accounts"), of which approximately $9.2 billion, or approximately 15.5%, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. The vast majority of such assets are in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities and insurance-linked securities. We expect this percentage to increase over time provided that it continues to perform successfully in providing asset management services to Athene.

Athene Asset Management receives a gross management fee equal to 0.40% per annum on all assets under management in the Athene Accounts, with certain limited exceptions. In addition, the Company receives sub-advisory management fees and carried interest income with respect to a portion of the assets in the Athene Accounts. Athene Asset Management and other Apollo subsidiaries incur all expenses associated with their provision of services to Athene, including but not limited to, asset allocation services, direct asset management services, risk management, asset and liability matching management, mergers and acquisitions asset diligence, hedging and other services.

In connection with the AAA Transaction, a subsidiary of AAA Investments contributed three investment partnerships to Athene. The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the AAA Transaction. The quarterly management fee is calculated and paid by the Contributed Partnerships in arrears in an aggregate amount equal to one-fourth of (i) all Adjusted Assets up to and including $3 billion multiplied by 1.25% plus (ii) all Adjusted Assets in excess of $3 billion multiplied by 1.0%. "Adjusted Assets" means an amount equal to (i) the value of the gross assets of such Contributed Partnership minus (ii) the sum of (a) the amount of any undistributed carried interest payable by such Contributed Partnerships, (b) an amount equal to the value of the Temporary Investments (as defined in the relevant services agreement) held by such Contributed Partnerships, (c) an amount equal to the Capital Invested in Apollo Funds (as defined in the relevant services agreement) by such Contributed Partnerships and (d) an amount equal to the liquidity discount applied by the Company in respect of its investments in such Contributed Partnerships (provided such liquidity discount may not exceed 22.5% of the value of the assets contributed by AAA). With respect to capital invested in an Apollo fund, Apollo receives management fees directly from the relevant funds under the investment management agreements with such funds and not pursuant to the services agreement with the Contributed Partnerships. In addition, carried interest is payable by the Contributed Partnerships with respect to each investment or group of investments (as specified in the particular partnership agreement), at a rate of 20% of the profit of such investment or group of investments, subject to applicable hurdle rates. Each investment or group of investments is treated separately for the purposes of calculating carried interest. The contributed assets also included certain investments in funds managed by Apollo, carried interest on which is assessed at the fund level.

Under an amended services contract with Athene, effective February 5, 2013, Apollo earns a quarterly monitoring fee of 0.50% of Athene's capital and surplus as of the end of the applicable quarter multiplied by 2.5, excluding the shares of Athene Holding Ltd. that were newly acquired (and not in satisfaction of prior commitments to buy such shares) by AAA Investments in the AAA Transaction (the "Excluded Athene Shares"), at the end of each quarter through December 31, 2014, the termination date. This quarterly monitoring fee is not applicable to the amount of invested capital attributable to the Excluded Athene Shares. All such monitoring fees are paid pursuant to a derivative contract between Athene and Apollo. Each quarter, monitoring fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At Athene's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change in control of Athene or October 31, 2017. For the years ended December 31, 2013 and 2012, Apollo earned $107.9 million and $16.8 million, respectively, related to this monitoring fee, which is recorded in advisory and transaction fees from affiliates, net, in the consolidated statements of operations. As of December 31, 2013, Apollo had a $116.4 million receivable, which is accounted for as a derivative, recorded in due from affiliates on the consolidated statements of financial condition.

In accordance with the services agreement among AAA, AAA Investments and the other service recipients party thereto and Apollo, Apollo receives a management fee for managing the assets of AAA Investments. In connection with the consummation of the AAA Transaction, on October 31, 2012, the services agreement was amended (the "Amended AAA Services Agreement"). Pursuant to the Amended AAA Services Agreement, the parties agreed that there will be no management fees payable by AAA Investments with respect to the Excluded Athene Shares. AAA Investments will continue to pay Apollo the same management fee on its investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo agreed that the obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). In the event that AAA makes a tender offer for all or substantially all of its units where the consideration is to be paid in shares of Athene Holding Ltd. (or an alternative transaction that is no less favorable in all material respects to the AAA unitholders as a whole), the management fee will be unwound and a lump sum payment will be made to Apollo equal to the remaining management fee that would have been due until the expiration date (December 31, 2020), using an 8% discount rate and assuming a 14% growth rate to then existing management fees, compounded annually, until the expiration date, subject to a cap of $30.0 million had the tender offer or similar transaction commenced in 2013, $25.0 million if the tender offer or similar transaction commences in 2014, $20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between AAA Investments and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the option of AAA Investments, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. As of December 31, 2013 and 2012, Apollo had a receivable of $14.3 million and $2.1 million, respectively, related to the Amended AAA Services Agreement, which is recorded in due from affiliates on the consolidated statements of financial condition. The total management fees earned by Apollo related to the Amended AAA Services Agreement and the Contributed Partnerships for the years ended December 31, 2013 and 2012 were $12.5 million (of which $2.2 million related to the derivative component, as described above) and $15.1 million (of which $0.6 million related to the derivative component, as described above), respectively, which is recorded in management fees from affiliates in the consolidated statements of operations.

In addition, Apollo, as general partner of AAA Investments, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses, including borrowing costs) on the investments of AAA Investments, except that Apollo will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. Carried interest receivable from AAA Investments will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd. For the years ended December 31, 2013 and 2012, the Company recorded carried interest income less the related profit sharing expense of $27.6 million and $35.3 million, respectively, from AAA Investments, which is recorded in the consolidated statements of operations. As of December 31, 2013 and 2012, the Company had a $100.9 million and a $69.0 million carried interest receivable, respectively, related to AAA Investments. As of December 31, 2013 and 2012, the Company had a related profit sharing payable of $28.8 million and $25.5 million, respectively, recorded in profit sharing payable in the consolidated statements of financial condition.

For the years ended December 31, 2013 and 2012, Apollo earned revenues in the aggregate totaling $435.1 million and $164.7 million consisting of management fees, sub-advisory and monitoring fees and carried interest income, respectively, from Athene after considering the related profit sharing expense and changes in the market value of the Athene-related derivatives discussed above, which is recorded in the consolidated statement of operations.

The amended services contract with Athene and Athene Life Re Ltd and the Amended AAA Services Agreement together with related derivative contracts issued pursuant to these amended contracts, meet the definition of a derivative under U.S. GAAP. The Company has classified these derivatives as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The value of these derivatives is determined by multiplying the Athene share equivalents by the estimated price per share of Athene. See note 6 to our consolidated financial statements for further discussion regarding fair value.

The change in unrealized market value of these derivatives is reflected in other income, net in the consolidated statements of operations. For the year ended December 31, 2013, there were $10.2 million of changes in market value recognized related to these derivatives.

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 the Managing Partners.

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 related to 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;
- Additional consideration based on their proportional ownership interest in Holdings; and
- Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to the Contributing Partners.

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. 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 note 2 to our consolidated financial statements. The following is a summary of our accounting policies that are affected most by judgments, estimates and assumptions.

Consolidation

The types of entities with which Apollo is involved generally include subsidiaries (i.e. general partners and management companies related to the funds we manage), entities that have all the attributes of an investment company (e.g. funds) and securitization vehicles (e.g. collateralized loan obligations). Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to our consolidation policy, we first consider the appropriate consolidation guidance to apply including consideration of whether the entity qualifies for certain scope exceptions and whether the entity should be evaluated under either the previous rules on consolidation of variable interest entities ("VIEs") or the amended consolidation rules depending on whether or not the entity qualifies for the deferral as further described below. We then perform an assessment to determine whether that entity qualifies as a VIE. An entity in which Apollo holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. Apollo does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated investors to either dissolve the fund or remove the general partner (“kick-out rights”) or the granting of substantive participating rights.

As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of our funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether an entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights and the Company is not part of the group of holders of equity investment at risk, the fund is generally determined to be a VIE, as the holders of equity investment at risk as a group lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. However, in certain cases where the Company holds a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. In these cases, the Company is part of the group of holders of equity investment at risk and therefore the holders of equity investment at risk as a group do not lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity.

If the entity is determined to be a VIE under the conditions above, we then assess whether the entity should be consolidated by applying either the previous consolidation rules or the amended consolidation rules depending on whether the entity qualifies for the deferral of the amended consolidation rules as further described below.

VIEs that qualify for the deferral of the amended consolidation rules because certain conditions are met, including if the entities have all the attributes of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are securitization or asset-backed financing entities will apply the amended consolidation rules. Under both sets of rules, VIEs for which Apollo is determined to be the primary beneficiary are consolidated.

With respect to VIEs such as our funds that qualify for the deferral of the amended consolidation rules and therefore apply the previous consolidation rules, Apollo is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the VIE’s expected losses, receive a majority of the VIE’s expected residual returns, or both. In cases where two or more Apollo related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

For VIEs such as our CLOs that apply the amended consolidation rules, Apollo is determined to be the primary beneficiary if it holds a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. With respect to such CLOs, we generally possess a controlling financial interest in, and therefore consolidate, such CLOs in accordance with the amended consolidation rules when our role as collateral manager provides us with the power to direct the activities that most significantly impact the CLO’s economic performance and we have the right to receive certain benefits from the CLO (e.g. incentive fees) that could potentially be significant to the CLO.

Under the previous and the amended consolidation rules, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. 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.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both sets of rules, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether two or more parties' equity interests should be aggregated, (iv) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity, (v) and evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group is most closely associated with the VIE. Where the VIEs have qualified for the deferral, judgments are also made in estimating cash flows to evaluate which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the VIEs have not qualified for the deferral, judgments are also 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.

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 statements 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, 2013 and 2012.

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. 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, capital contributions, or stockholders' equity 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" 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.

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 partner 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 for 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 funds' 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. When market quotations are not available, a model based approach is used to determine fair value. 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 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. For certain publicly traded vehicles, a review is performed by an independent board of directors. 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.

Real Estate Investments. For the CMBS portfolio of Apollo's funds, the estimated fair value of the 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. The Company evaluates its loans for possible impairment on a quarterly basis. 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. For certain publicly traded vehicles, a review is performed by an independent board of directors. 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.

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 see "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 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.

Except for the Company's debt obligation related to the 2013 AMH Credit Facilities (as defined in note 14 to our 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 14 to our consolidated financial statements, the Company's long term debt obligation related to the 2013 AMH Credit Facilities is believed to have an estimated fair value of approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2013. 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 2013 AMH Credit Facilities 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 for 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 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 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 note issued by HFA, Apollo elected to separately present interest income from other changes in the fair value of the convertible note within the consolidated statement of operations. See notes 4 and 5 to our consolidated financial statements for further disclosure on the investment in HFA and 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, 2013, 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 and equity-based compensation.

Salaries, Bonus and Benefits. Salaries, bonus and benefits include base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are accrued over the related service period.

Also included within salaries, bonus and benefits is the expense related to 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. The 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.

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, 2013, 2012 and 2011.

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, changes in the fair value of the underlying investments in the funds we manage and advise affect profit sharing expense. As of December 31, 2013, our total private equity investments were approximately $23.4 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 to the extent not indemnified.

Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions are reflected in the Company's consolidated statements of operations as profit sharing expense.

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. 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.

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 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 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 16 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.

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; and
- 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 a 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.

Another significant part of our compensation expense is derived from amortization of RSUs. The fair value of all RSU grants after March 29, 2011 is based on the grant date fair value, which considers the public share price of the Company. RSUs are comprised of Plan Grants, which do not pay distributions until vested and, for grants made after 2011, the underlying shares are generally issued by March 15th after the year in which they vest, and Bonus Grants, which pay distributions on both vested and unvested grants and are generally issued after vesting on an approximate two-month lag. For Plan Grants, the grant date fair value is based on the public share price of the Company, and is discounted for transfer restrictions and lack of distributions until vested. For Bonus Grants, the grant date fair value is based on the public share price of the Company, and is discounted for transfer restrictions.

We utilized the present value of a growing annuity formula to calculate a discount for the lack of pre-vesting distributions on Plan Grant RSUs. The weighted average for the inputs utilized for the shares granted during the years ended December 31, 2013, 2012 and 2011 are presented in the table below for Plan Grants:

	For the Year Ended December 31,		
	2013	**2012**	**2011**
Distribution Yield(1)	9.5%	8.4%	2.2%
Distribution Growth Rate(2)	3.0%	3.2%	6.0%
Cost of Equity Capital Rate(3)	17.6%	17.6%	18.2%

(1) Based on the distribution then in effect.
(2) Quarterly growth rate based on the then current distribution.
(3) We assumed discount rate was equivalent to a cost of equity capital rate as of the valuation date, based on the Capital Asset Pricing Model ("CAPM"). CAPM is a commonly used mathematical model for developing expected returns.

For the Plan Grants, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 30.5%, 23.3% and 7.1% for the years ending December 31, 2013, 2012 and 2011, respectively.

We utilized the Finnerty Model, as previously described above, to calculate a marketability discount on the Plan Grant and Bonus Grant RSUs to account for the lag between vesting and issuance. 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.

The inputs utilized in the Finnerty Model were (i) length of holding period, (ii) volatility, (iii) risk-free rate and (iv) dividend yield. The weighted average for the inputs utilized for the shares granted during the years ended December 31, 2013, 2012 and 2011 are presented in the table below for Plan Grants and Bonus Grants:

	For the Year Ended December 31,		
	2013	2012	2011
Plan Grants			
Holding Period Restriction (in years)	0.6	0.6	1.1
Volatility(1)	30.4%	34.0%	35.9%
Risk-free Rate(2)	-%	0.1%	0.6%
Distribution Yield(3)	8.2%	8.0%	2.2%
Bonus Grants			
Holding Period Restriction (in years)	0.2	0.2	0.6
Volatility(1)	30.0%	30.5%	33.8%
Risk-free Rate(2)	-%	-%	0.2%
Distribution Yield(3)	12.2%	7.8%	2.2%

(1) Annualized based on industry peers.
(2) Based on U.S. Treasuries for a comparable term on a continuously compounded basis.
(3) Based on the distribution then in effect.

For the Plan Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation, after considering the discount for lack of pre-vesting distributions, had a weighted average of 6.0%, 5.0%, and 8.6% for the years ending December 31, 2013, 2012 and 2011, respectively. For the Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 4.9%, and 6.5% for the years ending December 31, 2013, 2012 and 2011, respectively.

After the grant date fair value is determined we apply an estimated forfeiture rate. The estimated fair value was determined and recognized over the vesting period on a straight-line basis. We have estimated a 6% forfeiture rate for RSUs, based on the Company's historical attrition rate as well as industry comparable rates. If employees 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 reporting date in accordance with U.S. GAAP.

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 upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. 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.

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Fair Value Measurements

The following tables summarize the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$ -	$ -	$ 1,942,051	$ 1,942,051
Investments held by Apollo Senior Loan Fund[1]	-	28,711	892	29,603
Investments in HFA and Other[1]	-	-	40,373	40,373
Athene and AAA Management Fee Derivatives[2]	-	-	130,709	130,709
Investments of VIEs, at fair value[4]	3,455	12,203,370	1,919,537	14,126,362
Total Assets	$ 3,455	$ 12,232,081	$ 4,033,562	$ 16,269,098
Liabilities				
Debt of VIEs, at fair value[4]	$ -	$ 2,429,815	$ 9,994,147	$ 12,423,962
Contingent Consideration Obligations[3]	-	-	135,511	135,511
Total Liabilities	$ -	$ 2,429,815	$ 10,129,658	$ 12,559,473

	As of December 31, 2012			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$ -	$ -	$ 1,666,448	$ 1,666,448
Investments held by Apollo Senior Loan Fund[1]	-	27,063	590	27,653
Investments in HFA and Other[1]	-	-	50,311	50,311
Athene and AAA Management Fee Derivatives[2]	-	-	2,126	2,126
Investments of VIEs, at fair value[4]	168	11,045,902	1,643,465	12,689,535
Total Assets	$ 168	$ 11,072,965	$ 3,362,940	$ 14,436,073
Liabilities				
Liabilities of VIEs, at fair value[4]	$ -	$ -	$ 11,834,955	$ 11,834,955
Contingent Consideration Obligations[3]	-	-	142,219	142,219
Total Liabilities	$ -	$ -	$ 11,977,174	$ 11,977,174

(1) See note 4 to our consolidated financial statements for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and investments in HFA and Other.

(2) See note 17 to our consolidated financial statements for further disclosure regarding the Athene and AAA Management Fee Derivatives.

(3) See note 18 to our consolidated financial statements for further disclosure regarding Contingent Consideration Obligations.

(4) See note 5 to our consolidated financial statements for further disclosure regarding VIEs.

(5) All level I and II investments and liabilities were valued using third party pricing.

The following table summarizes the fair value transfers of financial assets between Level I and Level II and Level II and Level III for positions that existed as of December 31, 2013, 2012 and 2011, respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Transfers from Level II into Level I[1]	$-	$164	$-
Transfers from Level III into Level II[2]	1,253,090	712,975	802,533
Transfers from Level II into Level III[2]	978,194	833,791	160,390

(1) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset. The transfer during the year ended December 31, 2012 related to investments of the consolidated VIEs.

(2) Transfers between Level II and III were 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.

For the year ended December 31, 2013, transfers of financial liabilities from Level III to Level II relating to liabilities held by the consolidated VIEs totaled $2.5 billion. There was a transfer of debt held by the consolidated VIEs that are valued using broker quotes from Level III into Level II as a result of subjecting broker quotes on these liabilities 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. For the years ended December 31, 2012 and 2011, there were no transfers of financial liabilities between Level I, Level II and Level III.

The following tables summarize the changes in fair value in financial assets, which are measured at fair value and characterized as Level III investments, for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31, 2013					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,666,448	$ 590	$ 50,311	$ 2,126	$ 1,643,465	$ 3,362,940
Elimination of investments attributable to consolidation of VIEs	-	-	-	-	(35,410)	(35,410)
Fees	-	-	-	118,380	-	118,380
Purchases	-	520	4,901	-	1,326,095	1,331,516
Sale of investments/Distributions	(66,796)	(6)	(2,541)	-	(724,666)	(794,009)
Net realized losses	-	-	-	-	(28,717)	(28,717)
Changes in net unrealized gains (losses)	342,399	15	(12,298)	10,203	13,439	353,758
Transfer into Level III	-	831	-	-	977,363	978,194
Transfer out of Level III	-	(1,058)	-	-	(1,252,032)	(1,253,090)
Balance, End of Period	$ 1,942,051	$ 892	$ 40,373	$ 130,709	$ 1,919,537	$ 4,033,562
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ 342,399	$ 15	$ (12,298)	$ -	$ -	$ 330,116
Change in net unrealized (losses) included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ -	$ 9,083	$ 9,083
Change in net unrealized gains included in Other Income, net related to assets still held at reporting date	$ -	$ -	$ -	$ 10,203	$ -	$ 10,203

	For the Year Ended December 31, 2012					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,480,152	$ 456	$ 47,757	$ -	$ 246,609	$ 1,774,974
Transfer in due to consolidation and acquisition	-	-	46,148 (1)	-	1,706,145	1,752,293
Transfer out due to deconsolidation	-	-	(48,037) (1)	-	-	(48,037)
Elimination of investments attributable to consolidation of VIEs	-	-	-	-	(69,437)	(69,437)
Fees	-	-	-	2,126	-	2,126
Purchases	-	496	5,759	-	1,236,232	1,242,487
Sale of investments/Distributions	(101,844)	(1,291)	-	-	(1,561,589)	(1,664,724)
Net realized gains	-	20	-	-	21,603	21,623
Changes in net unrealized gains (losses)	288,140	8	(1,316)	-	(56,013)	230,819
Transfer into Level III	-	1,836	-	-	831,955	833,791
Transfer out of Level III	-	(935)	-	-	(712,040)	(712,975)
Balance, End of Period	$ 1,666,448	$ 590	$ 50,311	$ 2,126	$ 1,643,465	$ 3,362,940
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ 288,140	$ 8	$ (1,316)	$ -	$ -	$ 286,832
Change in net unrealized gains included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ -	$ 7,464	$ 7,464

(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.

	For the Year Ended December 31, 2011				
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,637,091	$ -	$ -	$ 170,369	$ 1,807,460
Transfer in due to consolidation and acquisition	-	456	-	335,353	335,809
Expenses incurred	-	-	(3,871)	-	(3,871)
Purchases	432	-	57,509	663,438	721,379
Sale of investments/Distributions	(33,425)	-	-	(273,719)	(307,144)
Net realized gains	-	-	-	980	980
Changes in net unrealized losses	(123,946)	-	(5,881)	(7,669)	(137,496)
Transfer into Level III	-	-	-	160,390	160,390
Transfer out of Level III	-	-	-	(802,533)	(802,533)
Balance, End of Period	$ 1,480,152	$ 456	$ 47,757	$ 246,609	$ 1,774,974
Change in net unrealized losses included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ (123,946)	$ -	$ (5,881)	$ -	$ (129,827)
Change in net unrealized losses included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ (7,253)	$ (7,253)

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The following table summarizes the changes in fair value in financial liabilities, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,								
	2013			2012			2011		
	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	$ 11,834,955	$ 142,219	$ 11,977,174	$ 3,189,837	$ 5,900	$ 3,195,737	$ 1,127,180	$ 1,200	$ 1,128,380
Transfer in due to consolidation and acquisition	-	-	-	7,317,144	117,700	7,434,844	2,046,157	4,700	2,050,857
Elimination of debt attributable to consolidation of VIEs	3,950	-	3,950	(67,167)	-	(67,167)	(48)	-	(48)
Purchase accounting adjustments	-	-	-	-	1,000	1,000	-	-	-
Additions	2,747,033	-	2,747,033	1,639,271	-	1,639,271	454,356	-	454,356
Payments	(2,218,060)	(67,534)	(2,285,594)	(741,834)	(8,168)	(750,002)	(415,869)	-	(415,869)
Net realized gains	(137,098)	-	(137,098)	-	-	-	(41,819)	-	(41,819)
Changes in net unrealized losses / fair value	232,510	60,826 (1)	293,336	497,704	25,787 (1)	523,491	19,880	-	19,880
Transfers into Level III	-	-	-	-	-	-	-	-	-
Transfers out of Level III	(2,469,143)	-	(2,469,143)	-	-	-	-	-	-
Balance, End of Period	$ 9,994,147	$ 135,511	$ 10,129,658	$ 11,834,955	$ 142,219	$ 11,977,174	$ 3,189,837	$ 5,900	$ 3,195,737
Change in net unrealized (gains) losses included in Net Gains (Losses) from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ (18,578)	$ -	$ (18,578)	$ 446,649	$ -	$ 446,649	$ (25,347)	$ -	$ (25,347)

(1) Changes in fair value of contingent consideration obligations are recorded in profit sharing expense in the consolidated statement of operations.

The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized in Level III of the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013				
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Ranges**	**Weighted Average**
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments(1)	$ 1,942,051	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	892	Third Party Pricing(2)	N/A	N/A	N/A
Investments in HFA and Other	40,373	Third Party Pricing(2)	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	130,709	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.1x	1.1x
Investments of Consolidated VIEs:					
Bank Debt Term Loans	18,467	Other	N/A	N/A	N/A
Stocks	7,938	Market Comparable Companies	Comparable Multiples	6.0x - 9.5x	7.9x
Corporate loans/ bonds	1,893,132	Third Party Pricing(2)	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,919,537				
Total Financial Assets	$ 4,033,562				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$ 835,149	Discounted Cash Flow	Discount Rate	10.0% - 12.0%	10.8%
			Default Rate	1.0% - 1.5%	1.3%
			Recovery Rate	75.0%	75.0%
Senior Secured Notes	2,132,576	Discounted Cash Flow	Discount Rate	1.9% - 2.2%	2.0%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0% - 70.0%	65.2%
Senior Secured and Subordinated Notes	7,026,422	Third Party Pricing(2)	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	9,994,147				
Contingent Consideration Obligation	135,511	Discounted Cash Flow	Discount Rate	10.5% - 18.5%	15.3%
Total Financial Liabilities	$10,129,658				

(1) 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, 2013	
		% of Investment of AAA Investments
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	$ 1,950,010 (3)	100%
Total Investments	1,950,010	100%
Other net liabilities(4)	(7,959)	
Total Net Assets	$ 1,942,051	

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2013 is primarily comprised of net assets allocated to the general partner of $102.1 million less $89.0 million in note receivable from an affiliate. Carrying values approximate fair value for other assets and liabilities (except for the note receivable from an affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from an affiliate is a level III asset valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

	As of December 31, 2012				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$ 1,666,448	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	590	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	50,311	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	2,126	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.23x	1.23x
Investments of Consolidated VIEs					
Bank Debt Term Loans	67,920	Discounted Cash Flow Comparable Yields	Discount Rate	11.8%-25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Corporate loans/ bonds	1,571,921	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,643,465				
Total	$ 3,362,940				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$ 195,357	Discounted Cash Flow	Discount Rate	17.0%	17.0%
			Default Rate	1.5%-4.0%	2.4%
			Recovery Rate	80.0%	80.0%
Senior Secured Notes	2,066,250	Discounted Cash Flow	Discount Rate	1.65%-1.95%	1.8%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0%-60.0%	59.9%
Senior Secured and Subordinated Notes	9,573,348	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	11,834,955				
Contingent Consideration Obligation	142,219	Discounted Cash Flow	Discount Rate	7.0%-11.6%	9.4%
Total	$11,977,174				

(1) 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	
		% of Investment of AAA Investments
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 [3]	98.6%
Listed quotes	22,029	1.4%
Total Investments	1,604,004	100%
Other net assets[4]	62,444	
Total Net Assets	$ 1,666,448	

(2) These securities are valued using broker quotes.
(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.
(4) 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 an affiliate less the portion of AAA investments net assets allocated to the general partner of $70.0 million. Carrying values approximate fair value for other assets and liabilities(except for the note receivable from affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from affiliate is a level III investment valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

Athene and AAA Management Fee Derivatives

The significant unobservable input used in the fair value measurement of the Athene and AAA management fee derivatives is the discount rate applied in the valuation model. This input in isolation can cause significant increases or 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. 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 expected required rate of return based on the risk profile of similar cash flows. See note 17 to our consolidated financial statements for further information regarding the Athene and AAA management fee derivatives.

Consolidated VIEs

Investments

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 or 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.

Liabilities

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 or 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 a 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.

Contingent Consideration Obligations

The significant unobservable input used in the fair value measurement of the contingent consideration obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases or 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 a decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. The discount rate was based on the weighted average cost of capital for the Company. See note 18 to our consolidated financial statements for further discussion of the contingent consideration obligation.

See notes 2 and 6 to our consolidated financial statements for further disclosure regarding fair value measurements.

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 18 to our consolidated financial statements for a discussion of guarantees and contingent obligations.

Contractual Obligations, Commitments and Contingencies

As of December 31, 2013, the Company's material contractual obligations consisted 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:

	2014	2015	2016	2017	2018	Thereafter	Total
				(in thousands)			
Operating lease obligations[1]	$ 38,649	$ 38,246	$ 36,946	$ 35,020	$ 31,416	$ 53,138	$ 233,415
Other long-term obligations[2]	6,447	929	-	-	-	-	7,376
2013 AMH Credit Facilities - Term Facility[3]	10,259	10,259	10,259	10,259	10,259	750,513	801,808
2013 AMH Credit Facilities - Revolver Facility[4]	625	625	625	625	625	31	3,156
Obligations as of December 31, 2013	$ 55,980	$ 50,059	$ 47,830	$ 45,904	$ 42,300	$ 803,682	$ 1,045,755

(1) The Company has entered into sublease agreements and is expected to contractually receive approximately $11.2 million over the remaining periods of 2014 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) $750 million of the outstanding Term Facility matures in January 2019. The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37%. See note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.

(4) The commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. See note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.

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.

(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. See note 5 of our consolidated financial statements for the contractual maturities for the debt of the consolidated VIEs.

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, credit and real estate fund as of December 31, 2013 as follows ($ in millions):

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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 VIII	$ 1,543.5 (1)(2)	8.4	$ 612.5	3.33	$ 1,525.2 (1)(2)	$ 607.9
Fund VII	467.2 (1)	3.18	177.8	1.21	112.5 (1)	41.4
Fund VI	246.2	2.43	6.1	0.06	9.7	0.2
Fund V	100.0	2.67	0.5	0.01	6.3	- (3)
Fund IV	100.0	2.78	0.2	0.01	0.5	- (3)
Fund III	100.6	6.71	-	-	15.5	-
ANRP	426.1 (1)(2)	32.21	10.1	0.76	293.0 (1)(2)	7.1
AION	137.6 (2)	36.61	37.6	10.00	113.0 (2)	30.7
APC	158.4	70.56	0.1	0.04	86.1	0.1
Apollo Rose, L.P.	215.7 (2)(4)	100	-	-	88.3 (2)(4)	-
Credit:						
EPF I(5)	369.2 (1)(6)	20.74	24.3	1.37	64.1 (1)(7)	5.8
EPF II(5)	415.2 (1)(2)	11.34	69.1	1.89	286.1 (1)(2)	49.6
SOMA(8)	-	-	-	-	-	-
COF I	450.7 (9)	30.35	29.7	2.00	237.4 (9)	4.2
COF II	30.5	1.93	23.4	1.48	0.8	0.6
COF III	296.2 (2)	34.14	21.2	2.44	205.2 (2)	14.7
ACLF(10)	23.9	2.43	23.9	2.43	19.3	19.3
Palmetto(11)	18.0	1.19	18.0	1.19	7.6	7.6
AIE II(5)	8.9	3.15	5.5	1.94	0.9	0.5
ESDF	50.0	100.00	-	-	-	-
FCI	150.5	26.93	-	-	72.8	-
FCI II	169.8	16.95	-	-	164.4	-
Franklin Fund	9.9	9.09	9.9	9.09	-	-
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(5)	4.8	0.99	4.8	0.99	2.0	2.0
AEC	7.3	2.50	3.2	1.08	2.5	1.1
ACSP	15.0	2.44	15.0	2.44	8.7	8.7
Apollo SK Strategic Investments, L.P.	2.0	0.99	2.0	0.99	0.5	0.5
Stone Tower Structured Credit Recovery Master Fund II, Ltd.	8.1	7.75	-	-	-	-
Stone Tower Credit Solutions Master Fund, Ltd.	0.9	0.83	-	-	0.9	-
Stone Tower Credit Strategies Master Fund, Ltd.	9.5	11.68	-	-	-	-
Apollo Zeus Strategic Investments, L.P. ("Zeus")	14	3.38	14	3.38	12.3	12.3
Real Estate:						
AGRE U.S. Real Estate Fund, L.P.	632.2 (1)(2)	72.95	16.5	1.90	339.3 (1)(2)	5.0
BEA/ AGRE China Real Estate Fund, L.P.	0.5	1.03	0.5	1.03	0.4	0.4
AGRE Asia Co-Invest I Limited	50.0 (2)	100.00	-	-	35.9 (2)	-
CAI Strategic European Real Estate Ltd.	19.9 (12)	92.13	-	-	3.8	-
CPI Capital Partners North America	7.6	1.27	2.1	0.35	0.6	0.2
CPI Capital Partners Europe(5)	7.5	0.47	-	-	0.6	-
CPI Capital Partners Asia Pacific	6.9	0.53	0.5	0.04	0.3	-
London Prime Apartments Guernsey Holdings Limited (Guernsey)(13)	18.8	7.80	0.6	0.23	8.7	0.3
2012 CMBS I Fund, L.P.	88.2	100.00	-	-	-	-
2012 CMBS II Fund, L.P.	93.5	100.00	-	-	-	-
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.	27.8	0.92	27.8	0.92	23.5	23.5
Total	$ 7,656.1		$ 1,156.9		$ 3,833.7	$ 843.7

(1) As of December 31, 2013, Palmetto had commitments and remaining commitment amounts in Fund VII of $110.0 million and $25.6 million,

respectively, ANRP of $150.0 million and $103.0 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, AGRE U.S. Real Estate Fund, L.P. of $300 million and $216.6 million, respectively, EPF I of $145.6 million and $24.0 million, respectively, EPF II of $75.0 million and $51.2 million, respectively, and Fund VIII of $81.0 million and $79.7 million, respectively. Figures for AGRE U.S. Real Estate Fund, L.P. include Base, Additional, and Co-Invest commitments. A co-invest entity within AGRE U.S. Real Estate Fund, L.P. is denominated in pound sterling and translated into U.S. dollars at an exchange rate of £1.00 to $1.66 as of December 31, 2013.

(2) As of December 31, 2013, Apollo SPN Investments I, L.P. had commitments and remaining commitment amounts in AGRE U.S. Real Estate Fund, L.P. of $150.0 million and $58.0 million, respectively, AGRE Asia Co-Invest I Limited of $50.0 million and $35.9 million, respectively, AION of $100.0 million and $82.3 million, respectively, ANRP of $200.0 million and $137.5 million,

respectively, Apollo Rose of $129.4 million and $53.0 million, respectively, COF III of $150.0 million and $104.0 million, respectively, Fund VIII of $850.0 million and $837.5 million respectively, and EPF II of $200.0 million and $135.5 million, respectively. Figures include base, additional, and co-invest commitments, as it relates to AGRE U.S. Real Estate Fund, L.P.

(3) As of December 31, 2013, 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.

(4) Of the total commitment and remaining commitment amounts in Apollo Rose, SOMA had $23.5 million and $9.6 million, respectively, and AESI had $23.5 million and $9.6 million respectively.

(5) Apollo's commitment in these funds is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(6) Of the total remaining commitment amount in EPF I, AAA Investments (Other), L.P., SOMA and Palmetto have approximately €9.0 million, €12.3 million and €17.4 million, respectively.

(7) Of the total commitment amount in EPF I, AAA Investments (Other), L.P., SOMA and Palmetto have approximately €54.5 million, €75.0 million and €106.0 million, respectively.

(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, 2013, Apollo and affiliated investors' capital balances exceeded the 1% requirement and therefore they are not required to fund a capital commitment.

(9) As of December 31, 2013, SOMA had commitments and remaining commitment amounts in COF I of $250.0 million and $202.0 million, respectively.

(10) As of December 31, 2013, 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.

(11) As of December 31, 2013, commitments in Palmetto also included commitments related to Apollo Palmetto Athene Partnership, L.P.

(12) As of December 31, 2013, EPF I had commitments and remaining commitment amounts in CAI Strategic European Real Estate of €7.5 million and €1.4 million, respectively.

(13) 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 $1.66 as of December 31, 2013.

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, 2013 and December 31, 2012 of $843.7 million and $258.3 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 by AAA to Apollo's 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 was necessary in connection with Athene's then pending acquisition of Aviva USA. The Company's commitment was not called in connection with the closing of the transaction, and as a result, the Company's commitment to provide capital support terminated upon the closing of the transaction on October 2, 2013.

In September 2013, an indirect subsidiary of Apollo Global Management, LLC agreed to invest up to approximately €18.2 million ($23.9 million) in a limited partnership (the "KBCD Partnership"), a wholly-owned subsidiary of which has agreed to acquire a minority stake in KBC Bank Deutschland AG, the German subsidiary of Belgian KBC Group NV (and certain third party purchasers agreed to acquire, in aggregate, all of the other shares in KBC Bank Deutschland AG). The aforementioned indirect subsidiary of Apollo Global Management, LLC is the general partner of the KBCD Partnership. The limited partners in the KBCD Partnership are managed by subsidiaries of Apollo Global Management, LLC. The acquisition is subject to antitrust and regulatory approval, which is expected to take approximately nine months. Consequently, there is no assurance that the acquisition will close.

On October 2, 2013, Athene Holding Ltd. completed the acquisition of Aviva USA, 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. Athene also announced that it had completed the sale of Aviva USA's life insurance operations to PLIC USA.

The 2013 AMH Credit Facilities, which provide for a variable-rate term loan, will have future impacts on our cash uses. On December 18, 2013, AMH and its consolidated subsidiaries and certain other subsidiaries of the Company (collectively, the "Borrowers") entered into new credit facilities (the "2013 AMH Credit Facilities") with JPMorgan Chase Bank, N.A. The 2013 AMH Credit Facilities provide for (i) a term loan facility to AMH (the "Term Facility") that includes $750 million of term loan from third-party lenders and $271.7 million of term loan held by a subsidiary of the Company and (ii) a $500 million revolving credit facility (the "Revolver Facility"), in each case, with a final maturity date of January 18, 2019.

Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus an applicable margin, and undrawn revolving commitments bear a commitment fee. Under the terms of the 2013 AMH Credit Facilities, the applicable margin ranges from 1.125% to 1.75% for LIBOR loans and 0.125% to 0.75% for alternate base rate loans, and the undrawn revolving commitment fee ranges from 0.125% to 0.25%, in each case depending on the Company's corporate rating assigned by Standard & Poor's Ratings Group, Inc. The 2013 AMH Credit Facilities do not require any scheduled amortization payments or other mandatory prepayments (except with respect to overadvances on the Revolver Facility) prior to the final maturity date, and the Borrowers may prepay the loans and/or terminate or reduce the revolving commitments under the 2013 AMH Credit Facilities at any time without penalty. The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37% and the commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was $0.4 million for the year ended December 31, 2013.

As of December 31, 2013, $750 million of the Term Facility was outstanding with third-party lenders and there is approximately $271.7 million of the Term Facility that is held by a subsidiary of the Company. As of December 31, 2013 the Revolver Facility was undrawn. The estimated fair value of the Company's long-term debt obligation related to the 2013 AMH Credit Facilities is believed to be approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $750 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2013 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities.

In accordance with U.S. GAAP, the Company determined that the refinancing of the outstanding loans under the 2007 AMH Credit Agreement resulted in a debt extinguishment. As a result, the Company recorded a loss on extinguishment of $2.7 million, of which $1.6 million related to previously capitalized costs incurred in relation to the 2007 AMH Credit Agreement and $1.1 million related to expenses incurred in relation to the 2013 AMH Credit Facilities, in other income, net in the consolidated statement of operations for the year ended December 31, 2013. In addition, the Company capitalized debt issuance costs of $6.6 million incurred in relation to the 2013 AMH Credit Facilities which was recorded in other assets in the consolidated statement of financial condition as of December 31, 2013 to be amortized over the life of the term loan and line of credit.

The 2013 AMH Credit Facilities are guaranteed and collateralized by AMH and its consolidated subsidiaries, Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P., 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., Apollo Principal Holdings IX L.P., ST Holdings GP, LLC and ST Management Holdings, LLC. The 2013 AMH Credit Facilities contain affirmative and negative covenants which limit the ability of the Borrowers, the guarantors and certain of their subsidiaries to, among other things, incur indebtedness and create liens. Additionally, the 2013 AMH Credit Facilities contain financial covenants which require the Borrowers and their subsidiaries to maintain (1) at least $40 billion of fee-generating Assets Under Management and (2) a maximum total net leverage ratio of not more than 4.00 to 1.00 (subject to customary equity cure rights). The 2013 AMH Credit Facilities also contain 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 the Company. As of December 31, 2013, the Company was not aware of any instances of non-compliance with the financial covenants contained in the 2013 AMH Credit Facilities.

Borrowings under the Revolver Facility may be used for working capital and general corporate purposes, including, without limitation, permitted acquisitions. In addition, the Borrowers may incur incremental facilities in respect of the Revolver Facility and the Term Facility in an aggregate amount not to exceed $500 million plus additional amounts so long as the Borrowers are in compliance with a net leverage ratio not to exceed 3.75 to 1.00.

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which, in July 2008, Fund VI advanced $18.9 million of cash that was otherwise distributable to the Company as carried interest pursuant to the Fund VI limited partnership agreement. As of March 10, 2011, $8.0 million of the loan principal was settled and as of August 31, 2013, the remaining principal balance of $10.9 million was settled. Based on a rate of 3.45%, cumulative interest on the loan was $2.4 million.

In accordance with the Shareholders 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, 2013 and December 31, 2012, 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, 2013 and that would be reversed approximates $4.9 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:

	As of December 31, 2013
Private Equity Funds:	
Fund VII	$ 2,197,158
Fund VI	1,495,767
Fund V	81,218
Fund IV	7,647
AAA/Other	228,909
Total Private Equity Funds	4,010,699
Credit Funds:	
U.S. Performing Credit	445,465
Structured Credit	63,429
European Credit Funds	73,800
Non-Performing Loans	189,113
Opportunistic Credit	60,874
Total Credit Funds	832,681
Real Estate Funds:	
CPI Funds	4,755
AGRE U.S. Real Estate Fund, L.P.	5,631
Other	4,831
Total Real Estate Funds	15,217
Total	$ 4,858,597

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.

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.

AGS, one of the Company's subsidiaries, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2013, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the acquisition of Stone Tower in April 2012, 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 financial condition. The fair value of the contingent obligation was $121.4 million and $126.9 million as of December 31, 2013 and December 31, 2012, respectively.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required 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 $14.1 million as of December 31, 2013 and December 31, 2012, which was recorded in profit sharing payable in the consolidated statements of financial condition.

In connection with the acquisition of CPI on November 12, 2010, Apollo had a contingent liability to Citigroup Inc. based on a specified percentage of future earnings from the CPI business. From the date of acquisition through December 31, 2012, the estimated fair value of the contingent liability was $1.2 million, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. On March 28, 2013, Apollo satisfied the contingent liability in cash in the amount of approximately $0.5 million, which equaled 25% of the net realized after tax profit from the closing date through December 31, 2012. The satisfaction of the liability resulted in the Company recognizing $0.7 million of other income, net in the Company's consolidated statements of operations, for the year ended December 31, 2013. No remaining contingency existed at December 31, 2013.

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 used to determine fair value require significant management judgment and estimation. See note 6 of the consolidated financial statements for further disclosure regarding fair value of the contingent consideration obligation.

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 see "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 risk management process is subject to our overall risk tolerance and philosophy and our enterprise-wide risk management framework. This framework includes identifying, measuring and managing market, credit and operational risks at each segment, as well as at the fund and Company level.

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.

At the direction of the Company's manager, the Company has established a risk committee comprised of the Company's President, Chief Financial Officer, Chief Legal and Compliance Officer and the Company's global head of risk. The risk committee is tasked with assisting the Company's manager in monitoring and managing enterprise-wide risk. The risk committee generally meets on a weekly basis and reports to the executive committee of the Company's manager at such times as the committee deems appropriate and at least on an annual basis.

On at least a monthly basis, the Company's risk department provides a summary analysis of fund level market and credit risk to the portfolio managers of the Company's funds and the heads of the various business segments. On a periodic basis, the Company's risk department presents a consolidated summary analysis of fund level market and credit risk to the Company's risk committee. In addition, the Company's global head of risk reviews specific investments from the perspective of risk mitigation and discusses such analysis with the Company's risk committee and/or the executive committee of the Company's manager at such times as the Company's global head of risk determines such discussions are warranted. On an annual basis, the Company's global head of risk provides the executive committee of the Company's manager with a comprehensive overview of risk management along with an update on current and future risk initiatives.

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;
- the gross, net or adjusted asset value of an Apollo fund, as defined; or
- as 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 causing 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, dispositions, 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, net. 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 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 derivative 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 Toronto, London, Frankfurt, Luxembourg, Mumbai, Hong Kong and Singapore, and have been strategically growing our international presence. Our fund investments and our 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. Our funds also invest in the securities of companies 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, 2013 and 2012:

- 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, 2013 and 2012 would decrease by approximately $21.3 million and $11.9 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, 2013 and 2012 by approximately $21.0 million and $9.8 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.

- Other income, net earned from derivative contracts related to the amended services contract with Athene and Athene Life Re Ltd. and the Amended AAA Services Agreement would decrease by approximately $8.5 million and $0.0 million for the years ended December 31, 2013 and 2012, respectively, if the fair value of the accrued notional shares of Athene Holding Ltd. decreased by 10% during the same respective periods. By contrast, a 10% increase in fair value of the accrued notional shares of Athene Holding Ltd. would increase other income, net for the years ended December 31, 2013 and 2012 by approximately $8.5 million and $0.0 million, respectively.

- 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, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by approximately $203.7 million and $289.4 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, 2013 and 2012 by approximately $240.1 million and $256.6 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, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $524.8 million and $848.4 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, 2013 and 2012 by $484.5 million and $789.2 million, respectively.

- Carried interest income from real estate 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 real estate funds at December 31, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $6.0 million and $4.4 million, respectively. The effects on real estate 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, 2013 and 2012 by $16.1 million and $1.9 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 ARI and AMTG RSUs and direct investments in the funds, which ranges from 0.01% to 9.97%. A 10% decline in the fair value of investments at December 31, 2013 and 2012 would result in an approximate $39.8 million and $35.9 million decrease in investment income at the consolidated level, respectively. By contrast, a 10% increase in the fair value of investments at December 31, 2013 and 2012 would result in an approximate $39.8 million and $35.9 million increase in investment income at the consolidated level, respectively.

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, 2013 and 2012, 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, 2013. 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 (1992)* 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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
New York, New York
March 3, 2014

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2013 AND DECEMBER 31, 2012
(dollars in thousands, except share data)

	December 31, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	$ 1,078,120	$ 946,225
Cash and cash equivalents held at consolidated funds	1,417	1,226
Restricted cash	9,199	8,359
Investments	2,393,883	2,138,096
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,095,170	1,682,696
Investments, at fair value	14,126,362	12,689,535
Other assets	280,718	299,978
Carried interest receivable	2,287,075	1,878,256
Due from affiliates	317,247	173,312
Fixed assets, net	40,251	53,452
Deferred tax assets	660,199	542,208
Other assets	44,170	36,765
Goodwill	49,243	48,894
Intangible assets, net	94,927	137,856
Total Assets	**$ 22,477,981**	**$ 20,636,858**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 38,159	$ 38,337
Accrued compensation and benefits	41,711	56,125
Deferred revenue	279,479	252,157
Due to affiliates	595,371	477,451
Profit sharing payable	992,240	857,724
Debt	750,000	737,818
Liabilities of consolidated variable interest entities:		
Debt, at fair value	12,423,962	11,834,955
Other liabilities	605,063	634,053
Other liabilities	63,274	44,855
Total Liabilities	**15,789,259**	**14,933,475**
Commitments and Contingencies (see note 18)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 146,280,784 shares and 130,053,993 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	-	-
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2013 and December 31, 2012	-	-
Additional paid in capital	2,624,582	3,043,334
Accumulated deficit	(1,568,487)	(2,142,020)
Appropriated partners' capital	1,581,079	1,765,360
Accumulated other comprehensive income	95	144
Total Apollo Global Management, LLC shareholders' equity	2,637,269	2,666,818
Non-Controlling Interests in consolidated entities	2,669,730	1,893,212
Non-Controlling Interests in Apollo Operating Group	1,381,723	1,143,353
Total Shareholders' Equity	**6,688,722**	**5,703,383**
Total Liabilities and Shareholders' Equity	**$ 22,477,981**	**$ 20,636,858**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Revenues:			
Advisory and transaction fees from affiliates, net	$ 196,562	$ 149,544	$ 81,953
Management fees from affiliates	674,634	580,603	487,559
Carried interest income (loss) from affiliates	2,862,375	2,129,818	(397,880)
Total Revenues	3,733,571	2,859,965	171,632
Expenses:			
Compensation and benefits:			
Equity-based compensation	126,227	598,654	1,149,753
Salary, bonus and benefits	294,753	274,574	251,095
Profit sharing expense	1,173,255	872,133	(60,070)
Total Compensation and Benefits	1,594,235	1,745,361	1,340,778
Interest expense	29,260	37,116	40,850
Professional fees	83,407	64,682	59,277
General, administrative and other	98,202	87,961	75,558
Placement fees	42,424	22,271	3,911
Occupancy	39,946	37,218	35,816
Depreciation and amortization	54,241	53,236	26,260
Total Expenses	1,941,715	2,047,845	1,582,450
Other Income:			
Net gains (losses) from investment activities	330,235	288,244	(129,827)
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	24,201
Income from equity method investments	107,350	110,173	13,923
Interest income	12,266	9,693	4,731
Other income, net	40,114	1,964,679	205,520
Total Other Income	689,707	2,301,085	118,548
Income (loss) before income tax provision	2,481,563	3,113,205	(1,292,270)
Income tax provision	(107,569)	(65,410)	(11,929)
Net Income (Loss)	2,373,994	3,047,795	(1,304,199)
Net (income) loss attributable to Non-controlling Interests	(1,714,603)	(2,736,838)	835,373
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 659,391	$ 310,957	$ (468,826)
Distributions Declared per Class A Share	$ 3.95	$ 1.35	$ 0.83
Net Income Per Class A Share:			
Net Income (Loss) Available to Class A Share - Basic	$ 4.06	$ 2.06	$ (4.18)
Net Income (Loss) Available to Class A Share -Diluted	$ 4.03	$ 2.06	$ (4.18)
Weighted Average Number of Class A Shares - Basic	139,173,386	127,693,489	116,364,110
Weighted Average Number of Class A Shares - Diluted	142,214,350	129,540,377	116,364,110

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Net Income (Loss)	**$ 2,373,994**	**$ 3,047,795**	**$ (1,304,199)**
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $0, $410, and $855 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for the years ended December 31, 2013, 2012, and 2011, respectively)	-	2,653	6,728
Net loss on available-for-sale securities (from equity method investment)	(8)	(11)	(225)
Total Other Comprehensive (Loss) Income, net of tax	(8)	2,642	6,503
Comprehensive Income (Loss)	**2,373,986**	**3,050,437**	**(1,297,696)**
Comprehensive (Income) Loss attributable to Non-Controlling Interests	(1,564,710)	(922,172)	1,032,502
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	**$ 809,276**	**$ 2,128,265**	**$ (265,194)**

See accompanying notes to consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(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**	**Non-Controlling Interests in Consolidated Entities**	**Non-Controlling Interests in Apollo Operating Group**	**Total Shareholders' Equity**
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 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 distribution	-	-	-	-	-	-	-	(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**
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 units	-	-	-	-	-	-	-	(102,072)	-	(102,072)
Non-cash distributions	-	-	-	(788)	-	-	(788)	(3,605)	-	(4,393)
Non-cash contribution 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**
Dilution impact of issuance of Class A shares	-	-	4,865	-	-	-	4,865	-	-	4,865
Capital increase related to equity-based compensation	-	-	104,935	-	-	-	104,935	-	19,163	124,098
Capital contributions	-	-	-	-	-	-	-	689,172	-	689,172
Distributions	-	-	(650,189)	-	(334,215)	-	(984,404)	(159,573)	(975,488)	(2,119,465)
Distributions related to deliveries of Class A shares for RSUs	5,181,389	-	37,263	(85,858)	-	-	(48,595)	-	-	(48,595)
Purchase of AAA units	-	-	-	-	-	-	-	(62,326)	-	(62,326)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	-	-	(2,226)	-	-	-	(2,226)	2,226	-	-
Satisfaction of liability related to AAA RDUs	-	-	1,205	-	-	-	1,205	-	-	1,205
Exchange of AOG Units for Class A Shares	11,045,402	-	85,395	-	-	-	85,395	-	(62,996)	22,399

Net income	-	-	-	659,391	149,934	-	809,325	307,019	1,257,650	2,373,994
Net (loss) gain on available-for-sale securities (from equity method investment)	-	-	-	-	-	(49)	(49)	-	41	(8)
Balance at December 31, 2013	**146,280,784**	**1**	**$ 2,624,582**	**$ (1,568,487)**	**$ 1,581,079**	**$ 95**	**$ 2,637,269**	**$ 2,669,730**	**$ 1,381,723**	**$ 6,688,722**

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Cash Flows from Operating Activities:			
Net income (loss)	$ 2,373,994	$ 3,047,795	$ (1,304,199)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity-based compensation	126,227	598,654	1,149,753
Depreciation and amortization	11,047	10,226	11,132
Amortization of intangible assets	43,194	43,010	15,128
Amortization of debt issuance costs	765	511	511
Unrealized losses from investment in HFA and other investments	12,962	1,316	5,881
Non-cash interest income	(3,403)	(3,187)	(2,486)
Income (Loss) from equity awards received for directors' fees	378	(2,536)	(19)
Income from equity method investment	(107,350)	(110,173)	(13,923)
Unrealized gain on market value on derivatives	(10,203)	-	-
Waived management fees	-	(6,161)	(23,549)
Non-cash compensation expense related to waived management fees	-	6,161	23,549
Change in fair value of contingent obligations	60,826	25,787	-
Excess tax benefits from share-based payment arrangements	(37,263)	-	-
Deferred taxes, net	62,701	55,309	10,580
Loss on fixed assets	963	923	570
Gain on business acquisitions	-	(1,951,897)	(196,193)
Changes in assets and liabilities:			
Carried interest receivable	(408,819)	(973,578)	998,491
Due from affiliates	(130,525)	5,779	(30,241)
Other assets	6,250	(7,901)	(7,019)
Accounts payable and accrued expenses	34,034	559	3,079
Accrued compensation and benefits	(17,244)	8,007	(6,128)
Deferred revenue	27,322	15,000	(21,934)
Due to affiliates	(44,223)	(103,773)	43,767
Profit sharing payable	141,225	361,606	(325,229)
Other liabilities	(5,822)	(5,052)	5,778
Apollo Funds related:			
Net realized (gains) losses from investment activities	(87,881)	(77,408)	11,313
Net unrealized (gains) losses from investment activities	(309,138)	(458,031)	113,114
Net realized gains on debt	(137,098)	-	(41,819)
Net unrealized losses on debt	232,510	497,704	19,880
Distributions from investment activities	66,796	99,675	30,248
Cash transferred from consolidated funds	-	-	6,052
Change in cash held at consolidated variable interest entities	587,526	(348,138)	(17,400)
Purchases of investments	(9,841,763)	(7,525,473)	(1,294,477)
Proceeds from sale of investments and liquidating distributions	8,422,195	7,182,392	1,530,194
Change in other assets	19,260	(71,921)	(7,109)
Change in other liabilities	(64,061)	(49,634)	56,526
Net Cash Provided by Operating Activities	**$ 1,025,382**	**$ 265,551**	**$ 743,821**
Cash Flows from Investing Activities:			
Purchases of fixed assets	(7,577)	(11,259)	(21,285)
Acquisitions (net of cash assumed) (see note 3)	-	(99,190)	(29,632)
Proceeds from disposals of fixed assets	2,282	-	631
Purchase of investment in HFA (see note 4)	-	-	(52,142)
Investment in Apollo Senior Loan Fund (see note 4)	-	-	(26,000)
Cash contributions to equity method investments	(98,422)	(126,917)	(64,226)
Cash distributions from equity method investments	216,284	152,645	64,844
Change in restricted cash	(840)	(70)	(1,726)

Net Cash Provided by (Used in) Investing Activities	**$ 111,727**	**$ (84,791)**	**$ (129,536)**
Cash Flows from Financing Activities:			
Issuance of Class A shares	$ -	$ -	$ 383,990
Repurchase of Class A shares related to net share settlement	-	-	(2,472)
Principal repayments of debt and repurchase of debt	(737,818)	(698)	(1,939)
Issuance costs	(7,750)	-	(1,502)
Issuance of debt	750,000	-	-
Satisfaction of tax receivable agreement	(30,403)	-	-
Satisfaction of contingent obligations	(67,535)	-	-
Distributions related to deliveries of Class A shares for RSUs	(85,858)	(25,992)	(17,081)
Distributions to Non-Controlling Interests in consolidated entities	(12,171)	(8,779)	(13,440)
Contributions from Non-Controlling Interests in consolidated entities	273	4,069	-
Distributions paid	(584,465)	(202,430)	(102,598)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(975,488)	(335,023)	(199,199)
Excess tax benefits from share-based payment arrangements	37,263	-	-
Apollo Funds related:			
Issuance of debt	2,747,033	1,413,334	454,356
Principal repayment of debt	(2,218,060)	(515,897)	(415,869)
Purchase of AAA units	(62,326)	(102,072)	-
Distributions paid	(334,215)	(264,910)	-
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(147,402)	(486,727)	(308,785)
Contributions from Non-Controlling Interests in consolidated variable interest entities	688,899	547,085	-
Distributions to Non Controlling Interests in consolidated entities	-	-	(27,284)
Subscriptions received in advance	35,000	-	-
Net Cash (Used in) Provided by Financing Activities	**$ (1,005,023)**	**$ 21,960**	**$ (251,823)**
Net Increase in Cash and Cash Equivalents	132,086	202,720	362,462
Cash and Cash Equivalents, Beginning of Period	947,451	744,731	382,269
Cash and Cash Equivalents, End of Period	**$ 1,079,537**	**$ 947,451**	**$ 744,731**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 43,760	$ 49,590	$ 49,296
Interest paid by consolidated variable interest entities	120,149	116,392	20,892
Income taxes paid	9,233	7,128	10,732
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	(1,303)	(2,807)	(703)
Transfer of fixed assets held-for-sale	6,486	-	-
Non-cash sale of assets held-for-sale for repayment of CIT loan	-	-	(11,069)
Non-cash contributions from investing activities	-	-	3,176
Change in accrual for purchase of fixed assets	-	(659)	967
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$ -	$ (788)	$ -
Declared and unpaid distributions	(65,724)	(1,567)	(12,541)
Non-cash distributions to Non-Controlling Interests in consolidated entities	-	(3,605)	(3,176)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	19,163	313,856	696,361
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
Satisfaction of liability related to AAA RDUs	1,205	1,790	3,845
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	2,226	919	6,524
Net transfer of AAA ownership interest from Apollo Global Management, LLC	(2,226)	(919)	(6,524)
Unrealized gain on interest rate swaps	-	1,053	2,477
Unrealized loss on available for sale securities (from equity method investment)	(49)	(11)	(225)
Capital increases related to equity-based compensation	104,935	282,228	451,543
Dilution impact of issuance of Class A shares	4,865	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)

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	- -	-	11,069
Net Assets Transferred from Consolidated Funds			
Cash	$ -	$ -	$ 6,052
Investments	-	-	24,213
Other assets	-	-	609
Other liabilities	-	-	(4,874)
Net Assets Transferred from Consolidated Variable Interest Entity:			
Cash	$ -	$ 1,161,016	$ 68,586
Investments	-	8,805,916	2,195,986
Other assets	-	169,937	14,039
Debt	-	(7,255,172)	(2,046,157)
Other liabilities	-	(560,262)	(31,959)
Non-Controlling interest in consolidated entities related to acquisition	-	260,203	-
Adjustments related to exchange of Apollo Operating Group units:			
Deferred tax assets	$ 149,327	$ -	$ -
Due to affiliates	(126,928)	-	-
Additional paid in capital	(22,399)	-	-
Non-Controlling Interest in Apollo Operating Group	62,996	-	-

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 (together with 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 ("SIAs"), 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 real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

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.

Certain reclassifications, when applicable, have been made to the prior period's consolidated financial statements and notes to conform to the current period's presentation and are disclosed accordingly.

Organization 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, 2013, 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, a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. Federal income tax purposes (collectively, the “Intermediate Holding Companies”), 39.0% 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.

A.P. 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 interests in each of the partnerships that comprise the Apollo Operating Group (“AOG Units”). As of December 31, 2013, Holdings owned the remaining 61.0% of the economic interests in the Apollo Operating Group. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings’ ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying consolidated financial statements.

Apollo also entered into an exchange agreement with Holdings (as amended, the “Exchange Agreement”) that allows the holders of the AOG Units (and certain permitted transferees thereof), subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions to exchange, upon notice (subject to the terms of the Exchange Agreement), 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, distributions and reclassifications. Under the Exchange Agreement, a holder of AOG Units must simultaneously exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As a holder exchanges its AOG Units, the Company's indirect interest in the Apollo Operating Group will be correspondingly increased.

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.

On May 15, 2013, the Company completed its public offering for resale of approximately 24.3 million Class A shares owned by the California Public Employees' Retirement System, or "CalPERS," and an affiliate of the Abu Dhabi Investment Authority (the "Strategic Investors") and certain of its Managing Partners, Contributing Partners and employees (collectively, the "Selling Shareholders") at a price to the public of $25.00 per Class A share, which included approximately 3.2 million Class A shares sold by the Selling Shareholders upon the exercise in full of the underwriters' option to purchase additional shares (the "Secondary Offering"). In connection with the Secondary Offering, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. No proceeds were received by the Company from the sale of Class A shares by the Selling Shareholders in the Secondary Offering. All underwriting costs were borne by the Selling Shareholders. The Company incurred approximately $3.0 million of fees for the year ended December 31, 2013, consisting of legal and professional fees and filing costs, as a result of the Secondary Offering.

As a result of the exchange of AOG Units into Class A shares from the Secondary Offering, the Company's economic interest in the Apollo Operating Group increased from 35.6% to 38.0% and Holdings' economic interest in the Apollo Operating Group decreased from 64.4% to 62.0%. The dilution of Holdings' economic interests in the Apollo Operating Group from the Secondary Offering is reflected in the consolidated statements of changes in shareholders' equity in the line titled Exchange of AOG Units for Class A shares, where $50.8 million was transferred to Apollo Global Management, LLC's shareholders' equity from Non-Controlling Interests in the Apollo Operating Group. Additionally, as a result of the exchange of AOG Units into Class A shares, the Company recognized a step-up in tax basis of certain assets and liabilities. Similar to in our 2007 Reorganization, the Company recognized an increase in the Company's deferred tax assets, tax receivable agreement liability and shareholders' equity as a result of the exchange of AOG Units into Class A shares. See note 13 and note 17 for a discussion of the increase in the Company's deferred tax assets, tax receivable agreement liability and additional paid in capital as a result of the exchange of AOG Units into Class A shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation-The types of entities with which Apollo is involved generally include subsidiaries (i.e. general partners and management companies related to the funds the Company manages), entities that have all the attributes of an investment company (e.g., funds) and securitization vehicles (e.g., collateralized loan obligations). Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, the Company first considers the appropriate consolidation guidance to apply including consideration of whether the entity qualifies for certain scope exceptions and whether the entity should be evaluated under either the previous rules on consolidation of variable interest entities ("VIEs") or the amended consolidation rules depending on whether or not the entity qualifies for the deferral as further described below. The Company then performs an assessment to determine whether that entity qualifies as a VIE. An entity in which Apollo holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. Apollo does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated investors to either dissolve the fund or remove the general partner ("kick-out rights") or the granting of substantive participating rights.

As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of Apollo's funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether an entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights and the Company is not part of the group of holders of equity investment at risk, the fund is generally determined to be a VIE, as the holders of equity investment at risk as a group lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. However, in certain cases where the Company holds a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. In these cases, the Company is part of the group of holders of equity investment at risk and therefore the holders of equity investment at risk as a group do not lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity.

If the entity is determined to be a VIE under the conditions above, the Company then assesses whether the entity should be consolidated by applying either the previous consolidation rules or the amended consolidation rules depending on whether the entity qualifies for the deferral of the amended consolidation rules as further described below.

VIEs that qualify for the deferral of the amended consolidation rules because certain conditions are met, including if the entities have all the attributes of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are securitization or asset-backed financing entities will apply the amended consolidation rules. Under both sets of rules, VIEs for which Apollo is determined to be the primary beneficiary are consolidated.

With respect to VIEs such as Apollo's funds that qualify for the deferral of the amended consolidation rules and therefore apply the previous consolidation rules, Apollo is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where two or more Apollo related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

For VIEs such as the Apollo's CLOs that apply the amended consolidation rules, the Company is determined to be the primary beneficiary if it holds a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. With respect to such CLOs, Apollo generally possesses a controlling financial interest in, and therefore consolidates, such CLOs in accordance with the amended consolidation rules when Apollo's role as collateral manager provides the Company with the power to direct the activities that most significantly impact the CLO's economic performance and the Company has the right to receive certain benefits from the CLO (e.g., incentive fees) that could potentially be significant to the CLO.

Under the previous and the amended consolidation rules, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. 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.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both sets of rules, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether two or more parties' equity interests should be aggregated, (iv) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity, (v) and evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group is most closely associated with the VIE. Where the VIEs have qualified for the deferral, judgments are also made in estimating cash flows to evaluate which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the VIEs have not qualified for the deferral, judgments are also 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.

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 statements 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, 2013 and 2012.

For additional disclosures regarding VIEs, see 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 Interests-For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the consolidated financial statements. As of December 31, 2013, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes the 61.0% 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 97.4% ownership interest held by limited partners in AP Alternative Assets, L.P. ("AAA") as of December 31, 2013. 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. 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 interest in the Apollo Operating Group and other ownership interests in the consolidated entities. Net income (loss) includes the net income (loss) attributable to the holders of Non-Controlling Interests on the Company's consolidated statements of operations. Profits and losses are allocated to Non-Controlling Interests in proportion to their relative 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.

APOLLO GLOBAL MANAGEMENT, LLC
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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, net, which relate to the investments of the funds and may include individual monitoring agreements the Company has 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, Net-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 as a component of 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 for all costs incurred and no offset is generated. As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's statement of operations, and any receivable from the respective funds is presented in Due from Affiliates on the statement of financial condition.

Advisory and transaction fees from affiliates, net, also includes underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of 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. Underwriting 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 17. 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"). Advisory and transaction fees from affiliates are presented net of the Management Fee Offset in the consolidated statements of operations.

Management Fees from Affiliates-Management fees for private equity, real estate and 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 elected to forgo a portion of the management fee revenue that was due from the funds and instead received a right to a proportionate interest in future distributions of profits of those funds. Waived fees recognized during the period were included in management fees from affiliates in the consolidated statements of operations. This election allowed 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 assigned the profits interests received to its employees. Such assignments of profits interests were 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. A portion of any excess advisory and transaction fees may be required to be returned to the limited partners of certain funds upon such fund's liquidation. 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. Interest income also includes payment-in-kind interest (or "PIK" interest) on a convertible note and from one of our credit funds.

Due from/to Affiliates-Apollo considers its existing partners, employees, certain former employees, portfolio companies of the funds and nonconsolidated 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.

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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 partner 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 the Company considers include the number of broker quotes obtained, 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 between levels 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 market approach and the income 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 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 its funds' 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 analyses. 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. When market quotations are not available, a model based approach is used to determine fair value. 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 credit investments 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 its funds' credit investments. For certain publicly traded vehicles, a review is performed by an independent board of directors. 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 analyses.

Real Estate Investments

The estimated fair value of commercial mortgage-backed securities ("CMBS") in Apollo's funds 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. The Company evaluates its loans for possible impairment on a quarterly basis. 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 its funds' real estate investments. For certain publicly traded vehicles, a review is performed by an independent board of directors. 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 analyses.

Fair Value of Financial Instruments

The fair value of a financial instrument is 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.

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Except for the Company's debt obligation related to the 2013 AMH Credit Facilities (as defined in note 14), 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 14, the Company's long term debt obligation related to the 2013 AMH Credit Facilities are believed to have an estimated fair value of approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2013. However, the carrying value that is recorded on the consolidated statements of financial condition is the amount for which the Company expects to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the 2013 AMH Credit Facilities 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 Holdings Limited ("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. See notes 4, 5, and 6 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 could be 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 model based 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.

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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 the Company is 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, 2013, the Company performed its annual impairment testing. As the fair value of the Company's reporting units was well in excess of the carrying value as of June 30, 2013, 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 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 awards granted to employees as compensation are 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 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 include base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are generally accrued over the related service period.

Also included within salaries, bonus and benefits is the expense related to profits interests issued to certain employees whereby they are entitled to a share in earnings and any appreciation in the value of a subsidiary of the Company during their term of employment. The 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.

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, 2013, 2012, and 2011.

Profit Sharing Expense-Profit sharing expense primarily 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 are reflected in the Company's consolidated statements of operations as profit sharing expense.

The Company has 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.

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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 reporting date and the closing reporting date. The consolidated financial statements include the net realized and unrealized gains (losses) of investments, at fair value. For the Company's investments held by AAA (see note 4), a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the consolidated statements of operations.

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.

Other Income (Loss), Net-Other income (loss), 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, reversal of a portion of the tax receivable agreement liability (see note 17), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates 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 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, the Company recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. 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 the Company has 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. Earnings or losses allocated to each class of security are 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, fair value of investments and debt in the consolidated and unconsolidated funds and VIEs and fair value of the derivative contracts related to Athene's capital and surplus. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("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 did not have a material impact on the Company's consolidated financial statements.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the Company's consolidated 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. In conjunction with the annual goodwill impairment test as of June 30, 2013, utilizing the two-step method described above, the Company concluded these amendments did not have an impact on the Company's consolidated financial statements.

In February 2013, the FASB issued guidance on the reporting of amounts reclassified out of accumulated other comprehensive income. The guidance does not change the requirement for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective prospectively for periods beginning after December 15, 2012. As the amendments are limited to presentation and disclosure only, the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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In April 2013, the FASB issued guidance that requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. The financial statements prepared using the liquidation basis of accounting should present relevant information about the expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. The entity should include in its presentation of assets any items it had not previously recognized under U.S. GAAP but that it expects to either sell in liquidation or use in settling liabilities. Liabilities should be recognized and measured in accordance with U.S. GAAP that otherwise applies to those liabilities. The guidance requires an entity to accrue and separately present the costs that it expects to incur and the income that it expects to earn during the expected duration of the liquidation, including any costs associated with the sale or settlement of those assets and liabilities. Additionally, the amended guidance requires disclosures about an entity's plan for liquidation, the methods and significant assumptions used to measure assets and liabilities, the type and amount of costs and income accrued, and the expected duration of the liquidation process. The guidance is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical characteristics. The fundamental characteristics that an investment company must have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is prohibited. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In July 2013, the FASB issued guidance to eliminate the diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under the new guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carry forward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statement as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date (e.g. an entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled). The guidance does not require new recurring disclosures. The guidance applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists at the reporting date. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The guidance should be applied prospectively to all unrecognized tax benefits that exist at the effective date, although retrospective application is permitted. 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

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 closing price of the Company's Class A shares 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. See note 18 for additional disclosure regarding the contingent consideration obligation.

As a result of the acquisition, the Company incurred $4.6 million in acquisition costs, of which $2.8 million and $1.8 million was incurred during the years ended December 31, 2012 and 2011, respectively.

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:

		As of December 31,			
	Weighted Average Useful Life in Years		2013		2012
Management Fees contracts	2.2	$	9,658	$	9,658
Senior Fees Contracts	2.4		568		568
Subordinate Fees Contracts	2.5		2,023		2,023
Carried Interest Contracts	3.7		85,071		85,071
Non-Compete Covenants	2.0		200		200
Total Intangible Assets			97,520		97,520
Less: Accumulated amortization			(48,586)		(20,456)
Net Intangible Assets		$	48,934	$	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 broadened Apollo's senior credit business by expanding Apollo's credit coverage as well as investor relationships and increasing 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. Under the terms of the acquisition, 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. This liability was settled on March 8, 2013. 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 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 $0.0 and approximately $8.7 million using a discount rate of 13.7%. See note 18 for additional disclosure regarding the contingent consideration obligation.

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 $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	As of December 31, 2013		2012	
Management contracts	3.7	$	33,900	$	33,900 (1)
Less: Accumulated amortization			(16,562)		(9,351)
Net intangible assets		$	17,338	$	24,549

(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.

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 year 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 millions, 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 October 2, 2013, the Company acquired specified assets and liabilities of Aviva Investors North America, Inc., a wholly-owned subsidiary of Aviva plc. The acquisition provides the Company additional asset management allocation and related service capabilities for similar assets that it directly manages across its investment platform. The transaction was accounted for as a business combination. Identifiable assets having a combined fair value of $0.4 million were acquired in exchange for fair value of liabilities assumed of $0.8 million, which resulted in goodwill of $0.4 million as of the acquisition date. There was no consideration transferred relating to this acquisition.

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31,	
	2013	2012
Finite-lived intangible assets/management contracts	$ 240,285	$ 240,020
Accumulated amortization	(145,358)	(102,164)
Intangible assets, net	$ 94,927	$ 137,856

The changes in intangible assets, net consist of the following:

	For the Year Ended December 31,		
	2013	2012	2011
Balance, beginning of year	$ 137,856	$ 81,846	$ 64,574
Amortization expense	(43,194)	(43,009)	(15,128)
Acquisitions	265	99,019 (1)	32,400
Balance, end of year	$ 94,927	$ 137,856	$ 81,846

(1) Includes impact of purchase price adjustments related to Gulf Stream acquisition

Amortization expense related to intangible assets was $43.2 million, $43.0 million, and $15.1 million for the years ended December 31, 2013, 2012, and 2011, respectively.

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Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Amortization of intangible assets	$ 34,642	$ 33,704	$ 7,917	$ 4,952	$ 3,677	$ 10,035	$ 94,927

4. INVESTMENTS

The following table represents Apollo's investments:

	As of December 31, 2013	As of December 31, 2012
Investments, at fair value	$ 2,012,027	$ 1,744,412
Other investments	381,856	393,684
Total Investments	$ 2,393,883	$ 2,138,096

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, 2013 and December 31, 2012, the net assets of the consolidated funds (excluding VIEs) were $1,971.1 million and $1,691.3 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:

	As of December 31, 2013					As of December 31, 2012				
	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	$1,942,051	$ -	$1,942,051	$1,494,358	98.5%	$1,666,448	$ -	$ 1,666,448	$1,561,154	98.5%
Apollo Senior Loan Fund	-	29,603	29,603	29,226	1.5	-	27,653	27,653	27,296	1.5
HFA	-	39,534	39,534	61,218	N/A	-	48,723	48,723	57,815	N/A
Other Investments	839	-	839	4,159	N/A	1,588	-	1,588	3,563	N/A
Total	$1,942,890	$69,137	$2,012,027	$1,588,961	100.0%	$1,668,036	$76,376	$ 1,744,412	$1,649,828	100.0%

Securities

At December 31, 2013 and 2012, 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:

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	As of December 31, 2013				As of December 31, 2012			
	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated Funds	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated Funds
Athene Holding Ltd.	Equity	$ 1,950,010	$ 1,331,942	98.9%	Equity	$ 1,578,954	$ 1,276,366	93.4%

AAA Investments owns through its subsidiaries the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries, “Athene”). Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities. See note 17 for further information regarding Athene and its recently completed acquisition of the U.S. annuity operations of Aviva plc ("Aviva USA").

On October 31, 2012, AAA Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the “AAA Transaction”). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA’s only material investment and as of December 31, 2013 and 2012, AAA, through its investment in AAA Investments was the largest shareholder of Athene Holding Ltd. with an economic ownership stake of approximately 72.5% and 77.2%, respectively (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and as of December 31, 2013 and 2012, effectively held 45% of the voting power of Athene.

Athene’s fair value is determined using the embedded value method which is based on the present value of the future expected regulatory distributable income generated by the net assets plus the excess capital (i.e., the capital in excess of what is required to be held against Athene’s liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. The assets considered capital in excess are fair valued in accordance with the fair value policies disclosed in note 2. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

The Company, through its consolidation of AAA, has an approximate 68% fully diluted ownership interest in Athene (after giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable) through AAA’s investment in AAA Investments as of December 31, 2013. AAA Investments’ ownership interest in Athene is held indirectly through its subsidiaries and is comprised of common shares and a promissory note which can be settled in cash or common shares of Athene at AAA Investments’ option. The fair value of AAA Investments’ investment in Athene is determined by calculating the total fair value of Athene multiplied by AAA Investments’ ownership percentage in Athene. The Company has an approximate 1.9% economic ownership interest in Athene’s equity, as of December 31, 2013. The approximate 1.9% economic ownership interest is calculated as the Company’s approximate 2.6% economic ownership interest in AAA plus the Company’s approximate 0.06% economic ownership interest in AAA Investments multiplied by AAA Investments’ approximate 68% fully diluted ownership interest in Athene. The remaining ownership interest in AAA is recognized in the Company’s statement of operations and financial condition as non-controlling interest.

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Apollo Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the 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. See note 6 for further discussion regarding fair value leveling.

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 canceled, 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 a 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, 2013, 2012 and 2011, the Company recorded $4.0 million, $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 $0.89 and A$1.00 to $1.04 as of December 31, 2013 and 2012, 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 reporting date. For the years ended December 31, 2013, 2012 and 2011, the Company recorded an unrealized loss of approximately $12.6 million, $1.1 million and $5.9 million, respectively, related to the convertible note and stock options within net 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. See note 6 for further discussion regarding fair value leveling.

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, 2013, 2012, and 2011:

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	For the Year Ended December 31, 2013		
	Private Equity	Credit	Total
Realized gains on sales of investments	$ -	$ 409	$ 409
Change in net unrealized gains (losses) due to changes in fair values	342,398	(12,572)	329,826
Net Gains (Losses) from Investment Activities	$ 342,398	$ (12,163)	$ 330,235

	For the Year Ended December 31, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$ -	$ 443	$ 443
Change in net unrealized gains (losses) 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 due to changes in fair values	$ (123,946)	$ (5,881)	$ (129,827)
Net Losses from Investment Activities	$ (123,946)	$ (5,881)	$ (129,827)

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.

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The following table presents income from equity method investments for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31,		
	2013	**2012**	**2011**
Investments:			
Private Equity Funds:			
AAA Investments	$ 206	$ 195	$ (55)
Apollo Investment Fund IV, L.P. ("Fund IV")	-	(2)	8
Apollo Investment Fund V, L.P. ("Fund V")	4	20	(9)
Apollo Investment Fund VI, L.P. ("Fund VI")	3,708	3,947	2,090
Apollo Investment Fund VII, L.P. ("Fund VII")	69,217	60,576	10,156
Apollo Investment Fund VIII, L.P. ("Fund VIII")	(246)	-	-
Apollo Natural Resources Partners, L.P. ("ANRP")	779	(71)	(141)
AION Capital Partners Limited ("AION")	(1,103)	71	-
Apollo Asia Private Credit Fund, L.P. ("APC")	6	-	-
Credit Funds:			
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	950	843	(793)
Apollo Value Investment Fund, L.P. ("VIF")	10	19	(25)
Apollo Strategic Value Fund, L.P. ("SVF")	(1)	15	(21)
Apollo Credit Liquidity Fund, L.P. ("ACLF")	986	4,219	(295)
Apollo/Artus Investors 2007-I, L.P. ("Artus")	(2)	1,466	368
Apollo Credit Opportunity Fund I, L.P. ("COF I")	6,470	19,731	2,410
Apollo Credit Opportunity Fund II, L.P. ("COF II")	1,016	4,989	(737)
Apollo Credit Opportunity Fund III, L.P. ("COF III")	227	-	-
Apollo European Principal Finance Fund, L.P. ("EPF I")	6,201	3,933	1,729
Apollo European Principal Finance Fund II, L.P. ("EPF II")	2,256	568	-
Apollo Investment Europe II, L.P. ("AIE II")	1,924	1,948	(308)
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	2,406	2,228	(100)
Apollo Senior Floating Rate Fund Inc. ("AFT")	(4)	14	(16)
Apollo/ JH Loan Portfolio	-	5	-
Apollo Residential Mortgage, Inc. ("AMTG")	193 (1)	1,053 (2)	(80) (3)
Apollo European Credit, L.P. ("AEC")	354	203	(10)
Apollo European Strategic Investments, L.P. ("AESI")	580	576	21
Apollo Centre Street Partnership, L.P. ("ACSP")	964	433	-
Apollo Investment Corporation ("AINV")	4,190 (1)	1,761 (2)	-
Apollo SK Strategic Investments, L.P. ("SK")	162	18	-
Apollo SPN Investments I, L.P.	219	(10)	-
Apollo Tactical Income Fund Inc. ("AIF")	(6)	-	-
Apollo Franklin Partnership, L.P. ("Franklin Fund")	278	-	-
Apollo Zeus Strategic Investments, L.P. ("Zeus")	(20)	-	-
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. ("ARI")	693 (1)	1,100 (2)	636 (3)
AGRE U.S. Real Estate Fund, L.P.	1,981	(172)	(79)
CPI Capital Partners North America LP	111	17	98
CPI Capital Partners Asia Pacific, L.P.	37	72	71
Apollo GSS Holding (Cayman), L.P.	539	(39)	-
BEA/AGRE China Real Estate Fund, L.P.	(9)	-	-
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A/B")	13	(306)	(1,860)
VC Holdings, L.P. Series C ("Vantium C")	1,804	165	580
VC Holdings, L.P. Series D ("Vantium D")	257	588	285
Total Income from Equity Method Investments	$ 107,350	$ 110,173	$ 13,923

(1) Amounts are for the twelve months ended September 30, 2013, respectively.

(2) Amounts are for the twelve months ended September 30, 2012, respectively.
(3) Amounts are for the twelve months ended September 30, 2011, respectively.

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Other investments as of December 31, 2013 and December 31, 2012 consisted of the following:

	Equity Held as of			
	December 31, 2013	% of Ownership	December 31, 2012	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 1,168	0.057%	$ 998	0.057%
Fund IV	9	0.019	9	0.015
Fund V	94	0.020	173	0.014
Fund VI	9,964	0.103	9,814	0.094
Fund VII	137,960	1.258	164,773	1.316
Fund VIII	4,310	3.996	-	-
ANRP	3,735	0.831	2,355	0.903
AION	6,425	9.970	625	10.000
APC	49	0.046	17	0.058
Credit Funds:				
SOMA	6,833	0.853	5,887	0.643
VIF	151	0.124	141	0.093
SVF	17	0.079	137	0.076
ACLF	4,559	3.341	9,281	2.579
Artus	-	-	667	6.156
COF I	10,077	1.850	39,416	1.924
COF II	5,015	1.428	19,654	1.429
COF III	6,720	2.450	-	-
EPF I	19,332	1.363	18,329	1.363
EPF II	23,212	1.994	5,337	1.316
AIE II	4,500	2.772	7,207	2.205
Palmetto	16,054	1.186	13,614	1.186
AFT	95	0.034	98	0.034
AMTG[3]	4,015 [1]	0.632 [1]	4,380 [2]	0.811 [2]
AEC	2,482	1.230	1,604	1.079
AESI	3,732	0.956	3,076	0.991
ACSP	7,690	2.465	5,327	2.457
AINV[4]	55,951 [1]	2.933 [1]	51,761 [2]	2.955 [2]
SK	1,714	0.997	1,002	0.988
Apollo SPN Investments I, L.P.	4,457	0.828	90	0.083
CION Investment Corporation	1,000	0.716	1,000	22.207
AIF	94	0.036	-	-
Franklin Fund	10,178	9.107	-	-
Zeus	1,678	3.383	-	-
Real Estate:				
ARI[3]	11,550 [1]	1.500 [1]	11,469 [2]	2.729 [2]
AGRE U.S. Real Estate Fund, L.P.	9,473	1.845	5,210	1.845
CPI Capital Partners North America	272	0.416	455	0.413
CPI Capital Partners Europe	5	0.001	5	0.001
CPI Capital Partners Asia Pacific	106	0.042	186	0.039
Apollo GSS Holding (Cayman), L.P.	3,670	3.460	2,428	4.621
BEA/AGRE China Real Estate Fund, L.P.	72	1.031	-	
Other Equity Method Investments:				
Vantium A/B	15	6.450	54	6.450
Vantium C	1,233	2.071	5,172	2.071
Vantium D	2,190	6.345	1,933	6.345
Total Other Investments	$ 381,856		$ 393,684	

(1) Amounts are as of September 30, 2013.
(2) Amounts are as of September 30, 2012.
(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 and issued to the Company, at which point the RSUs are converted to common stock and delivered to the Company.

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(4) The value of the Company's investment in AINV was $57,249 and $51,351 based on the quoted market price as of December 31, 2013 and December 31, 2012, respectively.

The tables below represent summarized aggregated financial information of the funds and other equity method investments in which Apollo has an equity method investment as of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011:

Balance Sheet Information	Private Equity		Credit		Real Estate		Aggregate Totals	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,	
	2013(1)	2012(1)(2)	2013(1)	2012(1)(2)	2013(1)	2012(1)	2013	2012
Investments	$ 23,539,644	$ 25,925,222	$16,043,142	$ 17,060,353	$ 2,260,989	$ 1,912,369	$ 41,843,775	$ 44,897,944
Assets	24,265,145	26,635,102	17,636,723	19,368,801	2,465,780	2,038,877	44,367,648	48,042,780
Liabilities	111,285	102,031	6,071,182	7,823,046	300,517	290,392	6,482,984	8,215,469
Equity	24,153,860	26,533,071	11,565,541	11,545,755	2,165,263	1,748,485	37,884,664	39,827,311

Income Statement Information	Private Equity			Credit			Real Estate			Aggregate Totals		
	For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,		
	2013(1)	2012(1)(2)	2011(1)	2013(1)	2012(1)(2)	2011(1)	2013(1)	2012(1)	2011(1)	2013	2012	2011
Revenues/Investment Income	$ 675,844	$ 1,686,855	$ 1,522,831	$ 1,297,324	$ 1,326,142	$ 852,282	$ 73,429	$ 54,720	$ 46,654	$ 2,046,597	$ 3,067,717	$ 2,421,767
Expenses	239,750	280,262	377,985	583,410	694,114	290,843	39,153	32,077	30,350	862,313	1,006,453	699,178
Net Investment Income	436,094	1,406,593	1,144,846	713,914	632,028	561,439	34,276	22,643	16,304	1,184,284	2,061,264	1,722,589
Net Realized and Unrealized Gain (Loss)	10,411,556	6,856,414	2,239,373	953,227	2,053,100	(537,017)	214,764	275,659	172,018	11,579,547	9,185,173	1,874,374
Net Income	$ 10,847,650	$ 8,263,007	$ 3,384,219	$ 1,667,141	$ 2,685,128	$ 24,422	$ 249,040	$ 298,302	$ 188,322	$ 12,763,831	$ 11,246,437	$ 3,596,963

(1) Certain private equity, credit and real estate fund amounts are as of and for the years ended September 30, 2013, 2012 and 2011.
Reclassified to conform to current period presentation.

5. VARIABLE INTEREST ENTITIES

As described in note 2, 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, credit, and real estate 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.

Consolidated Variable Interest Entities

Apollo has consolidated VIEs in accordance with the policy described in note 2. 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

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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 60 days.

Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities

The following table presents net gains (losses) from investment activities of the consolidated VIEs for the years ended December 31, 2013, 2012, and 2011 respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Net unrealized (losses) gains from investment activities	$ (33,275)	$ 169,087	$ 10,832
Net realized gains (losses) from investment activities	87,472	76,965	(11,313)
Net gains (losses) from investment activities	54,197	246,052	(481)
Net unrealized losses from debt	(232,509)	(497,704)	(19,880)
Net realized gains from debt	137,098	-	41,819
Net (losses) gains from debt	(95,411)	(497,704)	21,939
Interest and other income	674,324	581,610	75,004
Interest and other expenses	(433,368)	(401,662)	(72,261)
Net Gains (Losses) from Investment Activities of Consolidated VIEs	$ 199,742	$ (71,704)	$ 24,201

Senior Secured Notes and Subordinated Note*s*-Included within debt are amounts due to third-party institutions by the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of December 31, 2013 and December 31, 2012:

	As of December 31, 2013			As of December 31, 2012		
	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)	$ 11,877,744	1.31%	7.3	$ 11,409,825	1.30%	7.3
Subordinated Notes(2)(3)	963,099	N/A (1)	8.1	1,074,904	N/A (1)	7.7
Total	$ 12,840,843			$ 12,484,729		

(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 Notes and Subordinated Notes as of December 31, 2013 and December 31, 2012 was $12,424 million and $11,835 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 vehicle. As of December 31, 2013 and December 31, 2012, the fair value of the consolidated VIE assets was $15,502 million and $14,672 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

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The consolidated VIEs' debt obligations contain various customary loan covenants as described above. As of December 31, 2013, the Company was not aware of any instances of non-compliance with any of these covenants.

As of December 31, 2013, the table below presents the contractual maturities for debt of the consolidated VIEs:

	2014	2015	2016	2017	2018	Thereafter	Total
Senior Secured Notes	$ -	$ -	$ 2,225,000	$ -	$ 234,731	$ 9,418,013	$ 11,877,744
Subordinated Notes	-	-	-	-	60,000	903,099	963,099
Total Obligations as of December 31, 2013	$ -	$ -	$ 2,225,000	$ -	$ 294,731	$ 10,321,112	$ 12,840,843

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 as of December 31, 2013 and 2012. In addition, the tables present the maximum exposure to losses relating to those VIEs.

	As of December 31, 2013		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$ 7,631,592	$ (38,970)	$ 3,424
Credit	3,926,347	(321,888)	31,241
Real Estate	1,308,559	(950,421)	-
Total	$ 12,866,498 (1)	$ (1,311,279) (2)	$ 34,665 (3)

(1) Consists of $354,686 in cash, $12,034,487 in investments and $477,325 in receivables.
(2) Represents $1,161,549 in debt and other payables, $106,532 in securities sold, not purchased, and $43,198 in capital withdrawals payable.
(3) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of future losses. The maximum amount of future reversal of carried interest income from all of Apollo's funds, including those entities in which Apollo holds a significant variable interest, is $4,858 million as of December 31, 2013 as discussed in note 18.

	As of 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) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of future losses. The maximum amount of future reversal of carried interest income from all of Apollo's funds, including those entities in which Apollo holds a significant variable interest, was $3,209 million as of December 31, 2012.

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6. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$ -	$ -	$ 1,942,051	$ 1,942,051
Investments held by Apollo Senior Loan Fund[1]	-	28,711	892	29,603
Investments in HFA and Other[1]	-	-	40,373	40,373
Athene and AAA Management Fee Derivatives[2]	-	-	130,709	130,709
Investments of VIEs, at fair value[4]	3,455	12,203,370	1,919,537	14,126,362
Total Assets	$ 3,455	$ 12,232,081	$ 4,033,562	$ 16,269,098
Liabilities				
Debt of VIEs, at fair value[4]	$ -	$ 2,429,815	$ 9,994,147	$ 12,423,962
Contingent Consideration Obligations[3]	-	-	135,511	135,511
Total Liabilities	$ -	$ 2,429,815	$ 10,129,658	$ 12,559,473

	As of December 31, 2012			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$ -	$ -	$ 1,666,448	$ 1,666,448
Investments held by Apollo Senior Loan Fund[1]	-	27,063	590	27,653
Investments in HFA and Other[1]	-	-	50,311	50,311
Athene and AAA Management Fee Derivatives[2]	-	-	2,126	2,126
Investments of VIEs, at fair value[4]	168	11,045,902	1,643,465	12,689,535
Total Assets	$ 168	$ 11,072,965	$ 3,362,940	$ 14,436,073
Liabilities				
Liabilities of VIEs, at fair value[4]	$ -	$ -	$ 11,834,955	$ 11,834,955
Contingent Consideration Obligations[3]	-	-	142,219	142,219
Total Liabilities	$ -	$ -	$ 11,977,174	$ 11,977,174

(1) See note 4 for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and investments in HFA and Other.

(2) See note 17 for further disclosure regarding the Athene and AAA Management Fee Derivatives.

(3) See note 18 for further disclosure regarding Contingent Consideration Obligations.

(4) See note 5 for further disclosure regarding VIEs.

(5) All level I and II investments and liabilities were valued using third party pricing.

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The following table summarizes the fair value transfers of financial assets between Level I and Level II and Level II and Level III for positions that existed as of December 31, 2013, 2012 and 2011, respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Transfers from Level II into Level I(1)	$-	$164	$-
Transfers from Level III into Level II(2)	1,253,090	712,975	802,533
Transfers from Level II into Level III(2)	978,194	833,791	160,390

(1) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset. The transfer during the year ended December 31, 2012 related to investments of the consolidated VIEs.

(2) Transfers between Level II and III were 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.

For the year ended December 31, 2013, transfers of financial liabilities from Level III to Level II relating to liabilities held by the consolidated VIEs totaled $2.5 billion. There was a transfer of debt held by the consolidated VIEs that are valued using broker quotes from Level III into Level II as a result of subjecting broker quotes on these liabilities 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. For the years ended December 31, 2012 and 2011, there were no transfers of financial liabilities between Level I, Level II and Level III.

The following tables summarize the changes in fair value in financial assets, which are measured at fair value and characterized as Level III investments, for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31, 2013					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,666,448	$ 590	$ 50,311	$ 2,126	$ 1,643,465	$ 3,362,940
Elimination of investments attributable to consolidation of VIEs	-	-	-	-	(35,410)	(35,410)
Fees	-	-	-	118,380	-	118,380
Purchases	-	520	4,901	-	1,326,095	1,331,516
Sale of investments/Distributions	(66,796)	(6)	(2,541)	-	(724,666)	(794,009)
Net realized losses	-	-	-	-	(28,717)	(28,717)
Changes in net unrealized gains (losses)	342,399	15	(12,298)	10,203	13,439	353,758
Transfer into Level III	-	831	-	-	977,363	978,194
Transfer out of Level III	-	(1,058)	-	-	(1,252,032)	(1,253,090)
Balance, End of Period	$ 1,942,051	$ 892	$ 40,373	$ 130,709	$ 1,919,537	$ 4,033,562
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ 342,399	$ 15	$ (12,298)	$ -	$ -	$ 330,116
Change in net unrealized (losses) included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ -	$ 9,083	$ 9,083
Change in net unrealized gains included in Other Income, net related to assets still held at reporting date	$ -	$ -	$ -	$ 10,203	$ -	$ 10,203

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	For the Year Ended December 31, 2012					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,480,152	$ 456	$ 47,757	$ -	$ 246,609	$ 1,774,974
Transfer in due to consolidation and acquisition	-	-	46,148 (1)	-	1,706,145	1,752,293
Transfer out due to deconsolidation	-	-	(48,037) (1)	-	-	(48,037)
Elimination of investments attributable to consolidation of VIEs	-	-	-	-	(69,437)	(69,437)
Fees	-	-	-	2,126	-	2,126
Purchases	-	496	5,759	-	1,236,232	1,242,487
Sale of investments/Distributions	(101,844)	(1,291)	-	-	(1,561,589)	(1,664,724)
Net realized gains	-	20	-	-	21,603	21,623
Changes in net unrealized gains (losses)	288,140	8	(1,316)	-	(56,013)	230,819
Transfer into Level III	-	1,836	-	-	831,955	833,791
Transfer out of Level III	-	(935)	-	-	(712,040)	(712,975)
Balance, End of Period	$ 1,666,448	$ 590	$ 50,311	$ 2,126	$ 1,643,465	$ 3,362,940
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ 288,140	$ 8	$ (1,316)	$ -	$ -	$ 286,832
Change in net unrealized gains included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ -	$ 7,464	$ 7,464

(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.

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	For the Year Ended December 31, 2011				
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$ 1,637,091	$ -	$ -	$ 170,369	$ 1,807,460
Transfer in due to consolidation and acquisition	-	456	-	335,353	335,809
Expenses incurred	-	-	(3,871)	-	(3,871)
Purchases	432	-	57,509	663,438	721,379
Sale of investments/Distributions	(33,425)	-	-	(273,719)	(307,144)
Net realized gains	-	-	-	980	980
Changes in net unrealized losses	(123,946)	-	(5,881)	(7,669)	(137,496)
Transfer into Level III	-	-	-	160,390	160,390
Transfer out of Level III	-	-	-	(802,533)	(802,533)
Balance, End of Period	$ 1,480,152	$ 456	$ 47,757	$ 246,609	$ 1,774,974
Change in net unrealized losses included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$ (123,946)	$ -	$ (5,881)	$ -	$ (129,827)
Change in net unrealized losses included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$ -	$ -	$ -	$ (7,253)	$ (7,253)

The following table summarizes the changes in fair value in financial liabilities, which are measured at fair value and characterized as Level III liabilities:

	For the Year Ended December 31,								
	2013			2012			2011		
	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	$ 11,834,955	$ 142,219	$ 11,977,174	$ 3,189,837	$ 5,900	$ 3,195,737	$ 1,127,180	$ 1,200	$ 1,128,380
Transfer in due to consolidation and acquisition	-	-	-	7,317,144	117,700	7,434,844	2,046,157	4,700	2,050,857
Elimination of debt attributable to consolidation of VIEs	3,950	-	3,950	(67,167)	-	(67,167)	(48)	-	(48)
Purchase accounting adjustments	-	-	-	-	1,000	1,000	-	-	-
Additions	2,747,033	-	2,747,033	1,639,271	-	1,639,271	454,356	-	454,356
Payments	(2,218,060)	(67,534)	(2,285,594)	(741,834)	(8,168)	(750,002)	(415,869)	-	(415,869)
Net realized gains	(137,098)	-	(137,098)	-	-	-	(41,819)	-	(41,819)
Changes in net unrealized losses / fair value	232,510	60,826 (1)	293,336	497,704	25,787 (1)	523,491	19,880	-	19,880
Transfers into Level III	-	-	-	-	-	-	-	-	-
Transfers out of Level III	(2,469,143)	-	(2,469,143)	-	-	-	-	-	-
Balance, End of Period	$ 9,994,147	$ 135,511	$ 10,129,658	$ 11,834,955	$ 142,219	$ 11,977,174	$ 3,189,837	$ 5,900	$ 3,195,737
Change in net unrealized (gains) losses included in Net Gains (Losses) from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ (18,578)	$ -	$ (18,578)	$ 446,649	$ -	$ 446,649	$ (25,347)	$ -	$ (25,347)

(1) Changes in fair value of contingent consideration obligations are recorded in profit sharing expense in the consolidated statement of operations.

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The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized in Level III of the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$ 1,942,051	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	892	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	40,373	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	130,709	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.1x	1.1x
Investments of Consolidated VIEs:					
Bank Debt Term Loans	18,467	Other	N/A	N/A	N/A
Stocks	7,938	Market Comparable Companies	Comparable Multiples	6.0x - 9.5x	7.9x
Corporate loans/ bonds	1,893,132	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,919,537				
Total Financial Assets	$ 4,033,562				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$ 835,149	Discounted Cash Flow	Discount Rate	10.0% - 12.0%	10.8%
			Default Rate	1.0% - 1.5%	1.3%
			Recovery Rate	75.0%	75.0%
Senior Secured Notes	2,132,576	Discounted Cash Flow	Discount Rate	1.9% - 2.2%	2.0%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0% - 70.0%	65.2%
Senior Secured and Subordinated Notes	7,026,422	Third Party Pricing[2]	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	9,994,147				
Contingent Consideration Obligation	135,511	Discounted Cash Flow	Discount Rate	10.5% - 18.5%	15.3%
Total Financial Liabilities	$10,129,658				

(1) 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, 2013	
		% of Investment of AAA Investments
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	$ 1,950,010 [3]	100%
Total Investments	1,950,010	100%
Other net liabilities[4]	(7,959)	
Total Net Assets	$ 1,942,051	

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2013 is primarily comprised of net assets allocated to the general partner of $102.1 million less $89.0 million in note receivable from an affiliate. Carrying values approximate fair value for other assets and liabilities (except for the note receivable from an affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from an affiliate is a level III asset valued using a discounted cash flow model. The unobservable inputs

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and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

	As of December 31, 2012				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$ 1,666,448	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	590	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	50,311	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	2,126	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.23x	1.23x
Investments of Consolidated VIEs					
Bank Debt Term Loans	67,920	Discounted Cash Flow Comparable Yields	Discount Rate	11.8%-25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Corporate loans/ bonds	1,571,921	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,643,465				
Total	$ 3,362,940				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$ 195,357	Discounted Cash Flow	Discount Rate	17.0%	17.0%
			Default Rate	1.5%-4.0%	2.4%
			Recovery Rate	80.0%	80.0%
Senior Secured Notes	2,066,250	Discounted Cash Flow	Discount Rate	1.65%-1.95%	1.8%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0%-60.0%	59.9%
Senior Secured and Subordinated Notes	9,573,348	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	11,834,955				
Contingent Consideration Obligation	142,219	Discounted Cash Flow	Discount Rate	7.0%-11.6%	9.4%
Total	$11,977,174				

(1) 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	
		% of Investment of AAA Investments
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 [3]	98.6%
Listed quotes	22,029	1.4%
Total Investments	1,604,004	100%
Other net assets[4]	62,444	
Total Net Assets	$ 1,666,448	

(2) These securities are valued using broker quotes.
(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.
(4) 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 an affiliate less the portion of AAA investments net assets allocated to the general partner of $70.0

million. Carrying values approximate fair value for other assets and liabilities(except for the note receivable from affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from affiliate is a level III investment valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

Athene and AAA Management Fee Derivatives

The significant unobservable input used in the fair value measurement of the Athene and AAA management fee derivatives is the discount rate applied in the valuation model. This input in isolation can cause significant increases or 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. 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 expected required rate of return based on the risk profile of similar cash flows. See note 17 for further information regarding the Athene and AAA management fee derivatives.

Consolidated VIEs

Investments

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 or 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 earnings before interest, taxes, depreciation and amortization ("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.

Liabilities

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 or 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 a 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.

Contingent Consideration Obligations

The significant unobservable input used in the fair value measurement of the contingent consideration obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases or 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 a decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. The discount rate was based on the weighted average cost of capital for the Company. See note 18 for further discussion of the contingent consideration obligation.

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7. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit and real estate funds consisted of the following:

	As of December 31,	
	2013	2012
Private Equity	$ 1,867,771	$ 1,413,306
Credit	408,342	454,155
Real Estate	10,962	10,795
Total Carried Interest Receivable	$ 2,287,075	$ 1,878,256

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2013 and 2012:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2012	$ 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
Change in fair value of funds (1)	2,516,990	324,859	967	2,842,816
Fund cash distributions to the Company	(2,062,525)	(370,672)	(800)	(2,433,997)
Carried interest receivable, December 31, 2013	$ 1,867,771	$ 408,342	$ 10,962	$ 2,287,075

(1) Included in change in fair value of funds for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. 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. The general partner obligation is recognized based upon a hypothetical liquidation of the fund's net assets as of the reporting 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.

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 and certain credit and real estate 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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8. PROFIT SHARING PAYABLE

Profit sharing payable from private equity, credit and real estate funds consisted of the following:

	As of December 31, 2013	As of December 31, 2012
Private Equity	$ 751,192	$ 596,427
Credit	234,504	254,629
Real Estate	6,544	6,668
Total Profit Sharing Payable	$ 992,240	$ 857,724

The table below provides a roll-forward of the profit sharing payable balance for the years ended December 31, 2013 and 2012:

	Private Equity	Credit	Real Estate	Total
Profit sharing payable, January 1, 2012	$ 296,672	$ 56,224	$ -	$ 352,896
Acquisition of Stone Tower(1)	-	117,700	-	117,700
Profit sharing expense (2)(3)	704,797	138,444	6,815	850,056
Payments	(405,042)	(57,739)	(147)	(462,928)
Profit sharing payable, December 31, 2012	$ 596,427	$ 254,629	$ 6,668	$ 857,724
Profit sharing expense (2)	1,030,404	142,728	123	1,173,255
Payments	(875,639)	(162,853)	(247)	(1,038,739)
Profit sharing payable, December 31, 2013	$ 751,192	$ 234,504	$ 6,544	$ 992,240

(1) See note 3 as it relates to the Stone Tower acquisition.
(2) Includes both of the following: i) changes in amounts payable to employees and former employees entitled to a share of carried interest income in one or more funds and ii) changes to the fair value of the contingent consideration obligations (see notes 6 and 18) recognized in connection with certain Apollo acquisitions.
(3) Included in 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 as discussed in note 18.

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9. FIXED ASSETS

Fixed assets consisted of the following:

	Useful Life in Years	December 31, 2013	December 31, 2012
Ownership interests in aircraft	15	$ -	$ 10,184
Leasehold improvements	8-16	50,478	48,610
Furniture, fixtures and other equipment	4-10	16,750	16,047
Computer software and hardware	2-4	31,200	27,744
Other	N/A	509	509
Total fixed assets		98,937	103,094
Less - accumulated depreciation and amortization		(58,686)	(49,642)
Fixed Assets, net		$ 40,251	$ 53,452

In December 2013, the Company committed to a plan to sell its ownership interests in certain aircraft. The sale of the ownership interest in one aircraft was completed in December 2013 while the sale of the remaining ownership interest is expected to be completed in the first quarter of 2014. Accordingly, in December 2013, the Company recorded the completed sale and reclassified the remaining aircraft interests committed for sale to assets held for sale which is included in other assets in the consolidated statement of financial condition. The aircraft reclassified to assets held for sale were recorded at the lower of cost or fair value less costs to sell. As a result of both the completed sale and reclassification, the Company recognized a net loss of approximately $1.0 million which is included in other income, net in the consolidated statements of operations for the year ended December 31, 2013.

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $11.0 million, $10.2 million and $11.1 million, respectively.

10. OTHER ASSETS

Other assets consisted of the following:

	As of December 31, 2013	As of December 31, 2012
Prepaid expenses	$ 9,867	$ 12,650
Tax receivables	6,549	5,380
Assets held for sale	6,413	-
Debt issuance costs, net	6,407	2,113
Underwriting fee receivable	2,090	5,569
Receivable from broker	1,436	3,537
Rent deposits	1,224	1,336
Interest Receivable	6,420	2,598
Other	3,764	3,582
Total Other Assets	$ 44,170	$ 36,765

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11. OTHER LIABILITIES

Other liabilities consisted of the following:

	As of December 31,	
	2013	2012
Deferred tax liabilities	$ 37,272	$ 13,717
Deferred rent	14,701	14,829
Unsettled trades and redemption payable	2,516	3,986
Other	8,785	12,323
Total Other Liabilities	$ 63,274	$ 44,855

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12. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended December 31,		
	2013	2012	2011
Gain on derivatives	$ 10,203	$ -	$ -
Tax receivable agreement adjustment	13,038	3,937	(137)
Gain on acquisitions	-	1,951,897	196,193
AMTG offering costs	-	-	(8,000)
ARI reimbursed offering costs	-	-	8,000
Foreign exchange gain (loss)	4,142	(790)	6,169
Rental income	5,334	4,387	1,999
Loss on assets held for sale	(1,087)	-	-
Loss on extinguishment of debt	(2,741)	-	-
Other	11,225	5,248	1,296
Total Other Income, Net	$ 40,114	$ 1,964,679	$ 205,520

13. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. Federal, State and local income taxes. APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, State and Local corporate income taxes. Certain other 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. In addition, certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions.

The Company's provision for income taxes totaled $(107.6) million, $(65.4) million, and $(11.9) million for the years ended December 31, 2013, 2012, and 2011, respectively. The Company's effective tax rate was approximately 4.33%, 2.10% and (0.92)% for the years ended December 31, 2013, 2012, and 2011, respectively.

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

	For the Year Ended December 31,		
	2013	**2012**	**2011**
Current:			
Federal income tax	$ (30,422)	$ -	$ (856)
Foreign income tax	(4,733)	(3,411)	(3,705)
State and local income tax	(9,728)	(7,722)	(6,943)
Subtotal	(44,883)	(11,133)	(11,504)
Deferred:			
Federal income tax	(40,955)	(55,114)	248
Foreign income tax	(130)	277	301
State and local income tax (net of federal (benefit) provision)	(21,601)	560	(974)
Subtotal	(62,686)	(54,277)	(425)
Total Income Tax Provision	$ (107,569)	$ (65,410)	$ (11,929)

For the years ended December 31, 2013, 2012 and 2011, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $3.5 million, $(0.4) million and $1.4 million, respectively.

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

	For the Year Ended December 31,		
	2013	**2012**	**2011**
U.S. Statutory Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Non-Controlling Interests	(24.15)	(30.88)	(24.67)
Income passed through to Class A holders	(7.85)	(4.41)	(1.28)
Equity Based Compensation - AOG Units	0.16	1.84	(9.12)
Foreign income tax	0.12	0.10	(0.17)
State and Local Income Taxes (net of Federal Benefit)	1.13	0.20	(0.56)
Amortization & Other Accrual Adjustments	(0.08)	0.25	(0.12)
Effective Income Tax Rate	4.33%	2.10%	(0.92)%

During the year ended December 31, 2013, the Company adjusted its estimated rate of tax it expects to pay in the future and thereby reduced its net deferred tax assets, and increased its income tax provision, by $16.9 million (see note 17 for details regarding the impact on tax receivable agreement).

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:

	As of December 31,	
	2013	**2012**
Deferred Tax Assets:		
Depreciation and amortization	$ 553,251	$ 448,372
Revenue recognition	51,790	40,597
Net operating loss carryforwards	776	5,514
Equity-based compensation - RSUs and AAA RDUs	42,784	41,083
Foreign tax credit	7,528	6,494
Other	4,070	148
Total Deferred Tax Assets	660,199	542,208
Deferred Tax Liabilities:		
Unrealized gains from investments	36,939	12,882
Other	333	835
Total Deferred Tax Liabilities	$ 37,272	$ 13,717

As of December 31, 2013, the Company had approximately $9.3 million of state and local net operating loss carryforwards that will expire in 2031. In addition, the Company's foreign tax credit carryforwards will begin to expire in 2020.

The Company considered its historical and current year earnings, current utilization of existing deferred tax assets, and the 15 year amortization periods of the tax basis of its intangible assets in evaluating whether it should establish a valuation allowance. 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 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 assets. Based upon this positive evidence, the Company has concluded it is more likely than not, that the deferred tax assets will be realized and that no valuation allowance is needed at December 31, 2013.

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 of the position. 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, 2013, Apollo and its predecessor entities' U.S. Federal, state, local and foreign income tax returns for the years 2010 through 2013 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. The Internal Revenue Service is examining the tax return of Apollo Management Holdings, L.P. for the tax year 2011. The tax returns of APO Corp. for tax years 2010 and 2011 are being examined by the Internal Revenue Service in connection with the filing of a net operating loss carryback claim to the 2010 tax year.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. In connection with the Secondary Offering, as disclosed in note 1, the Company recognized an additional step-up in tax basis of intangibles as a result of the exchange of AOG Units for Class A shares in May 2013. The Company recognized an additional step-up in tax basis of intangibles as a result of an exchange of AOG Units for Class A shares in November 2013. As a result of the exchange of AOG Units for Class A shares, there was an increase in the deferred tax asset established from the

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2007 Reorganization, which was recorded in the consolidated statements of financial condition for the expected income tax benefit associated with this increase. A related tax receivable agreement liability was recorded in due to affiliates in the consolidated statements of financial condition for the expected payments under the tax receivable agreement entered into by and among APO Corp., the Managing Partners, the Contributing Partners, and other parties thereto (as amended, the "tax receivable agreement") (see note 17). The increase in the deferred tax asset less the related liability resulted in an increase to additional paid-in capital of which was recorded in the consolidated statements of changes in shareholders' equity for the year ended December 31, 2013. The amortization period for these tax basis intangibles is 15 years. Accordingly, the related deferred tax assets will reverse over a similar period. The following table below presents the transactions during the year related to the Exchange of AOG Units for Class A Shares and the resulting impact to the Deferred Tax Asset, Tax Receivable Agreement Liability and additional paid-in capital.

	For the Year Ended December 31, 2013		
Date of Exchange of AOG Units for Class A Shares	**Increase in Deferred Tax Asset**	**Increase in Tax Receivable Agreement Liability**	**Increase to Additional Paid In Capital**
May 15, 2013	$ 92,080	$ 78,268	$ 13,812
November 11, 2013	57,247	48,660	8,587
Total	$ 149,327	$ 126,928	$ 22,399

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14. DEBT

Debt consisted of the following:

	As of December 31, 2013		As of December 31, 2012	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
2007 AMH Credit Agreement	N/A	N/A	$ 728,273	4.95% (1)
2013 AMH Credit Facilities - Term Facility	750,000	1.37%	N/A	N/A
CIT secured loan agreements	N/A	N/A	9,545	3.47
Total Debt	$ 750,000	1.37%	$ 737,818	4.93%

(1) Includes the effect of interest rate swaps.

2007 AMH Credit Agreement-On April 20, 2007, Apollo Management Holdings, L.P. ("AMH"), a subsidiary of the Company which is a Delaware limited partnership, entered into a $1.0 billion seven year credit agreement (the "2007 AMH Credit Agreement"). Interest payable under the 2007 AMH Credit Agreement was 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 2007 AMH Credit Agreement, which expired in May 2012. The interest rate of the Eurodollar loan, which was amended as discussed below, was 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. The interest rate on the ABR term loan, which was amended as discussed below, for any day, was 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 2007 AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the 2007 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 2007 AMH Credit Agreement. 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 was a guarantor under the 2007 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 2007 AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million.

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 2007 AMH Credit Agreement was 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 expected to settle the 2007 AMH Credit Agreement. Interest expense incurred by the Company related to the 2007 AMH Credit Agreement was $28.3 million, $36.0 million, and $39.3 million for the years ended December 31, 2013, 2012, and 2011, respectively.

As of December 31, 2012, the 2007 AMH Credit Agreement was guaranteed by, and collateralized by, substantially all of the assets of AMH and its subsidiaries, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., and Apollo Principal Holdings IX, 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 was deposited as cash collateral to the extent necessary as set forth in the 2007 AMH Credit Agreement.

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The consolidated net (deficit) assets of each Borrower are summarized as follows:

Borrower	Consolidated Net (Deficit) Assets as of December 31, 2012
AMH and subsidiaries	$(858,804)
Apollo Principal Holdings II, L.P.	94,884
Apollo Principal Holdings IV, L.P.	91,104
Apollo Principal Holdings V, L.P.	62,283
Apollo Principal Holdings IX, L.P.	217,480

The 2007 AMH Credit Agreement contained 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.

The outstanding loans under the 2007 AMH Credit Agreement were refinanced on December 18, 2013 with the net proceeds from the 2013 AMH Credit Facilities (as defined below). Additionally, the net proceeds were used to pay fees and expenses associated with the 2013 AMH Credit Facilities. The 2007 AMH Credit Agreement and all related loan documents and security with respect thereto were terminated in connection with the refinancing.

2013 AMH Credit Facilities-On December 18, 2013, AMH and its consolidated subsidiaries and certain other subsidiaries of the Company (collectively, the "Borrowers") entered into new credit facilities (the "2013 AMH Credit Facilities") with JPMorgan Chase Bank, N.A. The 2013 AMH Credit Facilities provide for (i) a term loan facility to AMH (the “Term Facility”) that includes $750 million of the term loan from third-party lenders and $271.7 million of the term loan held by a subsidiary of the Company and (ii) a $500 million revolving credit facility (the “Revolver Facility”), in each case, with a final maturity date of January 18, 2019.

Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus an applicable margin, and undrawn revolving commitments bear a commitment fee. Under the terms of the 2013 AMH Credit Facilities, the applicable margin ranges from 1.125% to 1.75% for LIBOR loans and 0.125% to 0.75% for alternate base rate loans, and the undrawn revolving commitment fee ranges from 0.125% to 0.25%, in each case depending on the Company’s corporate rating assigned by Standard & Poor’s Ratings Group, Inc. The 2013 AMH Credit Facilities do not require any scheduled amortization payments or other mandatory prepayments (except with respect to overadvances on the Revolver Facility) prior to the final maturity date, and the Borrowers may prepay the loans and/or terminate or reduce the revolving commitments under the 2013 AMH Credit Facilities at any time without penalty. The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37% and the commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was $0.4 million for the year ended December 31, 2013.

As of December 31, 2013, $750 million of the Term Facility was outstanding with third-party lenders and there is approximately $271.7 million of the Term Facility that is held by a subsidiary of the Company. As of December 31, 2013 the Revolver Facility was undrawn. The estimated fair value of the Company’s long-term debt obligation related to the 2013 AMH Credit Facilities is believed to be approximately $750 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $750 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2013 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities.

In accordance with U.S. GAAP, the Company determined that the refinancing of the outstanding loans under the 2007 AMH Credit Agreement resulted in a debt extinguishment. As a result, the Company recorded a loss on extinguishment of $2.7 million, of which $1.6 million related to previously capitalized costs incurred in relation to the 2007 AMH Credit Agreement and $1.1 million related to expenses incurred in relation to the 2013 AMH Credit Facilities, in other income, net in the consolidated statement of operations for the year ended December 31, 2013. In addition, the Company capitalized debt issuance costs of $6.6 million incurred in relation to the 2013 AMH Credit Facilities which was recorded in other assets in the consolidated statement of financial condition as of December 31, 2013 to be amortized over the life of the term loan and line of credit.

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The 2013 AMH Credit Facilities are guaranteed and collateralized by AMH and its consolidated subsidiaries, Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P., 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., Apollo Principal Holdings IX L.P., ST Holdings GP, LLC and ST Management Holdings, LLC. The 2013 AMH Credit Facilities contain affirmative and negative covenants which limit the ability of the Borrowers, the guarantors and certain of their subsidiaries to, among other things, incur indebtedness and create liens. Additionally, the 2013 AMH Credit Facilities contain financial covenants which require the Borrowers and their subsidiaries to maintain (1) at least $40 billion of fee-generating Assets Under Management and (2) a maximum total net leverage ratio of not more than 4.00 to 1.00 (subject to customary equity cure rights). The 2013 AMH Credit Facilities also contain 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 the Company. As of December 31, 2013, the Company was not aware of any instances of non-compliance with the financial covenants contained in the 2013 AMH Credit Facilities.

Borrowings under the Revolver Facility may be used for working capital and general corporate purposes, including, without limitation, permitted acquisitions. In addition, the Borrowers may incur incremental facilities in respect of the Revolver Facility and the Term Facility in an aggregate amount not to exceed $500 million plus additional amounts so long as the Borrowers are in compliance with a net leverage ratio not to exceed 3.75 to 1.00.

The consolidated net (deficit) assets of each Borrower are summarized as follows:

Borrower	Consolidated Net (Deficit) Assets as of December 31, 2013
AMH and subsidiaries (1)	$(689,958)
Apollo Principal Holdings I, L.P.	1,570,336
Apollo Principal Holdings II, L.P. (2)	167,844
Apollo Principal Holdings III, L.P.	661,106
Apollo Principal Holdings IV, L.P.	163,329
Apollo Principal Holdings V, L.P.	53,116
Apollo Principal Holdings VI, L.P.	239,876
Apollo Principal Holdings VII, L.P.	99,250
Apollo Principal Holdings VIII, L.P.	16,784
Apollo Principal Holdings IX L.P.	152,010

(1) Includes Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P. and ST Management Holdings, LLC, which are consolidated by AMH.
(2) Includes ST Holdings GP, LLC, which is consolidated by Apollo Principal Holdings II, L.P.

CIT Secured Loan Agreements-During 2011, the Company had secured loan agreements totaling $10.2 million with CIT Group/Equipment Financing Inc. ("CIT") to finance the purchase of certain fixed assets. The loans bore 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 and 2011, the interest rate was 3.40% and 3.45%, respectively. In April 2013, the CIT loan balance was repaid. Interest expense incurred by the Company related to the CIT loan was $0.1 million, $0.3 million, and $0.5 million during the years ended December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, the table below presents the contractual maturities for the 2013 AMH Credit Facilities:

	2014	2015	2016	2017	2018	Thereafter	Total
2013 AMH Credit Facilities(1)	$ -	$ -	$ -	$ -	$ -	$ 750,000	$ 750,000
Total Obligations as of December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ 750,000	$ 750,000

(1) Excludes a $500 million undrawn revolving credit facility with a final maturity of January 18, 2019.

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15. 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. Earnings or losses allocated to each class of security are 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, 2013, 2012, and 2011:

	Basic and Diluted		
	For the Year Ended December 31,		
	2013	2012	2011
Numerator:			
Net income (loss) attributable to Apollo Global Management, LLC	$ 659,391	$ 310,957	$ (468,826)
Distributions declared on Class A shares	(556,954) (1)	(172,887) (2)	(97,758) (3)
Distributions on participating securities	(93,235)	(31,175)	(17,381)
Earnings allocable to participating securities	(1,394)	(16,855)	- (4)
Undistributed income (loss) attributable to Class A shareholders: Basic	7,808	90,040	(583,965)
Dilution effect on undistributed income attributable to Class A shareholders	9,106	3,425	-
Dilution effect on distributable income attributable to participating securities	(1,329)	(85)	-
Undistributed Income (Loss) attributable to Class A shareholders: Diluted	$ 15,585	$ 93,380	$ (583,965)
Denominator:			
Weighted average number of Class A shares outstanding: Basic	139,173,386	127,693,489	116,364,110
Dilution effect of share options and unvested RSUs	3,040,964	1,846,888	-
Weighted average number of Class A shares outstanding: Diluted	142,214,350	129,540,377	116,364,110
Net income (loss) per Class A share: Basic			
Distributed Income	$ 4.00	$ 1.35	$ 0.84
Undistributed (Loss) Income	0.06	0.71	(5.02)
Net Income (Loss) per Class A Share: Basic	$ 4.06	$ 2.06	$ (4.18)
Net Income (Loss) per Class A Share: Diluted(5)			
Distributed income	$ 3.92	$ 1.34	$ 0.84
Undistributed (loss) income	0.11	0.72	(5.02)
Net Income (Loss) per Class A Share: Diluted	$ 4.03	$ 2.06	$ (4.18)

(1) The Company declared a $1.05 distribution on Class A shares on February 8, 2013, a $0.57 distribution on May 6, 2013, a $1.32 distribution on August 8, 2013 and a $1.01 distribution on November 7, 2013.

(2) The Company declared a $0.46 distribution on Class A shares on February 10, 2012, a $0.25 distribution on May 8, 2012, a $0.24 distribution on August 12, 2012, and a $0.40 distribution on November 9, 2012.

(3) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on May 12, 2011, a $0.24 distribution on August 9, 2011, and a $0.20 distribution on November 3, 2011.

(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in the losses of the Company with Class A shareholders.

(5) For the year ended December 31, 2013, share options and unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2012, share options and unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2011, the Company had losses attributable to Class A shareholders and as such there was no dilution. AOG Units and participating securities were determined to be anti-dilutive for the years ended December 31, 2013, 2012, and 2011, and were accordingly excluded from the diluted earnings per share calculation.

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On October 24, 2007, the Company commenced the granting of restricted share units ("RSUs") that provide the right to receive, subject to vesting, Class A shares of Apollo Global Management, LLC, pursuant to the Company's 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees 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, 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 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. The Company refers to these as "Bonus Grants." As of December 31, 2013, approximately 22.8 million vested RSUs and 3.4 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 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 Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As disclosed in note 1, in connection with the Secondary Offering, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. In November 2013, as disclosed in note 13, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 2.3 million Class A shares were issued by the Company in the exchange. If all of the outstanding AOG Units were exchanged for Class A shares as of December 31, 2013, the result would be an additional 228,954,598 Class A shares added to the diluted earnings per share calculation.

Apollo Global Management, LLC has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. ("BRH"). 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 had a super voting power of 228,954,598 votes as of December 31, 2013.

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The table below presents transactions in Class A shares during the years ended December 31, 2013, 2012, and 2011 and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of Class A Shares Transaction	Number of Shares Issued in Class A Shares Transaction (in thousands)	Apollo Global Management, LLC ownership% in Apollo Operating Group before Class A Shares Transaction	Apollo Global Management, LLC ownership% in Apollo Operating Group after Class A Shares Transaction	Holdings ownership% in Apollo Operating Group before Class A Shares Transaction	Holdings ownership% in Apollo Operating Group after Class A Shares Transaction	
Quarter Ended March 31, 2011	Issuance	1,550	29.0%	29.3%	71.0%	70.7%	
Quarter Ended June 30, 2011	Issuance	22,250	29.3%	33.7%	70.7%	66.3%	
Quarter Ended September 30, 2011	Issuance	1,268	33.7%	33.9%	66.3%	66.1%	
Quarter Ended December 31, 2011	Issuance/Net Settlement	933	33.9%	34.1%	66.1%	65.9%	
Quarter Ended March 31, 2012	Issuance	2,388	34.1%	34.5%	65.9%	65.5%	
Quarter Ended June 30, 2012	Issuance	150	34.5%	34.5%	65.5%	65.5%	
Quarter Ended September 30, 2012	Issuance	3,414	34.5%	35.1%	65.5%	64.9%	
Quarter Ended December 31, 2012	Issuance	180	35.1%	35.1%	64.9%	64.9%	
Quarter Ended March 31, 2013	Issuance	2,091	35.1%	35.5%	64.9%	64.5%	
Quarter Ended June 30, 2013	Issuance/Offering	9,577	35.5%	38.0%	64.5%	62.0%	(1)
Quarter Ended September 30, 2013	Issuance	1,977	38.0%	38.3%	62.0%	61.7%	
Quarter Ended December 31, 2013	Issuance/Offering	2,581	38.3%	39.0%	61.7%	61.0%	(1)

(1) Certain holders of AOG Units exchanged their AOG Units for Class A shares. Approximately 8.8 million Class A shares were issued by the Company in the exchange, which settled on May 14, 2013. See note 1 for details regarding the Secondary Offering. In November 2013, as disclosed in note 13, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 2.3 million Class A shares were issued by the Company in the exchange.

16. 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 31, 2013, 2012, and 2011, $30.0 million, $480.9 million, and $1,032.8 million of compensation expense was recognized, respectively. As of December 31, 2013, there was no unrecognized compensation expense related to unvested AOG Units.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2013, 2012, and 2011:

	AOG Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2011	66,742,906	$ 23.13
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
Vested	(1,500,366)	20.00
Balance at December 31, 2013	-	$ -

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 all grants after March 29, 2011 is based on the grant date fair value, which considers the public share price of the Company. For Plan Grants, the fair value is based on grant date fair value, and is discounted primarily for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods are discounted primarily for transfer restrictions and in certain cases timing of distributions. For Plan Grants, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 30.5%, 23.3% and 7.1% for the years ending December 31, 2013, 2012, and 2011, respectively. Additionally, for Plan Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation, after considering the discount for lack of pre-vesting distributions, had a weighted average of 6.0%, 5.0%, and 8.6% for the years ending December 31, 2013, 2012, and 2011, respectively. For Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 4.9%, and 6.5% for the years ending December 31, 2013, 2012, and 2011, respectively. The total fair value is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to six years, with the first installment vesting one year after grant and quarterly vesting thereafter (for Plan Grants) or annual vesting over three years (for Bonus Grants).

The fair value of grants made in 2013, 2012, and 2011 is $56.6 million, $73.5 million and $116.6 million, respectively. Of the awards granted in 2012, 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. See note 3 for further discussion of the Stone Tower acquisition. The actual forfeiture rate was 5.3%, 3.9%, and 2.3% for the years ended December 31, 2013, 2012, and 2011 respectively. For the years ended December 31, 2013, 2012, and 2011, $87.7 million, $110.2 million, and $108.2 million of compensation expense was recognized, respectively.

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The following table summarizes RSU activity for the years ended December 31, 2013, 2012, and 2011:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	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)
Granted	2,101,277	26.95	-	2,101,277
Forfeited	(888,594)	13.30	-	(888,594)
Delivered	-	12.30	(6,879,050)	(6,879,050)
Vested	(7,159,871)	12.60	7,159,871	-
Balance at December 31, 2013	8,777,286	$ 14.32	22,793,751	31,571,037 (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, 2013, approximately 8,300,000 RSUs were expected to vest over the next 2.9 years.

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, the following options were granted:

Date of Grant	Options Granted	Vesting Terms
December 2, 2010	5,000,000	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.
January 22, 2011	555,556	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.
April 9, 2011	25,000	Vested and became exercisable with respect to half of the option shares on December 31, 2011 and the other half vested in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012 and are fully vested as of the date of this report.
July 9, 2012	50,000	Will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2013 and the remainder will vest in equal installments over each of the remaining 20 quarters with full vesting on June 30, 2018.
December 28, 2012	200,000	Will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2013 and the remainder will vest in equal installments over each of the remaining 20 quarters with full vesting on June 30, 2018.

For the years ended December 31, 2013, 2012, and 2011, $4.7 million, $4.8 million, and $6.9 million of compensation expense was recognized as a result of these grants, respectively.

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There were no share options granted during the year ended December 31, 2013. 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)
Risk-free interest rate	1.11%	2.79%
Weighted average expected dividend yield	8.13%	2.25%
Expected volatility factor(1)	45.00%	40.22%
Expected life in years	6.66	5.72
Fair value of options per share	$ 3.01	$ 8.44

(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, 2013, 2012, and 2011:

	Options Outstanding	**Weighted Average Exercise Price**	**Aggregate Fair Value**	**Weighted Average Remaining Contractual Term**
Balance at January 1, 2011	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
Granted	-	-	-	-
Exercised	(2,324,997)	8.12	(12,896)	-
Forfeited	-	-	-	-
Balance at December 31, 2013	2,950,003	8.69	$ 16,124	7.08
Exercisable at December 31, 2013	262,500	$ 9.83	$ 1,342	7.34

Options Expected to Vest-As of December 31, 2013, approximately 2,526,000 options were 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, 2013 was $13.8 million and is expected to be recognized over a weighted average period of 3.0 years. The intrinsic value of options exercised was $42.9 million and $1.4 million for the years ended December 31, 2013 and 2012, respectively.

Delivery of Class A Shares - RSUs and Share Options

During the years ended December 31, 2013, 2012, and 2011, the Company delivered Class A shares in settlement of vested RSUs and exercised share options. The Company has generally allowed holders of vested RSUs and exercised share options to settle their tax liabilities by reducing the number of Class A shares delivered to them, which the Company refers to as "net share settlement." Additionally, the Company has generally allowed holders of share options to settle their exercise price by reducing the number of Class A Shares delivered to them at the time of exercise by an amount sufficient to cover the exercise price. The net share settlement results in a tax liability for the Company and a corresponding accumulated deficit adjustment. This adjustment for the years ended December 31, 2013, 2012 and 2011 was $85.9 million, $26.0 million and $19.6 million, respectively, which is recorded as accumulated deficit in the consolidated statements of changes in shareholders' equity.

The delivery of Class A shares in settlement of vested RSUs and exercised share options does not cause a transfer of amounts in the consolidated statements of changes in shareholders' equity to the Class A shareholders. The delivery of Class A shares in settlement of vested RSUs and exercised share options 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, 2013, the Company delivered 5,181,389 Class A shares in settlement of vested RSUs and exercised share options, which caused the Company's ownership interest in the Apollo Operating Group to increase to 36.0% from 35.1%.

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 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, 2013, 2012, and 2011, the actual forfeiture rate was 0%. For the years ended December 31, 2013, 2012, and 2011, $1.2 million, $1.0 million, and $0.5 million of compensation expense was recognized, respectively.

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During the years ended December 31, 2013, 2012, and 2011 the Company delivered 114,896, 60,702, and 389,785 RDUs, respectively. The deliveries in 2013, 2012, and 2011 resulted in a satisfaction of liability of $1.2 million, $1.8 million, and $3.8 million, respectively, and the recognition of a net decrease of additional paid in capital in 2013 of $1.0 million and a net decrease in 2012 and 2011 of $2.5 million and $2.7 million, respectively. These amounts are presented in the consolidated statements of changes in shareholders' equity. There was $1.2 million and $1.0 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2013 and December 31, 2012, respectively. The following table summarizes RDU activity for the years ended December 31, 2013, 2012, and 2011, respectively:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2011	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
Granted	27,286	26.90	-	27,286
Forfeited	-	-	-	-
Delivered	-	9.02	(114,896)	(114,896)
Vested	(120,354)	9.83	120,354	-
Balance at December 31, 2013	245,362	$ 10.38	120,354	365,716

Units Expected to Vest-As of December 31, 2013, approximately 231,000 RDUs were 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, 2011	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
Purchases	6,236
Granted/Issued	(39,272) (1)
Forfeited	-
Balance at December 31, 2013	1,652,309

(1) During 2013 and 2012, the Company delivered 11,986 and 193,080 to certain employees as part of AAA's carry reinvestment program, respectively. This resulted in a decrease in profit sharing payable of $0.2 million and $1.2 million in 2013 and 2012, respectively in the consolidated statements of financial condition.

Restricted Stock and Restricted Stock Unit Awards- Apollo Commercial Real Estate Finance, Inc.

ARI restricted stock awards and ARI restricted stock unit awards ("ARI RSUs") granted to the Company and certain of the Company's employees generally vest over three years, either quarterly or annually. 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 is 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. 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, 2013, 2012, and 2011, $2.8 million, $2.3 million, and $2.9 million of management fees and $2.0 million, $1.5 million, and $1.3 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 2%, 1%, and 7% for the years ended December 31, 2013, 2012, and 2011, 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, 2013, 2012, and 2011:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of ARI RSUs Outstanding
Balance at January 1, 2011	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
Granted to employees of the Company	-	205,000	16.58	-	205,000
Granted to the Company	-	40,000	17.59	-	40,000
Forfeited by employees of the Company		(5,000)	16.66	-	(5,000)
Vested awards of the employees of the Company	-	(137,807)	15.48	137,807	-
Vested awards of the Company	-	(65,333)	15.41	65,333	-
Balance at December 31, 2013	-	274,402	$ 15.86	428,372	702,774

Units Expected to Vest-As of December 31, 2013, approximately 263,000 ARI RSUs were expected to vest over the next three years.

Restricted Stock Unit Awards-Apollo Residential Mortgage, Inc.

AMTG restricted stock units ("AMTG RSUs") granted to the Company and certain of the Company's employees generally vest over three years, either quarterly or annually. 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 is 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 years ended December 31, 2013, 2012, and 2011, $0.9 million, $0.2 million, and $0.1 million of management fees were recognized in the consolidated statements of operations, respectively. For the years ended December 31, 2013, 2012, and 2011, $0.8 million, $0.1 million, and $0.0 million of compensation expense was recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for AMTG RSUs was 1% for the year ended December 31, 2013 and 0% for the years ended December 31, 2012 and 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, 2013, 2012, and 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	AMTG RSUs Vested	Total Number of AMTG 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
Granted to employees of the Company	25,848	14.73	-	25,848
Forfeited by employees of the Company	(2,359)	18.74	-	(2,359)
Vested awards of the employees of the Company	(51,259)	20.30	51,259	-
Vested awards of the Company	(6,250)	18.20	6,250	-
Balance at December 31, 2013	127,237	$ 19.28	70,371	197,608

Units Expected to Vest-As of December 31, 2013, approximately 120,000 AMTG RSUs were expected to vest over three years.

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, 2013:

	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	$ 30,007	61.0%	$ 19,163	$ 10,844
RSUs and Share Options	92,185	-	-	92,185
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	2,852	61.0	1,763	1,089
AAA RDUs	1,183	61.0	731	452
Total Equity-Based Compensation	$ 126,227		21,657	104,570
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(2,494)	365
Capital Increase Related to Equity-Based Compensation			$ 19,163	$ 104,935

(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, 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.

17. 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, 2013	As of December 31, 2012
Due from Affiliates:		
Due from private equity funds	$ 57,582	$ 28,201
Due from portfolio companies	23,484	46,048
Due from credit funds[2]	216,750	68,278 [1]
Due from Contributing Partners, employees and former employees	2,659	9,536
Due from real estate funds	12,119	17,950
Other	4,653	3,299
Total Due from Affiliates	$ 317,247	$ 173,312
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 525,483	$ 441,997
Due to private equity funds	825	12,761
Due to credit funds	1,773	19,926
Due to real estate funds	-	1,200
Distributions payable to employees	67,290	1,567
Total Due to Affiliates	$ 595,371	$ 477,451

(1) Reclassified to conform to current period presentation.
(2) Includes monitoring fee receivable as discussed in "Athene" below.

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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 (the "Internal Revenue Code"), which will result in an adjustment to the tax basis of the assets owned by the 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.

The tax receivable agreement 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 and the Secondary Offering. If the Company does not make the required annual payment on a timely basis as outlined in the tax receivable agreement, 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 tax receivable agreement that are attributable to the 2010 fiscal year for a period of four years until 2015.

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. In April 2013, Apollo made a $30.4 million cash payment pursuant to the tax receivable agreement resulting from the realized tax benefit for the 2012 tax year. Included in the payment was approximately $7.6 million and approximately $0.3 million of interest paid to the Managing Partners and Contributing Partners, respectively.

As disclosed in notes 1 and 13, on May 15, 2013, the Intermediate Holding Companies acquired approximately 8.8 million Class A shares of Apollo Global Management, LLC, which were used to acquire an equal number of AOG Units from certain Managing Partners and Contributing Partners in connection with the Secondary Offering. This exchange was taxable for U.S. federal income tax purposes, and resulted in APO Corp. recording a U.S. federal income tax basis adjustment of approximately $145.7 million in the intangible assets in the Apollo Operating Group. Additionally, as disclosed in note 13, in November 2013 there was an exchange of 2.3 million AOG Units for Class A shares. This exchange was taxable for U.S. federal income tax purposes, and resulted in APO Corp. recording a U.S. federal income tax basis adjustment of approximately $97.4 million in the intangible assets in the Apollo Operating Group.

Pursuant to the tax receivable agreement, the Managing Partners and Contributing Partners who exchanged AOG Units for Class A Shares in the Secondary Offering will receive payment from APO Corp. of 85% of the amount of the actual cash tax savings, if any, in U.S. Federal, state, local and foreign income tax that APO Corp. realizes as a result of these increases in tax deductions and tax basis, and certain other tax benefits, including imputed interest expense. APO Corp. retains the benefit from the remaining 15% of actual cash tax savings. A $78.3 million and $48.7 million liability relating to the May 2013 and November 2013 transactions, respectively, were recorded to estimate the amount of these future expected payments to be made by APO Corp. to the Managing Partners and Contributing Partners pursuant to the tax receivable agreement.

In addition, the Company reduced the liability and recorded $13.0 million and $3.9 million in other income, net for the years ended December 31, 2013 and 2012, respectively, and increased the liability and recorded $(0.1) million in other income, net for the year ended 2011 in the consolidated statement of operations due to changes in projected income estimates and in estimated tax rates. See note 13 for discussion of the Deferred Tax Asset.

Due from Contributing Partners, Employees and Former Employees

As of December 31, 2013 and 2012, due from Contributing Partners, Employees and Former Employee balances include various amounts due to the Company including director fee receivables. The Company had also accrued $6.5 million as of December 31, 2012 from the Contributing Partners and certain employees associated with a credit agreement with Fund VI as described below in "Due to Private Equity Funds." As of December 31, 2013, this agreement was satisfied and as a result there was no longer a related amount accrued.

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Management Fee Waiver and Notional Investment Program

In 2012, Apollo had forgone a portion of management fee revenue that it would have been entitled to receive in cash from Fund VII and ANRP 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 and $23.5 million for the years ended December 31, 2012 and 2011, respectively. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012 and as a result there was no related compensation expense for the year ended December 31, 2013.

Distributions

In addition to other distributions such as payments pursuant to the tax receivable agreement, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the manager of the Company during 2011, 2012 and 2013 (in millions, except per share amounts):

Distribution Declaration Date	Distribution per Class A Share Amount	Distribution Payment Date	Distribution to Class A Shareholders	Distribution to Non-Controlling Interest Holders in the Apollo Operating Group	Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
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
For the year ended December 31, 2011	$ 0.83		$ 97.7	$ 199.2	$ 296.9	$ 17.4
February 10, 2012	$ 0.46	February 29, 2012	$ 58.1	$ 110.4	$ 168.5	$ 10.3
April 13, 2012	-	April 13, 2012	-	11.0 (1)	11.0	-
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
For the year ended December 31, 2012	$ 1.35		$ 172.9	$ 335.0	$ 507.9	$ 31.2
February 8, 2013	$ 1.05	February 28, 2013	$ 138.7	$ 252.0	$ 390.7	$ 25.0
April 12, 2013	-	April 12, 2013	-	55.2 (1)	55.2	-
May 6, 2013	0.57	May 30, 2013	80.8	131.8	212.6	14.3
August 8, 2013	1.32	August 30, 2013	189.7	305.2	494.9	30.8
November 7, 2013	1.01	November 29, 2013	147.7	231.2	$ 378.9	$ 24.1
For the year ended December 31, 2013	$ 3.95		$ 556.9	$ 975.4	$ 1,532.3	$ 94.2

(1) On April 12, 2013 and April 13, 2012, the Company made a $0.23 and a $0.05 distribution to the non-controlling interest holders in the Apollo Operating Group, respectively.

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. There was no indemnification liability recorded as of December 31, 2013 and 2012.

Athene

Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

On December 21, 2012, Athene Holding Ltd. entered into an agreement to acquire Aviva USA. On October 2, 2013, Athene Holding Ltd. closed its acquisition of Aviva USA (the "Aviva USA Transaction"). Apollo had previously agreed to provide up to $100 million of capital support to Athene to the extent such support was necessary in connection with the closing of the Aviva USA transaction. The Company's commitment was not called in connection with the closing of the Aviva USA Transaction and as a result, the Company's commitment terminated upon the closing of the Aviva USA Transaction.

AAA, through its investment in AAA Investments, owns the majority of the economic equity of Athene Holding Ltd. See the discussion of the AAA Transaction in note 4.

Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. ("Athene Asset Management"), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2013, all of Athene’s assets were managed by Athene Asset Management.

Athene Asset Management receives a gross management fee equal to 0.40% per annum on all assets under management in accounts owned by or related to Athene (the “Athene Accounts”), with certain limited exceptions. In addition, the Company receives sub-advisory management fees and carried interest income with respect to a portion of the assets in the Athene Accounts. Athene Asset Management and other Apollo subsidiaries incur all expenses associated with their provision of services to Athene, including but not limited to, asset allocation services, direct asset management services, risk management, asset and liability matching management, mergers and acquisitions asset diligence, hedging and other services.

In connection with the AAA Transaction, a subsidiary of AAA Investments contributed three investment partnerships to Athene (the "Contributed Partnerships"). The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the AAA Transaction. With respect to capital invested in an Apollo fund, Apollo receives management fees directly from the relevant funds under the investment management agreements with such funds and not pursuant to the services agreement with the Contributed Partnerships. In addition, carried interest is payable by the Contributed Partnerships with respect to each investment or group of investments (as specified in the particular partnership agreement), at a rate of 20% of the profit of such investment or group of investments, subject to applicable hurdle rates. Each investment or group of investments is treated separately for the purposes of calculating carried interest. The contributed assets also included certain investments in funds managed by Apollo, carried interest on which is assessed at the fund level.

Under an amended services contract with Athene, effective February 5, 2013, Apollo earns a quarterly monitoring fee of 0.50% of Athene’s capital and surplus as of the end of the applicable quarter multiplied by 2.5, excluding the shares of Athene Holding Ltd. that were newly acquired (and not in satisfaction of prior commitments to buy such shares) by AAA Investments in the AAA Transaction (the "Excluded Athene Shares"), at the end of each quarter through December 31, 2014, the termination date. This quarterly monitoring fee is not applicable to the amount of invested capital attributable to the Excluded Athene Shares. All such monitoring fees are paid pursuant to a derivative contract between Athene and Apollo. Each quarter, monitoring fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At Athene's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change in control of Athene or October 31, 2017. For the years ended December 31, 2013 and 2012, Apollo earned $107.9 million and $16.8 million, respectively, related to this monitoring fee, which is recorded in advisory and transaction fees from affiliates, net, in the consolidated statements of operations. As of December 31, 2013, Apollo had a $116.4 million receivable, which is accounted for as a derivative, recorded in due from affiliates on the consolidated statements of financial condition.

In accordance with the services agreement among AAA, AAA Investments and the other service recipients party thereto and Apollo, Apollo receives a management fee for managing the assets of AAA Investments. In connection with the consummation of the AAA Transaction, on October 31, 2012, the services agreement was amended (the "Amended AAA Services Agreement"). Pursuant to the Amended AAA Services Agreement, the parties agreed that there will be no management fees payable by AAA Investments with respect to the Excluded Athene Shares. AAA Investments will continue to pay Apollo the same management fee on its investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo agreed that the obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). In the event that AAA makes a tender offer for all or substantially all of its units where the consideration is to be paid in shares of Athene Holding Ltd. (or an alternative transaction that is no less favorable in all material respects to the AAA unitholders as a whole), the management fee will be unwound and a lump sum payment will be made to Apollo equal to the remaining management fee that would have been due until the expiration date (December 31, 2020), using an 8% discount rate and assuming a 14% growth rate to then existing management fees, compounded annually, until the expiration date, subject to a cap of $30.0 million if the tender offer or similar transaction commences in 2013, $25.0 million if the tender offer or similar transaction commences in 2014, $20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between AAA Investments and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the option of AAA Investments, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. As of December 31, 2013 and 2012, Apollo had a receivable of $14.3 million and $2.1 million, respectively, related to the Amended AAA Services Agreement, which is recorded in due from affiliates on the consolidated statements of financial condition. The total management fees earned by Apollo related to the Amended AAA Services Agreement and the Contributed Partnerships for the years ended December 31, 2013 and 2012 were $12.5 million (of which $2.2 million related to the derivative component, as described above) and $15.1 million (of which $0.6 million related to the derivative component, as described above), respectively, which is recorded in management fees from affiliates in the consolidated statements of operations.

In addition, Apollo, as general partner of AAA Investments, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses, including borrowing costs) on the investments of AAA Investments, except that Apollo will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. Carried interest receivable from AAA Investments will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd. For the years ended December 31, 2013 and 2012, the Company recorded carried interest income less the related profit sharing expense of $27.6 million and $35.3 million, respectively, from AAA Investments, which is recorded in the consolidated statements of operations. As of December 31, 2013 and 2012, the Company had a $100.9 million and a $69.0 million carried interest receivable, respectively, related to AAA Investments. As of December 31, 2013 and 2012, the Company had a related profit sharing payable of $28.8 million and $25.5 million, respectively, recorded in profit sharing payable in the consolidated statements of financial condition.

For the years ended December 31, 2013 and 2012, Apollo earned revenues in the aggregate totaling $435.1 million and $164.7 million consisting of management fees, sub-advisory and monitoring fees and carried interest income, respectively, from Athene after considering the related profit sharing expense and changes in the market value of the Athene-related derivatives discussed above, which is recorded in the consolidated statement of operations.

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The amended services contract with Athene and Athene Life Re Ltd and the Amended AAA Services Agreement together with related derivative contracts issued pursuant to these amended contracts, meet the definition of a derivative under U.S. GAAP. The Company has classified these derivatives as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The value of these derivatives is determined by multiplying the Athene share equivalents by the estimated price per share of Athene. See note 6 for further discussion regarding fair value measurements.

The change in unrealized market value of these derivatives is reflected in other income, net in the consolidated statements of operations. For the year ended December 31, 2013, there were $10.2 million of changes in market value recognized related to these derivatives.

Due to Private Equity Funds

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which, in July 2008, Fund VI advanced $18.9 million of cash that was otherwise distributable to the Company as carried interest pursuant to the Fund VI limited partnership agreement. As of March 10, 2011, $8.0 million of the loan principal was settled and as of August 31, 2013, the remaining principal balance of $10.9 million was settled. Based on a rate of 3.45%, cumulative interest on the loan was $2.4 million.

Due to Credit Funds

In connection with the acquisition of Gulf Stream Asset Management, LLC during October 2011, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. Additionally, the Company deferred a payment obligation to the former owners. This obligation was $3.9 million at the date of acquisition and was paid in December 2012. The contingent consideration liability had a fair value of $14.1 million as of December 31, 2013 and 2012. As of December 31, 2013 and 2012, the former owner was no longer an employee of Apollo and therefore the contingent consideration was 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. Assuming SOMA and APC liquidated on December 31, 2012, the Company had accrued a liability to SOMA and APC of $19.3 million, and $0.3 million, respectively, in connection with the potential general partner obligation to return previously distributed carried interest income from SOMA and APC. These amounts reversed during the year ended December 31, 2013; as such there was no general partner obligation accrued as of December 31, 2013.

Due to Real Estate Funds

In connection with the acquisition of Citi Property Investors ("CPI") on November 12, 2010, Apollo had a contingent liability to Citigroup Inc. based on a specified percentage of future earnings from the CPI business. From the date of acquisition through December 31, 2012, the estimated fair value of the contingent liability was $1.2 million, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. On March 28, 2013, Apollo satisfied the contingent liability in cash in the amount of approximately $0.5 million, which equaled a percentage of net realized after tax profits from the closing date through December 31, 2012. The satisfaction of the liability resulted in the Company recognizing $0.7 million of other income, net in the Company’s consolidated statements of operations for the year ended December 31, 2013. No remaining obligation existed at December 31, 2013.

Regulated Entities

Apollo Global Securities, LLC (“AGS”) 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 was in compliance with these requirements at December 31, 2013. 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. Apollo Management International LLP, based in London, is subject to the capital requirements of the U.K. Financial Conduct Authority. This entity has continuously operated in excess of these regulatory capital requirements.

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All of the investment advisors of the Apollo funds are registered as investment advisors, either directly or as a "relying advisor" with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended.

Apollo Management Singapore Ptc Ltd. was granted a Capital Markets Service License with the Monetary Authority of Singapore in October 2013. In addition, Apollo Capital Management is registered with the Securities and Exchange Board of India as a foreign institutional investor.

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 attributable to Non-Controlling Interests consisted of the following:

	For the Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
AAA[1]	$ (331,504)	$ (278,454)	$ 123,400
Interest in management companies and a co-investment vehicle[2]	(18,872)	(7,307)	(12,146)
Other consolidated entities	43,357	50,956	(13,958)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(307,019)	(234,805)	97,296
Net income attributable to Appropriated Partners' Capital[3]	(149,934)	(1,816,676)	(202,235)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(1,257,650)	(685,357)	940,312
Net (Income) Loss attributable to Non-Controlling Interests	$ (1,714,603)	$ (2,736,838)	$ 835,373
Net income attributable to Appropriated Partners' Capital[4]	149,934	1,816,676	202,235
Other Comprehensive Income attributable to Non-Controlling Interests	(41)	(2,010)	(5,106)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$ (1,564,710)	$ (922,172)	$ 1,032,502

(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 97.4% during the year ended December 31, 2013, approximately 97.3% during the year ended December 31, 2012, and approximately 97.6% during the year ended December 31, 2011. As of December 31, 2013, 2012 and 2011, Apollo owned approximately 2.6%, 2.7% and 2.4% of AAA, 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 Interests on the consolidated statements of comprehensive income (loss).

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18. 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, 2013, the maximum exposure relating to these financial guarantees approximated $0.3 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.

Investment Commitments-As a limited partner, general partner and manager of the Apollo private equity, credit and real estate funds, Apollo has unfunded capital commitments as of December 31, 2013, and 2012 of $843.7 million and $258.3 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 by AAA to Apollo's 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 was necessary in connection with Athene's then pending acquisition of Aviva USA. The Company's commitment was not called in connection with the closing of the Aviva USA Transaction and as a result, the Company's commitment terminated upon the closing of the Aviva USA Transaction on October 2, 2013.

In September 2013, an indirect subsidiary of Apollo Global Management, LLC agreed to invest up to approximately €18.2 million ($23.9 million) in a limited partnership (the "KBCD Partnership"), a wholly-owned subsidiary of which has agreed to acquire a minority stake in KBC Bank Deutschland AG, the German subsidiary of Belgian KBC Group NV (and certain third party purchasers agreed to acquire, in aggregate, all of the other shares in KBC Bank Deutschland AG). The aforementioned indirect subsidiary of Apollo Global Management, LLC is the general partner of the KBCD Partnership. The limited partners in the KBCD Partnership are managed by subsidiaries of Apollo Global Management, LLC. The acquisition is subject to antitrust and regulatory approval, which is expected to take approximately nine months. Consequently, there is no assurance that the acquisition will close.

Debt Covenants-Apollo's debt obligations contain various customary loan covenants. As of December 31, 2013, the Company was not aware of any instances of non-compliance with the financial covenants contained in the 2013 AMH Credit Facilities.

Litigation and Contingencies-Apollo is, from time to time, party to various legal actions arising in the ordinary course of business including claims and litigations, reviews, investigations or proceedings by governmental and self regulatory agencies regarding its business.

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 ("AGM"), which is affiliated with funds that are the beneficial owners of 68% 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 AGM 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 AGM as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, plaintiffs filed opposition papers on February 7, 2013, and defendants filed replies on April 5, 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. On June 13, 2013, the Court extended all defendants’ deadlines to respond to the Frank complaint until 21 days after a ruling on the motion to transfer and consolidate. On July 24, 2013 the Frank court transferred the case to Judge Bryant, who is presiding over In re: Trilegiant, but the cases have not yet been consolidated. On September 25, 2013, the Court held oral argument on Defendants’ motions to dismiss. AGM believes that plaintiffs’ claims against it in these cases are without merit. For this reason, and because the claims against AGM are in their early stages, no reasonable 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. Likewise, on April 23, 2012, the United States Securities and Exchange Commission 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. Finally, on March 14, 2013, the United States Department of Justice unsealed an indictment against Messrs. Villalobos and Buenrostro alleging, among other crimes, fraud in connection with those same activities; again, Apollo is not accused of any wrongdoing and in fact is alleged to have been defrauded by the defendants. Additionally, on April 15, 2013, Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") brought a civil action in the United States Bankruptcy Court for the District of Nevada against Apollo. This action alleges that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seek to recover purported fees they claim Apollo has not paid them for a portion of Arvco's placement agent services. In addition, the Arvco Debtors allege that Apollo has interfered with the Arvco Debtors' commercial relationships with third parties, purportedly causing the Arvco Debtors to lose business and to incur fees and expenses in the defense of various investigations and litigations. The Arvco Debtors also seek compensation from Apollo for these alleged lost profits and fees and expenses. The Arvco Debtors' complaint asserts various theories of recovery under the Bankruptcy Code and the common law. Apollo denies the merit of all of the Arvco Debtors' claims and will vigorously contest them. The Bankruptcy Court has stayed the civil action until April 2014. For these reasons, no 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 certain Apollo-managed funds prospectively elected to waive their management fees. Program participants received an interest in the future profits, if any, that would be earned on the invested amounts representing 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 implemented the program, but the investment period for all funds was terminated as of December 31, 2012. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

On May 19, 2013, Apollo was served with a subpoena by the New York State Department of Financial Services (the “DFS”) regarding its investments in any annuity or life businesses, or annuity contracts or life policies. The subpoena is part of what we understand to be an industry-wide investigation by the DFS into investments by financial institutions in annuity and life insurance companies. Apollo is cooperating with the investigation.

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 the consolidated 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 2024. 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.

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As of December 31, 2013, the approximate aggregate minimum future payments required for operating leases were as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Aggregate minimum future payments	$ 38,649	$ 38,246	$ 36,946	$ 35,020	$ 31,416	$ 53,138	$ 233,415

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $42.0 million, $41.2 million, $38.3 million for the years ended December 31, 2013, 2012, and 2011, 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 subsidiary of Apollo. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2013, fixed and determinable payments due in connection with these obligations are as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Other long-term obligations	$ 6,447	$ 929	$ -	$ -	$ -	$ -	$ 7,376

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Contingent Obligations-Carried interest income with respect to 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 have been recognized by Apollo through December 31, 2013 and that would be reversed approximates $4.9 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:

	As of December 31, 2013
Private Equity Funds:	
Fund VII	$ 2,197,158
Fund VI	1,495,767
Fund V	81,218
Fund IV	7,647
AAA/Other	228,909
Total Private Equity Funds	4,010,699
Credit Funds:	
U.S. Performing Credit	445,465
Structured Credit	63,429
European Credit Funds	73,800
Non-Performing Loans	189,113
Opportunistic Credit	60,874
Total Credit Funds	832,681
Real Estate Funds:	
CPI Funds	4,755
AGRE U.S. Real Estate Fund, L.P.	5,631
Other	4,831
Total Real Estate Funds	15,217
Total	$ 4,858,597

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 17, as of December 31, 2013 the Company has reversed the general partner obligations to return previously distributed carried interest income of $19.3 million and $0.3 million relating to SOMA and APC, 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, AGS, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2013, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the acquisition of Stone Tower in April 2012, 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 financial condition. The fair value of the contingent obligation was $121.4 million and $126.9 million as of December 31, 2013 and 2012, respectively, and was recorded in profit sharing payable in the consolidated statements of financial condition.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required 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 $14.1 million and $14.1 million as of December 31, 2013 and 2012, respectively, which was recorded in profit sharing payable in the consolidated statements of financial condition.

In connection with the acquisition of CPI on November 12, 2010, Apollo had 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, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. On March 28, 2013, Apollo satisfied the contingent liability in cash in the amount of approximately $0.5 million, which equaled 25% of the net realized after tax profit from the closing date through December 31, 2012. The satisfaction of the liability resulted in the Company recognizing $0.7 million of other income, net in the Company's consolidated statements of operations, for the year ended December 31, 2013. No remaining contingency existed at December 31, 2013.

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 contingent consideration obligations are measured at fair value and are characterized as Level III liabilities. See note 6 for further information regarding fair value measurements.

19. 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, 2013, there were more than 1,000 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 it provides 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, 2013 and 2012, $750.0 million and $737.8 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively.

20. 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 real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

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 business and incentive business as of December 31, 2013, 2012, and 2011 and for the years ended December 31, 2013, 2012, 2011, 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. 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.

During the second quarter of 2013, monitoring fees based on Athene's capital and surplus and the change in the market value of the derivative contracts related to Athene's capital and surplus recorded in advisory and transaction fees from affiliates, net, as disclosed in note 17 to the consolidated financial statements, were reclassified from the private equity segment to the credit segment to better evaluate the performance of Apollo's private equity and credit segments in making key operating decisions. Reclassifications have been made to the prior period financial data for Apollo's reportable segments to conform to the current presentation. The impact of this reclassification on the Company's Economic Net Income ("ENI") for the private equity and credit segment is reflected in the table below for the years ended December 31, 2012 and 2011:

	Impact of Reclassification on Economic Net (Loss) Income	
	Private Equity Segment	Credit Segment
For the year ended December 31, 2012	$(16,787)	$16,787
For the year ended December 31, 2011	(8,768)	8,768

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During the fourth quarter of 2013, certain reclassifications were made to prior period financial data within salary, bonus and benefits and profit sharing expense to conform to the current presentation. The impact of these reclassifications on management business ENI and incentive business ENI is reflected in the table below for Apollo's three reportable segments for the years ended December 31, 2012 and 2011.

	Impact of Reclassification on Management Business Economic Net Income (Loss)		
	Private Equity Segment	Credit Segment	Real Estate Segment
For the Year Ended December 31, 2012	$24,397	$(17,082)	$(7,315)
For the Year Ended December 31, 2011	3,434	(2,081)	(1,353)

	Impact of Reclassification on Incentive Business Economic Net (Loss) Income		
	Private Equity Segment	Credit Segment	Real Estate Segment
For the Year Ended December 31, 2012	$(24,397)	$17,082	$7,315
For the Year Ended December 31, 2011	(3,434)	2,081	1,353

As it relates to the reclassifications described above, the impact to the combined segments Economic Net Income (Loss) for all periods presented was zero.

Economic Net Income (Loss)

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:

- 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.

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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 (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.

The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2013:

	As of and For the Year Ended December 31, 2013			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates, net	$ 78,371	$ 114,643	$ 3,548	$ 196,562
Management fees from affiliates	284,833	392,433	53,436	730,702
Carried interest income from affiliates	2,517,247	373,692	5,222	2,896,161
Total Revenues	2,880,451	880,768	62,206	3,823,425
Expenses	1,284,657	482,015	69,886	1,836,558
Other Income	93,512	55,133	6,124	154,769
Non-Controlling Interests	-	(13,985)	-	(13,985)
Economic Net Income (Loss)	$ 1,689,306	$ 439,901	$ (1,556)	$ 2,127,651
Total Assets	$ 3,148,975	$ 1,918,565	$ 145,996	$ 5,213,536

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements as of and for the year ended December 31, 2013:

	As of and for the Year Ended December 31, 2013		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	$ 3,823,425	$ (89,854) (1)	$ 3,733,571
Expenses	1,836,558	105,157 (2)	1,941,715
Other income	154,769	534,938 (3)	689,707
Non-Controlling Interests	(13,985)	(1,700,618)	(1,714,603)
Economic Net Income	$ 2,127,651 (5)	N/A	N/A
Total Assets	$ 5,213,536	$ 17,264,445 (6)	$ 22,477,981

(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:

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	For the Year Ended December 31, 2013
Net gains from investment activities	$ 342,828
Net gains from investment activities of consolidated variable interest entities	199,742
Loss from equity method investments[4]	(5,860)
Other Income, net	(1,772)
Total Consolidation Adjustments	$ 534,938

(4) Included is $(4,888) reflecting remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.
(5) 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, 2013
Economic Net Income	$ 2,127,651
Income tax provision	(107,569)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(1,257,650)
Non-cash charges related to equity-based compensation[7]	(59,847)
Amortization of intangible assets	(43,194)
Net Income Attributable to Apollo Global Management, LLC	$ 659,391

(6) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(7) 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 16 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, 2013:

	For the Year Ended December 31, 2013					
	Private Equity			Credit		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	$ 78,371	$ -	$ 78,371	$ 114,643	$ -	$ 114,643
Management fees from affiliates	284,833	-	284,833	392,433	-	392,433
Carried interest income (loss) from affiliates:						
Unrealized gains (losses)(1)	-	454,722	454,722	-	(56,568)	(56,568)
Realized gains	-	2,062,525	2,062,525	36,922	393,338	430,260
Total Revenues	363,204	2,517,247	2,880,451	543,998	336,770	880,768
Compensation and benefits(2)	141,728	1,030,404	1,172,132	177,223	142,728	319,951
Other expenses(3)	112,525	-	112,525	162,064	-	162,064
Total Expenses	254,253	1,030,404	1,284,657	339,287	142,728	482,015
Other Income	13,006	80,506	93,512	28,540	26,593	55,133
Non-Controlling Interests	-	-	-	(13,985)	-	(13,985)
Economic Net Income	$ 121,957	$ 1,567,349	$ 1,689,306	$ 219,266	$ 220,635	$ 439,901

(1) Included in unrealized carried interest income from affiliates for the year ended December 31, 2013 was reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA and APC, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the fund's net assets as of the reporting date. 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) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(3) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2013		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates, net	$ 3,548	$ -	$ 3,548
Management fees from affiliates	53,436	-	53,436
Carried interest income from affiliates:			
Unrealized gains	-	4,681	4,681
Realized gains	-	541	541
Total Revenues	56,984	5,222	62,206
Compensation and benefits[(1)]	42,143	123	42,266
Other expenses[(2)]	27,620	-	27,620
Total Expenses	69,763	123	69,886
Other Income	2,402	3,722	6,124
Economic Net (Loss) Income	$ (10,377)	$ 8,821	$ (1,556)

(1) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.
(2) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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[(1)]	Credit Segment[(1)]	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates, net	$ 121,744	$ 27,551	$ 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	2,066,327	846,070	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)	$ 1,199,552	$ 442,928	$ (8,035)	$ 1,634,445
Total Assets	$ 2,583,373	$ 1,798,086	$ 76,851	$ 4,458,310

(1) Reclassified to conform to current presentation.

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The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements as of and 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 (5)	N/A	N/A
Total Assets	$ 4,458,310	$ 16,178,548 (6)	$ 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 of 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[4]	(10,947)
Other income and interest income	1,543
Gain on acquisition	1,951,897
Total Consolidation Adjustments	$ 2,160,175

(4) Included is $1,423, reflecting remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.
(5) 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, 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[7]	(529,712)
Amortization of intangible assets	(43,009)
Net Income Attributable to Apollo Global Management, LLC	$ 310,957

(6) Represents the addition of assets of consolidated funds and the consolidated VIEs.
(7) 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 16 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, 2012:

	For the Year Ended December 31, 2012					
	Private Equity[1]			Credit[1]		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	$ 121,744	$ -	$ 121,744	$ 27,551	$ -	$ 27,551
Management fees from affiliates	277,048	-	277,048	299,667	-	299,667
Carried interest income from affiliates:						
Unrealized gains[2]	-	854,919	854,919	-	301,077	301,077
Realized gains	-	812,616	812,616	37,842	179,933	217,775
Total Revenues	398,792	1,667,535	2,066,327	365,060	481,010	846,070
Compensation and benefits[3]	135,281	726,874	862,155	166,883	138,444	305,327
Other expenses[4]	83,311	-	83,311	149,051	-	149,051
Total Expenses	218,592	726,874	945,466	315,934	138,444	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	$ 184,853	$ 1,014,699	$ 1,199,552	$ 55,404	$ 387,524	$ 442,928

(1) Reclassified to conform to current presentation.
(2) Included in unrealized carried interest income from affiliates for 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 recognized 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 with respect to 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.
(3) 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.
(4) 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, 2012		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates, net	$ 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]	41,352	6,815	48,167
Other expenses[2]	24,270	-	24,270
Total Expenses	65,622	6,815	72,437
Other Income	1,271	982	2,253
Economic Net (Loss) Income	$ (17,276)	$ 9,241	$ (8,035)

(1) 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.

(2) Other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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[1]	Credit Segment[1]	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates, net	$ 58,145	$ 23,467	$ 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	(127,851)	261,968	40,977	175,094
Expenses	155,994	250,020	77,179	483,193
Other Income	15,041	(5,716)	10,420	19,745
Non-Controlling Interests	-	(12,146)	-	(12,146)
Economic Net Loss	$ (268,804)	$ (5,914)	$ (25,782)	$ (300,500)
Total Assets	$ 1,760,376	$ 1,127,444	$ 61,970	$ 2,949,790

(1) Reclassified to conform to current presentation.

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The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements as of and 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, 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 of amortization of AOG Units and amortization of intangible assets.
(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 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, 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 16 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(1)			Credit(1)		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	$ 58,145	$ -	$ 58,145	$ 23,467	$ -	$ 23,467
Management fees from affiliates	263,212	-	263,212	186,700	-	186,700
Carried interest income (loss) from affiliates:						
Unrealized losses(2)	-	(1,019,748)	(1,019,748)	-	(66,852)	(66,852)
Realized gains	-	570,540	570,540	44,540	74,113	118,653
Total Revenues	321,357	(449,208)	(127,851)	254,707	7,261	261,968
Compensation and benefits(3)	153,489	(96,833)	56,656	118,263	36,762	155,025
Other expenses(4)	99,338	-	99,338	94,995	-	94,995
Total Expenses	252,827	(96,833)	155,994	213,258	36,762	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)	$ 75,611	$ (344,415)	$ (268,804)	$ 27,325	$ (33,239)	$ (5,914)

(1) Reclassified to conform to current presentation.

(2) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously recognized 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.

(3) 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.

(4) 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, net	$ 698	$ -	$ 698
Management fees from affiliates	40,279	-	40,279
Total Revenues	40,977	-	40,977
Compensation and benefits(1)	47,516	-	47,516
Other expenses(2)	29,663	-	29,663
Total Expenses	77,179	-	77,179
Other Income	9,694	726	10,420
Economic Net (Loss) Income	$ (26,508)	$ 726	$ (25,782)

(1) 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.

(2) Other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

21. SUBSEQUENT EVENTS

On February 7, 2014, the Company declared a cash distribution of $1.08 per Class A share, which was paid on February 26, 2014 to holders of record on February 19, 2014.

On January 15, 2014, the Company issued 138,241 Class A shares in settlement of vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On February 11, 2014, the Company issued 2,531,098 Class A shares in settlement of vested RSUs and vested options that were exercised. This issuance caused the Company's ownership interest in the Apollo Operation Group to increase from 39.0% to 39.4%.

On February 26, 2014, the Company issued 2,530 Class A shares in settlement of the exercise of vested options. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

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22. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenues	$ 1,309,073	$ 497,261	$ 1,132,089	$ 795,148
Expenses	622,602	322,787	600,115	396,211
Other Income (Loss)	132,173	(8,165)	210,820	354,879
Income Before Provision for Taxes	$ 818,644	$ 166,309	$ 742,794	$ 753,816
Net Income	$ 800,065	$ 148,170	$ 695,590	$ 730,169
Income attributable to Apollo Global Management, LLC	$ 248,978	$ 58,737	$ 192,516	$ 159,160
Net Income per Class A Share - Basic	$ 1.60	$ 0.32	$ 1.13	$ 0.94
Net Income per Class A Share - Diluted	$ 1.59	$ 0.32	$ 1.13	$ 0.93

	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	$ 0.66	$ (0.38)	$ 0.55	$ 1.12
Net Income (Loss) per Class A Share - Diluted	$ 0.66	$ (0.38)	$ 0.55	$ 1.12

	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	$ 0.33	$ (0.46)	$ (3.86)	$ 0.05
Net Income (Loss) per Class A Share - Diluted	$ 0.33	$ (0.46)	$ (3.86)	$ 0.05

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ITEM 8A. UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(dollars in thousands, except share data)

	December 31, 2013			
	Apollo Global Management, LLC and Consolidated Subsidiaries	Consolidated Funds and VIE's	Eliminations	Consolidated
Assets:				
Cash and cash equivalents	$ 1,078,120	$ -	$ -	$ 1,078,120
Cash and cash equivalents held at Consolidated Funds	-	1,417	-	1,417
Restricted cash	9,199	-	-	9,199
Investments	509,712	1,971,654	(87,483)	2,393,883
Assets of consolidated variable interest entities				
Cash and cash equivalents	-	1,095,170	-	1,095,170
Investments, at fair value	-	14,127,480	(1,118)	14,126,362
Other assets	-	280,718	-	280,718
Carried interest receivable	2,366,766	-	(79,691)	2,287,075
Due from Affiliates	323,177	-	(5,930)	317,247
Fixed assets, net	40,251	-	-	40,251
Deferred tax assets	660,199	-	-	660,199
Other assets	42,333	1,837	-	44,170
Goodwill	88,852	-	(39,609)	49,243
Intangible assets, net	94,927	-	-	94,927
Total Assets	**$ 5,213,536**	**$ 17,478,276**	**$ (213,831)**	**$ 22,477,981**
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued expenses	37,880	279	-	38,159
Accrued compensation and benefits	41,711	-	-	41,711
Deferred revenue	279,479	-	-	279,479
Due to affiliates	594,518	853	-	595,371
Profit sharing payable	992,240	-	-	992,240
Debt	750,000	-	-	750,000
Liabilities of consolidated variable interest entities:				
Debt, at fair value	-	12,424,839	(877)	12,423,962
Other liabilities	-	609,413	(4,350)	605,063
Due to affiliates	-	81,272	(81,272)	-
Other Liabilities	60,647	2,627	-	63,274
Total Liabilities	**$ 2,756,475**	**$ 13,119,283**	**$ (86,499)**	**$ 15,789,259**
Stockholders' Equity:				
Apollo Global Management, LLC shareholders' equity:				
Additional paid in capital	2,624,113	-	469	2,624,582
Accumulated deficit	(1,587,536)	1,971,682	(1,952,633)	(1,568,487)
Appropriated partners' capital	-	1,620,928	(39,849)	1,581,079
Accumulated other comprehensive income (loss)	33,774	-	(33,679)	95
Total Apollo Global Management, LLC shareholders' equity	1,070,351	3,592,610	(2,025,692)	2,637,269
Non-Controlling Interests in Consolidated Entities	4,987	766,383	1,898,360	2,669,730
Non-Controlling Interests in Apollo Operating Group	1,381,723	-	-	1,381,723
Total Stockholders' Equity	**2,457,061**	**4,358,993**	**(127,332)**	**6,688,722**
Total Liabilities and Shareholders' Equity	**$ 5,213,536**	**$ 17,478,276**	**$ (213,831)**	**$ 22,477,981**

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(dollars in thousands, except share data)

	December 31, 2012			
	Apollo Global Management, LLC and Consolidated Subsidiaries	Consolidated Funds and VIE's	Eliminations	Consolidated
Assets:				
Cash and cash equivalents	$ 946,225	$ -	$ -	$ 946,225
Cash and cash equivalents held at Consolidated Funds	-	1,226	-	1,226
Restricted cash	8,359	-	-	8,359
Investments	467,640	1,694,101	(23,645)	2,138,096
Assets of consolidated variable interest entities				
Cash and cash equivalents	-	1,682,696	-	1,682,696
Investments, at fair value	-	12,692,508	(2,973)	12,689,535
Other assets	-	299,978	-	299,978
Carried interest receivable	2,004,310	-	(126,054)	1,878,256
Due from Affiliates	180,188	-	(6,876)	173,312
Fixed assets, net	53,452	-	-	53,452
Deferred tax assets	542,208	-	-	542,208
Other assets	32,844	3,921	-	36,765
Goodwill	85,228	-	(36,334)	48,894
Intangible assets, net	137,856	-	-	137,856
Total Assets	**$ 4,458,310**	**$ 16,374,430**	**$ (195,882)**	**$ 20,636,858**
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued expenses	37,686	651	-	38,337
Accrued compensation and benefits	56,125	-	-	56,125
Deferred revenue	252,157	-	-	252,157
Due to affiliates	474,123	3,224	104	477,451
Profit sharing payable	857,724	-	-	857,724
Debt	737,818	-	-	737,818
Liabilities of consolidated variable interest entities:				
Debt, at fair value	-	11,837,784	(2,829)	11,834,955
Other liabilities	-	634,053	-	634,053
Due to affiliates	-	133,035	(133,035)	-
Other Liabilities	40,755	4,100	-	44,855
Total Liabilities	**$ 2,456,388**	**$ 12,612,847**	**$ (135,760)**	**$ 14,933,475**
Stockholders' Equity:				
Apollo Global Management, LLC shareholders' equity:				
Additional paid in capital	3,041,845	-	1,489	3,043,334
Accumulated deficit	(2,196,821)	1,691,502	(1,636,701)	(2,142,020)
Appropriated partners' capital	-	1,801,838	(36,478)	1,765,360
Accumulated other comprehensive income (loss)	7,053	-	(6,909)	144
Total Apollo Global Management, LLC shareholders' equity	852,077	3,493,340	(1,678,599)	2,666,818
Non-Controlling Interests in Consolidated Entities	6,492	268,243	1,618,477	1,893,212
Non-Controlling Interests in Apollo Operating Group	1,143,353	-	-	1,143,353
Total Stockholders' Equity	**2,001,922**	**3,761,583**	**(60,122)**	**5,703,383**
Total Liabilities and Shareholders' Equity	**$ 4,458,310**	**$ 16,374,430**	**$ (195,882)**	**$ 20,636,858**

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, 2013 based on the framework established in *Internal Control-Integrated Framework* issued by the Committee of Organizations of the Treadway Commission in 1992. Based on this assessment, management has determined that Apollo’s internal control over financial reporting as of December 31, 2013 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 the fourth quarter of 2013, that have materially affected, or are 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	62	Chairman, Chief Executive Officer and Director
Joshua Harris	49	Senior Managing Director and Director
Marc Rowan	51	Senior Managing Director and Director
Marc Spilker	49	President
Martin Kelly	46	Chief Financial Officer
John Suydam	54	Chief Legal Officer and Chief Compliance Officer
James Zelter	51	Managing Director-Credit
Christopher Weidler	39	Chief Accounting Officer and Controller
Michael Ducey	65	Director
Paul Fribourg	59	Director
A.B. Krongard	77	Director
Pauline Richards	65	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 a 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 board of directors of Berry Plastics Group Inc. Mr. Harris has previously served on the board of directors of EPE Acquisition, LLC and the holding company for Alcan Engineered Products, LyondellBasell Industries B.V., CEVA Logistics, Momentive Performance Materials Holdings LLC, 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 the Managing Partner of the Philadelphia 76ers and the Managing Member of the New Jersey Devils. Mr. Harris is also actively involved in charitable and political organizations. He is a member of The Federal Reserve Bank of New York Investors Advisory Committee on Financial Markets and a member of 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 and the Board of Trustees for the United States Olympic Committee. He is a member of The University of Pennsylvania's Wharton Undergraduate Executive Board and is on the Board of Trustees for the Field School, 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 a 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 and sits on the firm's Executive Committee. Mr. Spilker retired from Goldman Sachs in May 2010 following a 20-year career with the firm. He more recently served as the co-head of Goldman Sachs' Investment Management Division (IMD) and was also 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. He 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, and an Advisory Board member for Mount Sinai's Institute for Genomics and Multiscale Biology. He previously had been a member of the Google Investment Advisory Committee, the American Stock Exchange and the Chicago Mercantile Exchange, and had 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.

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.

Christopher Weidler. Mr. Weidler joined Apollo in 2013. Prior to joining Apollo, Mr. Weidler was with Barclays, where he most recently served as a Managing Director and the Financial Controller of the Americas. Since February 2005, Mr. Weidler served in a variety of leadership roles at Barclays that included Global Head of U.S. GAAP Technical Accounting and Global Head of Financial Reporting and Legal Entity Control for the Investment Bank. Prior to joining Barclays, Mr. Weidler spent eight years with PricewaterhouseCoopers LLP in the firm's New York Audit and Assurance practice and in London in the firm's Global Capital Markets Group. Mr. Weidler received a Bachelor of Science in Accounting from Villanova University in 1997.

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 Vice 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 Group Holdings 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 served as a member of the audit committee and chair of the corporate governance committee of the board of directors of Butterfield Bank and serves 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 (as described under "Item 13. Certain Relationships and Related Transactions-Lenders Rights Agreement-Amendments to Managing Partner Transfer Restrictions"), 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.

Corporate Governance Guidelines

We have Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which our manager and board of directors carry out their respective responsibilities. The guidelines are available for viewing on our website at www.agm.com under the "Investor Relations" section. We will also provide the guidelines, free of charge, to shareholders who request them. Requests should be directed to our Secretary at Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.

Communications with the Board of Directors

A shareholder or other interested party who wishes to communicate with our directors, a committee of our board of directors, our independent directors as a group or our board of directors generally may do so in writing. Any such communications may be sent to our board of directors by U.S. mail or overnight delivery and should be directed to our Secretary at Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019, who will forward them to the intended recipient(s). Any such communications may be made anonymously. Unsolicited advertisements, invitations to conferences or promotional materials, in the discretion of our Secretary, are not required, however, to be forwarded to the directors.

Executive Sessions of Independent Directors

The independent directors serving on our board of directors meet periodically in executive sessions during the year at regularly scheduled meetings of our board of directors. These executive sessions will be presided over by one of the independent directors serving on our board of directors selected on an ad-hoc basis.

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, 2013, 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, 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. In connection with his hiring in 2010, our president was granted options to acquire Class A shares that vest over six years. The vesting requirements and minimum retained ownership 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 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 interests of the Company, our shareholders and the investors in our funds. 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 minimum retained ownership requirements of our RSUs, options 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 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 2013 are described below. We distinguish among the compensation components applicable to our 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. In 2013, a portion of our named executive officers' compensation (other than for Messrs. Black and Spilker) was paid in the form of RSUs. We refer to our annual grants of RSUs as Bonus Grants. The RSUs are subject to multi-year vesting and minimum retained ownership requirements. In 2013, 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 the number of gross shares sold or netted to pay applicable income or employment taxes. The named executive officer 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 (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. Zelter 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. Participation in dedicated carried interest in our private equity funds 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 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, and Suydam, among other of our professionals, were awarded incentive pool compensation based on carried interest realizations we earned during 2013. Allocations to participants in the incentive pool contain both a fixed component (approximately $50,000 in 2013) 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. Each participant in the incentive pool is entitled to receive, as a fixed component of participation in the incentive pool, his or her pro rata allocation of this 1% amount each year, provided the participant remains employed by us at the time of allocation. 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. Two of our named executive officers, Messrs. Zelter and Suydam, received cash bonuses in 2013. The inclusion of discretionary annual bonuses as part of our overall compensation rewards superior performance and enables us to attract and retain talented professionals by enhancing our capacity to offer competitive compensation opportunities while retaining our flexibility to adjust or eliminate these payments from year to year.

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. Factors that our Managing Partners typically 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 Messrs. Black and Zelter, beneficially own AOG Units. In particular, as of December 31, 2013, the Managing Partners beneficially owned, through their interest in Holdings, approximately 54% 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 2013, the Managing Partners, including Mr. Black, and Contributing Partners, including Mr. Zelter, were required to retain 92.5% 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.”

Compensation Committee Report

As noted above, our board of directors does not have a compensation committee. The executive committee of our manager 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
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, 2013. 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 officer and principal financial officer. 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, Chairman, Chief Executive Officer and Director	2013	100,000	--	--	--	173,053	273,053
	2012	100,000	--	--	--	187,368	287,368
	2011	100,000	--		--	372,996	472,996
Martin Kelly, Chief Financial Officer	2013	1,000,000	--	541,246	--	950,000	2,491,246
	2012	300,000	200,000	4,687,530	--	1,433,411	6,620,941
James Zelter, Managing Director, Credit	2013	--	3,749,788	3,065,771	--	32,599,739	39,415,298
	2012	--	--	2,606,310	5,099,193	14,959,920	22,665,423
	2011	--	--	2,631,239	2,230,843	8,227,188	13,089,270
John Suydam, Chief Legal Officer and Chief Compliance Officer	2013	3,000,000	949,788	504,345	--	7,148,168	11,602,301
	2012	3,000,000	--	496,715	--	3,405,953	6,902,668
	2011	3,000,000	--	1,555,133	--	1,786,111	6,341,244
Marc Spilker, President	2013	2,000,000	--	--	--	--	2,000,000

(1) Amounts shown for 2013 represent cash bonuses earned in 2013.

(2) Represents the aggregate grant date fair value of stock awards granted, as applicable, computed in accordance with FASB ASC Topic 718. See note 16 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.

(3) Because Mr. Zelter's 2013 income did not include distributions of management fee or incentive income, he did not receive distributions from a non-equity incentive plan in 2013.

(4) Amounts included for 2013 represent, in part, actual distributions in respect of dedicated carried interest allocations for Messrs. Zelter and Suydam of $32,549,527 and $7,061,133, respectively. Of these 2013 distribution amounts, $5,116 and $1,527, respectively, was paid in the form of AAA RDUs for Messrs. Zelter and Suydam, which RDUs are not subject to vesting. The 2013 amounts also include actual incentive pool distributions of $950,000 for Mr. Kelly and $50,212 for each of Messrs. Zelter and Suydam.

The "All Other Compensation" column for 2013 also includes 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 $164,803 for Mr. Black and $35,323 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. Except as discussed in this paragraph, no 2013 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, Zelter or Spilker received perquisites or personal benefits in 2013, 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. 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 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 superseded 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 disability (as such terms are defined in his employment agreement).

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 (described elsewhere in this report under "Item 13. Certain Relationships and Related Party Transactions-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

On July 2, 2012, we entered into an employment, non-competition and non-solicitation agreement with Martin Kelly, our chief financial officer. His annual base salary is $1,000,000. 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 2013 was $1,500,000, a portion of which is subject to payment in the form of Bonus Grants. Mr. Kelly's employment agreement does not provide for a minimum bonus for services performed after 2013. 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 reduced his 2013 bonus 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, he 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 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 provided that Mr.

Zelter would have the right to participate in management fee net income and incentive income attributable to specified funds managed by us, some of which are no longer in existence. Accordingly, the Company no longer treats his employment agreement as operational with regard to his compensation during employment, which is determined by the Executive Committee. Mr. Zelter has acknowledged that he has received all compensation to which he is entitled for services performed in 2013, recognizing that after 2013 he may receive carried interest distributions that relate to events occurring in 2013 and prior years. Pursuant to his employment agreement, Mr. Zelter holds dedicated carried interests in a certain of our investment funds that remain in existence, some of which carried interest rights are subject to vesting. Mr. Zelter receives a portion of his total annual compensation in the form of a Bonus Grant, as discussed below under the section entitled, "Awards of Restricted Share Units Under the Equity Plan." As required by his employment agreement, Mr. Zelter has made 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's employment agreement provides for continued payments with respect to certain specified funds that remain in existence for one year after his employment termination. Upon his termination by reason of death or disability, Mr. Zelter will vest in 50% of his then unvested 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 RSUs.

Employment, Non-Competition and Non-Solicitation Agreement with President

On November 24, 2010, we entered into an employment, non-competition and non-solicitation agreement with Marc Spilker, our president and a non-voting member of our executive committee. The agreement's initial term commenced on December 1, 2010 and ended on December 31, 2012, and thereafter it has automatically renewed in one-year increments. Under his employment agreement, Mr. Spilker is entitled to an annual base salary of $2,000,000. As provided in his employment agreement, he received a Plan Grant of 2,500,000 RSUs and options to purchase 5,000,000 Class A shares in connection with his commencement of employment. During his employment, Mr. Spilker is eligible to participate in our employee benefit plans as in effect from time to time. If Mr. Spilker's employment is terminated by the Company without cause (including as a result of non-renewal of the employment term) or by him for good reason, the employment agreement entitles him to a lump sum payment in an amount equal to six months' base salary. Upon his termination by the Company without cause, by him for good reason, or by reason of his death or disability, the employment agreement also provides for additional immediate vesting of 50% of his Plan Grant RSUs and options that are unvested as of the date of notice of employment termination.

The employment agreement requires Mr. Spilker 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 notice of his employment termination, he will refrain from soliciting our employees, interfering with our relationships with investors and other business relations, and 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. Spilker is required to give us 90 days' notice prior to his resignation for any reason.

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 and Spilker. The Plan Grants generally vest over six 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 after 2011 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. Under our retained ownership requirements, in 2013, 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 the number 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 Spilker, his employment agreement, or Mr. Zelter, his Roll-Up 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.

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, Zelter and Suydam, subject to the employee's continued service through the vesting dates. Our named executive officers' Bonus Grants generally 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).

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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 2013. All were awards of RSUs granted under our 2007 Omnibus Equity Incentive Plan. No options were granted to a named executive officer in 2013.

Name	Grant Date	Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards ($)
Leon Black	--	--	--
Martin Kelly	December 26, 2013	18,114 (1)	541,246 (2)
James Zelter	May 9, 2013	67,440 (1)	1,638,792 (2)
	December 26, 2013	47,757 (1)	1,426,979 (2)
John Suydam	December 26, 2013	16,879 (1)	504,345 (2)
Marc Spilker	--	--	--

(1) Represents the aggregate number of RSUs covering our Class A shares (none of the Bonus Grants awarded in 2013 vested in 2013 except for Mr. Zelter's May 9, 2013 Bonus Grant, the first vesting date for which was December 31, 2013). 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."

(2) Represents the aggregate grant date fair value of the RSUs granted in 2013, 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.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding outstanding unvested RSU awards and an unexercised option award made by us to our named executive officers on or prior to December 31, 2013 under our 2007 Omnibus Equity Incentive Plan.

		Option Awards				Stock Awards	
Name	Date of Grant	Number of Shares Underlying Unexercised Options (# Exercisable)	Number of Shares Underlying Unexercised Options (# Unexercisable)	Option Exercise Price ($/Share)	Option Expiration Date	Number of Unearned Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (8)
Leon Black	--	--	--	--	--	--	--
Martin Kelly	December 26, 2013	--	--	--	--	18,114 (1)	572,584
	December 28, 2012	--	--	--	--	18,022 (2)	569,675
	September 30, 2012	--	--	--	--	296,875 (3)	9,384,219
James Zelter	December 26, 2013	--	--	--	--	47,757 (1)	1,509,599
	May 9, 2013	--	--	--	--	44,960 (2)	1,421,186
	December 28, 2012	--	--	--	--	123,347 (4)	3,898,999
	April 5, 2012	--	--	--	--	18,301 (5)	578,495
John Suydam	December 26, 2013	--	--	--	--	16,879 (1)	533,545
	December 28, 2012	--	--	--	--	20,229 (2)	639,439
	December 28, 2011	--	--	--	--	13,855 (5)	437,957
Marc Spilker	December 2, 2010	208,334	2,500,000 (6)	$8.00	December 2, 2020	1,250,000 (7)	39,512,500

(1) Bonus Grant RSUs that vest in substantially equal annual installments on December 31 of each of 2014, 2015 and 2016.

(2) Bonus Grant RSUs that vest in substantially equal annual installments on December 31 of each of 2014 and 2015.

(3) Plan Grant RSUs that vest in substantially equal installments over the 19 calendar quarters beginning March 31, 2014.

(4) Plan Grant RSUs that vest in substantially equal installments over the 20 calendar quarters beginning March 31, 2014.

(5) Bonus Grant RSUs that vest on December 31, 2014.

(6) Options that vest in substantially equal installments over the 12 calendar quarters beginning March 31, 2014.

(7) RSUs that vest in substantially equal installments over the 12 calendar quarters beginning March 31, 2014.

(8) Amounts calculated by multiplying the number of unvested RSUs held by the named executive officer by the closing price of $31.61 per Class A share on December 31, 2013.

Option Exercises and Stock Vested

The following table presents information regarding the number of outstanding initially unvested RSUs or AOG Units held by our named executive officers that vested during 2013 and the number of options exercised by our named executive officers in 2013. With respect to the RSUs and AOG Units, 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 2013 based on the closing price of our Class A shares on the date of vesting. Shares received by our named executive officers are subject to our retained ownership requirements.

		Option Awards		Stock Awards	
Name	Type of Award	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting($)
Leon Black	--	--	--	--	--
Martin Kelly	RSUs	--	--	87,136	2,544,994 (2)
James Zelter	AOG Units	--	--	200,160	4,753,466 (3)
	RSUs	--	--	116,473	3,681,712 (2)
John Suydam	RSUs	--	--	140,811	3,616,481 (2)
Marc Spilker	Options	2,291,666	42,475,673 (1)	--	--
	RSUs	--	--	416,667	11,001,077 (2)

(1) Amounts calculated based on the difference between the exercise price of the options and the price of the underlying Class A shares on the applicable exercise 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 2013 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) 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 2013 by the closing price per Class A share on that date. Mr. Zelter's AOG Units vested in full on June 30, 2013.

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. 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, 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, 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 Plan Grant and Bonus Grant RSUs.

Upon his termination without cause and other than by reason of death or disability, Mr. Zelter's employment agreement provides for continued payments with respect to certain specified funds that remain in existence for one year after his employment termination. Upon his termination by reason of death or disability, Mr. Zelter will vest in 50% of his then unvested RSUs.

If Mr. Suydam's employment is terminated by reason of death or disability, he will vest in 50% of his then unvested RSUs.

If Mr. Spilker's employment is terminated by the Company without cause (including as a result of non-renewal of the employment term) or by him for good reason, the employment agreement entitles him to a lump sum payment in an amount equal to six months' base salary. Upon notice of his employment termination by the Company without cause, by him for good reason, or by reason of his death or disability, Mr. Spilker will vest in 50% of his then unvested Plan Grant RSUs and options.

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. 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, 2013 and that the price per share of our Class A shares was $31.61, which is equal to the closing price on such date. For purposes of this table, RSU and option acceleration values are based on the $31.61 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	500,000 (1)	4,692,110 (3)
	Death, disability	--	5,263,239 (3)
James Zelter	Without cause; by executive for good reason	5,100,000 (2)	--
	Death; disability	--	3,704,140 (3)
John Suydam	Without cause; by executive for good reason	--	--
	Death; disability	--	805,471 (3)
Marc Spilker	Without cause; by executive for good reason	1,000,000 (1)	49,268,750 (4)
	Death, disability	--	49,268,750 (4)

(1) This amount would have been payable to the named executive officer 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, 2013.

(2) Pursuant to Mr. Zelter's employment agreement, had his employment terminated on December 31, 2013, he would have been treated as if he had remained employed, for purposes of receiving distributions in respect of certain specified funds that remained in existence, for 12 additional months.

(3) 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, 2013, 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, 2013.

(4) This amount represents the additional equity vesting that Mr. Spilker would have received had notice of his employment termination in the circumstances described in the column, "Reason for Employment Termination," been provided on December 31, 2013, based on the closing price of a Class A share on such date. The portion of this total that relates to options is calculated by multiplying the spread between the option exercise price and the closing price of a Class A share on December 31, 2013 by the number of option shares that would have vested 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, 2013.

Director Compensation

We do not pay additional remuneration to our employees, including Messrs. Black, Harris and Rowan, for their service on our board of directors. The 2013 compensation of Mr. Black is set forth above on the Summary Compensation Table.

During 2013, each independent director received (1) a base 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 was 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 served 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 served as the chairperson of the conflicts committee. In addition, independent directors were reimbursed for reasonable expenses incurred in attending board meetings.

The following table provides the compensation for our independent directors during the year ended December 31, 2013. The directors received no equity awards in 2013.

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

Effective January 1, 2014, we have modified the compensation of our independent directors, with each receiving a base annual director fee of $125,000. Committee fees are unchanged. Each June 30th, independent directors will also receive an annual award of RSUs that have a value of $100,000 at grant and vest on the first anniversary of the grant date.

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, 2014 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 2013 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.

	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	38.4%	68.8%	1	100%	68.8%
Joshua Harris(4)(5)	54,582,643	26.8%	68.8%	1	100%	68.8%
Marc Rowan(4)(5)	54,582,642	26.8%	68.8%	1	100%	68.8%
Pauline Richards	13,262	*	*	-	-	-
Alvin Bernard Krongard(6)	262,362	*	*	-	-	-
Michael Ducey	16,662	*	*	-	-	-
Paul Fribourg	31,362	*	*	-	-	-
Marc Spilker(7)	1,762,654	1.2%	*	-	-	-
Martin Kelly	46,315	*	*	-	-	-
John Suydam(8)	277,820	*	*	-	-	-
James Zelter(9)	2,517,197	1.7%	*	-	-	-
All directors and executive officers as a group (twelve persons)(10)	206,820,085	58.5%	62.1%	1	100%	68.8%
BRH(5)	-	-	-	1	100%	68.8%
AP Professional Holdings, L.P.(11)	228,954,958	60.6%	68.8%	-	-	-

.epresents 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 687,500 of Class A shares that will be delivered to Mr. Spilker, and all directors and executive officers as a group, more than 60 days after February 26, 2014 in settlement of vested restricted share units.

(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) Includes 67,500 Class A shares held by a trust for the benefit of Mr. Krongard's children, for which Mr. Krongard's children are the trustees. Mr. Krongard disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(7) Includes 26,350 Class A shares held by a trust for the benefit of Mr. Spilker's children, for which one of Mr. Spilker's immediate family members is a trustee and has investment power. The amount also includes 26,350 Class A shares held by a not-for-profit tax exempt foundation for which Mr. Spilker and his spouse are trustees with investment power. Mr. Spilker disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(8) Includes 24,098 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.

(9) Includes 240,647 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.

(10) Refers to shares beneficially owned by the individuals who were directors and executive officers as of February 26, 2014.

(11) Assumes that no Class A shares are distributed to the limited partners of Holdings. The general partner of Holdings, 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 Holdings,. These individuals disclaim any beneficial ownership of these Class A shares, except to the extent of their pecuniary interest therein.

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, 2013.

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	34,524,596	$8.69	42,364,563
Equity Compensation Plans Not Approved by Security Holders	-	-	-
Total	34,524,596	$8.69	42,364,563

(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, 2013.

(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. For the purposes of the vesting provisions of the Agreement Among Managing Partners, our Managing Partners were credited for their employment with us since January 1, 2007. Each is now vested in full. 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.

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 (as defined in the Managing Partners Shareholders Agreement), 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 affect 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 partners 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 AOG 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) have "demand" registration rights that 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 holder 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 AOG Units, in exchange for their contribution of assets to the Apollo Operating Group. The AOG Units received by our Contributing Partners and any units into which they are exchanged generally vested over six years in equal monthly installments and were fully vested on June 30, 2013. AOG Units were subject to a lock-up until two years after the registration effectiveness date. Thereafter, 7.5% of the AOG Units became, or will become, tradable on each of the second, third, fourth and fifth anniversaries of the registration effectiveness date, with the remaining AOG Units becoming tradable on the sixth anniversary of the registration effectiveness date or upon subsequent vesting. An AOG 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."

Under their Roll-Up Agreements, each of our Contributing Partners is subject to a noncompetition provision until the first anniversary of the date of termination of his service as a partner to us. During that period, our Contributing Partners are 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. 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.

Amended and Restated 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). To effect the exchange, Holdings distributes the AOG Units to be exchanged to the applicable Managing Partner or Contributing Partner. Under the exchange agreement, the Managing Partner or Contributing Partner 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.

The exchange agreement was amended and restated on May 6, 2013. The amendments to the original exchange agreement (i) permit exchanging holders certain rights to revoke exchanges of their AOG Units in whole, but not in part, in certain circumstances; (ii) permit transfers of a holder's exchanged shares to a qualifying entity that can sell them under a Rule 10b5-1 trading plan; (iii) require the Company to use its commercially reasonable efforts to file and keep effective a shelf registration statement relating to the exchange of Class A shares received upon an exchange of AOG Units; (iv) modify the exchange mechanics to address certain tax considerations of an exchange for exchanging holders; and (v) require exchanging holders to reimburse APO Corp. for any incremental U.S. federal income tax incurred by APO Corp. as a result of the modification of the exchange mechanics.

Amended and Restated 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 any 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 U.S. 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 U.S. corporation 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 until 2015.

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.

In connection with the amended and restated exchange agreement, the tax receivable agreement was amended and restated on May 6, 2013 to conform the agreement to the amended and restated exchange agreement, particularly to address the modified exchange mechanics, and to make non-substantive updates to recognize certain additional Apollo Operating Group entities that have been formed since the original tax receivable agreement was entered into in 2007.

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 30.8% of our issued and outstanding Class A shares and 12.0% of the economic interest in the Apollo Operating Group, in each case as of December 31, 2013.

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, 2013, the Company has reduced fees charged to CalPERS on the funds it manages by approximately $87.3 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

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” includes any entity controlled by, controlling or under common control with a Strategic Investor, or certain of its affiliates so long as that entity continues to be an affiliate of the Strategic Investor at all times following the transfer.

Registration Rights

Pursuant to the Lenders Rights Agreement, each Strategic Investor is 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.

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 $763,120 and $1,811,464 for 2013 to Mr. Black and Mr. Rowan, respectively (which amounts are determined based on the lower of the actual costs of operating the aircraft or a specified charter rate). 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. The amounts in respect of Mr. Harris' personal usage in 2013 totaled $977,007. Prior to December 11, 2013, we also had fractional interests in an aircraft owned by Heliflite Shares, LLC (“Heliflite”). For 2013, Mr. Harris' personal usage of this aircraft totaled $119,617, and we paid Heliflite $355,851 for use of this aircraft 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. 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, 2013, our professionals have committed or invested approximately $0.9 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 2013 was $8,447,451, $10,223,213, $7,331,024, $5,486,274 and $918,645 for Messrs Black, Harris, Rowan, Zelter, and Suydam, respectively. The amount of distributions, including profits and return of capital to our directors and executive officers (and their estate planning vehicles) during 2013 was $177,015,558, $53,225,718, $40,594,766, $14,746,832, and $6,699,584 for Messrs Black, Harris, Rowan, Zelter, and Suydam, respectively.

Mr. Barry Giarraputo, who was our Chief Accounting Officer and Controller until September 4, 2013, invested $431,022 in our investment funds during 2013 and he received $2,795,930 of distributions, including profits and return of capital.

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 BRH, 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. We have elected not to have a nominating and corporate governance committee comprised entirely of independent directors, nor a compensation committee comprised entirely of independent directors. 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.

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, 2013 and 2012:

	Year Ended December 31,	
	2013	2012
	(in thousands)	
Audit fees	$ 13,465 (1)	$ 12,100 (1)
Audit fees for Apollo fund entities	19,505 (2)	18,470 (2)
Audit-related fees	2,340 (3)(4)	875 (3)(4)
Tax fees	3,580 (5)	1,550 (5)
Tax fees for Apollo fund entities	13,835 (2)	12,125 (2)
All other fees	- (6)	775 (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 and/or manager of such entities.
(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 $0.5 million and $0.6 million for the year ended December 31, 2013 and 2012, 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.

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	Amended and Restated Exchange Agreement, dated as of May 6, 2013, 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 Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P., Apollo Principal Holdings IX, L.P., AMH Holdings (Cayman), L.P. and the Apollo Principal Holders (as defined therein) from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 7, 2013. (File No. 001-35107)).
10.12	Amended and Restated Tax Receivable Agreement, dated as of May 6, 2013, by and among APO Corp., Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings VI, Apollo Principal Holdings VIII, L.P., AMH Holdings (Cayman), L.P. and each Holder defined therein (incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 7, 2013. (File No. 001-35107)).
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 10.43 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 (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 (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 (incorporated by reference to Exhibit 10.40 to the Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.19	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)).
10.20	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)).
10.21	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)).

10.22	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)).
10.23	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)).
10.23	Fourth Amended and Restated Limited Partnership Agreement of Apollo Management Holdings, L.P. dated as of October 30, 2012. (incorporated by reference to Exhibit 10.25 to the Registrant Form 10-Q for the Registration Statement on Form S-1 (File No. 333-150141)).
10.24	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)).
10.25	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)).
10.26	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)).
+10.27	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)).
+10.28	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)).
+10.29	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)).
+10.30	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)).
10.31	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)).
+10.32	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)).
+10.33	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)).
10.34	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)).

10.35	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)).
10.36	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)).
+10.37	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)).
10.38	Form of Independent Director Engagement Letter (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-Q for the period ended March 31, 2011 (File No. 001-35107)).
+10.39	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)).
10.40	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)).
+*10.41	Amended and Restated Limited Partnership Agreement of Apollo Advisors VI, L.P., dated as of April 14, 2005 and amended as of August 26, 2005.
+*10.42	Third Amended and Restated Limited Partnership Agreement of Apollo Advisors VII, L.P., dated as of July 1, 2008 and effective as of August 30, 2007.
+*10.43	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity Advisors I, L.P., dated January 12, 2011 and made effective as of July 14, 2009.
+*10.44	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity Advisors II, L.P., dated January 12, 2011 and made effective as of July 14, 2009.
+*10.45	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Liquidity Advisors, L.P., dated January 12, 2011 and made effective as of July 14, 2009.
+*10.46	Second Amended and Restated Limited Partnership Agreement of Apollo Credit Liquidity CM Executive Carry, L.P., dated January 12, 2011 and made effective as of July 14, 2009.
+*10.47	Second Amended and Restated Limited Partnership Agreement Apollo Credit Opportunity CM Executive Carry I, L.P. dated January 12, 2011 and made effective as of July 14, 2009.
+*10.48	Second Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity CM Executive Carry II, L.P. dated January 12, 2011 and made effective as of July 14, 2009.

+*10.49	Second Amended and Restated Exempted Limited Partnership Agreement of AGM Incentive Pool, L.P., dated June 29, 2012.
*10.50	Credit Agreement, dated as of December 18, 2013, by and among Apollo Management Holdings, L.P. as the Term Facility Borrower and a Revolving Facility Borrower, the other Revolving Facility Borrowers party thereto, the other guarantors party thereto from time to time, the lenders party thereto from time to time, the issuing banks party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent.
*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.

+ Management contract or compensatory plan or arrangement.

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)
Date: March 3, 2014	By:	/s/ Martin Kelly
		Name: Martin Kelly
		Title: Chief Financial Officer (principal financial officer and authorized signatory)

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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 3, 2014
/s/ Martin Kelly Martin Kelly	Chief Financial Officer (principal financial officer)	March 3, 2014
/s/ Chris Weidler Chris Weidler	Chief Accounting Officer (principal accounting officer)	March 3, 2014
/s/ Joshua Harris Joshua Harris	Senior Managing Director and Director	March 3, 2014
/s/ Marc Rowan Marc Rowan	Senior Managing Director and Director	March 3, 2014
/s/ Michael Ducey Michael Ducey	Director	March 3, 2014
/s/ Paul Fribourg Paul Fribourg	Director	March 3, 2014
/s/ AB Krongard AB Krongard	Director	March 3, 2014
/s/ Pauline Richards Pauline Richards	Director	March 3, 2014

Exhibit 21.1

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
AGRE Europe Management, LLC	Delaware
AGRE NA Management, LLC	Delaware
Apollo Credit Liquidity CM Executive Carry, L.P.	Delaware
Athene Asset Management, LP	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
A/A Capital Management, LLC	Delaware
A/A Investor I, LLC	Delaware
AAA Associates (Co-Invest VII GP), Ltd.	Cayman Islands
AAA Associates (Co-Invest VII), LP	Cayman Islands
AAA Associates, L.P.	Guernsey
AAA Guernsey Limited	Guernsey
AAA Holdings GP Limited	Guernsey
AAA Holdings, L.P.	Guernsey
AAA Life Re Carry, L.P.	Cayman Islands
AAA MIP Limited	Guernsey
AAM Management Ltd.	Cayman Islands
ACC Advisors A/B, LLC	Delaware
ACC Advisors C, LLC	Delaware
ACC Advisors D, LLC	Delaware
ACC Management, LLC	Delaware
ACREFI Management, LLC	Delaware
AEM GP, LLC	Delaware
AGM India Advisors Private Limited	India
AGRE - DCB, LLC	Delaware
AGRE - E Legacy Management, LLC	Delaware
AGRE - E2 Legacy Management, LLC	Delaware
AGRE Asia Pacific Legacy Management, LLC	Delaware
AGRE Asia Pacific Management, LLC	Delaware
AGRE Asia Pacific Real Estate Advisors GP, Ltd.	Cayman Islands
AGRE Asia Pacific Real Estate Advisors, L.P.	Cayman Islands
AGRE CMBS GP II LLC	Delaware
AGRE CMBS GP LLC	Delaware
AGRE CMBS Management II LLC	Delaware
AGRE CMBS Management LLC	Delaware
AGRE CRE Debt Manager, LLC	Delaware
AGRE Debt Fund I GP, Ltd.	Cayman Islands
AGRE Europe Co-Invest Advisors GP, LLC	Marshall Islands
AGRE Europe Co-Invest Advisors, LP	Marshall Islands
AGRE Europe Co-Invest Management GP, LLC	Marshall Islands
AGRE Europe Co-Invest Management, LP	Marshall Islands
AGRE Europe Legacy Management, LLC	Delaware
AGRE GP Holdings, LLC	Delaware
AGRE NA Legacy Management, LLC	Delaware
AGRE U.S. Real Estate Advisors Cayman, Ltd.	Cayman Islands
AGRE U.S. Real Estate Advisors GP, LLC	Delaware

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LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
AGRE U.S. Real Estate Advisors, L.P.	Delaware
AIF III Management, LLC	Delaware
AIF V Management, LLC	Delaware
AIF VI Management, LLC	Delaware
AIF VII Management, LLC	Delaware
AIF VIII Management, LLC	Delaware
AION Co-Investors (D) Ltd	Mauritius
ALM IV, Ltd.	Cayman Islands
ALM Loan Funding 2010-1, LLC	Delaware
ALM Loan Funding 2010-3, Ltd.	Cayman Islands
ALM V, Ltd.	Cayman Islands
ALM VI, Ltd	Delaware
ALM VII (R), LLC	Delaware
ALM VII (R), Ltd	Cayman Islands
ALM VII (R)-2, LLC	Delaware
ALM VII (R)-2, Ltd	Cayman Islands
ALM VII, Ltd.	Cayman Islands
ALM VIII, Ltd.	Cayman Islands
AMH Holdings (Cayman), L.P.	Cayman Islands
AMH Holdings GP, Ltd.	Cayman Islands
AMI (Holdings), LLC	Delaware
AMI (Luxembourg) S.a.r.l.	Luxembourg
ANRP EPE GenPar, Ltd	Cayman Islands
ANRP PG GenPar, Ltd.	Cayman Islands
ANRP Talos GenPar, Ltd.	Cayman Islands
AP Alternative Assets, L.P.	Guernsey
AP AOP VII Transfer Holdco, LLC	Delaware
AP Transport	Delaware
AP TSL Funding, LLC	Delaware
APH HFA Holdings GP, Ltd	Cayman Islands
APH HFA Holdings, L.P.	Cayman Islands
APH Holdings (DC), L.P.	Cayman Islands
APH Holdings (FC), L.P.	Cayman Islands
APH Holdings, L.P.	Cayman Islands
APH I (SUB I), Ltd	Cayman Islands
APH III (SUB I), Ltd	Cayman Islands
APO (FC), LLC	Anguilla
APO Asset Co., LLC	Delaware
APO Corp.	Delaware
Apollo Achilles Co-Invest GP, LLC	Anguilla
Apollo Administration GP Ltd.	Cayman Islands
Apollo Advisors (Mauritius) Ltd.	Mauritius
Apollo Advisors (MHE), LLC	Delaware
Apollo Advisors IV, L.P.	Delaware
Apollo Advisors V (EH Cayman), L.P.	Cayman Islands
Apollo Advisors V (EH), LLC	Anguilla
Apollo Advisors V, L.P.	Delaware
Apollo Advisors VI (APO DC), L.P.	Delaware
Apollo Advisors VI (APO DC-GP), LLC	Delaware
Apollo Advisors VI (APO FC), L.P.	Cayman Islands
Apollo Advisors VI (APO FC-GP), LLC	Anguilla
Apollo Advisors VI (EH), L.P.	Cayman Islands

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LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Advisors VI (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VI, L.P.	Delaware
Apollo Advisors VII (APO DC), L.P.	Delaware
Apollo Advisors VII (APO DC-GP), LLC	Delaware
Apollo Advisors VII (APO FC), L.P.	Cayman Islands
Apollo Advisors VII (APO FC-GP), LLC	Anguilla
Apollo Advisors VII (EH), L.P.	Cayman Islands
Apollo Advisors VII (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VII, L.P.	Delaware
Apollo Advisors VIII (EH), LP	Cayman Islands
Apollo Advisors VIII (EH-GP), Ltd.	Cayman Islands
Apollo Advisors VIII, L.P.	Delaware
Apollo AGRE APREF Co-Investors (D), LP	Cayman Islands
Apollo AGRE Prime Co-Investors (D), LLC	Anguilla
Apollo AGRE USREF Co-Investors (B), LLC	Delaware
Apollo AIE II Co-Investors (B), L.P.	Cayman Islands
Apollo AION Capital Partners	Cayman Islands
Apollo ALS Holdings II GP, LLC	Delaware
Apollo ALST GenPar, Ltd.	Cayman Islands
Apollo ALST Voteco, LLC	Delaware
Apollo Alternative Assets GP Limited	Cayman Islands
Apollo Alternative Assets, L.P.	Cayman Islands
Apollo Anguilla B LLC	Anguilla
Apollo ANRP Advisors (APO DC), L.P.	Delaware
Apollo ANRP Advisors (APO DC-GP), LLC	Delaware
Apollo ANRP Advisors (APO FC), L.P.	Cayman Islands
Apollo ANRP Advisors (APO FC-GP), LLC	Anguilla
Apollo ANRP Advisors (IH), L.P.	Cayman Islands
Apollo ANRP Advisors (IH-GP), LLC	Anguilla
Apollo ANRP Advisors, L.P.	Delaware
Apollo ANRP Capital Management, LLC	Delaware
Apollo ANRP Co-Investors (D), L.P.	Delaware
Apollo ANRP Co-Investors (DC-D), L.P.	Delaware
Apollo ANRP Co-Investors (FC-D), L.P.	Anguilla
Apollo ANRP Co-Investors (IH-D), LP	Anguilla
Apollo ANRP Fund Administration, LLC	Delaware
Apollo APC Capital Management, LLC	Anguilla
Apollo APC Advisors, L.P.	Cayman Islands
Apollo APC Management GP, LLC	Delaware
Apollo APC Management, L.P.	Delaware
Apollo Asia Administration, LLC	Delaware
Apollo Asia Advisors, L.P.	Delaware
Apollo Asia Capital Management, LLC	Delaware
Apollo Asia Management GP, LLC	Delaware
Apollo Asia Management, L.P.	Delaware
Apollo Asian Infrastructure Management, LLC	Delaware
Apollo ASPL Management, LLC	Delaware
Apollo Athlon GenPar, Ltd.	Cayman Islands
Apollo BSL Management, LLC	Delaware
Apollo Capital Credit Management, LLC	Delaware
Apollo Capital Management GP, LLC	Delaware
Apollo Capital Management IV, Inc.	Delaware

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LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Capital Management V, Inc.	Delaware
Apollo Capital Management VI, LLC	Delaware
Apollo Capital Management VII, LLC	Delaware
Apollo Capital Management VIII, LLC	Delaware
Apollo Capital Management, L.P.	Delaware
Apollo Capital Spectrum Advisors, LLC	Delaware
Apollo Capital Spectrum Management, LLC	Delaware
Apollo Centre Street Advisors (APO DC), LLC	Delaware
Apollo Centre Street Advisors (APO DC-GP), LLC	Delaware
Apollo Centre Street Co-Investors (DC-D), L.P.	Delaware
Apollo Centre Street Management, LLC	Delaware
Apollo CKE GP, LLC	Delaware
Apollo COF I Capital Management, LLC	Delaware
Apollo COF II Capital Management, LLC	Delaware
Apollo COF Investor, LLC	Delaware
Apollo Co-Investors (NR EH-D), LP	Anguilla
Apollo Co-Investors Manager, LLC	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
Apollo Co-Investors VII (D), L.P.	Delaware
Apollo Co-Investors VII (DC-D), L.P.	Delaware
Apollo Co-Investors VII (EH-D), LP	Anguilla
Apollo Co-Investors VII (FC-D), L.P.	Anguilla
Apollo Co-Investors VII (NR D), L.P.	Delaware
Apollo Co-Investors VII (NR DC-D), L.P.	Delaware
Apollo Co-Investors VII (NR FC-D), LP	Anguilla
Apollo Co-Investors VIII (D), L.P.	Delaware
Apollo Co-Investors VIII (EH-D), LP	Cayman Islands
Apollo Commodities Management GP, LLC	Delaware
Apollo Commodities Management, L.P.	Delaware
Apollo Commodities Partners Fund Administration, LLC	Delaware
Apollo Consumer Credit Advisors, LLC	Delaware
Apollo Consumer Credit Fund, LP	Delaware
Apollo Consumer Credit Master Fund, LP	Delaware
Apollo Credit Advisors I, LLC	Delaware
Apollo Credit Advisors II, LLC	Delaware
Apollo Credit Advisors III, LLC	Delaware
Apollo Credit Capital Management, LLC	Delaware
Apollo Credit Fund LP (fka Stone Tower Credit Fund LP)	Delaware
Apollo Credit Funding I Ltd. (fka Stone Tower Credit Funding I Ltd.)	Cayman Islands
Apollo Credit Income Advisors LLC	Delaware
Apollo Credit Income Co-Investors (D) LLC	Delaware
Apollo Credit Income Management LLC	Delaware
Apollo Credit Liquidity Advisors, L.P.	Delaware
Apollo Credit Liquidity Capital Management, LLC	Delaware
Apollo Credit Liquidity Investor, LLC	Delaware
Apollo Credit Liquidity Management GP, LLC	Delaware
Apollo Credit Liquidity Management, L.P.	Delaware
Apollo Credit Management (CLO), LLC	Delaware
Apollo Credit Management (European Senior Debt), LLC	Delaware

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Credit Management (Senior Loans) II, LLC	Delaware
Apollo Credit Management (Senior Loans), LLC	Delaware
Apollo Credit Management, LLC	Delaware
Apollo Credit Opportunity Advisors I, L.P.	Delaware
Apollo Credit Opportunity Advisors II, L.P.	Delaware
Apollo Credit Opportunity Advisors III GP LLC	Delaware
Apollo Credit Opportunity Advisors III, L.P.	Delaware
Apollo Credit Opportunity CM Executive Carry I, L.P.	Delaware
Apollo Credit Opportunity CM Executive Carry II, L.P.	Delaware
Apollo Credit Opportunity Co-Investors III (D) LLC	Delaware
Apollo Credit Opportunity Management III LLC	Delaware
Apollo Credit Opportunity Management, LLC	Delaware
Apollo Credit Senior Loan Fund, L.P.	Delaware
Apollo Credit Short Opportunities Advisors LLC	Delaware
Apollo Credit Short Opportunities Management, LLC	Delaware
Apollo Emerging Markets, LLC	Delaware
Apollo EPF Administration, Limited	Cayman Islands
Apollo EPF Advisors II, L.P.	Cayman Islands
Apollo EPF Advisors, L.P.	Cayman Islands
Apollo EPF Capital Management, Limited	Cayman Islands
Apollo EPF Co-Investors (B), L.P.	Cayman Islands
Apollo EPF Co-Investors II (D), L.P.	Cayman Islands
Apollo EPF Co-Investors II (EURO), LP	Cayman Islands
Apollo EPF II Capital Management, LLC	Marshall Islands
Apollo EPF Management GP, LLC	Delaware
Apollo EPF Management II GP, LLC	Delaware
Apollo EPF Management II, L.P.	Delaware
Apollo EPF Management, L.P.	Delaware
Apollo Europe Advisors, L.P.	Cayman Islands
Apollo Europe Capital Management, Ltd	Cayman Islands
Apollo Europe Management, L.P.	Delaware
Apollo European Credit Advisors, L.P.	Cayman Islands
Apollo European Credit Advisors, LLC	Delaware
Apollo European Credit Co-Investors, LLC	Delaware
Apollo European Credit Management, L.P.	Delaware
Apollo European Credit Management, LLC	Delaware
Apollo European Senior Debt Advisors II, LLC	Delaware
Apollo European Senior Debt Advisors, LLC	Delaware
Apollo European Senior Debt Management, LLC	Delaware
Apollo European Strategic Advisors, L.P.	Cayman Islands
Apollo European Strategic Advisors, LLC	Delaware
Apollo European Strategic Co-Investors, LLC	Delaware
Apollo European Strategic Management, L.P.	Delaware
Apollo European Strategic Management, LLC	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 Executive Carry VII (NR), L.P.	Delaware
Apollo Franklin Advisors (APO DC), LP	Delaware
Apollo Franklin Advisors (APO DC-GP), LLC	Delaware
Apollo Franklin Co-Investors (DC-D), LP	Delaware
Apollo Franklin Management, LLC	Delaware

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Entity Name	Jurisdiction of Organization
Apollo Fund Administration IV, L.L.C.	Delaware
Apollo Fund Administration V, L.L.C.	Delaware
Apollo Fund Administration VI, LLC	Delaware
Apollo Fund Administration VII, LLC	Delaware
Apollo Fund Administration VIII, LLC	Delaware
Apollo Gaucho GenPar, Ltd	Cayman Islands
Apollo Global Real Estate Management GP, LLC	Delaware
Apollo Global Real Estate Management, L.P.	Delaware
Apollo Global Securities, LLC	Delaware
Apollo GSS GP Limited	Channel Islands
Apollo India Credit Opportunity Management, LLC	Delaware
Apollo International Management (Canada) ULC	British Columbia
Apollo International Management GP, LLC	Delaware
Apollo International Management, L.P.	Delaware
Apollo Investment Administration, LLC	Maryland
Apollo Investment Consulting LLC	Delaware
Apollo Investment Management, L.P.	Delaware
Apollo Laminates Agent, LLC	Delaware
Apollo Life Asset Ltd	Cayman Islands
Apollo Longevity, LLC	Delaware
Apollo Management (AOP) VII, LLC	Delaware
Apollo Management (AOP) VIII, LLC	Delaware
Apollo Management (Germany) VI, LLC	Delaware
Apollo Management (MHE), LLC	Delaware
Apollo Management (UK) VI, LLC	Delaware
Apollo Management (UK), L.L.C.	Delaware
Apollo Management Advisors GmbH	Germany
Apollo Management Asia Pacific Limited	Hong Kong
Apollo Management GP, LLC	Delaware
Apollo Management Holdings GP, LLC	Delaware
Apollo Management Holdings, L.P.	Delaware
Apollo Management III, L.P.	Delaware
Apollo Management International LLP	UK
Apollo Management IV, L.P.	Delaware
Apollo Management Singapore Pte Ltd	Singapore
Apollo Management V, L.P.	Delaware
Apollo Management VI, L.P.	Delaware
Apollo Management VII, L.P.	Delaware
Apollo Management VIII, L.P.	Delaware
Apollo Management, L.P.	Delaware
Apollo Maritime Management, LLC	Delaware
Apollo Master Fund Administration, LLC	Delaware
Apollo Master Fund Feeder Advisors, L.P.	Delaware
Apollo Master Fund Feeder Management, LLC	Delaware
Apollo Offshore Credit Fund Ltd. (fka Stone Tower Offshore Credit Fund Ltd)	Cayman Islands
Apollo Palmetto Advisors, L.P.	Delaware
Apollo Palmetto Athene Advisors, L.P.	Delaware
Apollo Palmetto Athene Management, LLC	Delaware
Apollo Palmetto HFA Advisors, L.P.	Delaware
Apollo Palmetto Management, LLC	Delaware
Apollo Parallel Partners Administration, LLC	Delaware
Apollo PE VIII Director, LLC	Anguilla

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo PG GenPar, Ltd.	Cayman Islands
Apollo Principal Holdings I GP, LLC	Delaware
Apollo Principal Holdings I, L.P.	Delaware
Apollo Principal Holdings II GP, LLC	Delaware
Apollo Principal Holdings II, L.P.	Delaware
Apollo Principal Holdings III GP, Ltd.	Cayman Islands
Apollo Principal Holdings III, L.P.	Cayman Islands
Apollo Principal Holdings IV GP, Ltd.	Cayman Islands
Apollo Principal Holdings IV, L.P.	Cayman Islands
Apollo Principal Holdings IX GP, Ltd.	Cayman Islands
Apollo Principal Holdings IX, L.P.	Cayman Islands
Apollo Principal Holdings V GP, LLC	Delaware
Apollo Principal Holdings V, L.P.	Delaware
Apollo Principal Holdings VI GP, LLC	Delaware
Apollo Principal Holdings VI, L.P.	Delaware
Apollo Principal Holdings VII GP, Ltd.	Cayman Islands
Apollo Principal Holdings VII, L.P.	Cayman Islands
Apollo Principal Holdings VIII GP, Ltd.	Cayman Islands
Apollo Principal Holdings VIII, L.P.	Cayman Islands
Apollo Resolution Servicing GP, LLC	Delaware
Apollo Resolution Servicing, L.P.	Delaware
Apollo Rose GP, LP	Cayman Islands
Apollo Royalties Management, LLC	Delaware
Apollo Senior Loan Fund Co-Investors (D), L.P.	Delaware
Apollo SK Strategic Advisors, L.P.	Cayman Islands
Apollo SK Strategic Advisors, LLC	Anguilla
Apollo SK Strategic Co-Investors (FC-D), LLC	Marshall Islands
Apollo SK Strategic Management, LLC	Delaware
Apollo SOMA Advisors, L.P.	Delaware
Apollo SOMA Capital Management, LLC	Delaware
Apollo SOMA II Advisors, L.P.	Cayman Islands
Apollo SPN Advisors (APO DC), L.P.	Cayman Islands
Apollo SPN Advisors (APO FC), L.P.	Cayman Islands
Apollo SPN Advisors, L.P.	Cayman Islands
Apollo SPN Capital Management (APO DC-GP), LLC	Anguilla
Apollo SPN Capital Management (APO FC-GP), LLC	Anguilla
Apollo SPN Capital Management, LLC	Anguilla
Apollo SPN Co-Investors (D), L.P.	Anguilla
Apollo SPN Co-Investors (DC-D), L.P.	Anguilla
Apollo SPN Co-Investors (FC-D), L.P.	Anguilla
Apollo SPN Management, LLC	Delaware
Apollo ST CLO Holdings GP, LLC	Delaware
Apollo ST Credit Partners GP LLC	Delaware
Apollo ST Credit Strategies GP LLC	Delaware
Apollo ST Debt Advisors LLC	Delaware
Apollo ST Fund Management LLC	Delaware
Apollo ST Operating LP	Delaware
Apollo ST Structured Credit Recovery Partners II GP LLC	Delaware
Apollo Strategic Advisors, L.P.	Cayman Islands
Apollo Strategic Capital Management, LLC	Delaware
Apollo Strategic Management GP, LLC	Delaware
Apollo Strategic Management, L.P.	Delaware

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LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Apollo Structured Credit Recovery Advisors III LLC	Delaware
Apollo Structured Credit Recovery Co-Investors III (D), LLC	Delaware
Apollo Structured Credit Recovery Management III LLC	Delaware
Apollo SVF Administration, LLC	Delaware
Apollo SVF Advisors, L.P.	Delaware
Apollo SVF Capital Management, LLC	Delaware
Apollo SVF Management GP, LLC	Delaware
Apollo SVF Management, L.P.	Delaware
Apollo Talos GenPar, Ltd.	Cayman Islands
Apollo Total Return Advisors GP LLC	Delaware
Apollo Total Return Advisors LP	Cayman Islands
Apollo Total Return Co-Investors (D) GP LLC	Delaware
Apollo Total Return Co-Investors (D) LP	Delaware
Apollo Total Return Management LLC	Delaware
Apollo Value Administration, LLC	Delaware
Apollo Value Advisors, L.P.	Delaware
Apollo Value Capital Management, LLC	Delaware
Apollo Value Management GP, LLC	Delaware
Apollo Value Management, L.P.	Delaware
Apollo Verwaltungs V GmbH	Germany
Apollo VII TXU Administration, LLC	Delaware
Apollo Zeus Strategic Advisors, LLC	Delaware
Apollo Zeus Strategic Advisors, LP	Cayman Islands
Apollo Zeus Strategic Co-Investors (DC-D), LLC	Delaware
Apollo Zeus Strategic Management, LLC	Delaware
Apollo Zohar Advisors LLC	Delaware
Apollo/Artus Management, LLC	Delaware
ARM Manager, LLC	Delaware
Athene Investment Analytics LLC	Delaware
Athene Mortgage Opportunities GP, LLC	Delaware
August Global Management, LLC	Florida
Blue Bird GP, Ltd.	Cayman Islands
CAI Strategic European Real Estate Advisors GP, LLC	Marshall Islands
CAI Strategic European Real Estate Advisors, L.P.	Marshall Islands
Champ GP, LLC	Delaware
CMP Apollo LLC	Delaware
Cornerstone CLO Ltd.	Cayman Islands
CPI Asia G-Fdr General Partner GmbH	Germany
CPI Capital Partners Asia Pacific GP Ltd.	Cayman Islands
CPI Capital Partners Asia Pacific MLP II Ltd.	Cayman Islands
CPI Capital Partners Europe GP Ltd.	Cayman Islands
CPI CCP EU-T Scots GP Ltd.	Scotland
CPI European Carried Interest, L.P.	Delaware
CPI European Fund GP LLC	Delaware
CPI NA Cayman Fund GP, L.P.	Cayman Islands
CPI NA Fund GP LP	Delaware
CPI NA GP LLC	Delaware
CPI NA WT Fund GP LP	Delaware
Cyclone Royalties, LLC	Delaware
Delaware Rose GP, LLC	Delaware
EPE Acquisition Holdings, LLC	Delaware
EPF II Team Carry Plan, L.P.	Marshall Islands

LIST OF SUBSIDIARIES

Entity Name	Jurisdiction of Organization
Financial Credit I Capital Management, LLC	Delaware
Financial Credit II Capital Management, LLC	Delaware
Financial Credit Investment Advisors I, L.P.	Cayman Islands
Financial Credit Investment Advisors II, LP	Cayman Islands
Financial Credit Investment I Manager, LLC	Delaware
Financial Credit Investment II Manager, LLC	Delaware
Granite Ventures II Ltd.	Cayman Islands
Granite Ventures III Ltd.	Cayman Islands
Green Bird GP, Ltd.	Cayman Islands
Greenhouse Holdings, Ltd.	Cayman Islands
GSAM Apollo Holdings, LLC	Delaware
Gulf Stream - Compass CLO 2005-II, Ltd.	Cayman Islands
Gulf Stream - Compass CLO 2007, Ltd.	Cayman Islands
Gulf Stream - Rashinban CLO 2006-I, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2006-I, Ltd.	Cayman Islands
Gulf Stream - Sextant CLO 2007-I, Ltd.	Cayman Islands
Gulf Stream Asset Management, LLC	North Carolina
Harvest Holdings, LLC	Marshall Islands
Insight Solutions GP, LLC	Delaware
Karpos Investments, LLC	Marshall Islands
Lapithus EPF II Team Carry Plan, LP	Marshall Islands
LeverageSource Management, LLC	Delaware
London Prime Apartments Guernsey Holdings Limited	Guernsey
London Prime Apartments Guernsey Limited	Guernsey
Neptune Finance CCS, Ltd.	Cayman Islands
Ohio Haverly Finance Company GP, LLC	Delaware
Ohio Haverly Finance Company, L.P.	Delaware
Rampart CLO 2006-1 Ltd.	Cayman Islands
Rampart CLO 2007 Ltd.	Cayman Islands
Red Bird GP, Ltd.	Cayman Islands
Smart & Final Holdco LLC	Delaware
ST Holdings GP, LLC	Delaware
ST Management Holdings, LLC	Delaware
Stanhope Life Advisors, L.P.	Cayman Islands
Stone Tower Capital LLC	Delaware
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
Stone Tower Credit Solutions Fund LP	Delaware
Stone Tower Credit Solutions GP LLC	Delaware
Stone Tower Europe Limited	Ireland
Stone Tower Europe LLC	Ireland
Stone Tower Loan Value Recovery Fund GP LLC	Delaware
Stone Tower Offshore Ltd.	Cayman Islands
Stone Tower Structured Credit Recovery Partners GP, LLC	Delaware
VC GP C, LLC	Delaware
VC GP, LLC	Delaware
Verso Paper Investments Management LLC	Delaware

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, 2013 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 3, 2014

/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, 2013 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 3, 2014

/s/ Martin Kelly

Martin Kelly

Chief Financial Officer

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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, 2013 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 3, 2014

/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, 2013 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 3, 2014

/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, 2014 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	T	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 T

The aggregate market value of the Class A shares of the Registrant held by non-affiliates as of June 30, 2014 was approximately $4,303.2 million, which includes non-voting Class A shares with a value of approximately $1,246.5 million.

As of February 26, 2015 there were 167,899,419 Class A shares and 1 Class B share outstanding.

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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, 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 (the "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 report and in our 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, or as the context may otherwise require;

“AMH” refers to Apollo Management Holdings, L.P., a Delaware limited partnership, that is an indirect subsidiary of Apollo Global Management, LLC;

“Apollo funds”, “our funds” and references to the "funds" we manage, refer to the funds, partnerships, accounts, including strategic investment accounts or "SIAs," alternative asset companies and other entities for which subsidiaries of the Apollo Operating Group provide investment management services;

“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 assets we manage for the funds, partnerships and accounts for which we provide investment management services, including, without limitation, capital which such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

(i) the fair value of the investments of the private equity funds, partnerships and accounts we manage plus the capital which such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;

(ii) the net asset value, or “NAV,” of the credit funds, partnerships and accounts for which we provide investment management services, other than certain collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”), which have a fee generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital which such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;

(iii) the gross asset value or net asset value of the real estate funds, partnerships and accounts we manage, and the structured portfolio company investments of the funds, partnerships and accounts we manage, which includes the leverage used by such structured portfolio company investments;

(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 assets that we manage for the funds, partnerships and accounts for which we provide investment management services, plus unused credit facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification before investment plus any other capital commitments to such funds, partnerships and accounts 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 we manage for the funds, partnerships and accounts for which we provide investment management services and on which we earn management fees or, monitoring fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts we manage. 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, with respect to investments of the funds, partnerships and accounts we manage are generally based on the total value of such structured portfolio 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:

(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 asset and net asset value for those funds that earn management fees based on net asset value.

'arry Eligible AUM" refers to the AUM that may eventually produce carried interest income. All funds for which we are titled to receive a carried interest income allocation are included in Carry Eligible AUM, which consists of the following:

(i) "Carry Generating AUM," which refers to funds' invested capital that is currently above its hurdle rate or preferred return, and the funds' profit is allocated to the general partner in accordance with the applicable limited partnership agreements or other governing agreements;

(ii) "AUM Not Currently Generating Carry," which refers to funds' invested capital that is currently below its hurdle rate or preferred return; and

(iii) "Uninvested Carry Eligible AUM," which refers to available capital for investment or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements that are not currently part of the NAV or fair value of investments that may eventually produce carried interest income, which would be allocated to the general partner.

"AUM with Future Management Fee Potential" refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund.

We use Non-Fee Generating AUM combined with Fee-Generating AUM as a performance measure of our funds' 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;

“Contributing Partners” refer to those of our partners and their related parties (other than our Managing Partners) who indirectly beneficially 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 private equity fund represents the cumulative investment-related cash flows in the fund itself (and not 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, 2014 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 indirectly beneficially own their interests in the 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 private equity fund means the cumulative investment-related cash flows to the fund itself (and not to the investors in the fund) on the basis of the actual timing of cash inflows and outflows aggregated on a quarterly basis, less expenses (management fees, carried interest and certain other fund expenses). For the calculation of Net IRR the realized and estimated unrealized value is adjusted such that a percentage generally 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 a 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 (a) assets that are owned by or related to Athene Holding Ltd. ("Athene Holding") and its subsidiaries (collectively, "Athene") and managed by Athene Asset Management, L.P. and (b) assets of publicly traded vehicles managed by Apollo (such as AP Alternative Assets, L.P. ("AAA"), Apollo Investment Corporation ("AINV"), Apollo Commercial Real Estate Finance, Inc. ("ARI"), Apollo Residential Mortgage, Inc. ("AMTG"), Apollo Tactical Income Fund Inc. ("AIF"), and Apollo Senior Floating Rate Fund Inc. ("AFT"), in each case 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.

“private equity investments” refer 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” refer 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 a contrarian, value-oriented investment manager in private equity, credit and real estate, with significant distressed investment expertise. We have a flexible mandate in many of the funds we manage which 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. As of December 31, 2014, we had total AUM of $160 billion, including approximately $41 billion in private equity, $108 billion in credit and $10 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, 2014.

Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 24 years and lead a team of 845 employees, including 320 investment professionals, as of December 31, 2014. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, Bethesda, Chicago, Toronto, London, Singapore, Frankfurt, Mumbai, Hong Kong and Luxembourg. We operate our private equity, credit and real estate investment management 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 the investment funds we manage 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 include chemicals, natural resources, 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. Our contrarian investment management approach is reflected in a number of ways, including:

- our willingness to pursue investments in industries that our competitors typically avoid;
- the often complex structures employed in some of the investments of our funds, 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 a value-oriented, distressed investment manager, to deploy significant amounts of new capital within challenging economic environments. 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 have grown our total AUM at a 30% compound annual growth rate from December 31, 2004 to December 31, 2014. 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 our funds' assets with a long-term focus, which is an important component in generating attractive returns for our investors. We believe the long-term capital we manage 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, 2014, approximately 96% of our AUM was in funds with a contractual life at inception of seven years or more, and 45% of our AUM was considered permanent capital.

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 or furnished pursuant to Section 13(a) 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.

Our Businesses

We have three business segments: private equity, credit and real estate. The diagram below summarizes our current businesses:

Apollo Global Management, LLC(1)

Private Equity

- Distressed Buyouts, Debt and Other Investments
- Corporate Carve-outs
- Opportunistic Buyouts
- Natural Resources

AUM: $41.1 billion(2)

Credit

- U.S. Performing Credit
- Structured Credit
- Opportunistic Credit
- Non-Performing Loans
- European Credit
- Athene

AUM: $108.4 billion(2)(3)

Real Estate

- Opportunistic equity investing in real estate assets, portfolios, companies and platforms
- Commercial real estate debt investments including First Mortgage and Mezzanine Loans and Commercial Mortgage Backed Securities

AUM: $9.5 billion(2)(3)(4)

Strategic Investment Accounts(5)
Generally invests in or alongside certain Apollo funds and other Apollo-sponsored transactions

(1) All data is as of December 31, 2014.
(2) See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

(3) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.21 as of December 31, 2014.
(4) Includes funds that are denominated in pound sterling and translated into U.S. dollars at an exchange rate of £1.00 to $1.56 as of December 31, 2014.
(5) As of December 31, 2014, there was $0.8 billion that had yet to be deployed to an Apollo fund within our three segments.

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 on which we rely 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 also refer to herein as buyout equity, we apply a highly disciplined approach towards structuring and executing transactions, the key tenets of which include seeking to acquire 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 seek 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, sizable amounts of available long-term capital, 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 through December 31, 2014, 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, Debt and Other 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 what we believe are 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 by the fund 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.

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 our private equity funds do make these types of investments selectively.

Corporate Carve-outs

Corporate Carve-outs are less market-dependent than distressed investing, but are equally complicated. In these transactions, Apollo funds seek to extract a business that is highly integrated within a larger corporate parent to create a stand-alone business. These are labor-intensive transactions, which we believe require deep industry knowledge, patience and creativity, to unlock value that has largely been overlooked or undermanaged. Importantly, because of the highly negotiated nature of many of these transactions, Apollo believes it is often difficult for the seller to run a competitive process, which ultimately allows Apollo funds to achieve compelling purchase prices.

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 funds' 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.

Natural Resources

In 2011, Apollo established Apollo Natural Resources Partners, L.P. (together with its 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.

AP Alternative Assets, L.P.

We also manage AAA, a publicly listed permanent capital vehicle. The sole investment held by AAA is its investment in AAA Investments, L.P. ("AAA Investments"). AAA Investments is the largest equity holder of Athene Holding.

AAA is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited ("AAA Guernsey"), 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 its investments through AAA Investments, of which AAA is the sole limited partner.

Athene Holding is AAA's only material investment. As of December 31, 2014, the Company, through its consolidation of AAA, had an approximate 47.7% economic ownership interest in Athene through its investment in AAA Investments (calculated as if the commitments on the Athene Private Placement (as described in note 4 to the consolidated financial statements) closed through December 31, 2014 were fully drawn down but without giving effect to (i) restricted common shares issued under Athene's management equity plan, or (ii) common shares to be issued under the Amended Athene Services Agreement or the Amended AAA Services Agreement (each as described in note 17 to the consolidated financial statements) subsequent to December 31, 2014). Apollo owned approximately 2.5% of AAA as of December 31, 2014.

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. The companies in which our private equity funds invest 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 our funds' portfolio companies 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 initial public offering 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.

Private Equity Fund Holdings

The following table presents a list of certain significant portfolio companies of our private equity funds as of December 31, 2014:

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region
CEC Entertainment	2014	Fund VIII	Opportunistic Buyout	Media, Cable & Leisure	North America
Caelus Energy Alaska	2014	Fund VIII / ANRP	Corporate Carve-Out	Natural Resources	North America
Express Energy Services	2014	Fund VIII / ANRP	Opportunistic Buyout	Natural Resources	North America
Jupiter Resources	2014	Fund VIII / ANRP	Corporate Carve-out	Natural Resources	North America
American Gaming Systems	2013	Fund VIII	Distressed Buyout	Media, Cable & Leisure	North America
Aurum	2013	Fund VII	Opportunistic Buyout	Consumer & Retail	Western Europe
Hostess	2013	Fund VII	Corporate Carve-out	Consumer & Retail	North America
McGraw-Hill Education	2013	Fund VII	Corporate Carve-out	Media, Cable & Leisure	North America
Nine Entertainment	2013	Fund VII	Distressed Buyout	Media, Cable & Leisure	Australia
EP Energy	2012	Fund VII & ANRP	Corporate Carve-out	Natural Resources	North America
Great Wolf Resorts	2012	Fund VII	Opportunistic Buyout	Media, Cable & Leisure	North America
Pinnacle	2012	Fund VII & ANRP	Opportunistic Buyout	Natural Resources	North America
Talos	2012	Fund VII & ANRP	Opportunistic Buyout	Natural Resources	North America

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Brit Insurance	2011	Fund VII	Opportunistic Buyout	Financial & Business Services	Western Europe
Endemol Shine Group	2011	Fund VII	Distressed Buyout	Media, Cable & Leisure	Global
Sprouts Farmers Markets	2011	Fund VI	Opportunistic Buyout	Consumer & Retail	North America
Welspun	2011	Fund VII & ANRP	Opportunistic Buyout	Natural Resources	India
Gala Coral Group	2010	Fund VII & VI	Distressed Buyout	Media, Cable & Leisure	Western Europe
Veritable Maritime	2010	Fund VII	Opportunistic Buyout	Distribution & Transportation	North America
Dish TV	2009	Fund VII	Opportunistic Buyout	Media, Cable & Leisure	India
Caesars Entertainment	2008	Fund VI	Opportunistic Buyout	Media, Cable & Leisure	North America
Norwegian Cruise Line	2008	Fund VII / VI	Opportunistic Buyout	Media, Cable & Leisure	North America
Claire's	2007	Fund VI	Opportunistic Buyout	Consumer & Retail	Global
Berry Plastics(1)	2006	Fund VI & V	Corporate Carve-out	Packaging & Materials	North America
CEVA Logistics(2)	2006	Fund VI	Corporate Carve-out	Distribution & Transportation	Western Europe
Momentive Performance Materials	2000/2004/ 2006	Fund IV, V & VI	Corporate Carve-out	Chemicals	North America
Debt Investment Vehicles - Fund VII	Various	Fund VII	Debt Investments	Various	Various
Debt Investment Vehicles - Fund VI	Various	Fund VI	Debt Investments	Various	Various

Note: Represents portfolio companies of Fund IV, Fund V, Fund VI, Fund VII, Fund VIII and ANRP with a remaining value greater than $100 million, excluding the value associated with any portion of such private equity funds' portfolio company investments held by co-investment vehicles.

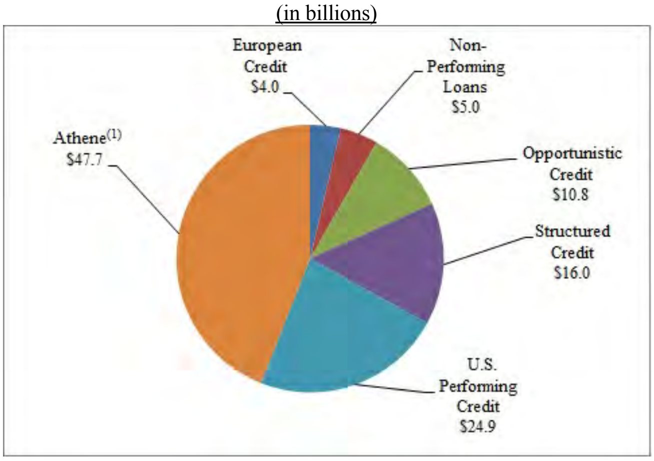
(1) Prior to merger with Covalence Specialty Material Holdings Corp. Remaining holding is a tax receivable agreement.
(2) Includes add-on investment in EGL, Inc.

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, 2014, Apollo's credit segment had total AUM and Fee-Generating AUM of $108.4 billion and $92.2 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 as of December 31, 2014
(in billions)



(1) Excludes sub-advised AUM.

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, 2014, our U.S. performing credit group had total AUM and Fee-Generating AUM of $24.9 billion and $20.0 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, well diversified portfolios, and low historical defaults, 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, 2014, our structured credit group had total AUM and Fee-Generating AUM of $16.0 billion and $11.0 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 (including origination)and secondary opportunities encompassing performing, stressed and distressed public and private securities primarily within corporate credit, including senior loans (secured and unsecured), 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, shipping assets, 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. Additionally, certain opportunistic credit funds will selectively purchase assets, including aircraft and shipping, as well as invest in energy and structured credit investment opportunities. As of December 31, 2014, our opportunistic credit group had total AUM and Fee-Generating AUM of $10.8 billion and $6.6 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 and acquiring assets as a result of distressed market situations. Certain of the non-performing loan investment vehicles that we manage own captive pan-European loan servicing and property management platforms. These loan servicing and property management platforms operate in five European countries, employed approximately 1,200 individuals as of December 31, 2014 and directly service consumer credit receivables and loans secured by 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, 2014, our non-performing loan group had total AUM and Fee-Generating AUM of $5.0 billion and $3.7 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 loans (secured and unsecured) and notes, mezzanine loans, subordinated notes, distressed and stressed credit and other idiosyncratic credit investments of companies established or operating primarily in Europe. Additionally, certain European credit funds will selectively invest in shipping assets and structured credit investment opportunities. The European credit group also includes CLOs that we raise and manage internally. As of December 31, 2014, our European credit group had total AUM and Fee-Generating AUM of $4.0 billion and $3.1 billion, respectively.

Athene

Athene Holding was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

On October 2, 2013, Athene Holding closed its acquisition of the U.S. annuity operations of Aviva plc ("Aviva USA"), which added approximately $44 billion of total and Fee-Generating AUM within Apollo's credit segment and as a result, Athene is currently estimated to be one of the largest fixed annuity companies in the United States.

Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. ("Athene Asset Management"), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2014, all of Athene's assets were managed by Athene Asset Management. Athene Asset Management had $60.3 billion of total AUM as of December 31, 2014 in accounts owned by or related to Athene (the "Athene Accounts"), of which approximately $12.6 billion, or approximately 20.9%, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. The vast majority of such assets are in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities and insurance-linked securities. We expect this percentage to increase over time provided that Athene Asset Management continues to perform successfully in providing asset management services to Athene. Athene Asset Management receives a gross management fee equal to 0.40% per annum on all AUM in the Athene Accounts, with certain limited exceptions for all of the services which Athene Asset Management provides to Athene. In addition, the Company receives sub-advisory fees with respect to a portion of the assets in the Athene Accounts.

Real Estate

Our real estate group has a dedicated team of multi-disciplinary real estate professionals whose investment activities are integrated and coordinated with our private equity and credit business segments. We take a broad view of markets and property types in targeting debt and equity investment opportunities, including the acquisition and recapitalization of real estate portfolios, platforms and operating companies and distressed for control situations. As of December 31, 2014, our real estate group had total and fee generating AUM of approximately $9.5 billion and $6.2 billion, respectively, through a combination of investment funds, strategic investment accounts ("SIAs") and Apollo Commercial Real Estate Finance, Inc. ("ARI"), a publicly-traded, commercial mortgage real estate investment trust managed by Apollo.

With respect to our real estate funds' equity investments, we take a value-oriented approach and our funds will invest in assets located in primary, secondary and tertiary markets. The funds we manage pursue opportunistic investments in various real estate asset classes, which historically have included hospitality, office, industrial, retail, healthcare, residential and non-performing loans. Our real estate equity funds under management currently include AGRE U.S. Real Estate Fund, L.P. and Apollo U.S. Real Estate Fund II, L.P., our U.S. focused, opportunistic funds, and our legacy Citi Property Investors ("CPI") business, the real estate investment management business we acquired from Citigroup in November 2010.

With respect to our real estate debt activities, our real estate funds and accounts offer financing across a broad spectrum of property types and at various points within a property’s capital structure, including first mortgage and mezzanine financing and preferred equity. In addition to ARI, we also manage strategic accounts focused on investing in commercial mortgage-backed securities and other commercial real estate loans.

Strategic Investment Accounts

We manage several SIAs established to facilitate investments by third-party investors directly in Apollo funds and other securities. 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, 2014, approximately $15 billion of our total AUM was managed through SIAs.

Fundraising and Investor Relations

We believe our performance track record across our funds and our focus on client service have 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 the fundraising effort for Apollo Investment Fund VIII, L.P. ("Fund VIII"), investors representing over 92% of Apollo Investment Fund VII, L.P.'s ("Fund VII") capital committed to Fund VIII. In addition, many of our investment professionals commit their own capital to each private equity fund. The single largest unaffiliated investor in Fund VIII represents 5% of Fund VIII's commitments.

During the management of a private equity fund, we maintain an active dialogue with the fund's 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 funds' investors that consists of detailed presentations by the senior management teams of many of our funds' 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 AINV, AFT, AIF and AMTG. AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT, AIF 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, due diligence, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies through management consulting arrangements. 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 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 other investment professionals 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 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, due 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 certain of our credit and real estate 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 such funds 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 underlying investor base. The commitments are generally available for approximately six years during what we call the investment period. We have typically invested the capital committed to such funds over a three to four year period. Generally, as each investment is realized, these 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.” Allocation of profits between fund investors and us, as well as the amount of the preferred return, among other provisions, varies for our real estate equity and many of our credit funds. 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. As noted above, certain of our credit and real estate funds have drawdown structures 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. In addition, we have several permanent capital vehicles with unlimited duration. Each of these publicly traded vehicles raises capital by selling shares in the public markets and these vehicles can also issue debt. We also have several credit funds which continuously offer and sell shares or limited partner interests via private placements through monthly subscriptions, which are payable in full upon a fund’s acceptance of an investor’s subscription. These hedge fund style credit funds have customary redemption rights (in many cases subject to the expiration of an initial lock-up period), and are generally structured as limited partnerships, the terms of which are determined through negotiation with the funds' underlying investor base. Management fees and incentive fees (whether in the form of carried interest income or incentive allocation) that we earn for management of these credit funds and from their performance as well as the terms governing their operation vary across our credit funds.

We conduct the management of our private equity, credit and real estate funds primarily through a partnership structure, in which 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 managers pursuant to an investment management (or similar) agreement. Generally, the material terms of our investment management agreements relate to the scope of services to be rendered by the investment manager to the applicable funds, certain rights of termination in respect of our investment management agreements and, generally, with respect to certain of our credit and real estate 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 manager 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”), generally 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 manager, 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 manager pursuant to an investment management (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 manager 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, to elect not 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. 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.

Fees and Carried Interest

Our revenues and other income consist principally of (i) management fees, which may be based upon a percentage of the committed or invested capital, adjusted assets, gross invested capital, fund net asset value, stockholders' equity or the capital accounts of the limited partners of the funds, and may be subject to offset as discussed in note 2 to the consolidated financial statements, (ii) advisory and transaction fees, net relating to certain actual and potential private equity, credit and real estate investments as more fully discussed in note 2 to the consolidated financial statements, (iii) income based on the performance of our funds, which consists of allocations, distributions or fees from our private equity, credit and real estate funds, and (iv) investment income from our investments as general partner and other direct investments primarily in the form of net gains from investment activities as well as interest and dividend income.

The composition of our revenues will vary based on market conditions and the cyclicality of the different businesses in which we operate. Our funds' returns are driven by investment opportunities and general market conditions, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the underlying portfolio company investments of the funds, the industries in which the portfolio companies operate, the overall economy as well as other market conditions.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies, general partners and co-invest vehicles 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 as of December 31, 2014 of $646.6 million.

Apollo has an ongoing obligation, subject to certain stipulations, 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 by AAA to Apollo's 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. 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, credit, and real estate funds.

Co-Investments

Investors in many of our funds, as well as certain 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 either directly or as a "relying advisor" 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 AIF is a registered management investment company under the Investment Company Act. AINV is an investment company that has elected to be treated as a business development company under the Investment Company Act. Each of AFT, AIF and AINV has elected 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 during each taxable year 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, each needs to distribute during each calendar year at least 98% of its ordinary income and 98.2% of its capital gains net income for one-year period ended on October 31st of such calendar year, plus any shortfalls from any prior year's distribution, which would take into account short-term and long-term capital gains and losses. 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).

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 ended 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.

In addition, Apollo Global Securities, LLC ("AGS") 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 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.

As the ultimate parent of the general partner or manager of certain shareholders of Athene Holding, we are subject to insurance holding company system laws and regulations in Delaware, Iowa and New York, which are the states in which the insurance company subsidiaries of Athene Holding are domiciled. These regulations generally require each insurance company subsidiary 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 an insurance company subsidiary to pay dividends and make other distributions to its parent company. 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 within a specified category, require prior notice and approval or non-disapproval by the applicable domiciliary insurance department.

The insurance laws of each of Delaware, Iowa and New York prohibit any person from acquiring control of a domestic insurance company or its parent company unless that person has filed a notification with specified information with that state's Commissioner or Superintendent of Insurance (the "Commissioner") and has obtained the Commissioner's prior approval. Under applicable Delaware, Iowa and New York statutes, the acquisition of 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 ("NAIC") has promulgated amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have enacted laws to adopt such amendments.

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. The NAIC has also promulgated additional amendments to its insurance holding company system model law that address “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.

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. State regulators regularly review and update these and other requirements.

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation, can significantly affect the insurance business. The Dodd-Frank Wall Street Reform and Consumer Protection 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. Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the U.S.

We are subject to the jurisdiction of the Federal Energy Regulatory Commission as a result of certain of the funds we manage directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the voting securities in a “public-utility company” or a “holding company” of a public-utility company (as those terms are defined in the U.S. Public Utility Holding Company Act of 2005). See “Item 1A. Risk Factors-Risks Related to Our Businesses-We are a holding company subject to the jurisdiction of the Federal Energy Regulatory Commission (the “FERC”). An acquirer of our Class A shares may be required to obtain prior approval from the FERC and make other filings with the FERC.”

Apollo Management International LLP is authorized and regulated by the U.K. 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.

Apollo Management Singapore Pte Ltd. was granted a Capital Markets Service License with the Monetary Authority of Singapore in October 2013. In addition, Apollo Capital Management, L.P. is registered with the Securities and Exchange Board of India as a foreign institutional investor.

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. 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 have a material adverse impact on us.”

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 our code 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 Compliance Officer 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. See "Item 1A. Risk Factors - Risks Related to Our Businesses - Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers."

Competition

The investment management industry is intensely competitive, and we expect it to remain so. We compete 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. Several of these competitors have 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. Competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue transactions or raise capital for their investment funds. 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 have a material adverse impact on 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 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 our Managing Partners were to join or form a competitor, some of our investors could choose to invest with that competitor, another competitor or not at all, rather than in our funds. The loss of the services 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 two or more of our Managing Partners may result in the termination of our role as general partner of two or more of our funds and the termination of the commitment periods of certain of our funds. See "-If two 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." 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. Our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. Similarly, certain of our credit funds rely on the availability of attractive financing for their investments. 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 such portfolio companies and lead to lower-yielding investments with respect to such funds 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, a 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 the packaging, manufacturing, chemical and refining industries, as well as travel and leisure, gaming and real estate industries. 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 recessionary or inflationary period, 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, our funds and their portfolio companies may have difficulty accessing financial markets, which could make it more difficult or impossible 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, an increase in the pace of sales of investments in our funds, or an increase in the amount of transaction and advisory fees we share with our fund investors 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. Likewise, during attractive selling environments, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments would reduce transaction and advisory fees. In addition, some of our fund investors have requested, and we expect to continue to receive requests from fund investors, that we share with them a larger portion, or all, of the transaction and advisory fees generated by our funds' investments. To the extent we accommodate such requests, it would result in a decrease in the amount of fee revenue we could earn. For example, in Fund VIII we have agreed that 100% of certain transaction and advisory fees will be shared with the investors in the fund through a management fee offset mechanism, whereas the percentage was 68% in Fund VII.

If two 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 two 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, Fund VII and Fund VIII, on which our near- to medium-term performance will heavily depend. Apollo Credit Opportunity Fund III, L.P. ("COF III"), Apollo European Principal Finance Fund II, L.P. ("EPF II"), Financial Credit Investment II, L.P. ("FCI II") and certain other credit funds have similar provisions. 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.

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 or these issues reoccur, 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, 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 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, Fund VII and Fund VIII are larger private equity funds, and this capital may not be deployed as profitably as other 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 and 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 may not necessarily be designed to protect our shareholders. Consequently, these regulations often serve to limit our activities. For example, federal bank regulatory agencies have recently issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. To the extent that such guidance limits the amount or cost of financing our funds are able to obtain for transactions, the returns on our funds' investments may suffer.

Regulatory changes could adversely affect our business. As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the 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 have been active debates both nationally and internationally over the appropriate extent of regulation and oversight in a number of areas which are or may be relevant to us, including private investment funds and their managers and the so-called "shadow banking" sector. 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act," continues to impose 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 includes the following provisions that could have an adverse impact on our ability to continue to operate our businesses.

- The Dodd-Frank Act established the Financial Stability Oversight Council (the "FSOC"), which is comprised of representatives of all the major U.S. financial regulators, to act as the financial system's systemic risk regulator with the authority to review the activities of non-bank financial companies predominantly engaged in financial activities that are designated as "systemically important." Such designation is applicable to companies where material financial distress could pose risk to the financial stability of the United States. On April 3, 2012, the

FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. The final rule and interpretive guidance detail a three-stage process, with the level of scrutiny increasing at each stage. Initially, the FSOC will apply a broad set of uniform quantitative metrics to screen out financial companies that do not warrant additional review. The FSOC will consider whether a company has at least $50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, total debt outstanding, a minimum leverage ratio of total consolidated assets (excluding separate accounts) to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities of less than 12 months) to total consolidated assets (excluding separate accounts) of 10%. A company that meets or exceeds both the asset threshold and one of the other thresholds will be subject to additional review. The review criteria could, and is expected to, evolve over time. While we believe it to be unlikely that we would be designated as systemically important, if such designation were to occur, we would be subject to significantly increased levels of regulation, which includes, without limitation, a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Board of Governors of the Federal Reserve System (the "Federal Reserve").

- The Dodd-Frank Act, under what has become known as the "Volcker Rule," generally prohibits depository institution holding companies (including certain foreign banks with U.S. branches and insurance companies with U.S. depository institution subsidiaries), insured depository institutions and subsidiaries and affiliates of such entities (collectively, "banking entities") from investing in, sponsoring or having certain other relationships with private equity funds or hedge funds. The Volcker Rule became effective on July 21, 2012. The statute provides banking entities a period of two years to conform their activities and investments to the requirement of the statute, i.e., until July 21, 2014. However, the Federal Reserve is permitted to extend this conformance period, one year at a time, for a total of no more than three additional years. Pursuant to this authority on December 18, 2014, the Federal Reserve extended the conformance period for an additional year, until July 21, 2015. By the expiration of such date, banking entities must have wound down, sold or otherwise conformed their activities investments and relationships to the requirements of the Volcker Rule. In addition, the Dodd-Frank Act includes a special provision to address the difficulty banking entities may experience in conforming investments in a private equity fund that qualifies as an "illiquid fund," specifically, a fund that as of May 1, 2010 was principally invested in, or was contractually committed to principally invest in, illiquid assets and makes all investments pursuant to, and consistent with, an investment strategy to principally invest in illiquid assets. For such a fund, a banking entity may seek approval for an extended conformance period of up to five years. While there remains substantial uncertainty regarding the availability of extensions and transition period relief, as well as general practical implications under the Volcker Rule, there are likely to be adverse implications on our ability to raise funds from banking organizations as a result of this prohibition.

- The Dodd-Frank Act requires many 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. As described elsewhere in this Form 10-K, all of the investment advisers of our investment funds operated in the U.S. are registered as investment advisers with the SEC.

- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

- Rules and regulations required under the Dodd-Frank Act have recently begun to become effective and comprehensively regulate the "over the counter" ("OTC") derivatives markets for the first time. The Dodd-Frank Act imposes mandatory clearing and will impose exchange or swap execution facility trading and margin requirements on many swaps and derivative transactions (including formerly unregulated over-the-counter derivatives). The Commodity Futures Trading Commission (the "CFTC") currently requires that certain interest rate and credit default index swaps be centrally cleared and the first requirement to execute certain contracts through a swap execution facility is now effective. Additional standardized swap contracts are expected to be subject to new clearing and execution requirements in the future. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible margin requirements mandated by the SEC or the CFTC. For swaps that are cleared through a clearinghouse, the funds will face the clearinghouse as legal counterparty and will be subject to clearinghouse performance and credit risk. Clearinghouse collateral requirements may differ from and be greater than the collateral terms negotiated with derivatives counterparties in the OTC market. This may increase a fund's cost in entering into these products and impact a fund's ability to pursue certain investment strategies. OTC derivative dealers are also required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations for cleared derivatives, as is currently permitted. This will increase the OTC derivative dealers' costs and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and possible new or increased fees.

OTC trades not cleared through a registered clearinghouse may not be subject to the protections afforded to participants in cleared swaps (for example, centralized counterparty, customer asset segregation and mandatory margin requirements). The regulators have proposed margin requirements on non-cleared OTC derivatives, but these regulations have not yet been finalized. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users," our funds and portfolio companies may not be able to rely on such exemptions.

The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants" who will be subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements, which will give rise to new administrative costs. Even if certain new requirements are not directly applicable to us, they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. Moreover, new exchange or swap execution facility trading and trade reporting requirements may lead to reductions in the liquidity or price transparency of certain swaps and derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies.

Position limits imposed by various regulators, self-regulatory organizations or trading facilities on derivatives may also limit our ability to affect desired trades. Position limits are the maximum amounts of net long or net short positions that any one person or entity may own or control in a particular financial instrument. For example, the CFTC, on November 5, 2013, re-proposed rules that would establish specific limits on positions in 28 physical commodity futures and option contracts as well as swaps that are economically equivalent to such contracts. In addition, the Dodd-Frank Act requires the SEC to set position limits on security-based swaps. If such proposed rules are adopted, we may be required to aggregate the positions of our various investment funds and the positions of our funds' portfolio companies. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect our operations and profitability.

- On October 21, 2014, the final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act (the "Risk Retention Rules") were issued. Except with respect to asset-backed securities transactions that satisfy certain exemptions, the Risk Retention Rules generally require sponsors of asset-backed securities transactions to retain not less than 5% of the credit risk of the assets collateralizing asset-backed securities. The Risk Retention Rules will become effective beginning on December 24, 2016 with respect to asset-backed securities collateralized by assets other than residential mortgages (and December 24, 2015 for asset-backed securities collateralized by residential mortgages). The new mandatory risk retention requirement for CLOs may result in us having to invest money in CLOs that we manage after the effective date of the Risk Retention Rules (including, potentially, in existing CLOs that are refinanced or as to which certain other material events occur after such effective date) that would otherwise be available for other uses. While the impact of the Risk Retention Rules on the loan securitization market and the leveraged loan market generally are uncertain, the Risk Retention Rules may impact our ability or desire to manage CLOs in the future.

- The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers.

- The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower. We expect that these provisions will result in a significant increase in whistleblower claims across our industry, and investigating such claims could generate significant expenses and take up significant management time, even for frivolous and non-meritorious claims.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the FSOC, the Federal Reserve and the SEC.

In June 2010, the SEC adopted a “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 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.

It is impossible to determine the full extent of the impact on us of the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Exemptions from Certain Laws. We regularly rely on exemptions from various requirements of law or regulation, including the Securities Act, the Exchange Act, the Investment Company Act, CFTC regulations, 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. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Regulation D, which was recently amended to prohibit issuers (including our funds) from relying on certain of the exemptions from registration if the fund or any of its "covered persons" (including certain officers and directors, but also including certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the fund) has been the subject of a "disqualifying event," or constitutes a "bad actor," which can result from a variety of criminal, regulatory and civil matters. If any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially adversely affect our business, financial condition and results of operations. In addition, if certain of our employees or any potential significant fund investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation, or make it more difficult to raise new funds. If for any reason any of these exemptions were to become unavailable to us, we could become subject to regulatory action, third-party claims or be required to register under certain regulatory regimes, 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.

Certain of the funds and accounts we manage that engage in originating, lending and/or servicing loans, may be subject to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. These funds and accounts may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. Failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of Apollo's funds and accounts and ultimately on Apollo.

Portfolio Company Regulatory Environment. The regulatory environment in which our funds' portfolio companies operate may affect our business. For example, certain of our funds may invest in the natural resources industry where environmental laws, regulations and regulatory initiatives play a significant role and can have a substantial effect on investments in the industry. See for additional examples "-Insurance Regulation" and "-We are a holding company subject to the jurisdiction of the Federal Energy Regulatory Commission (the "FERC"). An acquirer of our Class A shares may be required to obtain prior approval from the FERC and make other filings with FERC." Additionally, we or certain of our investment funds potentially could be held liable under ERISA for the pension obligations of one or more of our funds' portfolio companies if we or the investment fund were determined to be engaged in a "trade or business" and deemed part of the same "controlled group" as the portfolio company, and the pension obligations of any particular portfolio company could be material. In a 2013 decision of a federal appellate court (*Sun Capital Partners III LP v. New England Teamsters & Trucking Indus. Pension Fund*), a private equity fund was held to be engaged in a "trade or business" under ERISA. In addition, regulators may scrutinize, investigate or take action against us as a result of actions or inactions by portfolio companies operating in a regulated industry if such a regulator were to deem, or potentially deem, such portfolio company to be under our control. For example, based on positions taken by European governmental authorities, we or certain of our investment funds potentially could be liable for fines if portfolio companies deemed to be under our control are found to have violated European antitrust laws. Such potential, or future, liability may materially affect our business.

Future Regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed in the U.S. or elsewhere. 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 or other sanctions 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. New laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business and divert significant management and operational resources and attention from our 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 Conduct Authority, which replaced the Financial Services Authority as of April 1, 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 November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the "AIFM," which was required to be implemented in the national laws of the European Union ("EU") member states by July 22, 2013. The AIFM is also likely to be implemented in the countries which form part of the European Economic Area (the "EEA"). The AIFM imposes significant new regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing, and rules on the structure of remuneration for certain personnel. Alternative investment funds organized outside of the EU in which interests are marketed within the EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting. In some countries, additional obligations are imposed, for example in Germany, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). In the longer term (late 2015 at the earliest) non-EEA managers of non-EEA funds may be able to register under the AIFM. Where Apollo registers under the AIFM, Apollo will have more freedom to promote relevant funds in the EEA, although this will be subject to full compliance with all the requirements of the AIFM, which include (among other things) 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 funds invest in an EEA 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 or investments in the EEA and could limit our operating flexibility within the relevant jurisdictions.

In July 2012, the European Parliament adopted the Regulation on OTC derivatives, central counterparties and trade repositories, known as "EMIR." EMIR comes into force in stages and implements requirements similar to, but not the same as, those in Title VII of Dodd Frank, in particular requiring reporting of all derivative transactions, risk mitigation (in particular initial and variation margin) for OTC derivative transactions and central clearing of certain OTC derivative contracts. EMIR has minimal impact on the Apollo funds at present but is likely to apply more fully as additional implementation stages are reached. Compliance with the requirements is likely to increase the burdens and costs of doing business.

In 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. 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"). Annual net 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. Additionally, the Organization for Economic Co-Operation and Development ("OECD") issued an action plan in July 2013 calling for a coordinated multi-jurisdictional approach to "base erosion and profit shifting" by multinational companies. The action plan identified 15 actions the OECD determined are needed to address "base erosion and profit shifting" and generally set target dates for completion of each of the items between 2014 and 2015. Any changes to international tax laws or foreign domestic tax laws, including new definitions of "permanent establishment", could impact the tax treatment of our foreign earnings and adversely impact the investment returns of our 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, payment of dividends and distributions to shareholders, review and/or approval of transactions with affiliates and other matters. State regulators regularly review and update these and other requirements.

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 amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have enacted laws to adopt such amendments. 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. The NAIC has also promulgated additional amendments to its insurance holding company system model law that address "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. Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the U.S.

We are a holding company subject to the jurisdiction of the Federal Energy Regulatory Commission (the "FERC"). An acquirer of our Class A shares may be required to obtain prior approval from the FERC and make other filings with the FERC.

We are a holding company subject to the jurisdiction of the FERC as a result of certain of the funds we manage directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the voting securities in a "public-utility company" or a "holding company" of a public-utility company (as those terms are defined in the U.S. Public Utility Holding Company Act of 2005, or "PUHCA"). Absent an exemption to or waiver from the FERC's regulations implementing PUHCA, we and any affiliate, associate company and subsidiary company (as those terms are defined in PUHCA), would be required to maintain and make available to FERC, such books, accounts, memoranda and other records of transactions as the FERC may deem relevant to electric or natural gas rates subject to the FERC's jurisdiction. We have submitted a notification of holding company status and a notification of waiver of the accounting, record retention and reporting requirements to the FERC. An acquirer of securities representing 10% or more of the total voting power of Apollo Global Management, LLC likewise would be required to submit similar filings to the FERC under PUHCA.

We are a holding company with subsidiaries that are the general partner and manager of certain funds that have an investment in entities that are "public utilities" (as defined in the Federal Power Act (the "FPA")) and, therefore, subject to FERC's jurisdiction under the FPA. An acquirer of our Class A shares that (i) is, or is affiliated with, a "holding company" of a public-utility company, or (ii) is itself a public utility under the FPA, may have its own independent obligation to obtain prior approval from, or make other filings with, FERC with respect to an acquisition of 10% or more of the total voting power of Apollo Global Management, LLC.

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. Our future results will also be significantly dependent on the success of our larger funds (e.g., Fund VIII), changes in the value of which may result in fluctuations in our results. 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. See "-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." 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 have a material adverse impact on 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. As a result of the global economic downturn during 2008 and 2009 and generally poor returns in alternative asset investment businesses during the crisis, institutional investors suffered from decreasing returns, liquidity pressure, increased volatility and difficulty maintaining targeted asset allocations, and a significant number of investors materially decreased or temporarily stopped making new fund investments during this period. As the economy continues 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 relatively few 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 have a material adverse effect on 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." Many of our investment professionals are also entitled to receive carried interest or incentive income, and fluctuations in the distributions generated from such sources could also impair our ability to attract and retain qualified personnel. 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 strive to maintain a work environment that promotes our culture of collaboration, motivation and alignment of interests with our fund investors and shareholders. If we do not continue to develop and implement effective processes and tools to manage growth and reinforce this vision, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses, both geographically and into complementary new investment strategies. We may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the diversion of management's attention from our core businesses;
- the disruption of our ongoing businesses;
- entry into markets or businesses in which we may have limited or no experience;
- increasing demands on our operational systems;
- potential increase in investor concentration; and

- the broadening of our geographic footprint, increasing the risks associated with conducting operations in foreign jurisdictions.

Additionally, any expansion of our businesses could result in significant increases in our outstanding indebtedness and debt service requirements, which would increase the risks in investing in our Class A shares and may adversely impact our results of operations and financial condition.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability, or in identifying and acquiring new businesses that increase our profitability. Because we have not yet identified these potential new investment strategies, geographic markets or businesses, we cannot identify for you all the risks we may face and the potential adverse consequences on us and your investment that may result from our attempted expansion. We also do not know how long it may take for us to expand, if we do so at all. We have also entered into strategic partnerships and separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. 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 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 certain of our fund investments often includes high-yield debt securities. 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. The availability of debt facilities may be further limited following guidance issued to banks in March 2013 by the Federal Reserve, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. relating to loans to highly leveraged companies, and reported recent statements by the Federal Reserve and Office of the Comptroller of the Currency reaffirming their position on such loans.

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 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and in certain cases defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the economic downturn.

When certain of our 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 a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance these funds' existing portfolio investments came 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 credit funds 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. Further, AFT and AIF, as registered investment companies, are permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. The ability of each of AFT, AIF and AINV to pay dividends will be restricted if its asset coverage ratio falls below 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 IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board, or "IASB," and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Apollo. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Apollo, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

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, 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.

Our funds' portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses.

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, following the initial two years of operation 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. Each investment management agreement for such funds 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, management investment companies under the Investment Company Act, and AINV, a management 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.

The governing documents of certain of our funds 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 senior notes outstanding and loans outstanding and an undrawn revolving credit facility under the 2013 AMH Credit Facilities described in note 14 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.

As these borrowings, notes 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 or issuing new notes, 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, issuing new notes or issuing equity in the future on attractive terms, or at all.

We are subject to third-party litigation that could result in significant liabilities and reputational harm, which could have a material adverse effect on 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 third-party allegations that we (i) improperly exercised control or influence over companies in which our funds have large investments or (ii) are liable for actions or inactions taken by portfolio companies that such third parties argue we control. 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. As an additional example, we are sometimes listed as a co-defendant in actions against portfolio companies on the theory that we control such portfolio companies. 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 civil or criminal lawsuits brought against us were to result in a finding of substantial legal liability or culpability, 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 qualified professionals 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. Fraud and other deceptive practices or other misconduct at our portfolio companies could similarly subject us to liability and reputational damage and also harm our performance.

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 the employees of our portfolio companies, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our businesses.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the U.S. Foreign Corrupt Practices Act ("FCPA"). In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anticorruption laws or anti-bribery laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects and/or financial position.

In addition, we could also be adversely affected if there is misconduct by individuals associated with portfolio companies in which our funds invest. For example, failures by personnel, or individuals acting on behalf, of our funds' portfolio companies to comply with anti-bribery, trade sanctions or other legal and regulatory requirements could adversely affect our business and reputation. There are a number of grounds upon which such misconduct at a portfolio company could subject us to criminal and/or civil liability, including on the basis of actual knowledge, willful blindness, or control person liability. Such misconduct might also undermine our funds' due diligence efforts with respect to such companies and could negatively affect the valuation of a fund's investments.

Underwriting activities expose us to risks.

Apollo Global Securities, LLC, a subsidiary of ours, may act as an underwriter in securities offerings. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite.

AGS primarily provides these services for our funds' portfolio companies. The relationship between the managers of our funds, their affiliates and AGS may give rise to conflicts of interest between the managers of the funds and the funds with respect to whom AGS provides services or the funds who have an interest in any portfolio companies or investment vehicles to whom AGS provides services.

While AGS's services are primarily provided to our funds, it is possible that in the future, AGS may also provide services (including financing, capital market and advisory services) to third parties, including third parties that are our competitors or one or more of their affiliates or any portfolio companies. In the event that AGS provides services to third parties, it may not take into consideration the interests of relevant funds or portfolio companies.

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 fund investments, including real estate 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 an 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, economic and tax 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, India, Australia, Russia, 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. Our fund investments could also expose us to risks associated with trade and economic sanctions prohibitions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and its member countries, such as the sanctions against certain Russian entities and individuals. 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.

In addition, as a result of the complexity of, and lack of clear precedent or authority with respect to, the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. For example, certain countries such as Australia, Canada, China, and India, where our funds have made investments, have sought to tax investment gains (including those from real estate) derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits. In addition, the tax authorities in certain countries have sought to deny the benefits of income tax treaties for withholding taxes on interest and dividends of nonresident entities, if the entity is not the beneficial owner of the income but rather a mere conduit company inserted primarily to assess treaty benefits. With respect to India, in 2012 the Supreme Court of India held in favor of a taxpayer finding that the sale of a foreign company that indirectly held Indian assets was not subject to Indian tax. However, the tax laws were amended in 2012 to subject such gains to Indian tax with retroactive effect. Further, a general anti-avoidance rule was also introduced that would provide a basis for the tax authorities to subject other sales and investments through intermediate holding jurisdictions such as Mauritius to Indian tax. While such rule is effective for tax years beginning on or after April 1, 2015, concerns have been raised with respect to these new rules including their retroactive effect in certain circumstances. Indian taxation of the capital gains of a foreign investor, upon a direct or indirect sale of an Indian company, therefore remains uncertain.

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 some of our credit funds may redeem their investments in such funds at any time after an initial holding period. 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. Each of Fund VI, Fund VII and Fund VIII, on which our near- to medium-term performance will heavily depend, include a number of such provisions. COF III, EPF II and certain other credit funds have similar provisions. Also, after undergoing the 2007 Reorganization, subsequent to which we deconsolidated certain funds that had 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 some of 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 AUM 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 and other fund investments could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies and certain other fund investments, including real estate investments, on the basis of financial projections for such investments. 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 investment'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 such investments. 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 affected 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 leisure, gaming 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. Certain of our funds have investments in businesses involved in oil and gas exploration and development, which can be a speculative business involving a high degree of risk, including: the volatility of oil and natural gas prices; the use of new technologies; reliance on estimates of oil and gas reserves in the evaluation of available geological, geophysical, engineering and economic data; and encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. 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 such strategies 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 performance of certain of our funds' investments, 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.

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.

Fraud and other deceptive practices could harm fund performance.

Instances of bribery, 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. Fraud or other deceptive practices by our own employees or advisors could have a similar effect. 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 bribery, fraud and other deceptive practices 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 would be restricted. The establishment of such information barriers might 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 could 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.

Regulations governing AFT's and AIF's operation affect their ability to raise, and the way in which they raise, additional capital.

As registered investment companies under the Investment Company Act, each of AFT and AIF may issue debt securities or preferred stock and borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, each of AFT and AIF is permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. If the value of its assets declines, such fund may be unable to satisfy this test. If that happens, such fund 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. Further, each of AFT and AIF may raise capital by issuing common shares, however, the offering price per common share must equal or exceed the net asset value per share, exclusive of any underwriting commissions or discounts, of our shares.

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, 2014, we had

163,046,554 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, 2014, 38,090,824 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 222,680,477 Class A shares on behalf of our Managing Partners and Contributing Partners subject to the Amended and Restated Exchange Agreement. See "Item 13. Certain Relationships and Related Party Transactions-Amended and Restated Exchange Agreement." 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 57.7% of the AOG Units as of December 31, 2014. 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, as was done in connection with the Company's Secondary Offering in May 2013. 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, as was done in connection with the Company's Secondary Offering in May 2013. 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 65.4% of the total combined voting power of our shares entitled to vote as of December 31, 2014. 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 indemnify directors and officers for acts or omissions only 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.

Awards of our Class A shares may increase shareholder dilution and reduce profitability.

We grant Class A restricted share units to our investment professionals, both when hired and as a portion of the discretionary annual compensation they may receive. In 2014 we also began to require that a portion of the incentive income distributions payable by the general partners of certain of the funds we manage be used by the recipients of those distributions to purchase restricted Class A shares issued under our equity incentive plan. While this practice promotes alignment with shareholders and encourages investment professionals to maximize the success of the Company as a whole, these equity awards, if fulfilled by issuances of new shares by us rather than by open market purchases (which do not cause any dilution), personnel-related shareholder dilution may increase. In addition, volatility in the price of our Class A shares could adversely affect our ability to attract and retain our investment professionals. To recruit and retain existing and future investment professionals, we may need to increase the level of compensation that we pay to them, which may cause a higher percentage of our revenue to be paid out in the form of compensation, which would have an adverse impact on our profit margins.

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 over the past several years 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 whether or when 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. In its published revenue proposal for 2015, 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, 2012, 2013 and 2014 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 non-residents of New York 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 President Obama's support for treatment of carried interest as ordinary income, as provided for again in the President's revenue proposal for 2015, but the ultimate consequences of tax reform legislation, if any, are 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 65.4% of the voting power of Apollo Global Management, LLC as of December 31, 2014. Therefore, they have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

Our board of directors has no authority over our operations other than that which our manager has chosen to delegate to it.

For 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, and our board of directors has 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.

For so long as the Apollo control condition is satisfied, our manager (i) nominates and elects all directors to our board of directors, (ii) sets the number of directors of our board of directors and (iii) fills 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.

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 65.4% of the combined voting power of our shares entitled to vote as of December 31, 2014. 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 57.7% of Apollo Operating Group's economic returns through the AOG Units owned by Holdings as of December 31, 2014. 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-Amended and Restated 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. Pursuant to the exceptions available to a controlled company under the rules of the NYSE, we have elected not to have a nominating and corporate governance committee comprised entirely of independent directors, nor a compensation committee comprised entirely of independent directors. 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, structuring, and disposition of investments. For example, the earlier taxable disposition of assets following an exchange transaction by a Managing Partner or Contributing

Partner may accelerate payments under the tax receivable agreement and increase the present value of such payments, and the taxable disposition of assets before an exchange or transaction by a Managing Partner or Contributing Partner may increase the tax liability of a Managing Partner or Contributing Partner without giving rise to any rights to such Managing Partner or Contributing Partner to receive payments under the tax receivable agreement.

- 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 would 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 would have recourse and be able to seek remedies against our manager only 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 would 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 would 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 make quarterly distributions to our Class A shareholders. Accordingly, we expect to cause the Apollo Operating Group to make distributions to its unitholders (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 may 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. 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.

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).

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 may incur different and 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 our Managing Partners and Contributing Partners for most of the actual tax benefits we realize as a result of the tax basis step-up we receive in connection with 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 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. ("APO Corp."), a wholly owned subsidiary of Apollo Global Management, LLC, would otherwise be required to pay in the future.

We have entered into a tax receivable agreement with our Managing Partners and Contributing Partners 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 and certain other tax benefits, including imputed interest expense, related to entering into the tax receivable agreement. In April 2014 and April 2013, the Apollo Operating Group made a distribution of $32.0 million and $30.4 million, respectively, to APO Corp. and APO Corp. made a payment to satisfy the liability under the tax receivable agreement to the Managing Partners and Contributing Partners from a realized tax benefit for the tax years 2012 and 2011. Future payments that APO Corp. may make to our Managing Partners and Contributing Partners could be material in amount. In the event that any other of our current or future U.S. 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 U.S corporation 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-Amended and Restated 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 may 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 Foreign Account Tax Compliance Act, or FATCA, certain U.S. withholding agents, or USWAs, foreign financial institutions, or FFIs, and non-financial foreign entities, or NFFEs, are required to report information about offshore accounts and investments to the U.S. or their local taxing authorities annually. In response to this legislation, various foreign governments have entered into Intergovernmental Agreements, or IGAs, with the U.S. Government and some have enacted similar legislation.

In order to meet these regulatory obligations, Apollo will be required to register FFIs with the IRS, evaluate internal FATCA procedures, expand the review of investor Anti-Money Laundering/Know Your Customer and tax forms, evaluate the FATCA offerings by third party administrators and ensure that Apollo is prepared for the new global tax and information reporting requirements created under the U.S. and Non U.S. FATCA regimes.

Further, FATCA as well as Chapters 3 and 61 of the Internal Revenue Code, require Apollo to collect new IRS Tax Forms (W-9 and W-8 series), UK/Cayman Self-Certifications and other supporting documentation from their investors. Apollo will undertake efforts to re-paper their existing investors.

Failure to meet these regulatory requirements could expose Apollo and/or its investors to a punitive withholding tax of 30% 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 possibly limit their ability to open bank accounts and secure funding the global capital markets. 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. 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.

Federal tax reform efforts will continue which may involve tax uncertainties and risks.

It is anticipated that the U.S. Congress will continue examining proposals that would provide for a comprehensive overhaul of U.S. Federal income tax laws, which could result in sweeping changes to many longstanding tax rules. Reform efforts could result in lower statutory tax rates, but could be offset by tax changes that would result in significant increases in the taxation of financial institutions and products, some of which could adversely affect our business. Examples of these tax reform proposals may include changing the tax treatment of executive compensation, including bonuses, consideration of taxes on derivatives and other financial instruments, and adverse changes to the tax treatment of carried interest. Other changes could eliminate or limit certain tax benefits currently available to cash value life insurance and deferred annuity products. Enactment of these changes or similar alternatives would likely adversely affect new sales, and possibly funding of existing cash value life insurance and deferred annuity products.

Similarly, President Obama's revenue proposal for 2015 provides for (among other things) (i) increasing the tax rate applicable to long-term capital gains from 20% to 24%, (ii) imposing a 14% transition tax on accumulated foreign earnings, and (iii) imposing a new 19% minimum tax on foreign earnings in future taxable years. At this time, it is difficult for management to predict what the overall impact of future tax reform efforts will have on our funds and our business, but there is the potential for significant changes in U.S. federal laws related to the tax treatment of products and services provided by Apollo and investments made by our funds.

The President's revenue proposal for 2015 recommends elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies, and legislation has been introduced in Congress that would implement many of these proposals. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of this legislation or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could negatively affect the performance of our funds and in turn our performance.

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 foreign subsidiaries that would be classified as corporations for U.S. Federal income tax purposes. Such entities may be passive foreign investment companies, or "PFICs," or controlled foreign corporations, or "CFCs," 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 unrelated business taxable income ("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. For example, APO Asset Co., LLC will hold interests in entities treated as partnerships, or otherwise subject to tax on a flow-through basis, that will incur indebtedness. 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., Apollo Principal Holdings IX, L.P. and Apollo Principal Holdings X, 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.

STAFF COMMENTS

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 New York, Los Angeles, Houston, Bethesda, Chicago, Toronto, 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

Litigation and Contingencies-Apollo is, from time to time, party to various legal actions arising in the ordinary course of business including claims and lawsuits, reviews, investigations or proceedings by governmental and self regulatory agencies regarding its business.

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 ("AGM"), which is affiliated with funds that are the beneficial owners of 68% 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 AGM 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 AGM as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, plaintiffs filed opposition papers on February 7, 2013, and defendants filed replies on April 5, 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. On July 24, 2013 the Frank court transferred the case to Judge Bryant, who is presiding over In re: Trilegiant, and on March 28, 2014, Judge Bryant granted the motion to consolidate. On September 25, 2013, the court held oral argument on defendants' motions to dismiss. On March 28, 2014, the court granted in part and denied in part motions to dismiss filed by Affinion and Trilegiant on behalf of all defendants, and also granted separate motions to dismiss filed by certain defendants, including AGM. On that same day, the court directed the clerk to terminate AGM as a defendant in the consolidated action. On April 28, 2014, plaintiffs moved for interlocutory review of certain of the court's motion-to-dismiss rulings, not including its order granting AGM's separate dismissal motion. Defendants filed a response on May 23, 2014, and plaintiffs replied on June 5, 2014. On November 13, 2014, plaintiffs and the remaining defendants filed a Joint Status Report Regarding Discovery stating that no discovery has taken place since plaintiffs filed their interlocutory-review motion.

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. Likewise, 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 alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. On March 14, 2013, the United States Department of Justice unsealed an indictment against Messrs. Villalobos and Buenrostro alleging, among other crimes, fraud in connection with those same activities; again, Apollo is not accused of any wrongdoing and in fact is alleged to have been defrauded by the defendants. The criminal action was set for trial in a San Francisco federal court in July 2014, but was put on hold after Mr. Buenrostro pleaded guilty on July 11, 2014. As part of Mr. Buenrostro's plea agreement, he admitted to taking cash and other bribes from Mr. Villalobos in exchange for several improprieties, including attempting to influence CalPERS' investing decisions and improperly preparing disclosure letters to satisfy Apollo's requirements. There is no suggestion that Apollo was aware that Mr. Buenrostro had signed the letters with a corrupt motive. The government has indicated that they will file new charges against Mr. Villalobos incorporating Mr. Buenrostro's admissions. On August 7, 2014, the government filed a superseding indictment against Mr. Villalobos asserting additional charges. Trial had been scheduled for February 23, 2015, but Mr. Villalobos passed away on January 13, 2015. Additionally, on April 15, 2013, Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") brought a civil action in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court") against Apollo. The action is related to the ongoing bankruptcy proceedings of the Arvco Debtors. This action alleges that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seeks to recover purported fees the Arvco Debtors claim Apollo has not paid them for a portion of Arvco's placement agent services. In addition, the Arvco Debtors allege that Apollo has interfered with the Arvco Debtors' commercial relationships with third parties, purportedly causing the Arvco Debtors to lose business and to incur fees and expenses in the defense of various investigations and litigations. The Arvco Debtors also seek compensation from Apollo for these alleged lost profits and fees and expenses. The Arvco Debtors' complaint asserts various theories of recovery under the Bankruptcy Code and common law. Apollo denies the merit of all of the Arvco Debtors' claims and will vigorously contest them. The Bankruptcy Court has stayed this action pending the result in the criminal case against Mr. Villalobos. For these reasons, no estimate of possible loss, if any, can be made at this time.

On June 18, 2014, BOKF N.A. (the "First Lien Trustee"), the successor indenture trustee under the indenture governing the First Lien Notes issued by Momentive Performance Materials, Inc. ("Momentive"), commenced a lawsuit in the Supreme Court for the State of New York, New York County against AGM and members of an ad hoc group of Second Lien Noteholders (including, but not limited to, Euro VI (BC) S.a.r.l.). The First Lien Trustee amended its complaint on July 2, 2014 (the "First Lien Intercreditor Action"). In the First Lien Intercreditor Action, the First Lien Trustee seeks, among other things, a declaration that the defendants violated an intercreditor agreement entered into between holders of the first lien notes and holders of the second lien notes. On July 16, 2014, the successor indenture trustee under the indenture governing the 1.5 Lien Notes (the "1.5 Lien Trustee," and, together with the First Lien Trustee, the "Indenture Trustees") filed an action in the Supreme Court of the State of New York, New York County that is substantially similar to the First Lien Intercreditor Action (the "1.5 Lien Intercreditor Action," and, together with the First Lien Intercreditor Action, the "Intercreditor Actions"). AGM subsequently removed the Intercreditor Actions to federal district court, and the Intercreditor Actions were automatically referred to the Bankruptcy Court adjudicating the Momentive chapter 11 bankruptcy cases. The Indenture Trustees then filed motions with the Bankruptcy Court to remand the Intercreditor Actions back to the state court (the "Remand Motions"). On September 9, 2014, the Bankruptcy Court denied the Remand Motions. On August 15, 2014, the defendants in the Intercreditor Actions (including AGM) filed a motion to dismiss the 1.5 Lien Intercreditor Action and a motion for judgment on the pleadings in the First Lien Intercreditor Action (the "Dismissal Motions"). On September 30, 2014, the Bankruptcy Court granted the Dismissal Motions. In its order granting the Dismissal Motions, the Bankruptcy Court gave the Indenture Trustees until mid-November 2014 to move to amend some, but not all, of the claims alleged in their respective complaints. On November 14, 2014, the Indenture Trustees moved to amend their respective complaints pursuant to the Bankruptcy Court's order (the "Motions to Amend"). On January 9, 2015, the defendants filed their oppositions to the Motions to Amend. On January 16, 2015, the Bankruptcy Court denied the Motions to Amend. The Bankruptcy Court gave the Indenture Trustees until March 2, 2015 to seek to amend their respective complaints. The Indenture Trustees have not yet indicated whether they intend to file additional motions to amend. Accordingly, we are unable at this time to assess a potential risk of loss. In addition, we do not believe that AGM is a proper defendant in these actions.

On June 13, 2014, plaintiffs Stark Master Fund Ltd and Stark Global Opportunities Master Fund Ltd filed a lawsuit in the United States District Court for the Eastern District of Wisconsin against AGM and Apollo Management Holdings, L.P. (the "Apollo Defendants"), as well as Credit Suisse Securities (USA) LLC and Deutsche Bank Securities (USA) LLC (the "Bank Defendants"). The complaint alleges that AGM and the other defendants entered into an undisclosed and improper agreement concerning the financing of a potential acquisition by Hexion Specialty Chemicals Inc., and on this basis alleges a variety of common law misrepresentation claims, both intentional and negligent. The Apollo Defendants and Bank Defendants filed motions to dismiss the complaint on October 15, 2014. Rather than respond to the motions, plaintiffs filed an Amended Complaint on November 5, 2014. The Apollo Defendants and Bank Defendants filed motions to dismiss the Amended Complaint on December 23, 2014. Plaintiffs filed a motion for leave to conduct jurisdictional discovery on February 2, 2015, and pursuant to the parties' stipulation approved by the court the motion shall be fully briefed on or before March 9, 2015. Plaintiffs must file their opposition to Defendants' motion to dismiss the Amended Complaint on or before 30 days following either a decision from the Court on Plaintiffs' motion for jurisdictional discovery or the close of jurisdictional discovery, whichever is later. Because the claims against the Apollo Defendants are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

There are several pending actions concerning transactions related to Caesars Entertainment Operating Company, Inc.'s ("CEOC") restructuring efforts. Apollo is not a defendant in these matters.

- In re: Caesars Entertainment Operating Company, Inc. bankruptcy proceedings, No. 15-10047 (Del. Bk.) (the "Delaware Bankruptcy Action") and No. 15-01145 (N.D. Ill. Bk.) (the "Illinois Bankruptcy Action"). On January 12, 2015, three holders of CEOC second lien notes issued filed an involuntary bankruptcy petition against CEOC in the United States Bankruptcy Court for the District of Delaware.

- On February 2, 2015, the court in the Delaware Bankruptcy Action ordered that all CEOC bankruptcy proceedings should take place in the Illinois Bankruptcy Action.

- Wilmington Savings Fund Society, FSB v. Caesars Entertainment Corp. et al., No. 10004-CVG (Del. Ch.) (the "Trustee Action"). On August 4, 2014, Wilmington Savings Fund Society, FSB

("WSFS"), as trustee for certain CEOC second-lien notes, sued Caesars Entertainment Corporation ("Caesars Entertainment"), Caesars Entertainment's subsidiary, CEOC, other Caesars Entertainment-affiliated entities, and certain of Caesars Entertainment's directors, including Marc Rowan, Eric Press, David Sambur (each an Apollo Partner) and Jeff Benjamin (an Apollo consultant), in the Delaware Chancery Court. WSFS (i) asserts claims (against some or all of the defendants) for fraudulent conveyance, breach of fiduciary duty, breach of contract, corporate waste and aiding and abetting related to certain transactions between CEOC and other Caesars Entertainment affiliates, and (ii) requests (among other things) that the court unwind the challenged transactions and award damages. Defendants filed a motion to dismiss or stay the Trustee Action in favor of the Caesars Action, which was argued on December 5, 2014.

- Caesars Entertainment Operating Co., et al. v. Appaloosa Investment Ltd. P'ship et al., No. 652392/2014 (N.Y. Sup. Ct.) (the "Caesars Action"). On August 5, 2014, Caesars Entertainment Corporation and Caesars Entertainment's subsidiary CEOC sued certain institutional CEOC second-lien noteholders and CEOC first-lien noteholder Elliott Management Corporation ("EMC"). On September 15, 2014, an amended complaint was filed adding WSFS as a defendant. The amended complaint asserts claims for (among other things) tortious interference with prospective economic advantage, a declaratory judgment that certain transactions related to CEOC's restructuring are valid and appropriate and that there has not been a default under the indentures governing the notes. On October 15, 2014, defendants moved to dismiss the complaint, and the motion was fully briefed on December 1, 2014. On January 15, 2015, Caesars Entertainment and CEOC agreed to voluntarily dismiss their claims against EMC without prejudice, and EMC agreed to withdraw its motion to dismiss without prejudice. The remaining parties in the Caesars Action and the parties in the Trustee action described below have agreed to stay discovery pending decision on the respective motions to dismiss.

- Meehancombs Global Credit Opportunities Master Fund, L.P., et al. v. Caesars Entertainment Corp., et al., No. 14-cv-7091 (S.D.N.Y.) (the "Meehancombs Action"). On September 3, 2014, institutional investors allegedly holding approximately $137 million in CEOC unsecured senior notes sued CEOC and Caesars Entertainment for breach of contract and the implied covenant of good faith, Trust Indenture Act violations and a declaratory judgment challenging the August 2014 private financing transaction in which a portion of outstanding senior unsecured notes were purchased by Caesars Entertainment, and a majority of the noteholders agreed to amend the indenture to terminate Caesars Entertainment's guarantee of the notes and modify certain restrictions on CEOC&28217;s ability to sell assets. On October 2, 2014, a related putative class action complaint was filed on behalf of the holders of these notes captioned Danner v. Caesars Entertainment Corp., et al., No. 14-cv-7973 (S.D.N.Y.) (the "Danner Action"), against Caesars Entertainment alleging similar claims to the Meehancombs Action. Caesars Entertainment and CEOC filed a motion to dismiss on November 12, 2014. On January 15, 2015, the court granted the motion with respect to a Trust Indenture Act claim by Meehancombs but otherwise denied the motion. On January 30, 2015, plaintiffs filed an amended complaint seeking relief against Caesars Entertainment only, which Caesars Entertainment answered on February 12, 2015.

- UMB Bank v. Caesars Entertainment Corporation, et al., No. 10393 (Del. Ch.) (the "UMB Action."). On November 25, 2014, UMB Bank, as trustee for certain CEOC notes, sued Caesars Entertainment, CEOC, other Caesars Entertainment-affiliated entities, and certain of Caesars Entertainment's directors, including Marc Rowan, Eric Press, David Sambur (each an Apollo Partner) and Jeffrey Benjamin (an Apollo consultant), in Delaware Chancery Court. The lawsuit alleges claims for actual and constructive fraudulent conveyance and transfer, insider preferences, illegal dividends, breach of contract, intentional interference with contractual relations, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, usurpation of corporate opportunities, and unjust enrichment. The UMB Action seeks appointment of a receiver for CEOC, a constructive trust, and other relief. The UMB Action has been assigned to the same judge overseeing the Trustee Action. Upon filing the complaint, UMB Bank moved to expedite is claim seeking a receiver, on which the court held oral argument on December 17, 2014. On January 15, 2015, the court entered a stipulated order staying the UMB Action as to all parties due to CEOC's bankruptcy filing.

- Koskie v. Caesars Acquisition Company, et al., No. A-14-711712-C (Clark Cnty Nev. Dist. Ct.) (the "Koskie Action"). On December 30, 2014, Nicholas Koskie brought a shareholder class action on behalf of shareholders of Caesars Acquisition Company ("CAC") against CAC, Caesars Entertainment, and members of CAC's Board of Directors, including Marc Rowan and David Sambur (each an Apollo partner). The lawsuit challenges CAC and Caesars Entertainment's plan to merge, alleging that the proposed transaction will not give CAC shareholders fair value. Koskie asserts claims for breach of fiduciary duty relating to the director defendants' interrelationships with the entities involved the proposed transaction.

- Apollo believes that the claims in the Trustee Action, the UMB Action, the Meehancombs Action, the Danner Action, and the Koskie Action are without merit. For this reason, and because the claims are in their early stages, and because of pending bankruptcy proceedings involving CEOC, no reasonable estimate of possible loss, if any, can be made at this time.

Following the January 16, 2014 announcement that CEC Entertainment, Inc. ("CEC") had entered into a merger agreement with certain entities affiliated with Apollo (the "Merger Agreement"), four putative shareholder class actions were filed in the District Court of Shawnee County, Kansas on behalf of purported stockholders of CEC against, among others, CEC, its directors and Apollo and certain of its affiliates, which include Queso Holdings Inc., Q Merger Sub Inc., Apollo Management VIII, L.P., and AP VIII Queso Holdings, L.P. The first purported class action, which is captioned Hilary Coyne v. Richard M. Frank et al., Case No. 14C57, was filed on January 21, 2014 (the "Coyne Action"). The second purported class action, which was captioned John Solak v. CEC Entertainment, Inc. et al., Civil Action No. 14C55, was filed on January 22, 2014 (the "Solak Action"). The Solak Action was dismissed for lack of prosecution on October 14, 2014. The third purported class action, which is captioned Irene Dixon v. CEC Entertainment, Inc. et al., Case No. 14C81, was filed on January 24, 2014 and additionally names as defendants Apollo Management VIII, L.P. and AP VIII Queso Holdings, L.P. (the "Dixon Action"). The fourth purported class action, which is captioned Louisiana Municipal Public Employees' Retirement System v. Frank, et al., Case No. 14C97, was filed on January 31, 2014 (the "LMPERS Action") (together with the Coyne and Dixon Actions, the "Shareholder Actions"). A fifth purported class action, which was captioned McCullough v. Frank, et al., Case No. CC-14-00622-B, was filed in the County Court of Dallas County, Texas on February 7, 2014. This action was dismissed for want of prosecution on May 21, 2014. Each of the Shareholder Actions alleges, among other things, that CEC's directors breached their fiduciary duties to CEC's stockholders in connection with their consideration and approval of the Merger Agreement, including by agreeing to an inadequate price, agreeing to impermissible deal protection devices, and filing materially deficient disclosures regarding the transaction. Each of the Shareholder Actions further alleges that Apollo and certain of its affiliates aided and abetted those alleged breaches. As filed, the Shareholder Actions seek, among other things, rescission of the various transactions associated with the merger, damages and attorneys' and experts' fees and costs. On February 7, 2014 and February 11, 2014, the plaintiffs in the Shareholder Actions pursued a consolidated action for damages after the transaction closed. Thereafter, the Shareholder Actions were consolidated under the caption In re CEC Entertainment, Inc. Stockholder Litigation, Case No. 14C57, and the parties have engaged in limited discovery. No defendant has any obligation to answer or otherwise respond to any of the complaints in the consolidated action until the plaintiffs file or designate an operative complaint. Although Apollo cannot predict the ultimate outcome of the above action, it believes that such action is without merit.

On June 10, 2014, Magnetar Global Event Driven Fund Ltd., Spectrum Opportunities Master Fund, Ltd., Magnetar Capital Master Fund, Ltd., and Blackwell Partners LLC, as the purported beneficial owners of shares held as of record by the nominal petitioner Cede & Co., (the "Appraisal Petitioners"), filed an action for statutory appraisal under Kansas state law against CEC in the U.S. District Court for the District of Kansas, captioned Magnetar Global Event Driven Master Fund Ltd, et al. v. CEC Entertainment, Inc., 2:14-cv-02279-RDR-KGS. The Appraisal Petitioners seek appraisal of 750,000 shares of common stock. CEC has answered the complaint and filed a verified list of stockholders, as required under Kansas law. On September 3, 2014, the court entered a scheduling order that contemplated that discovery would commence in the fall of 2014 and would be substantially completed by May 2015. On January 13, 2015, the court entered a revised scheduling order that contemplated that fact discovery would be completed by March 13, 2015, expert discovery would be completed by June 15, 2015, and a pretrial conference would occur on June 29, 2015. Thereafter, the scheduling order contemplates dispositive motion practice and a trial on the merits of the Appraisal Petitioners' claims. Although Apollo cannot predict the ultimate outcome of the above actions, Apollo believes that such actions are without merit.

On September 29, 2014, Athlon Energy Inc. ("Athlon") and Encana Corporation ("Encana") jointly announced that they had entered into an Agreement and Plan of Merger, dated as of September 27, 2014 (the "Merger Agreement"), pursuant to which a wholly-owned subsidiary of Encana ("Merger Sub") would commence a tender offer (the "Offer") to acquire all of the issued and outstanding shares of Athlon common stock. Following completion of the Offer, Merger Sub would be merged with and into Athlon (the "Proposed Transaction"). On October 23, 2014, The City of Cambridge Retirement System filed a putative class action complaint captioned The City of Cambridge Retirement System v. Reeves, et al., C.A. No. 10277-VCG (the "Cambridge

Action") in the Delaware Court of Chancery naming Merger Sub, AGM and members of Athlon's board of directors as defendants. The Cambridge Action alleges, among other things, that members of Athlon's board of directors breached their fiduciary duties in connection with their consideration and approval of the proposed transaction, and that Encana, Merger Sub and AGM aided and abetted those breaches of fiduciary duty. On November 3, 2014, the parties to the Cambridge Action and several other similar actions filed in Delaware and Texas state court before the Cambridge Action (none of which named AGM as a defendant (collectively, the "Actions")), entered into a Memorandum of Understanding to settle the Actions. On December 19, 2014, the parties to the Actions entered into a formal settlement agreement, and on December 22, 2014, the parties submitted the settlement agreement and accompanying papers to the court for its approval. Under the terms of the proposed settlement, AGM will not be required to contribute any cash and will be granted full and customary releases.

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 the consolidated financial statements. Legal actions material to Apollo could, however, arise in the future.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II-OTHER INFORMATION

ITEM 5. MARKETS 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, 2015 was 20. This does not include the number of shareholders that hold shares in "street name" through banks or broker-dealers. As of February 26, 2015, there was 1 holder of our Class B share.

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	
2014	High	Low
First Quarter	$ 36.51	$ 29.91
Second Quarter	32.44	24.06
Third Quarter	28.18	22.41
Fourth Quarter	25.18	20.02

	Sales Price	
2013	High	Low
First Quarter	$ 24.87	$ 17.72
Second Quarter	28.14	20.86
Third Quarter	29.98	22.61
Fourth Quarter	34.88	28.04

Cash Distribution Policy

With respect to fiscal year 2014, we paid four cash distributions of $1.08, $0.84, $0.46 and $0.73 per Class A share on February 26, 2014, May 30, 2014, August 29, 2014, and November 21, 2014, respectively (aggregating to $3.11 per Class A share), and we have declared an additional cash distribution of $0.86 per Class A share in respect of the fourth quarter of 2014 which will be paid on February 27, 2015 to holders of record of Class A shares at the close of business on February 17, 2015.

With respect to fiscal year 2013, we paid four cash distributions of $1.05, $0.57, $1.32 and $1.01 per Class A share on February 28, 2013, May 30, 2013, August 30, 2013, and November 29, 2013, respectively, aggregating to $3.95 per Class A share.

"Distributable Earnings", or "DE", as well as "DE After Taxes and Related Payables", are derived from our segment reported results, and are supplemental measures to assess performance and amounts available for distribution to Class A shareholders, holders of RSUs that participate in distributions and holders of AOG units. DE represents the amount of net realized earnings without the effects of the consolidation of any of the affiliated funds. DE, which is a component of Economic Net Income or "ENI", is the sum across all segments of (i) total management fees and advisory and transaction fees, excluding monitoring fees received from Athene based on its capital and surplus (as defined in Apollo's transaction advisory services agreement with Athene), (ii) other income (loss), excluding the gains (losses) arising from the reversal of a portion of the tax receivable agreement liability, (iii) realized carried interest income, and (iv) realized investment income, less (i) compensation expense, excluding the expense related to equity-based awards, (ii) realized profit sharing expense, and (iii) non-compensation expenses, excluding depreciation and amortization expense. DE After Taxes and Related Payables represents DE less estimated current corporate, local and non-U.S. taxes as well as the payable under Apollo's tax receivable agreement.

Our current intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our Distributable Earnings attributable to Class A shareholders, 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, any of our debt instruments or other agreements, 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, APO (FC), LLC and APO (FC II), LLC (as applicable), and Holdings, on a pro rata basis;
- ***Second***, we will cause our intermediate holding companies, APO Corp., APO Asset Co., LLC, APO (FC), LLC and APO (FC II), 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 17 to our consolidated financial statements.

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 debt arrangements, as described in note 14 to our consolidated financial statements, do not contain restrictions on our or our subsidiaries' ability to pay distributions; however, instruments governing indebtedness that we or our subsidiaries incur in the future may contain 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 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, 2014, approximately 22.4 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, which are paid in cash.

Securities Authorized for Issuance Under Equity Compensation Plans

See the 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."

Unregistered Sale of Equity Securities

On October 9, 2014, November 4, 2014 and November 12, 2014, we issued 711,805, 2,319,139 and 2,950 Class A shares, net of taxes, to Apollo Management Holdings, L.P., respectively, for an aggregate purchase price of $16,912,487, $52,435,733 and $69,178, respectively. The issuances were exempt from registration under the Securities Act in accordance with Section 4(a)(2) and Rule 506(b) 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.

Class A Shares Repurchases in the Fourth Quarter of 2014

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, 2014.

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, 2014, 2013 and 2012 and the selected historical consolidated statements of financial condition data as of December 31, 2014 and 2013 have been derived from our audited consolidated financial statements which are included in “Item 8. Financial Statements and Supplementary Data.”

We derived the selected historical consolidated statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2011 and 2010 and the selected consolidated statements of financial condition data as of December 31, 2012, 2011 and 2010 from our audited consolidated financial statements which are not included in this report.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates, net	$ 315,587	$ 196,562	$ 149,544	$ 81,953	$ 79,782
Management fees from affiliates	850,441	674,634	580,603	487,559	431,096
Carried interest income (loss) from affiliates	394,055	2,862,375	2,129,818	(397,880)	1,599,020
Total Revenues	1,560,083	3,733,571	2,859,965	171,632	2,109,898
Expenses:					
Compensation and benefits:					
Equity-based compensation	126,320	126,227	598,654	1,149,753	1,118,412
Salary, bonus and benefits	338,049	294,753	274,574	251,095	249,571
Profit sharing expense	276,190	1,173,255	872,133	(60,070)	575,367
Total Compensation and Benefits	740,559	1,594,235	1,745,361	1,340,778	1,943,350
Interest expense	22,393	29,260	37,116	40,850	35,436
Professional fees	82,030	83,407	64,682	59,277	61,919
General, administrative and other	97,663	98,202	87,961	75,558	65,107
Placement fees	15,422	42,424	22,271	3,911	4,258
Occupancy	40,427	39,946	37,218	35,816	23,067
Depreciation and amortization	45,069	54,241	53,236	26,260	24,249
Total Expenses	1,043,563	1,941,715	2,047,845	1,582,450	2,157,386
Other Income:					
Net gains (losses) from investment activities	213,243	330,235	288,244	(129,827)	367,871
Net gains (losses) from investment activities of consolidated variable interest entities	22,564	199,742	(71,704)	24,201	48,206
Income from equity method investments	53,856	107,350	110,173	13,923	69,812
Interest income	10,392	12,266	9,693	4,731	1,528
Other income, net	60,592	40,114	1,964,679	205,520	195,032
Total Other Income	360,647	689,707	2,301,085	118,548	682,449
Income (loss) before income tax provision	877,167	2,481,563	3,113,205	(1,292,270)	634,961
Income tax provision	(147,245)	(107,569)	(65,410)	(11,929)	(91,737)
Net Income (Loss)	729,922	2,373,994	3,047,795	(1,304,199)	543,224
Net (income) loss attributable to Non-Controlling Interests[(1)(2)]	(561,693)	(1,714,603)	(2,736,838)	835,373	(448,607)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 168,229	$ 659,391	$ 310,957	$ (468,826)	$ 94,617
Distributions Declared per Class A Share	$ 3.11	$ 3.95	$ 1.35	$ 0.83	$ 0.21
Net Income (Loss) Available to Class A Share - Basic	$ 0.62	$ 4.06	$ 2.06	$ (4.18)	$ 0.83
Net Income (Loss) Available to Class A Share -Diluted	$ 0.62	$ 4.03	$ 2.06	$ (4.18)	$ 0.83

	As of December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Statement of Financial Condition Data					
Total assets	$ 23,178,837	$ 22,477,981	$ 20,636,858	$ 7,975,873	$ 6,552,372
Debt (excluding obligations of consolidated variable interest entities)	1,034,014	750,000	737,818	738,516	751,525
Debt obligations of consolidated variable interest entities	14,123,100	12,423,962	11,834,955	3,189,837	1,127,180
Total shareholders' equity	5,943,461	6,688,722	5,703,383	2,648,321	3,081,419
Total Non-Controlling Interests	4,156,979	4,051,453	3,036,565	1,921,920	2,930,517

(1) 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.

(2) Reflects the Non-Controlling Interests in the net (income) loss of the Apollo Operating Group relating to the AOG Units held by our Managing Partners and Contributing Partners which is calculated by applying the ownership percentage of Holdings in the Apollo Operating Group. Holdings' ownership interest in the Apollo Operating Group was impacted by the Company's initial public offering in April 2011, issuances of Class A shares in settlement of vested RSUs in each of the periods presented, and exchanges of certain AOG Units. See "Item 8. Financial Statements and Supplementary Data" for details of the ownership percentage in Holdings.

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, 2014 and 2013 and for the years ended December 31, 2014, 2013, and 2012. 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 a contrarian, value-oriented investment manager in private equity, credit and real estate with significant distressed expertise and a flexible mandate in the majority of our funds which 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 is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 24 years and lead a team of 845 employees, including 320 investment professionals, as of December 31, 2014.

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 real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

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 managed 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.

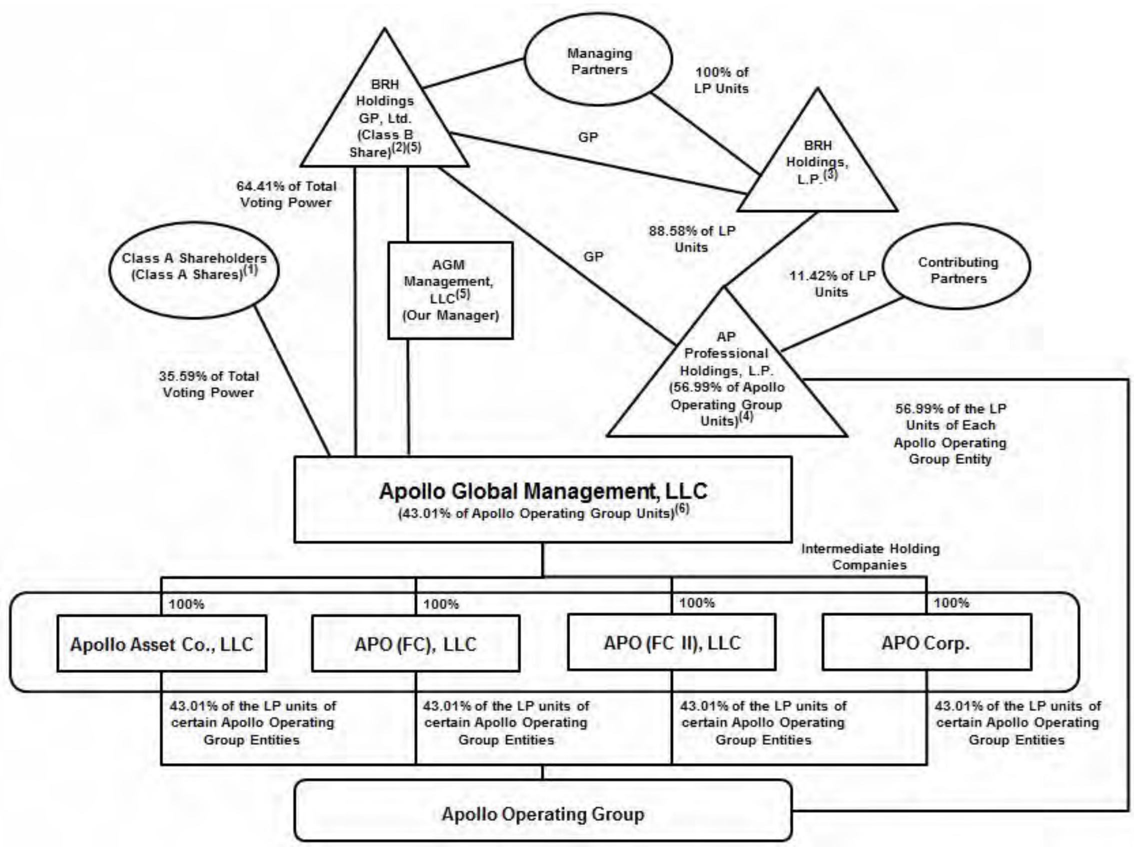
In addition, the growth in our Fee-Generating AUM during the last year has primarily been in our credit segment. The average management fee rate for these new credit products is at market rates for such products and in certain cases is below our historical rates. Also, due to the complexity of these 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, 2014, approximately 96% of our total AUM was in funds with a contractual life at inception of seven years or more, and 45% of our total AUM was considered permanent capital.

As of December 31, 2014, we had total AUM of $159.8 billion across all of our businesses. On December 31, 2013, Fund VIII held a final closing raising a total of $17.5 billion in third-party capital and approximately $880 million of additional capital from Apollo and affiliated investors, and as of December 31, 2014, Fund VIII had $16.8 billion of uncalled commitments remaining. Additionally, Fund VII held a final closing in December 2008, raising a total of $14.7 billion, and as of December 31, 2014, Fund VII had $3.2 billion of uncalled commitments remaining. We have consistently produced attractive long-term investment returns in our traditional private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through December 31, 2014. For further detail related to fund performance metrics across all of our businesses, see “-The Historical Investment Performance of Our Funds.”

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 26.79% of the Class A shares outstanding and 11.53% of the economic interests in the Apollo Operating Group. The Class A shares held by investors other than the Strategic Investors represent 35.59% of the total voting power of our shares entitled to vote and 31.51% 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 Holdings GP, Ltd., which in turn holds our only outstanding Class B share. The Class B share represents 64.41% 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 50.48% 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 56.99% of the limited partner interests in each Apollo Operating Group entity ("AOG Units"). The AOG Units held by Holdings are exchangeable for Class A shares. Our Managing Partners, through their interests in BRH and Holdings, beneficially own 50.48% of the AOG Units. Our Contributing Partners, through their ownership interests in Holdings, beneficially own 6.51% of the AOG Units.

(5) BRH Holdings GP, Ltd. 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 43.01% 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

As a global investment manager, we are affected by numerous factors, including the condition of financial markets and the economy. Price fluctuations within equity, credit, commodity, foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the valuation of our funds' portfolio companies and related income we may recognize. In terms of equity markets, in the U.S., the S&P 500 Index rose 4.4% in the fourth quarter of 2014, bringing the full year appreciation to 11.4%. Outside the U.S., global equity markets depreciated in the fourth quarter of 2014. The MSCI All Country World ex USA Index was down 4.2% in the fourth quarter of 2014, bringing the full year depreciation to 6.3%. Importantly, we believe that the generally positive momentum in the U.S. equity markets is conducive for continued equity capital markets activity, including IPOs and secondary offerings of the portfolio companies within our funds.

Conditions in the credit markets also have a significant impact on our business. Credit indices declined in the fourth quarter of 2014, with the BofAML HY Master II Index down 1.1% and the S&P/LSTA Leveraged Loan Index down 0.5%. For the full year, however, the BofAML HY Master II Index was up 2.5% and the S&P/LSTA Leveraged Loan Index was up 1.6%. Benchmark interest rates continued the year's bearish descent in the fourth quarter. The U.S. 10-year Treasury yield finished the quarter down 35 basis points and the year down more than 85 basis points from its starting point to 2.2%. Commodities generally saw price declines for the full year after a particularly weak fourth quarter that was driven by depreciation in oil. The price of crude oil declined approximately 42% during the fourth quarter and 46% for the full year primarily due to oversupply dynamics.

In terms of economic conditions in the U.S., the Bureau of Economic Analysis reported that real GDP increased at an annual rate of 2.6% in the fourth quarter of 2014 due to increasing consumer spending, despite decreasing government spending, slowing exports, and slowing business investment. For the full year 2014, the BEA reported that real GDP increased at an annual rate of 2.4%. As of January 2015, The International Monetary Fund estimated that the U.S. economy will expand by 3.6% in 2015. Additionally, the U.S. unemployment rate continued to decline and stood at 5.6% as of December 31, 2014, compared to 5.9% as of September 30, 2014, making it the lowest level since July 2008.

Amid the generally favorable backdrop of elevated asset prices and positive equity market momentum, Apollo continued to generate realizations for fund investors. Apollo returned $5.7 billion and $16.4 billion of capital and realized gains to the limited partners of the funds it manages during the fourth quarter of 2014 and full year ended December 31, 2014, respectively. In general, institutional investors continue to allocate capital towards alternative investment managers for more attractive risk-adjusted returns in a low interest rate environment. Apollo reported $1.0 billion and $9.9 billion of new capital raised during the fourth quarter of 2014 and full year ended December 31, 2014, respectively.

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 fund investors by focusing on opportunities that management believes are often overlooked by other investors. Apollo reported $2.8 billion and $10.0 billion of dollars invested during the fourth quarter of 2014 and full year ended December 31, 2014, respectively. We believe Apollo's expertise in credit and its focus on nine core industry sectors, combined with more than 20 years of investment experience, has allowed Apollo to respond quickly to changing environments. Apollo's core industry sectors include chemicals, natural resources, 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.

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)

Economic Net Income, or 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 Apollo's performance. Management uses these performance measures 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 expenses, such as determining annual discretionary bonuses and equity-based compensation awards to our employees. With respect to compensation, management seeks to align the interests

of certain professionals and selected other individuals with those of the investors in the funds and those of Apollo'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 Apollo's performance and growth for the year.

ENI 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 restricted share units ("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, (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) and (v) non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements as such carried interest income, management fees and other revenues from these consolidated entities are reflected on an unconsolidated basis. 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.

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.

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 assets we manage for the funds, partnerships and accounts to which we provide investment management services, including, without limitation, capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

(i) the fair value of the investments of the private equity funds, partnerships and accounts we manage plus the capital which such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;

(ii) the net asset value ("NAV") of the credit funds, partnerships and accounts for which we provide investment management services, other than certain CLOs and CDOs, which have a fee generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital which such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;

(iii) the gross asset value or net asset value of the real estate funds, partnerships and accounts we manage, and the structured portfolio company investments of the funds, partnerships and accounts we manage, which includes the leverage used by such structured portfolio company investments;

(iv) the incremental value associated with the reinsurance investments of the portfolio company assets we manage; and

(v) the fair value of any other assets that we manage for the funds, partnerships and accounts to which we provide investment management services, plus unused credit facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification before investment plus any other capital commitments to such funds, partnerships and accounts 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 measure 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 we manage for the funds, partnerships and accounts to which we provide investment management services and on which we earn management fees or monitoring fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts we manage. 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, with respect to the investments of the funds, partnerships and accounts we manage, are generally based on the total value of such 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 and co-investment ownership, (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 asset and net asset value for those funds that earn management fees based on net asset value.

Carry Eligible AUM refers to the AUM that may eventually produce carried interest income. All funds for which we are entitled to receive a carried interest income allocation are included in Carry Eligible AUM, which consists of the following:

(i) Carry Generating AUM, which refers to funds' invested capital that is currently above its hurdle rate or preferred return, and the funds' profit is allocated to the general partner in accordance with the applicable limited partnership agreements or other governing agreements;

(ii) AUM Not Currently Generating Carry, which refers to funds' invested capital that is currently below its hurdle rate or preferred return; and

(iii) Uninvested Carry Eligible AUM, which refers to available capital for investment or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements that are not currently part of the NAV or fair value of investments that may eventually produce carried interest income, which would be allocated to the general partner.

AUM with Future Management Fee Potential refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund.

We use Non-Fee Generating AUM combined with Fee-Generating AUM as a performance measure of our funds' 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 presents Fee-Generating and Non-Fee Generating AUM by segment as of December 31, 2014, 2013 and 2012. Changes in market conditions and additional funds raised have had significant impacts to Apollo's AUM:

	As of December 31,		
	2014	2013	2012
		(in millions)	
Total Assets Under Management	$ 159,797 (1)	$ 161,177 (1)	$ 113,379 (1)
Fee-Generating	128,714	128,368	81,934
Non-fee generating	31,083 (1)	32,809 (1)	31,445 (1)
Private Equity	41,049	49,908	37,832
Fee-Generating	30,285	34,173	27,932
Non-Fee generating	10,764	15,735	9,900
Credit	108,445	100,886	64,406
Fee-Generating	92,192	88,249	49,518
Non-Fee-Generating	16,253	12,637	14,888
Real Estate	9,538	9,289	8,800 (2)
Fee-Generating	6,237	5,946	4,484 (2)
Non-Fee-Generating	3,301	3,343	4,316 (2)

(1) As of December 31, 2014, 2013 and 2012, includes $0.8 billion, $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

(2) Includes Fee-Generating and Non-Fee Generating AUM as of September 30, 2012 for certain publicly traded vehicles managed by Apollo.

The table below sets forth AUM with Future Management Fee Potential for each of Apollo's three segments, which is a component of Non-Fee Generating AUM, as of December 31, 2014, 2013 and 2012.

	As of December 31,		
	2014	2013	2012
	(in millions)		
Private Equity	$ 1,793	$ 4,225	$ 1,158
Credit	4,608	3,312	2,916
Real Estate	623	640	1,051
Total AUM with Future Management Fee Potential	$ 7,785 (1)	$ 9,246 (1)	$ 7,465 (1)

(1) As of December 31, 2014, 2013 and 2012, includes $0.8 billion, $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

The following table presents Carry Eligible AUM and Carry Generating AUM for each of Apollo's three segments as of December 31, 2014, 2013 and 2012:

	Carry Eligible AUM			Carry Generating AUM		
	As of December 31,			As of December 31,		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Private equity	$ 36,128	$ 45,050	$ 36,869	$ 14,463	$ 24,791	$ 28,728
Credit	38,502	34,580	34,461	16,218	23,539	23,693
Real estate	2,614	3,041	3,312	828	941	396
Total(1)(2)	$ 78,003	$ 83,729	$ 76,979	$ 31,509	$ 49,271	$ 52,817

(1) As of December 31, 2014, 2013 and 2012, Carry Eligible AUM includes $0.8 billion, $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

(2) As of December 31, 2014, 2013 and 2012, Carry Eligible AUM includes $28.8 billion, $28.7 billion and $16.5 billion of Uninvested Carry Eligible AUM, respectively, and $17.7 billion, $5.8 billion and $7.7 billion of AUM Not Currently Generating Carry, respectively.

The components of Fee-Generating AUM by segment as of December 31, 2014, 2013 and 2012 are presented below:

	As of December 31, 2014			
	Private Equity	Credit	Real Estate	Total
	(in millions)			
Fee-Generating AUM based on capital commitments	$ 20,080	$ 6,191	$ 173	$ 26,444
Fee-Generating AUM based on invested capital	9,368	3,100	3,968	16,436
Fee-Generating AUM based on gross/adjusted assets	513	75,370	1,961	77,844
Fee-Generating AUM based on leverage	324	215	-	539
Fee-Generating AUM based on NAV	-	7,316	135	7,451
Total Fee-Generating AUM	$ 30,285 (1)	$ 92,192	$ 6,237	$ 128,714

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2014 was 72 months.

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	As of December 31, 2013								
	Private Equity			Credit		Real Estate		Total	
	(in millions)								
Fee-Generating AUM based on capital commitments	$	19,630		$	5,834	$	156	$	25,620
Fee-Generating AUM based on invested capital		11,923			1,649		3,753		17,325
Fee-Generating AUM based on gross/adjusted assets		925			72,202		1,769		74,896
Fee-Generating AUM based on leverage		1,695			1,587		-		3,282
Fee-Generating AUM based on NAV		-			6,977		268		7,245
Total Fee-Generating AUM	$	34,173	(1)	$	88,249	$	5,946	$	128,368

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2013 was 75 months.

	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		2,134		34,588
Fee-Generating AUM based on leverage		3,610			3,101		-		6,711
Fee-Generating AUM based on NAV		-			6,538		290		6,828
Total Fee-Generating AUM	$	27,932	(1)	$	49,518	$	4,484	$	81,934

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2012 was 61 months.

The following table presents total AUM and Fee-Generating AUM amounts for our private equity segment by strategy:

	Total AUM			Fee-Generating AUM		
	As of December 31,			As of December 31,		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Traditional Private Equity Funds (1)	$ 35,310	$ 46,998 (2)	$ 35,617 (2)	$ 27,181	$ 31,929 (2)	$ 25,706 (2)
Natural Resources	1,348	1,367	1,284	1,295	1,295	1,295
Other (3)	4,391	1,543 (2)	931 (2)	1,809	949 (2)	931 (2)
Total	$ 41,049	$ 49,908	$ 37,832	$ 30,285	$ 34,173	$ 27,932

(1) Refers to Fund I, Fund II, MIA, Fund III, Fund IV, Fund V, Fund VI, Fund VII and Fund VIII.
(2) Reclassified to conform with current presentation.
(3) Includes co-investments contributed to Athene by AAA, through its investment in AAA Investments as discussed in note 17 of the consolidated financial statements.

The following table presents total AUM and Fee-Generating AUM amounts for our credit segment by strategy:

	Total AUM			Fee-Generating AUM		
	As of December 31,			As of December 31,		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Athene(1)	$ 47,713	$ 50,345	$ 10,970	$ 47,713	$ 50,345	$ 10,845
U.S. Performing Credit	24,882	22,177	27,509	20,031	17,510	20,567
Structured Credit	15,999	12,779	11,436	10,966	9,362	7,589
Opportunistic Credit	10,756	7,068	6,177	6,613	4,763	4,722
Non-Performing Loans	4,976	5,688	6,404	3,744	4,330	4,527
European Credit	4,119	2,829	1,910	3,125	1,939	1,268
Total	$ 108,445	$ 100,886	$ 64,406	$ 92,192	$ 88,249	$ 49,518

(1) 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 AUM and Fee-Generating AUM amounts for our real estate segment by strategy:

	Total AUM			Fee-Generating AUM		
	As of December 31,			As of December 31,		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Debt	$ 6,420	$ 5,731	$ 4,826	$ 4,785	$ 3,701	$ 2,332
Equity	3,118	3,558	3,974	1,452	2,245	2,152
Total	$ 9,538	$ 9,289	$ 8,800	$ 6,237	$ 5,946	$ 4,484

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The following tables summarize changes in total AUM for each of Apollo's three segments for years ended December 31, 2014, 2013 and 2012:

	For the Year Ended December 31,		
	2014	2013	2012
Change in Total AUM:			
Beginning of Period	$ 161,177 (1)	$ 113,379 (1)	$ 75,222
Income	2,473	15,150	12,038
Subscriptions/Capital raised	9,862 (2)	22,142	9,688
Other inflows/Acquisitions	-	43,832	23,629
Distributions	(16,382)	(22,641)	(10,858)
Redemptions	(718)	(1,508)	(1,221)
Leverage/Other(3)	3,385	(9,177)	4,881
End of Period	$ 159,797 (1)	$ 161,177 (1)	$ 113,379 (1)
Change in Private Equity AUM:			
Beginning of Period	$ 49,908	$ 37,832	$ 35,384
Income	561	10,656	8,108
Subscriptions/Capital raised	3,041 (2)	17,613	662
Distributions	(11,372)	(15,620)	(6,537)
Redemptions(4)	-	(176)	-
Net segment transfers	(1,216)	2,133	317
Leverage	127	(2,530)	(102)
End of Period	$ 41,049	$ 49,908	$ 37,832
Change in Credit AUM:			
Beginning of Period	$ 100,886	$ 64,406	$ 31,867
Income	1,747	4,082	3,274
Subscriptions/Capital raised	6,128 (2)	3,439	5,504
Other inflows/Acquisitions	-	43,832	23,629
Distributions	(3,457)	(5,458)	(3,197)
Redemptions	(583)	(1,042)	(948)
Net segment transfers	216	(2,056)	(1,023)
Leverage/Other(3)	3,508	(6,317)	5,300
End of Period	$ 108,445	$ 100,886	$ 64,406
Change in Real Estate AUM:			
Beginning of Period	$ 9,289	$ 8,800	$ 7,971
Income	244	399	656
Subscriptions/Capital raised	693	1,090	475
Distributions	(1,553)	(1,559)	(1,124)
Redemptions(4)	(135)	(290)	(273)
Net segment transfers	1,250	1,179	1,412
Leverage	(250)	(330)	(317)
End of Period	$ 9,538	$ 9,289	$ 8,800

(1) As of December 31, 2014, 2013 and 2012, includes \$0.8 billion, \$1.1 billion, and \$2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.
(2) For the year ended December 31, 2014, includes \$2.5 billion of AUM from co-investment vehicles that was raised in prior periods.
(3) Represents changes in used and available leverage, and includes the changes in NAV on AUM managed by Athene Asset Management that is not sub-advised by Apollo.
(4) Represents release of unfunded commitments primarily related to Fund III in our private equity segment and two legacy CPI real estate funds in our real estate segment that were past their investment periods.

Private Equity

During the year ended December 31, 2014, total AUM in our private equity segment decreased by $8.9 billion, or 17.8%. This decrease was a result of distributions of $11.4 billion primarily attributable to Fund VII and Apollo Investment Fund VI, L.P. ("Fund VI") of $6.4 billion and $3.7 billion, respectively. In addition there were transfers out of $1.2 billion. These decreases were offset by $0.6 billion of income that was primarily attributable to unrealized gains in Fund VII of $1.6 billion offset by unrealized losses in Fund VI and co-investment vehicles, of $0.6 billion and $0.6 billion, respectively, and an increase in subscriptions of $3.0 billion primarily attributable to co-investment vehicles that were raised in prior periods.

During the year ended December 31, 2013, the AUM in our private equity segment increased by $12.1 billion, or 31.9%. This increase was a result of subscriptions of $17.5 billion in Fund VIII and $10.7 billion of income from improved unrealized gains, including $5.9 billion from Fund VII and $4.3 billion from Fund VI. Offsetting this increase was $15.6 billion of distributions, including $8.7 billion from Fund VII and $5.8 billion from Fund VI, and $2.5 billion of decreased leverage.

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 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.

Credit

During the year ended December 31, 2014, total AUM in our credit segment increased by $7.6 billion, or 7.5%. This increase was a result of subscriptions of $6.1 billion, $3.5 billion of leverage, $1.7 billion of income and $0.2 billion in net segment transfers. Included in subscriptions was $2.5 billion in COF III, $0.5 billion in FCI II, $0.4 billion in Apollo Structured Credit Recovery Master Fund III, L.P. ("ACRF III") and $0.4 billion from Apollo Investment Europe III, L.P. (“AIE III”). These increases were offset by $3.5 billion of distributions including $1.1 billion and $0.4 billion from Apollo European Principal Finance Fund, L.P. ("EPF I") and Apollo Credit Opportunity Fund I, L.P. ("COF I"), respectively and $0.6 billion in redemptions.

During the year ended December 31, 2013, AUM in our credit segment increased by $36.5 billion, or 56.6%. This increase consisted of $43.8 billion in acquisitions related to the acquisition of Aviva USA by Athene Holding, $4.1 billion in unrealized gains, subscriptions of $3.4 billion, including $0.9 billion in FCI II and $0.6 billion in COF III. This increase in AUM was partially offset by a decrease in leverage of $6.3 billion, including $1.0 billion in the U.S. performing credit strategy from net CLO vehicle wind-downs, $1.3 billion in Apollo Credit Opportunity Fund II, L.P. ("COF II"), and $0.8 billion in AMTG, and $5.5 billion in distributions, including $1.9 billion from COF I, $0.6 billion from EPF I and $1.1 billion from COF II.

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 Capital LLC and its related management companies ("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 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 EPF I.

Real Estate

During the year ended December 31, 2014, total AUM in our real estate segment increased by $0.2 billion, or 2.7%, this was the result of $1.3 billion of net segment transfers in primarily related to the Athene Accounts, $0.7 billion of subscriptions, including $0.4 billion related to AGRE Debt Fund I, L.P. and $0.2 billion related to ARI, and $0.2 billion of income. These increases were partially offset by $1.6 billion of distributions, of which $0.4 billion was attributable to the Athene Accounts, $0.3 billion was attributable to CPI Capital Partners Europe, L.P., and $0.2 billion was attributable to AGRE 2011 A-4 Fund, LP ("CMBS II"), and a $0.3 billion decrease in leverage.

During the year ended December 31, 2013, AUM in our real estate segment increased by $0.5 billion, or 5.5%. This increase was the result of $1.2 billion in net segment transfers in, including $0.6 billion from Athene Accounts related to subordinate commercial real estate loans ("Athene CRE Lending") and $0.5 billion from Athene Accounts related to commercial mortgage backed securities, $1.1 billion in subscriptions, including $0.7 billion in AGRE Debt Fund I, L.P. and $0.3 billion in ARI. These increases were partially offset by distributions of $1.6 billion, including $0.4 billion from Athene CRE Lending and $0.4 billion from CPI Capital Partners Asia Pacific, L.P.

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. 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 CPI Capital Partners North America L.P., CPI Capital Partners Europe L.P., CPI Capital Partners Asia Pacific, L.P. (collectively, the "CPI Funds"). Partially offsetting this increase was $1.1 billion in distributions, including $0.8 billion from the CPI Funds.

The following tables summarize changes in total Fee-Generating AUM for each of Apollo's three segments for the years ended December 31, 2014, 2013, and 2012 :

	For the Year Ended December 31,		
	2014	2013	2012
Change in Total Fee-Generating AUM:			
Beginning of Period	$ 128,368	$ 81,934	58,121
Income	350	2,100	1,390
Subscriptions/Capital raised	3,352	21,104	5,873
Other inflows/Acquisitions	-	43,832 -	21,277
Distributions	(6,184)	(7,517)	(3,728)
Redemptions	(475)	(946)	(909)
Net movements between Fee-Generating and Non-Fee Generating	609	(6,215)	(564)
Leverage/Other(1)	2,694	(5,924)	474
End of Period	$ 128,714	$ 128,368	$ 81,934
Change in Private Equity Fee-Generating AUM:			
Beginning of Period	$ 34,173	$ 27,932	$ 28,031
Income (Loss)	(1)	398	285
Subscriptions/Capital raised	455	17,582	644
Distributions	(2,457)	(3,430)	(1,256)
Redemptions	-	(19)	-
Net segment transfers	(1,277)	482	50
Net movements between Fee-Generating and Non-Fee Generating	(514)	(6,858)	515
Leverage	(94)	(1,914)	(337)
End of Period	$ 30,285	$ 34,173	$ 27,932
Change in Credit Fee-Generating AUM:			
Beginning of Period	$ 88,249	$ 49,518	$ 26,553
Income	377	1,630	988
Subscriptions/Capital raised	2,261	2,504	4,953
Other inflows/Acquisitions	-	43,832	21,277
Distributions	(2,258)	(3,118)	(2,029)
Redemptions	(475)	(927)	(909)
Net segment transfers	129	(1,611)	(1,096)
Net movements between Fee-Generating and Non-Fee Generating	1,121	431	(1,030)
Leverage/Other(1)	2,788	(4,010)	811
End of Period	$ 92,192	$ 88,249	$ 49,518
Change in Real Estate Fee-Generating AUM:			
Beginning of Period	$ 5,946	$ 4,484	$ 3,537
Income (Loss)	(26)	72	117
Subscriptions/Capital raised	636	1,018	276
Distributions	(1,469)	(969)	(443)
Net segment transfers	1,148	1,129	1,045
Net movements between Fee-Generating and Non-Fee Generating	2	212	(48)
End of Period	$ 6,237	$ 5,946	$ 4,484

(1) Represents changes in used and available leverage, and includes the changes in NAV on AUM managed by Athene Asset Management that is not sub-advised by Apollo.

Private Equity

During the year ended December 31, 2014, Fee-Generating AUM in our private equity segment decreased by $3.9 billion, or 11.4%. This decrease was a result of distributions of $2.5 billion from Fund VII, Fund VI and co-investment vehicles. In addition there were net segment transfers out of $1.3 billion attributable to Fund VI and Fund VII, and $0.5 billion of net transfers from fee generating AUM to Non-Fee Generating AUM from Fund V and Fund VII. Offsetting these decreases were subscriptions of $0.5 billion.

During the year ended December 31, 2013, Fee-Generating AUM in our private equity segment increased by $6.2 billion, or 22.3%. This increase was a result of $17.6 billion of subscriptions, primarily from Fund VIII. Offsetting this increase was $6.9 billion of net transfers from Fee-Generating AUM to Non-Fee Generating AUM primarily attributable to Fund VII, $3.4 billion of distributions primarily attributable to Fund VII and Fund VI of $1.0 billion and $2.0 billion, respectively and $1.9 billion decrease in leverage primarily attributable to Fund VII.

During the year ended December 31, 2012, Fee-Generating AUM in our private equity segment decreased by $0.1 billion, or 0.4%. This decrease was a result of $1.3 billion of distributions from Fee-Generating AUM primarily attributable to Fund VI and Fund V of $0.8 billion and $0.3 billion, respectively. Offsetting this decrease was $0.6 billion of subscriptions in ANRP and AION of $0.5 billion and $0.2 billion, respectively and $0.3 billion of unrealized gains.

Credit

During the year ended December 31, 2014, Fee-Generating AUM in our credit segment increased by $3.9 billion, or 4.5%. This increase was a result of $2.8 billion of leverage, subscriptions of $2.3 billion attributable to FCI II of $0.5 billion and COF III of $0.4 billion, $1.1 billion of net transfers in from Non-Fee Generating AUM, including $0.8 billion attributable to COF III and $0.4 billion of income. These increases were offset by $2.3 billion of distributions, including $0.4 billion from EPF I and $0.5 billion in redemptions, primarily from Apollo Credit Master Fund Ltd. ("ACF") of $0.3 billion.

During the year ended December 31, 2013, Fee-Generating AUM in our credit segment increased by $38.7 billion, or 78.2%. This increase consisted of $43.8 billion in acquisitions related to the acquisition of Aviva USA by Athene Holding, a $2.5 billion increase in subscriptions attributable to FCI II and ACF of $0.9 billion and $0.3 billion, respectively, and unrealized gains of $1.6 billion. Offsetting this increase was $3.1 billion of distributions, attributable to COF I and COF II of $0.5 billion and $0.8 billion, respectively, a decrease in leverage of $4.0 billion and $1.6 billion of transfers out to Non-Fee Generating AUM.

During the year ended December 31, 2012, Fee-Generating AUM in our credit segment increased by $22.9 billion, or 86.4%. This increase was a result of $16.2 billion in acquisitions related to Stone Tower, $5.1 billion in other inflows related to Athene, and $5.0 billion of additional subscriptions, including $3.3 billion in EPF II and $0.3 billion in AMTG. Offsetting this increase was $2.0 billion of distributions, including $0.7 billion collectively from COF I and COF II and $0.9 billion of redemptions.

Real Estate

During the year ended December 31, 2014, Fee-Generating AUM in our real estate segment increased by $0.3 billion, or 4.9%, which was primarily the result of $1.1 billion of segment transfers in attributable to the Athene Accounts and $0.6 billion of subscriptions, including $0.4 billion attributable to AGRE Debt Fund I, L.P.. Offsetting these increases were $1.5 billion of distributions primarily attributable to the Athene Accounts, CPI Capital Partners Europe, L.P. and CPI Capital Partners Asia Pacific, L.P. of $0.4 billion, $0.2 billion and $0.2 billion, respectively.

During the year ended December 31, 2013, Fee-Generating AUM in our real estate segment increased by $1.5 billion, or 32.6%, which was primarily the result of $0.7 billion of capital invested by AGRE Debt Fund I, $0.3 billion of capital raised and invested by ARI, net segment transfers of $1.1 billion attributable to the Athene Accounts and $0.2 billion of transfers in from Non-Fee Generating AUM. These increases were partially offset by $1.0 billion of distributions of which $0.5 billion were attributable to the Athene Accounts.

During the year ended December 31, 2012, Fee-Generating AUM in our real estate segment increased by $0.9 billion, or 26.7%, which was primarily the result of transfers of $0.9 billion attributable to the Athene Accounts and $0.3 billion of subscriptions. These increases were partially offset by $0.4 billion of distributions.

Dollars Invested and Uncalled Commitments

Dollars invested is the aggregate amount of capital that has been invested by our multi-year drawdown, commitment-based funds and SIAs that have a defined maturity date and for funds and SIAs in our real estate debt strategy. Uncalled commitments, by contrast, represents unfunded capital commitments that certain of Apollo’s funds and SIAs have received from fund investors to fund future or current investments and expenses.

Dollars invested and uncalled 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 to the extent fee generating. Dollars invested and uncalled 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 dollars invested and uncalled commitments as key operating metrics since we believe the results measure our investment activities.

Dollars Invested

The following table summarizes by segment the dollars invested for funds and SIAs with a defined maturity date and certain funds and SIAs in Apollo's real estate debt strategy during the specified reporting periods:

	For the Year Ended December 31,		
	2014	2013	2012
		(in millions)	
Private equity	$ 2,163	$ 2,561	$ 3,191
Credit	5,174	2,865	1,835
Real Estate [1]	2,686	2,534	1,627
Total dollars invested	$ 10,023	$ 7,960	$ 6,653

(1) Included in dollars invested is $2,319.9 million, $2,177.3 million and $1,230.1 million for the years ended December 31, 2014, 2013, and 2012, respectively, for funds in Apollo's real estate debt strategy.

Uncalled Commitments

The following table summarizes the uncalled commitments by segment during the specified reporting periods:

	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
		(in millions)	
Private equity	$ 22,383	$ 23,689	$ 7,464
Credit	8,706	7,113	6,171
Real Estate	997	971	1,438
Total uncalled commitments [1][2]	$ 32,841	$ 32,852	$ 17,428

(1) As of December 31, 2014, 2013 and 2012, includes $0.8 billion, $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

(2) As of December 31, 2014, 2013 and 2012, $29.3 billion, $29.5 billion, and $16.4 billion, respectively, represents the amount of capital available for investment or reinvestment subject to the provisions of the applicable limited partnership agreements or other governing agreements.

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. 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 of 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 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 VIII, Fund VII and Fund VI 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, Apollo Investment Fund IV, L.P. ("Fund IV") has generated a 12% gross IRR and a 9% net IRR since its inception through December 31, 2014, while Apollo Investment Fund V, L.P. ("Fund V") has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2014. 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

The following table summarizes the investment record by segment of Apollo's multi-year drawdown, commitment based funds and SIAs that have a defined maturity date in which investors make a commitment to provide capital at the formation of such funds and deliver capital when called as investment opportunities become available. All amounts are as of December 31, 2014, unless otherwise noted:

								As of December 31, 2014		As of December 31, 2013		As of December 31, 2012	
	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)								
Private Equity:(2)													
Fund VIII	Traditional Private Equity Funds	2013	$ 18,377	$ 1,266	$ -	$ 1,456	$ 1,456	NM (3)	NM (3)	NM (3)	NM (3)	N/A	N/A
Fund VII	Traditional Private Equity Funds	2008	14,677	15,199	26,006	6,229	32,235	37%	28%	39%	30%	35%	26%
Fund VI	Traditional Private Equity Funds	2006	10,136	12,457	16,339	5,116	21,455	13	11	15	12	11	9
Fund V	Traditional Private Equity Funds	2001	3,742	5,192	12,666	215	12,881	61	44	61	44	61	44
Fund IV	Traditional Private Equity Funds	1998	3,600	3,481	6,776	25	6,801	12	9	12	9	12	9
Fund III	Traditional Private Equity Funds	1995	1,500	1,499	2,695	-	2,695	18	11	18	11	18	11
Fund I, II & MIA(4)	Traditional Private Equity Funds	1990/ 1992	2,220	3,773	7,924	-	7,924	47	37	47	37	47	37
Subtotal			$ 54,252	$ 42,867	$ 72,406	$ 13,041	$ 85,447	39% (5)	25% (5)	39% (5)	26% (5)	39% (5)	25% (5)
AION	Other	2013	825	134	9	160	169	NM (3)	NM (3)	NM (3)	NM (3)	NM (3)	NM (3)
ANRP	Natural Resources	2012	1,323	692	191	675	866	18%	8%	18%	7% (3)	NM (3)	NM (3)
Total Private Equity			$ 56,400	$ 43,693	$ 72,606	$ 13,876	$ 86,482						
Credit:(6)													
ACRF III (7)	Structured Credit	-	$ 488	$ 254	$ 57	$ 213	$ 270	NM (3)	NM (3)	N/A	N/A	N/A	N/A
COF III (7)	Opportunistic Credit	-	3,426	1,579	222	1,222	1,444	NM (3)	NM (3)	NM (3)	NM (3)	N/A	N/A
FCI II	Structured Credit	2013	1,555	653	5	802	807	NM (3)	NM (3)	NM (3)	NM (3)	NM (3)	NM (3)
EPF II(8)	Non-Performing Loans	2012	3,518	2,520	640	2,381	3,021	24%	11%	NM (3)	NM (3)	NM (3)	NM (3)
FCI	Structured Credit	2012	559	443	190	548	738	14	9	NM (3)	NM (3)	NM (3)	NM (3)
AEC	European Credit	2012	292	625	532	177	709	12	7	19%	12%	NM (3)	NM (3)
AIE II(8)	European Credit	2008	250	805	1,206	79	1,285	20	17	20	17	19%	16%
COF I	U.S. Performing Credit	2008	1,485	1,611	4,285	123	4,408	30	27	30	27	31	28
COF II	U.S. Performing Credit	2008	1,583	2,176	2,989	147	3,136	14	11	14	11	14	12
EPF I(8)	Non-Performing Loans	2007	1,567	2,059	2,863	574	3,437	24	17	21	16	19	12
ACLF	U.S. Performing Credit	2007	984	1,449	2,448	136	2,584	13	11	13	11	13	11
Total Credit			$ 15,707	$ 14,174	$ 15,437	$ 6,402	$ 21,839						
Real Estate:(6)													
Apollo U.S. Real Estate Fund II, L.P. (7)	Equity	-	$ 158	$ 39	$ -	$ 39	$ 39	NM (3)	NM (3)	N/A	N/A	N/A	N/A
AGRE U.S. Real Estate Fund, L.P(9)	Equity	2012	864	615	312	488	800	19%	15%	17%	14%	NM (3)	NM (3)
AGRE Debt Fund I, LP	Debt	2011	1,190	1,185	299	1,021	1,320	9	7	13	11	NM (3)	NM (3)
CPI Capital Partners North America(10)	Equity	2006	600	453	352	25	377	15	10	17	13	NM (3)	NM (3)
CPI Capital Partners Asia Pacific(10)	Equity	2006	1,292	1,185	1,470	218	1,688	33	29	37	33	NM (3)	NM (3)
CPI Capital Partners Europe(8)(10)	Equity	2006	1,406	928	388	318	706	5	3	2	1	NM (3)	NM (3)
CPI Other(11)	Equity	Various	1,959	N/A	N/A (11)	N/A (11)	N/A (11)	NM (11)	NM (11)	NM	NM (11)	NM (3)	NM (3)
Total Real Estate			$ 7,469	$ 4,405	$ 2,821	$ 2,109	$ 4,930						

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.

(2) Amounts presented are computed based on actual timing of the funds' cash inflows and outflows.

(3) 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.

(4) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. Apollo does 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.

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 Apollo's Managing Partners and other investment professionals.

(5) Total IRR is calculated based on total cash flows for all funds presented.

(6) The investment record table for the credit and real estate funds and SIAs presented is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date.

(7) COF III, ACRF III and Apollo U.S. Real Estate Fund II were launched prior to December 31, 2014 and have not established their vintage year.

(8) Funds are denominated in Euros and historical figures are translated into U.S. dollars at an exchange rate of €1.00 to $1.21 as of December 31, 2014.

(9) AGRE U.S. Real Estate Fund, L.P., a closed-end private investment fund has $149 million of co-invest commitments raised, which are included in the figures in the table above. A co-invest entity within AGRE U.S. Real Estate Fund, L.P. is denominated in GBP and translated into U.S. dollars at an exchange rate of £1.00 to $1.56 as of December 31, 2014.

(10) As part of the CPI acquisition, Apollo acquired general partner interests in fully invested funds. The gross and net IRRs are presented in the investment record table above since acquisition on November 12, 2010. The net IRRs from the inception of the respective fund to December 31, 2014 were (7)%, 7% and (7)% 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.

(11) CPI Other consists of funds or individual investments of which Apollo is not the general partner or manager and only receives 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 are therefore not considered meaningful as Apollo performs primarily an administrative role.

The following table summarizes the investment record for distressed investments made in our traditional private equity fund portfolios, since the Company's inception. All amounts are as of December 31, 2014:

	Total Invested Capital	Total Value	Gross IRR[(1)]
	(in millions)		
Distressed for Control	$ 6,308	$ 17,601	29%
Non-Control Distressed	5,733	8,502	71
Total	12,041	26,103	49
Buyout Equity, Portfolio Company Debt and Other Credit[(2)]	30,826	59,344	22
Total	$ 42,867	$ 85,447	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 is defined as 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 VIII, Fund VII, Fund VI and Fund V private equity portfolios based on investment strategy. All amounts are as of December 31, 2014:

Fund VIII[(1)]

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 1,266	$ 1,456
Total	$ 1,266	$ 1,456

Fund VII[(1)]

	Total Invested Capital	Total Value
	(in millions)	
Buyout Equity and Portfolio Company Debt	$ 10,865	$ 25,106
Other Credit and Classic Distressed[(2)]	4,334	7,129
Total	$ 15,199	$ 32,235

Fund VI

		Total Invested Capital		Total Value
		(in millions)		
Buyout Equity and Portfolio Company Debt	$	10,312	$	17,755
Other Credit and Classic Distressed(2)		2,145		3,700
Total	$	12,457	$	21,455

Fund V

		Total Invested Capital		Total Value
		(in millions)		
Buyout Equity	$	4,412	$	11,907
Classic Distressed(2)		780		974
Total	$	5,192	$	12,881

(1) Committed capital less unfunded capital commitments for Fund VIII and Fund VII was $1.6 billion and $13.1 billion, respectively, which represents capital commitments from limited partners to invest in such funds less capital that is available for investment or reinvestment subject to the provisions of the applicable limited partnership agreement or other governing agreements.

(2) Classic Distressed is defined as investments in debt securities of issuers other than portfolio companies that are considered to be distressed.

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 $13.6 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the recessionary and post recessionary periods beginning the second half of 2007 through December 31, 2014, our private equity funds have invested $31.3 billion, of which $16.8 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 VIII, VII, VI and V was 5.6x, 6.1x, 7.7x and 6.6x, respectively, as of the date of the filing of this Annual Report on Form 10-K. The average entry multiple for a private equity fund is the average of the total enterprise value over an applicable earnings before interest, taxes, depreciation and amortization ("EBITDA"), which we believe captures the true economics of our funds' purchases of portfolio companies.

Credit

The following table summarizes the investment record for certain funds and SIAs within Apollo's credit segment with no maturity date. All amounts are as of December 31, 2014, unless otherwise noted:

	Strategy	Vintage Year		Net Asset Value as of December 31, 2014	Net Return: Since Inception to December 31, 2014	Net Return: For the Year Ended December 31, 2014	Net Return: For the Year Ended December 31, 2013	Net Return: For the Year Ended December 31, 2012
				(in millions)				
TRF(1)	U.S. Performing Credit	2014	$	353	NM (1)	NM (1)	N/A	N/A
ACSF(2)	Opportunistic Credit	2011		449	23% (2)	1% (2)	NM (2)	NM (2)
SOMA(3)	Opportunistic Credit	2007		832	59	-	9%	15%
ACF(2)	U.S. Performing Credit	2005		1,977	35 (2)	6 (2)	NM (2)	NM (2)
Value Funds(4)	Opportunistic Credit	2003/2006		217	64	(6)	5	11
Totals			$	3,828				

(1) Apollo Total Return Fund ("TRF") 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) As part of the Stone Tower acquisition, Apollo acquired the manager of Apollo Credit Strategies Master Fund Ltd. ("ACSF") and ACF. The net returns are presented in the investment record table above since acquisition on April 2, 2012. As of December 31, 2014, the net returns from inception for ACSF and ACF were 39% and 9%, 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.

(3) Net asset value and returns are for the primary mandate and excludes Apollo Special Opportunities Managed Account, L.P.'s ("SOMA") investments in other Apollo funds.

(4) 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.

The following table summarizes the investment record for the publicly traded vehicles that Apollo manages by segment as of December 31, 2014:

						Total Returns[1]			
	Strategy	IPO Year [2]	Raised Capital [3]	Gross Assets	Current NAV	Since Inception to December 31, 2014	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
			(in millions)						
Private Equity:									
AAA[4]	Other	2006	$ 1,823	$ 2,144	$ 2,144	47%	4%	91%	75%
Credit:									
AIF[5]	U.S. Performing Credit	2013	276	402	264	NM [6]	NM [6]	NM [6]	N/A
AFT[5]	U.S. Performing Credit	2011	295	434	285	8	(1)	NM [6]	NM [6]
AMTG	Structured Credit	2011	791	4,348	786	28	18	(17)	NM [6]
AINV	Opportunistic Credit	2004	3,080	3,701	1,997	50	(4)	12	43
Real Estate:									
ARI[7]	Debt	2009	886	1,744	856	33	11	10	36
Totals			$ 7,151	$12,773	$ 6,332				

(1) Total returns are based on the change in closing trading prices during the respective periods presented taking into account dividends and distributions, if any, as if they were reinvested without regard to commissions.

(2) An initial public offering ("IPO") year represents the year in which the vehicle commenced trading on a national securities exchange. Apollo Tactical Income Fund Inc. ("AIF"), Apollo Senior Floating Rate Fund Inc. ("AFT"), AMTG and ARI are publicly traded vehicles traded on the New York Stock Exchange ("NYSE"). AINV is a public company traded on the National Association of Securities Dealers Automated Quotation. AAA is a publicly traded vehicle traded on NYSE Euronext in Amsterdam.

(3) Amounts represent raised capital net of offering and issuance costs.

(4) AAA is the sole limited partner in AAA Investments. Athene was AAA Investments' only investment as of December 31, 2014. During the second quarter of 2014, Athene Holding raised $1.2 billion of net equity commitments primarily from third-party institutional investors, certain existing investors in Athene, and employees of Athene and its affiliates (the "Athene Private Placement"). For the period December 31, 2013 through December 31, 2014, AAA Investments' ownership stake in Athene was reduced as a result of the Athene Private Placement, the issuance of shares under the Amended AAA Services Agreement and the issuance of 3.7 million unrestricted common shares of Athene Holding under Athene's management equity plan and was increased by the conversion to common shares of AAA Investments' note receivable from Athene, resulting in an approximate 47.7% economic ownership stake (calculated as if the commitments in the Athene Private Placement closed through December 31, 2014 were fully drawn down but without giving effect to (i) restricted common shares issued under Athene's management equity plan or (ii) common shares to be issued after December 31, 2014 under the Amended AAA Services Agreement or the Amended Athene Services Agreement) and effectively 45% of the voting power of Athene.

(5) Gross Assets presented for AFT and AIF represents total managed assets of these closed-end funds.

(6) Returns have not been presented as the publicly traded vehicle commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(7) Refer to www.apolloreit.com for the most recent financial information on ARI. The information contained on ARI's website is not part of this Annual Report on Form 10-K. All amounts are as of September 30, 2014 except for total returns.

Athene and SIAs

As of December 31, 2014, Athene Asset Management had $60.3 billion of total AUM in accounts owned by or related to Athene, of which approximately $12.6 billion, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. Of the approximately $12.6 billion of assets, the vast majority were in sub-advisory managed accounts that manage high grade credit asset classes, such as collateralized loan obligation ("CLO") debt, commercial mortgage backed securities, and insurance-linked securities.

Apollo also manages CLOs within Apollo's credit segment, with such CLOs representing a total AUM of approximately $13.5 billion as of December 31, 2014. Such CLO performance information is not included in the above investment record tables.

As of December 31, 2014, approximately $15 billion of total AUM was managed through SIAs, which include certain SIAs in the investment record tables above and capital deployed from certain SIAs across Apollo's private equity, credit and real estate funds. The above investment record tables exclude certain funds with an aggregate AUM of approximately $5.1 billion as of December 31, 2014 because management deemed them to be immaterial.

Overview of Results of Operations

Revenues

Advisory and Transaction Fees from Affiliates, Net. As a result of providing advisory services with respect to actual and potential private equity, credit, and real estate 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, net, in the consolidated statements of operations. See note 2 to our consolidated financial statements for more detail.

The Management Fee Offsets are calculated for each fund as follows:

- 65%-100% for private equity funds, gross advisory, transaction and other special fees;
- 65%-100% for certain credit funds, gross advisory, transaction and other special fees; and
- 100% for certain real estate funds, gross advisory, transaction and other special fees.

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 as a component of the calculation of the Management Fee Offset. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company for all costs incurred and no offset is generated.

As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's consolidated statements of operations, and any receivable from the respective funds is presented in Due from Affiliates on the consolidated statements of financial condition.

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 limited partnership agreement and/or 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 normally 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.

As of December 31, 2014, approximately 66% of the value of our funds' investments on a gross basis 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, credit and real estate segments, the percentage determined using market-based valuation methods as of December 31, 2014 was 45%, 78% 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 funds' portfolio companies and the industries in which our funds invest" for a 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 and real estate funds have various carried interest rates and hurdle rates. Certain of our credit and real estate funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain credit and 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 Company recognizes potential repayment of previously received carried interest income as a general partner obligation representing 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

The table below presents an analysis of Apollo's (i) carried interest receivable on an unconsolidated basis and (ii) realized and unrealized carried interest income (loss) for Apollo's combined segments' Incentive Business as of December 31, 2014 and 2013 and for the years ended December, 31 2014, 2013 and 2012:

	As of December 31, 2014	As of December 31, 2013	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Carried Interest Receivable on an Unconsolidated Basis	Carried Interest Receivable on an Unconsolidated Basis	Unrealized Carried Interest Income (Loss)	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest Income (Loss)	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest Income (Loss)	Realized Carried Interest Income	Total Carried Interest Income (Loss)
					(in millions)						
Private Equity Funds:											
Fund VII	$ 288.2	$ 890.8	$ (602.6)	$ 902.4	$ 299.8	$ (13.6)	$ 1,163.6	$ 1,150.0	$ 435.5	$ 472.1	$ 907.6
Fund VI	183.4 (1)	697.6	(514.1)	401.4	(112.7)	427.3	760.3	1,187.6 (4)	345.6 (5)	294.0	639.6
Fund V	3.2	43.0	(39.9)	44.9	5.0	(91.2)	99.1	7.9	9.3	33.4	42.7
Fund IV	5.6	7.7	(2.1)	-	(2.1)	(3.2)	1.7	(1.5)	(7.0)	2.9	(4.1)
AAA/Other(2)(3)	191.5	228.7	(37.4)	79.4	42.0	135.4 (5)	37.9	173.3	71.5 (5)	10.2	81.7
Total Private Equity Funds	671.9	1,867.8	(1,196.1)	1,428.1	232.0	454.7	2,062.6	2,517.3	854.9	812.6	1,667.5
Credit Funds:(6)											
U.S. Performing Credit	54.1	179.9	(109.3)	119.7	10.4	(164.1)	284.6	120.5	206.3	154.3	360.6
Opportunistic Credit	26.6	59.8	(8.5)	6.2	(2.3)	20.4 (5)	36.7	57.1	7.7 (5)	41.5	49.2
Structured Credit	36.1	54.3	(14.7)	5.9	(8.8)	32.7	11.2	43.9	18.5	13.4	31.9
European Credit	8.4	35.6	(11.2)	14.8	3.6	2.1	27.8	29.9	18.0	8.5	26.5
Non-Performing Loans	141.6	154.2	(13.0)	134.4	121.4	52.3	33.0	85.3	50.6	-	50.6
Total Credit Funds	266.8	483.8	(156.7)	281.0	124.3	(56.6)	393.3	336.7	301.1	217.7	518.8
Real Estate Funds:											
CPI Funds	1.5	5.3	(3.8)	0.6	(3.2)	(5.2)	0.5	(4.7)	10.4	4.7	15.1
AGRE U.S. Real Estate Fund, L.P.	11.4	5.6	5.8	2.7	8.5	5.6	-	5.6	-	-	-
Other	7.2	4.3	3.0	0.7	3.7	4.3	-	4.3	-	-	-
Total Real Estate Funds	20.1	15.2	5.0	4.0	9.0	4.7	0.5	5.2	10.4	4.7	15.1
Total	$ 958.8 (7)	$ 2,366.8 (7)	$ (1,347.8)	$ 1,713.1	$ 365.3	$ 402.8	$ 2,456.4	$ 2,859.2	$ 1,166.4	$ 1,035.0	$ 2,201.4

(1) Fund VI's remaining investments and escrow cash were valued at 104% of the funds unreturned capital, which was below a specified return ratio of 115%. As a result, Fund VI is required to place in escrow current and future carried interest income distributions to the general partner until the specified return ratio of 115% is met (at the time of a future distribution) or upon liquidation of Fund VI. As of December 31, 2014, Fund VI carried interest receivable includes $165.6 million of carried interest income in escrow.

(2) Includes certain SIAs.

(3) Includes $121.5 million of carried interest receivable from AAA Investments which will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

(4) Includes $452.3 million for Fund VI 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 income equates to its 20% of cumulative profits of the funds.

(5) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $3.4 million in aggregate for two of our credit funds. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 with respect to SOMA and APC, respectively.

(6) As of December 31, 2014, two of our credit funds had an aggregate $3.4 million general partner obligation to return carried interest income that was previously distributed. The fair value gain on investments and income at the fund level needed to reverse the general partner obligations for these two credit funds was $7.0 million and $2.2 million, respectively as of December 31, 2014.

(7) There was a corresponding profit sharing payable of $434.9 million and $992.2 million as of December 31, 2014 and 2013, respectively, that resulted in a net carried interest receivable on an unconsolidated basis of $523.9 million and $1,374.6 million as of December 31, 2014 and 2013, respectively. Included within profit sharing payable are contingent consideration obligations of $96.1 million and $135.5 million as of December 31, 2014 and 2013, respectively, and profit sharing payable related to amounts in escrow.

The general partners of the private equity, credit and real estate funds listed in the table above were accruing carried interest income as of December 31, 2014. The investment manager of AINV accrues carried interest in the management business as it is earned. 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, which we refer to as "high water marks." These high water marks are applied on an individual investor basis. Certain of our credit funds have investors with various high water marks, the achievement of which are subject to market conditions and investment performance.

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 included in due to affiliates on the consolidated statements of financial condition. As of December 31, 2014, there was a $3.4 million general partner obligation to return previously distributed carried interest income related to our funds recorded in due to affiliates in the consolidated statement of financial condition. Carried interest receivable is reported on a separate line item within the consolidated statements of financial condition.

The following table summarizes our carried interest income since inception for our combined segments through December 31, 2014:

	Carried Interest Income Since Inception (1)									
		Undistributed by Fund and Recognized		Distributed by Fund and Recognized (2)		Total Undistributed and Distributed by Fund and Recognized(3)		General Partner Obligation as of December 31, 2014(3)		Maximum Carried Interest Income Subject to Potential Reversal(4)
	(in millions)									
Private Equity Funds:										
Fund VII	$	288.2	$	2,862.1	$	3,150.3	$	-	$	917.7
Fund VI		183.4		1,580.1		1,763.5		-		1,246.1
Fund V		3.2		1,455.0		1,458.2		-		33.0
Fund IV		5.6		597.2		602.8		-		5.6
AAA/Other(5)		191.5		144.9		336.4		-		194.8
Total Private Equity Funds		671.9		6,639.3		7,311.2		-		2,397.2
Credit Funds:										
U.S. Performing Credit		54.1		756.8		810.9		2.5		149.5
Opportunistic Credit(6)		16.1		183.7		199.8		0.9		48.4
Structured Credit		36.1		30.8		66.9		-		38.3
European Credit		8.4		67.5		75.9		-		67.9
Non-Performing Loans		141.6		155.1		296.7		-		170.4
Total Credit Funds		256.3		1,193.9		1,450.2		3.4		474.5
Real Estate Funds:										
CPI Funds		1.5		5.8		7.3		-		2.2
AGRE U.S. Real Estate Fund, L.P.		11.4		2.7		14.1		-		11.1
Other		7.2		0.6		7.8		-		7.8
Total Real Estate Funds		20.1		9.1		29.2		-		21.1
Total	$	948.3	$	7,842.3	$	8,790.6	$	3.4	$	2,892.8

(1) Certain funds are denominated in Euros and historical figures are translated into U.S. dollars at an exchange rate of €1.00 to $1.21 as of December 31, 2014.

(2) 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.

(3) Amounts were computed based on the fair value of fund investments on December 31, 2014. 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, to the extent applicable, has been reduced by the general partner obligation to return previously distributed carried interest income or fees at December 31, 2014. 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

(4) Represents the amount of carried interest income that would be reversed if remaining fund investments became worthless on December 31, 2014. 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 those funds that are gross of taxes as defined in the respective funds' management agreement.

(5) Includes $121.5 million of carried interest receivable from AAA Investments which will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

(6) Amounts exclude AINV, as carried interest income from this entity is not subject to contingent repayment.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, profit sharing expense associated with the carried interest income earned from private equity, 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. See note 1 to our 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 obligations 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. See note 17 to our consolidated financial statements for further discussion of indemnification.

Each Managing Partner receives $100,000 per year in base salary for services rendered to us. 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 (all of which have fully vested) and certain employees were granted RSUs with a vesting period of typically six years (all of which have also fully vested). Managing Partners, Contributing Partners and certain employees have also been granted AAA restricted depositary 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, AHL Awards (as defined in note 16 to our consolidated financial statements) and other equity-based compensation awards have been granted to the Company and certain employees, which amortize over the respective vesting periods. In addition, the Company grants equity awards to certain employees, including RSUs and options, that generally vest and become exercisable in quarterly installments or annual installments depending on the contract terms over a period of three to six years. See note 16 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, professional fees, placement fees, occupancy, depreciation and amortization and other general operating expenses. Interest expense consists primarily of interest related to the 2007 AMH Credit Agreement, the 2013 AMH Credit Facilities and the 2024 Senior Notes as discussed in note 14 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 reporting date and the closing reporting 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. For results of AAA, a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the consolidated statements of operations. 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. Interest income also includes payment-in-kind interest (or "PIK" interest) on a convertible note and from one of our credit funds.

Other Income (Losses), Net. Other income (losses), 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, reversal of a portion of the tax receivable agreement liability (see note 17 to our consolidated financial statements), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates and other miscellaneous non-operating 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 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 upon examination, including resolutions of any related appeals or litigation, based on the technical merits of the position. 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 Interests in the consolidated financial statements. The Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 57.7% and 61.0% 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, 2014 and 2013, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 97.5% and 97.4% ownership interests held by limited partners in AAA as of December 31, 2014 and 2013, 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) attributable 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.

Results of Operations

Below is a discussion of our consolidated results of operations for the years ended December 31, 2014, 2013, and 2012. For additional analysis of the factors that affected our results at the segment level, see "-Segment Analysis" below:

	Year Ended December 31,		Amount Change	Percentage Change	Year Ended December 31,		Amount Change	Percentage Change
	2014	2013			2013	2012		
	(dollars in thousands)				(dollars in thousands)			
Revenues:								
Advisory and transaction fees from affiliates, net	$ 315,587	$ 196,562	$ 119,025	60.6%	$ 196,562	$ 149,544	$ 47,018	31.4%
Management fees from affiliates	850,441	674,634	175,807	26.1	674,634	580,603	94,031	16.2
Carried interest income from affiliates	394,055	2,862,375	(2,468,320)	(86.2)	2,862,375	2,129,818	732,557	34.4
Total Revenues	1,560,083	3,733,571	(2,173,488)	(58.2)	3,733,571	2,859,965	873,606	30.5
Expenses:								
Compensation and benefits:								
Equity-based compensation	126,320	126,227	93	0.1	126,227	598,654	(472,427)	(78.9)
Salary, bonus and benefits	338,049	294,753	43,296	14.7	294,753	274,574	20,179	7.3
Profit sharing expense	276,190	1,173,255	(897,065)	(76.5)	1,173,255	872,133	301,122	34.5
Total Compensation and Benefits	740,559	1,594,235	(853,676)	(53.5)	1,594,235	1,745,361	(151,126)	(8.7)
Interest expense	22,393	29,260	(6,867)	(23.5)	29,260	37,116	(7,856)	(21.2)
Professional fees	82,030	83,407	(1,377)	(1.7)	83,407	64,682	18,725	28.9
General, administrative and other	97,663	98,202	(539)	(0.5)	98,202	87,961	10,241	11.6
Placement fees	15,422	42,424	(27,002)	(63.6)	42,424	22,271	20,153	90.5
Occupancy	40,427	39,946	481	1.2	39,946	37,218	2,728	7.3
Depreciation and amortization	45,069	54,241	(9,172)	(16.9)	54,241	53,236	1,005	1.9
Total Expenses	1,043,563	1,941,715	(898,152)	(46.3)	1,941,715	2,047,845	(106,130)	(5.2)
Other Income:								
Net gains from investment activities	213,243	330,235	(116,992)	(35.4)	330,235	288,244	41,991	14.6
Net gains (losses) from investment activities of consolidated variable interest entities	22,564	199,742	(177,178)	(88.7)	199,742	(71,704)	271,446	NM
Income from equity method investments	53,856	107,350	(53,494)	(49.8)	107,350	110,173	(2,823)	(2.6)
Interest income	10,392	12,266	(1,874)	(15.3)	12,266	9,693	2,573	26.5
Other income, net	60,592	40,114	20,478	51.0	40,114	1,964,679	(1,924,565)	(98.0)
Total Other Income	360,647	689,707	(329,060)	(47.7)	689,707	2,301,085	(1,611,378)	(70.0)
Income before income tax provision	877,167	2,481,563	(1,604,396)	(64.7)	2,481,563	3,113,205	(631,642)	(20.3)
Income tax provision	(147,245)	(107,569)	(39,676)	36.9	(107,569)	(65,410)	(42,159)	64.5
Net Income	729,922	2,373,994	(1,644,072)	(69.3)	2,373,994	3,047,795	(673,801)	(22.1)
Net income attributable to Non-controlling Interests	(561,693)	(1,714,603)	1,152,910	(67.2)	(1,714,603)	(2,736,838)	1,022,235	(37.4)
Net Income Attributable to Apollo Global Management, LLC	$ 168,229	$ 659,391	$ (491,162)	(74.5)%	$ 659,391	$ 310,957	$ 348,434	112.1%

Note: "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

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

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.

Advisory and transaction fees from affiliates, net, increased by $119.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was attributable to an increase in the credit segment of $140.5 million offset by a decrease in the private equity segment of $20.1 million. The increase in the credit segment was primarily attributable to an increase in monitoring fees from Athene of $118.5 million as a result of Athene's acquisition of Aviva USA. The decrease in the private equity segment was primarily attributable to lower net advisory fees due to the realization of underlying investments, termination fees and waived fees related to debt investment vehicles, Taminco, Realogy and Caesars Entertainment that occurred during the year ended December 31, 2013 and lower net transaction fees earned for the year ended December 31, 2014 compared to 2013. Advisory and transaction fees are reported net of Management Fee Offsets as calculated under the terms of the applicable limited partnership agreements. See "-Overview of Results of Operations-Revenues-Advisory and Transaction Fees from Affiliates, Net" for a description of how the Management Fee Offsets are calculated.

Management fees from affiliates increased by $175.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase in management fees earned by our credit and private equity segments of $146.3 million and $30.2 million, respectively. The primary driver of the increase in management fees earned from the credit funds was an increase in management fees earned from Athene of $126.1 million during the year ended December 31, 2014 as compared to the same period in 2013 as a result of Athene's acquisition of Aviva USA. The primary driver of the increase in management fees earned form the private equity funds was an increase in management fees earned from Fund VIII in the amount of $126.4 million during the year ended December 31, 2014, partially offset by decreased management fees earned from Fund VII of $92.9 million as a result of a change in the management fee rate and basis upon which management fees are earned from capital commitments to invested capital, due to the fund coming to the end of the fund's investment period.

Carried interest income from affiliates decreased by $2.5 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased carried interest income from Fund VI, Fund VII, AAA Investments (Co-Invest VI), L.P. ("AAA Co-Invest VI"), COF I, certain sub-advisory arrangements, SOMA, and EPF I of $1.3 billion, $850.1 million, $121.7 million, $46.2 million, $42.3 million, $38.8 million and $25.7 million, respectively.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $47.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This was attributable to an increase in advisory and transaction fees, net in the credit segment of $87.1 million, offset by a decrease in advisory and transaction fees, net in the private equity segment of $43.4 million. During the year ended December 31, 2013, gross and net advisory fees, including directors' fees, were $213.3 million and $140.0 million, respectively, and gross and net transaction fees were $133.5 million and $56.6 million, respectively. 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. The net transaction and advisory fees were further offset by $5.2 million and $5.3 million in broken deal costs during the years ended December 31, 2013 and 2012, respectively, primarily relating to Fund VII.

Management fees from affiliates increased by $94.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in management fees earned by our credit, private equity and real estate segments of $92.8 million, $7.8 million and $7.1 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. Part of the increase in management fees earned from the credit funds was attributable to an increase of $13.6 million of fees earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation.

Carried interest income from affiliates increased by $732.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased carried interest income driven by increases in the fair value of portfolio investments held by certain funds and certain co-invest vehicles, primarily Fund VI, Fund VII, AAA Co-Invest VI, SOMA and EPF I which had increased carried interest income of $548.1 million, $242.4 million, $115.7 million, $40.0 million and $34.5 million, respectively. This was offset by COF I, COF II, certain CLOs and Fund V, which had decreased carried interest income of $100.1 million, $48.3 million, $44.5 million and $34.8 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012. The remaining change was attributable to an overall increase in the fair value of portfolio investments of the other funds, which generated increased carried interest income of $17.5 million during the period. Part of the change in carried interest income from affiliates was attributable to a decrease in carried interest income of $37.9 million earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation during the year ended December 31, 2013 as compared to the same period in 2012.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits decreased by $853.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a decrease in profit sharing expense of $897.1 million due to lower carried interest income during the year ended December 31, 2014 as compared to the year ended December 31, 2013. In any year the blended profit sharing percentage is impacted by the respective profit sharing ratios of the funds that are generating carried interest in the period. During the year ended December 31, 2014, the fair value of Fund VII's underlying fund investments appreciated while Fund VI's underlying fund investments depreciated, which contributed to an increased profit sharing percentage compared to the year ended December 31, 2013. Included within profit sharing expense was $62.0 million and $62.4 million related to the Incentive Pool (as defined below) for the year ended December 31, 2014 and 2013, respectively. The Incentive Pool is separate from the fund related profit sharing expense and, as described below, may result in greater variability in compensation and have a variable impact on the blended profit sharing percentage during a particular quarter. The decrease in profit sharing expense was offset by an increase in salary, bonus and benefits of $43.3 million during the year ended December 31, 2014.

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.

Interest expense decreased by $6.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a lower margin rate incurred from the 2013 AMH Credit Facilities as compared to the 2007 AMH Credit Agreement during the year ended December 31, 2014 as compared to the same period in 2013 (see note 14 to our consolidated financial statements).

Placement fees decreased by $27.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. 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 decreases in placement fees with respect to EPF II and Fund VIII of $14.1 million and $13.2 million, respectively, during the year ended December 31, 2014 as compared to the same period in 2013.

Depreciation and amortization expense decreased by $9.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to lower amortization of intangible assets during the year ended December 31, 2014 as compared to the year ended December 31, 2013 as certain intangible assets were fully amortized in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits decreased by $151.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a reduction of equity-based compensation by $472.4 million, specifically the amortization of AOG Units which decreased by $450.9 million due to the expiration of the vesting period for the Managing Partners in June 2013. This was partially offset by an increase in profit sharing expense of $301.1 million as a result of the favorable performance of certain of our private equity and credit funds during the period. Included in profit sharing expense was $62.4 million and $62.1 million of expenses related to the Incentive Pool (as defined below) for the year ended

December 31, 2013 and 2012, respectively. In addition, salary, bonus and benefits increased by $20.2 million as a result of an increase in headcount during the period as compared to the same period in 2012.

Interest expense decreased by $7.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to decreased interest expense related to expiring of interest rate swaps and a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the same period in 2012.

Professional fees increased by $18.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to higher legal and consulting fees incurred during the year ended December 31, 2013, as compared to the same period in 2012 due to the continued expansion of our global investment platform.

General, administrative and other expenses increased by $10.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in costs associated with the launch of new funds, increased travel, information technology, recruiting and other expenses incurred during the year ended December 31, 2013 as compared to the same period in 2012.

Placement fees increased by $20.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to $15.4 million related to the launch of Fund VIII during the year ended December 31, 2013.

Occupancy expense increased by $2.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to additional expenses 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, 2013 as compared to the same period in 2012.

Other Income (Loss)

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net gains from investment activities decreased by $117.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a $137.9 million decrease in net unrealized gains related to changes in the fair value of investments held by AAA, offset by a decrease in losses on the investment in HFA Holdings Limited ("HFA") of $21.4 million (see note 4 to the consolidated financial statements).

Net gains from investment activities of consolidated VIEs decreased by $177.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease was primarily attributable to a $238.5 million net loss from investment activities for the year ended December 31, 2014 as compared to a $54.2 million net gain from investment activities for the year ended December 31, 2013. The decrease was also driven by a $7.8 million decrease in interest and other income and a $74.6 million increase in other expenses for the year ended December 31, 2014 as compared to the same period in 2013. These changes were offset by a $102.5 million net gain from debt for the year ended December 31, 2014 as compared to a $95.4 million net loss from debt for the year ended December 31, 2013.

Income from equity method investments decreased by $53.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily driven by lower appreciation in the net asset value of entities in which the Company has a direct interest for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Fund VI and Fund VII had the most significant impact and together had a reduction of $53.9 million of income from equity method investments during the year ended December 31, 2014 as compared to the same period in 2013.

Interest income decreased by $1.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily due to the decrease of payment-in-kind interest income as a result of the sale of the Company's investment in HFA during July 2014 as compared to the same period in 2013 (see note 4 to the consolidated financial statements).

Other income, net increased by $20.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a gain from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 resulting from changes in projected income estimates and in estimated tax rates (see note 17 to our consolidated financial statements) and a gain on extinguishment of a portion of the contingent consideration obligation related to the acquisition of Stone Tower (see note 18 to our consolidated financial statements) during the period. These increases were offset by losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net gains from investment activities increased by $42.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $54.3 million increase in net unrealized gains related to changes in the fair value of AAA Investments' portfolio investments, partially offset by an $11.5 million decrease in unrealized gains related to the change in the fair value of the investment in HFA during the year ended December 31, 2013 as compared to the same period in 2012.

Net gains (losses) from investment activities of consolidated VIEs increased by $271.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in net realized and unrealized losses relating to the debt held by the consolidated VIEs of $402.3 million and higher interest and other income of $92.7 million during the period. This was offset by a decrease in the fair values of investments held by the consolidated VIEs of $191.9 million and an increase in other expenses of $31.7 million during the year ended December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. 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 and EPF I had the most significant impact and together generated $81.9 million of income from equity method investments during the year ended December 31, 2013 as compared to a $84.2 million of income from equity method investments during the year ended December 31, 2012, resulting in a net decrease of $2.3 million.

Other income, net decreased by $1,924.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a gain on acquisition of $1,951.1 million recorded on the Stone Tower acquisition during April 2012. See note 3 to our consolidated financial statements for further discussion of the Stone Tower acquisition. The remaining offset was primarily attributable to income related to the reduction of the tax receivable agreement liability due to a change in estimated tax rates, and an unrealized gain on Athene related derivative contracts (see note 17 to our consolidated financial statements) during the year ended December 31, 2012 as compared to the same period in 2011. See note 12 to our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2013 and 2012.

Income Tax Provision

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Income tax provision increased by $39.7 million primarily due to an increase in management business income subject to corporate level taxation. There was also a reduction of the Company's blended state tax rate which caused the Company to reduce its deferred tax assets and increased income tax expense. The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. federal income tax purposes. Due to our legal structure, only a portion of the income we earn is subject to corporate-level tax rates in the United States and foreign jurisdictions. The provision for income taxes includes federal, state and local income taxes in the United States and foreign income taxes at an effective tax rate of 16.8% and 4.3% for the years ended December 31, 2014 and 2013, respectively. The reconciling items between our statutory tax rate and our effective tax rate were due to the following: (i) income passed through to Non-Controlling Interests; (ii) income passed through to Class A shareholders; (iii) amortization of AOG Units that are non-deductible for income tax purposes which were fully amortized as of June 30, 2013; and (iv) state and local income taxes including NYC UBT.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The income tax provision increased by $42.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. As discussed in note 13 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 taxable income of $209.5 million and $130.8 million for the year ended December 31, 2013 and 2012, respectively, after adjusting for permanent tax differences. The $78.7 million change in income before taxes resulted in increased federal, state and local taxes of $42.6 million during the period utilizing a marginal corporate tax rate and adjusting the estimated rate of tax Apollo expects to pay in the future. This was partially offset by a decrease in the income tax provision of $0.5 million which primarily resulted from a decrease in the NYC UBT, as well as taxes on foreign subsidiaries.

Non-Controlling Interests

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net income attributable to Non-Controlling Interests consisted of the following:

	For the Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
AAA[1]	$ (196,964)	$ (331,504)	(278,454)
Interest in management companies and a co-investment vehicle[2]	(13,186)	(18,872)	(7,307)
Other consolidated entities	(17,590)	43,357	50,956
Net income attributable to Non-Controlling Interests in consolidated entities	(227,740)	(307,019)	(234,805)
Net (income) loss attributable to Appropriated Partners' Capital[3]	70,729	(149,934)	(1,816,676)
Net income attributable to Non-Controlling Interests in the Apollo Operating Group	(404,682)	(1,257,650)	(685,357)
Net Income attributable to Non-Controlling Interests	$ (561,693)	$ (1,714,603)	$ (2,736,838)
Net income (loss) attributable to Appropriated Partners' Capital[4]	(70,729)	149,934	1,816,676
Other Comprehensive (income) loss attributable to Non-Controlling Interests	591	(41)	(2,010)
Comprehensive Income Attributable to Non-Controlling Interests	$ (631,831)	$ (1,564,710)	$ (922,172)

(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 97.5%, 97.4% and 97.3% as of December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, 2013 and 2012, Apollo owned approximately 2.5%, 2.6% and 2.7% of AAA, respectively.

(2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit funds.

(3) Reflects net (income) loss of the consolidated CLOs classified as VIEs.

(4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive income attributable to Non-Controlling Interests on the consolidated statements of comprehensive income.

Net income attributable to Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	For the Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Net income	$ 729,922	$ 2,373,994	$ 3,047,795
Net income attributable to Non-Controlling Interests in consolidated entities	(157,011)	(456,953)	(2,051,481)
Net income after Non-Controlling Interests in consolidated entities	572,911	1,917,041	996,314
Adjustments:			
Income tax provision[1]	147,245	107,569	65,410
NYC UBT and foreign tax provision[2]	(10,995)	(10,334)	(10,889)
Net (income) loss in non-Apollo Operating Group entities	(31,150)	(11,774)	948
Total adjustments	105,100	85,461	55,469
Net income after adjustments	678,011	2,002,502	1,051,783
Approximate weighted average ownership percentage of Apollo Operating Group	57.8%	61.0%	64.9%
Net income attributable to Non-Controlling Interests in Apollo Operating Group	$ 404,682	$ 1,257,650	$ 685,357

(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 of the Apollo Operating Group before calculating Non-Controlling Interests as the income allocable to the Apollo Operating Group is not subject to such taxes.

(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to 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 attributable to the Apollo Operating Group.

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 underlying 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, Non-Controlling Interests with the exception of allocations of income to certain individuals and non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company.

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 fee 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 are generally less predictable and more volatile in nature.

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

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Private Equity

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Private Equity:									
Revenues:									
Advisory and transaction fees from affiliates, net	$ 58,241	$ -	$ 58,241	$ 78,371	$ -	$ 78,371	$ 121,744	$ -	$ 121,744
Management fees from affiliates	315,069	-	315,069	284,833	-	284,833	277,048	-	277,048
Carried interest income (loss) from affiliates:									
Unrealized gains (losses)(1)	-	(1,196,093)	(1,196,093)	-	454,722	454,722	-	854,919	854,919
Realized gains	-	1,428,076	1,428,076	-	2,062,525	2,062,525	-	812,616	812,616
Total Revenues	373,310	231,983	605,293	363,204	2,517,247	2,880,451	398,792	1,667,535	2,066,327
Expenses:									
Compensation and Benefits:									
Equity-based compensation	49,526	-	49,526	31,967	-	31,967	31,213	-	31,213
Salary, bonus and benefits	96,689	-	96,689	109,761	-	109,761	104,068	-	104,068
Profit sharing expense	-	178,373	178,373	-	1,030,404	1,030,404	-	726,874	726,874
Total compensation and benefits	146,215	178,373	324,588	141,728	1,030,404	1,172,132	135,281	726,874	862,155
Other expenses	78,735	-	78,735	112,525	-	112,525	83,311	-	83,311
Total Expenses	224,950	178,373	403,323	254,253	1,030,404	1,284,657	218,592	726,874	945,466
Other Income:									
Income from equity method investments	-	30,418	30,418	-	78,811	78,811	-	74,038	74,038
Other income, net	12,976	1,617	14,593	13,006	1,695	14,701	4,653	-	4,653
Total Other Income	12,976	32,035	45,011	13,006	80,506	93,512	4,653	74,038	78,691
Economic Net Income	$ 161,336	$ 85,645	$ 246,981	$ 121,957	$ 1,567,349	$ 1,689,306	$ 184,853	$ 1,014,699	$ 1,199,552

(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. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the reporting 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,			
	2014	2013	Amount Change	Percentage Change	2013	2012	Amount Change	Percentage Change
	(dollars in thousands)				(dollars in thousands)			
Private Equity: &sbsp;								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 58,241	$ 78,371	$ (20,130)	(25.7)%	$ 78,371	$ 121,744	$ (43,373)	(35.6)%
Management fees from affiliates	315,069	284,833	30,236	10.6	284,833	277,048	7,785	2.8
Carried interest income (loss) from affiliates:								
Unrealized gains (losses)(1)	(1,196,093)	454,722	(1,650,815)	NM	454,722	854,919	(400,197)	(46.8)
Realized gains	1,428,076	2,062,525	(634,449)	(30.8)	2,062,525	812,616	1,249,909	153.8
Total carried interest income from affiliates	231,983	2,517,247	(2,285,264)	(90.8)	2,517,247	1,667,535	849,712	51.0
Total Revenues	605,293	2,880,451	(2,275,158)	(79.0)	2,880,451	2,066,327	814,124	39.4
Expenses:								
Compensation and benefits:								
Equity-based compensation	49,526	31,967	17,559	54.9	31,967	31,213	754	2.4
Salary, bonus and benefits	96,689	109,761	(13,072)	(11.9)	109,761	104,068	5,693	5.5
Profit sharing expense	178,373	1,030,404	(852,031)	(82.7)	1,030,404	726,874	303,530	41.8
Total compensation and benefits expense	324,588	1,172,132	(847,544)	(72.3)	1,172,132	862,155	309,977	36.0
Other expenses	78,735	112,525	(33,790)	(30.0)	112,525	83,311	29,214	35.1
Total Expenses	403,323	1,284,657	(881,334)	(68.6)	1,284,657	945,466	339,191	35.9
Other Income:								
Income from equity method investments	30,418	78,811	(48,393)	(61.4)	78,811	74,038	4,773	6.4
Other income, net	14,593	14,701	(108)	(0.7)	14,701	4,653	10,048	215.9
Total Other Income	45,011	93,512	(48,501)	(51.9)	93,512	78,691	14,821	18.8
Economic Net Income	$ 246,981	$1,689,306	$ (1,442,325)	(85.4)%	$1,689,306	$1,199,552	$ 489,754	40.8%

(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. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the reporting 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, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, decreased by $20.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to lower net advisory fees driven by the realization of underlying investments, termination fees and waived fees related to debt investment vehicles, EP Energy, Taminco, Realogy and Caesars Entertainment that occurred during the year ended December 31, 2013 and lower net transaction fees for the year ended December 31, 2014 compared to 2013.

Management fees from affiliates increased by $30.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This increase was primarily attributable to increased management fees earned from Fund VIII in the amount of $126.4 million during the year ended December 31, 2014. This increase was partially offset by decreased management fees earned from Fund VII of $92.9 million as a result of a change in the management fee rate and basis upon which management fees are earned from capital commitments to invested capital, due to the fund coming to the end of the fund's investment period.

Carried interest income from affiliates decreased by $2.3 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreases in carried interest income earned from Fund VI and Fund VII of $1.3 billion and $850.1 million, respectively. Realized carried interest income decreased $634.4 million, driven by decreased realized carried interest with respect to Fund VI and Fund VII of $358.9 million and $261.0 million, respectively, primarily due to decreased dispositions of underlying portfolio investments held during the year as compared to the prior year. Unrealized carried interest income decreased by $1.7 billion during the year ended December 31, 2014, driven by decreases in unrealized carried interest income with respect to Fund VI and Fund VII of $941.4 million and $589.2 million, respectively. These decreases were a result of decreases in the fair value of portfolio investments of Fund VI and Find VII and reversals of unrealized carried interest income to realized carried interest income.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, decreased by $43.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease of $35.4 million in net transaction and termination fees driven by the portfolio company investments of Fund VI, AAA Investments and Fund VII. The net transaction and termination fees related to Fund VI and AAA Investments decreased by $17.9 million and $8.8 million, respectively, due to termination fees earned in 2012 from Realogy, Rexnord and Smart & Final, compared to zero termination fees earned during the year ended December 31, 2013. For the years ended December 31, 2013 and 2012, the net transaction and termination fees related to Fund VII were $42.2 million and $50.9 million, respectively, a decrease of $8.7 million. For 2012, the fees related to Fund VII were driven by net transaction fees earned from EP Energy LLC and Great Wolf Resorts of $42.4 million, whereas during 2013 the fees were driven by net transaction fees earned from McGraw-Hill Education of $14.8 million and net termination fees earned from Taminco and Constellium (formerly Alcan) of $20.6 million. Net advisory fees also decreased by $8.0 million mainly due to decreased monitoring fees earned from portfolio company investments of Fund VI and AAA Investments, which include Berry Plastics, CEVA Logistics, Momentive Performance Materials and Caesars Entertainment. Included in advisory and transaction fees from affiliates is $19.1 million and $0.5 million recognized as a reversal of the Management Fee Offset for Fund V and Fund IV, respectively, and $18.5 million of additional Management Fee Offsets related to director fees, net of director fee income.

Management fees from affiliates increased by $7.8 million for year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was primarily attributable to Fund VIII, which launched in August 2013 and generated $65.0 million in management fees during the year ended December 31, 2013. The increase was also attributed to the Contributed Partnerships, which began earning fees in the fourth quarter 2012 as a result of the AAA Transaction and generated $10.3 million of management fees during the year ended December 31, 2013. See notes 4 and 17 to our consolidated financial statements for a complete summary of the AAA Transaction and fee arrangements related to management fees earned from the Contributed Partnerships. This increase was partially offset by decreased management fees earned from Fund VII of $42.4 million as a result of a change in the management fee rate and basis from capital commitments to invested capital due to the end of its investment period. Management fees earned from Fund VI also decreased by $8.3 million due to lower invested capital during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Carried interest income from affiliates increased by $849.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in carried interest income earned from Fund VI of $548.1 million, Fund VII of $242.4 million and AAA Co-Invest VI of $115.7 million, partially offset by a decrease of $34.8 million from Fund V. Included in carried interest income from affiliates was an increase of $1,249.9 million in realized gains mainly driven by increased dispositions of underlying portfolio investments held during the year by Fund VII, Fund VI, Fund V and AAA Co-Invest VI of $691.3 million, $466.3 million, $65.7 million and $37.9 million, respectively. The remaining change was attributable to a decrease in net unrealized carried interest income of $400.2 million mainly driven by Fund VII and Fund V of $449.0 million and $100.5 million, respectively, resulting from the reversal of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the year. Partly offsetting the decrease in net unrealized carried interest income were increases by Fund VI and AAA Co-Invest VI of $81.7 million and $77.7 million, respectively, due to increases in the fair values of the underlying portfolio investments held during the year.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits expense decreased by $847.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a decrease in profit sharing expense of $852.0 million, due to lower carried interest income during the year ended December 31, 2014 as compared to the year ended December 31, 2013. In any year, the blended profit sharing percentage is impacted by the respective profit sharing ratios of the funds generating carried interest in the period. During the year ended December 31, 2014, the fair value of Fund VII's underlying fund investments appreciated while Fund VI's underlying fund investments depreciated, which contributed to an increased profit sharing percentage compared to the year ended December 31, 2013. This decrease was partially offset by increased equity-based compensation of $17.6 million, driven by non-cash expense related to equity-based compensation in connection with the departure of an executive officer during the year ended December 31, 2014. Included in profit sharing expense is $55.5 million and $46.0 million related to the Incentive Pool for the years ended December 31, 2014 and December 31, 2013, respectively.

Other expenses decreased by $33.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased organizational expenses and legal and consulting fees, as well as a reduction in placement fees relating to Fund VIII.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $310.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily a result of an increase of $303.5 million in profit sharing expense driven by an increase in carried interest income earned by certain of our private equity funds during the year. Also, salary, bonus and benefits and equity-based compensation increased by $5.7 million and $0.8 million, respectively, due to an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Included in profit sharing expense is $46.0 million and $50.3 million related to the Incentive Pool for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $29.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased placement fees and organizational expenses incurred in connection with the capital raising activities for Fund VIII. Professional fees also increased due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other Income

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Income from equity method investments decreased by $48.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily driven by lower appreciation in the net asset value, primarily from Apollo's ownership interests in Fund VI and Fund VII, in the amounts of $4.6 million and $49.3 million, respectively, for the year ended December 31, 2014 as compared to the year ended December 31, 2013, which was offset by an increase in the fair value of Apollo's ownership interest in AION in the amount of $5.8 million.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Income from equity method investments increased by $4.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by increases in the fair values of our private equity investments held, primarily from Apollo's ownership interest in Fund VII, Vantium A/B, C and D and AAA Investments which in total contributed to increased income from equity method investments of $5.6 million during the year. The increase in income from equity method investments was partially offset by a decrease of $1.2 million from the equity investment held in AION for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other income, net increased by $10.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 to our consolidated financial statements for more information on the tax receivable agreement.

Credit

The following tables set forth segment statement of operations information and ENI for our credit segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
					(in thousands)				
Credit:									
Revenues:									&bbsp;
Advisory and transaction fees from affiliates, net	$ 255,186	$ -	$ 255,186	$ 114,643	$ -	$ 114,643	$ 27,551	$ -	$ 27,551
Management fees from affiliates	538,742	-	538,742	392,433	-	392,433	299,667	-	299,667
Carried interest income from affiliates:									-
Unrealized gains (losses) (1)	-	(156,644)	(156,644)	-	(56,568)	(56,568)	-	301,077	301,077
Realized gains	41,199	281,034	322,233	36,922	393,338	430,260	37,842	179,933	217,775
Total Revenues	835,127	124,390	959,517	543,998	336,770	880,768	365,060	481,010	846,070
Expenses:									
Compensation and Benefits:									
Equity-based compensation	48,737	-	48,737	24,167	-	24,167	26,988	-	26,988
Salary, bonus and benefits	210,546	-	210,546	153,056	-	153,056	139,895	-	139,895
Profit sharing expense	-	95,070	95,070	-	142,728	142,728	-	138,444	138,444
Total compensation and benefits	259,283	95,070	354,353	177,223	142,728	319,951	166,883	138,444	305,327
Other expenses	163,082	-	163,082	162,064	-	162,064	149,051	-	149,051
Total Expenses	422,365	95,070	517,435	339,287	142,728	482,015	315,934	138,444	454,378
Other Income:									
Net gains (losses) from investment activities	-	9,062	9,062	-	(12,593)	(12,593)	-	(1,142)	(1,142)
Income from equity method investments	-	18,812	18,812	-	30,678	30,678	-	46,100	46,100
Other income, net	28,538	22,674	51,212	28,540	8,508	37,048	15,008	-	15,008
Total Other Income	28,538	50,548	79,086	28,540	26,593	55,133	15,008	44,958	59,966
Non-Controlling Interests	(12,688)	-	(12,688)	(13,985)	-	(13,985)	(8,730)	-	(8,730)
Economic Net Income	$ 428,612	$ 79,868	$ 508,480	$ 219,266	$ 220,635	$ 439,901	$ 55,404	$ 387,524	$442,928

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $3.4 million in aggregate with respect to two of our credit funds. Included in unrealized carried interest income from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 with respect to SOMA and APC of $1.2 million and $0.3 million, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the reporting 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2014	2013	Amount Change	Percentage Change	2013	2012	Amount Change	Percentage Change
	(dollars in thousands)				(dollars in thousands)			
Credit:								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 255,186	$ 114,643	$ 140,543	122.6%	$ 114,643	$ 27,551	$ 87,092	316.1%
Management fees from affiliates	538,742	392,433	146,309	37.3	392,433	299,667	92,766	31.0
Carried interest income (loss) from affiliates:								
Unrealized gains (losses) (1)	(156,644)	(56,568)	(100,076)	176.9	(56,568)	301,077	(357,645)	NM
Realized gains	322,233	430,260	(108,027)	(25.1)	430,260	217,775	212,485	97.6
Total carried interest income from affiliates	165,589	373,692	(208,103)	(55.7)	373,692	518,852	(145,160)	(28.0)
Total Revenues	959,517	880,768	78,749	8.9	880,768	846,070	34,698	4.1
Expenses:								
Compensation and benefits								
Equity-based compensation	48,737	24,167	24,570	101.7	24,167	26,988	(2,821)	(10.5)
Salary, bonus and benefits	210,546	153,056	57,490	37.6	153,056	139,895	13,161	9.4
Profit sharing expense	95,070	142,728	(47,658)	(33.4)	142,728	138,444	4,284	3.1
Total compensation and benefits	354,353	319,951	34,402	10.8	319,951	305,327	14,624	4.8
Other expenses	163,082	162,064	1,018	0.6	162,064	149,051	13,013	8.7
Total Expenses	517,435	482,015	35,420	7.3	482,015	454,378	27,637	6.1
Other Income:								
Net gains (losses) from investment activities	9,062	(12,593)	21,655	NM	(12,593)	(1,142)	(11,451)	NM
Income from equity method investments	18,812	30,678	(11,866)	(38.7)	30,678	46,100	(15,422)	(33.5)
Other income, net	51,212	37,048	14,164	38.2	37,048	15,008	22,040	146.9
Total Other Income	79,086	55,133	23,953	43.4	55,133	59,966	(4,833)	(8.1)
Non-Controlling Interests	(12,688)	(13,985)	1,297	(9.3)	(13,985)	(8,730)	(5,255)	60.2
Economic Net Income	$ 508,480	$ 439,901	$ 68,579	15.6%	$ 439,901	$ 442,928	$ (3,027)	(0.7)%

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $3.4 million in aggregate with respect to two of our credit funds. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 with respect to SOMA and APC of $1.2 million and $0.3 million, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the reporting 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

Revenues

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, increased by $140.5 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The increase was primarily driven by an increase in monitoring fees from Athene of $118.5 million as a result of Athene's acquisition of Aviva USA and an increase in net transaction fees with respect to EPF II and FCI II during the year ended December 31, 2014 compared to the same period in 2013.

Management fees from affiliates increased by $146.3 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to increases in management fees earned from Athene (as a result of Athene's acquisition of Aviva USA) and AINV of $126.1 million and $8.4 million, respectively, during the year ended December 31, 2014 compared to the same period in 2013.

Carried interest income from affiliates decreased by $208.1 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased carried interest income related to COF I of $46.2 million, certain sub-advisory arrangements of $42.3 million, SOMA of $38.8 million, EPF I of $25.7 million, certain CLOs of $20.6 million, Apollo Offshore Credit Fund of $18.0 million, ACLF of $12.6 million, COF II of $11.4 million and Apollo Investment Europe II, L.P. ("AIE II") of $11.3 million during the year ended December 31, 2014 compared to the same period in 2013. These decreases were partially offset by increased carried interest income related to EPF II of $59.4 million. Included in carried interest income from affiliates was realized carried interest income which decreased $108.0 million primarily resulting from lower realizations from COF I of $127.4 million, COF II of $29.2 million, SOMA of $15.5 million, AIE II of $14.1 million and Apollo Offshore Credit Fund of $11.6 million, partially offset by increased realized carried interest income from EPF I of $100.1 million. Also included in carried interest income was unrealized carried interest income which decreased $100.1 million during the year ended December 31, 2014 compared to the same period in 2013, mainly driven by decreases with respect to EPF I of $125.8 million, certain sub-advisory arrangements of $39.1 million, certain CLOs of $34.7 million, SOMA of $23.2 million, partially offset by a decrease in unrealized carried interest losses with respect to COF I of $81.2 million and an increase in unrealized carried interest income with respect to EPF II of $59.4 million.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $87.1 million, during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Net advisory fees earned were $108.5 million and $21.5 million during the years ended December 31, 2013 and 2012, respectively, which was mainly driven by an increase in monitoring fees based on Athene capital and surplus fees of $91.1 million. Net transaction fees earned were $6.1 million and $6.0 million during the years ended December 31, 2013 and 2012, respectively. Advisory and transaction fees, including directors' fees, are reported net of Management Fee Offsets which totaled $28.0 million and $26.6 million for the years ended December 31, 2013 and 2012, respectively, a decrease of $1.4 million.

Management fees from affiliates increased by $92.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in management fees earned from Athene, EPF II, certain CLOs, and ACF of $72.5 million, $14.0 million, $10.4 million, and $8.7 million, respectively during the year ended December 31, 2013 compared to the same period in 2012. The increase in management fees was partially offset by a $7.8 million decrease in fees generated from COF II and a $7.7 million decrease in fees generated from SVF, compared to the same period in 2012. The remaining change was attributable to other credit funds, collectively, which contributed to an increase of $2.7 million in management fees during the year ended December 31, 2013 compared to the same period in 2012.

Carried interest income from affiliates decreased by $145.2 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to lower carried interest income related to COF I of $100.1 million, COF II of $48.3 million, certain CLOs of $44.5 million, offset by higher carried interest income related to SOMA of $40.0 million and EPF I of $34.5 million for the year ended December 31, 2013 compared to 2012. Included in carried interest income from affiliates was realized carried interest income which increased by $212.5 million, primarily resulting from increased dividends, interest income, and dispositions of portfolio investments held by COF I of $79.0 million, EPF I of $33.0 million, certain CLOs of $29.4 million, SOMA of $17.4 million, and CLF of $17.1 million as compared to 2012. The remaining change was attributable to other credit funds, which in aggregate contributed to an increase of $36.6 million in realized carried interest income. The increase in realized carried interest income was offset by a $357.6 million decrease in net unrealized carried interest loss. This offset primarily resulted from reversals of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the period by COF I, certain CLOs, CLF, and COF II.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits expense increased by $34.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily due to an increase in salary, bonus and benefits of $57.5 million due to increased headcount and an increase in equity-based compensation of $24.6 million. The increase in equity-based compensation was driven by non-cash expense of $23.2 million related to equity-based compensation in connection with the departure of an executive officer during the year ended December 31, 2014 as compared to the same period in 2013. These increases were offset by a decrease in profit sharing expense of $47.7 million during the year ended December 31, 2014 as compared to the same period in 2013, primarily attributable to a corresponding decrease in carried interest income. Within our credit segment, the Company is seeking to further align total compensation for investment professionals with the profitability of the credit business as a whole rather than on a fund-by-fund basis. As a result, the Company incurred approximately $22.0 million of additional profit sharing expense at the inception of the compensation plan during 2014. Additionally, included within profit sharing expense is the Incentive Pool, which resulted in additional profit sharing expense of $6.3 million and $16.3 million for the year ended December 31, 2014 and 2013, respectively.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $14.6 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was primarily due to an increase in salary, bonus, and benefits of $13.2 million during the period, due to increased headcount, and an increase in profit-sharing expense of $4.3 million during the year ended December 31, 2013 as compared to the same period in 2012. Included in the profit sharing expense is the Incentive Pool, with expenses of $16.3 million and $11.8 million for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $13.0 million during the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was driven by a $7.1 million increase in placement fees mainly due to AIF, and a $5.0 million increase in professional fees attributable to higher legal and IT consulting fees during the year ended December 31, 2013 as compared to the same period in 2012.

Other Income

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net gains from investment activities of $9.1 million increased by $21.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 as a result of appreciation in the Company's investment in HFA during the year ended December 31, 2014 prior to the sale of the investment in HFA (see note 4 to the consolidated financial statements.)

Income from equity method investments decreased by $11.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I, EPF I, AIE II, COF III and Apollo Palmetto Strategic Partnership, L.P. which resulted in decreases in income from equity method investments of $6.1 million, $2.2 million, $1.8 million, $1.6 million and $1.1 million, respectively, during the year ended December 31, 2014 as compared to the same period in 2013.

Other income increased by $14.2 million during the year ended December 31, 2014, as compared to the year ended December 31, 2013, mainly due to a gain from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 resulting from changes in projected income estimates and estimated tax rates (see note 17 to our consolidated financial statements) and a gain on extinguishment of a portion of the contingent consideration obligation related to the acquisition of Stone Tower (see note 18 to our consolidated financial statements).

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net losses from investment activities increased by $11.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was related to an increase in unrealized loss resulting from the change in the fair value of the investment in HFA as of December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $15.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I and COF II, which resulted in decreases in income from equity method investments of $13.3 million, and $4.0 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012.

Other income increased by $22.0 million during the year ended December 31, 2013, as compared to December 31, 2012, primarily due to a reduction of the tax receivable agreement liability due to a change in estimated tax rates and a $8.5 million unrealized gain on Athene-related derivative contracts (see note 17 to our consolidated financial statements).

Real Estate

The following tables set forth our segment statement of operations information and ENI for our real estate segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
				(in thousands)					
Real Estate:									
Revenues:									
Advisory and transaction fees from affiliates, net	$ 2,655	$ -	$ 2,655	$ 3,548	$ -	$ 3,548	$ 749	$ -	$ 749
Management fees from affiliates	47,213	-	47,213	53,436	-	53,436	46,326		46,326
Carried interest income from affiliates:									
Unrealized gains	-	4,951	4,951	-	4,681	4,681	-	10,401	10,401
Realized gains	-	3,998	3,998	-	541	541	-	4,673	4,673
Total Revenues	49,868	8,949	58,817	56,984	5,222	62,206	47,075	15,074	62,149
Expenses:									
Compensation and Benefits:									
Equity-based compensation	8,849	-	8,849	10,207	-	10,207	10,741	-	10,741
Salary, bonus and benefits	32,611	-	32,611	31,936	-	31,936	30,611	-	30,611
Profit sharing expense	-	2,747	2,747	-	123	123	-	6,815	6,815
Total compensation and benefits	41,460	2,747	44,207	42,143	123	42,266	41,352	6,815	48,167
Other expenses	23,784	-	23,784	27,620	-	27,620	24,270	-	24,270
Total Expenses	65,244	2,747	67,991	69,763	123	69,886	65,622	6,815	72,437
Other Income:									
Income from equity method investments	-	5,675	5,675	-	3,722	3,722	-	982	982
Other income, net	3,584	-	3,584	2,402	-	2,402	1,271	-	1,271
Total Other Income	3,584	5,675	9,259	2,402	3,722	6,124	1,271	982	2,253
Economic Net Income (Loss)	$ (11,792)	$ 11,877	$ 85	$ (10,377)	$ 8,821	$ (1,556)	$ (17,276)	$ 9,241	$ (8,035)

	For the Year Ended December 31, 2014	2013	Amount Change	Percentage Change	For the Year Ended December 31, 2013	2012	Amount Change	Percentage Change
	(dollars in thousands)				(dollars in thousands)			
Real Estate:								
Revenues:								
Advisory and transaction fees from affiliates, net	$ 2,655	$ 3,548	$ (893)	(25.2)%	$ 3,548	$ 749	$ 2,799	373.7%
Management fees from affiliates	47,213	53,436	(6,223)	(11.6)	53,436	46,326	7,110	15.3
Carried interest income from affiliates:								
Unrealized gains	4,951	4,681	270	5.8	4,681	10,401	(5,720)	(55.0)
Realized gains	3,998	541	3,457	NM	541	4,673	(4,132)	(88.4)
Total carried interest income from affiliates	8,949	5,222	3,727	71.4	5,222	15,074	(9,852)	(65.4)
Total Revenues	58,817	62,206	(3,389)	(5.4)	62,206	62,149	57	0.1
Expenses:								
Compensation and Benefits:								
Equity-based compensation	8,849	10,207	(1,358)	(13.3)	10,207	10,741	(534)	(5.0)
Salary, bonus and benefits	32,611	31,936	675	2.1	31,936	30,611	1,325	4.3
Profit sharing expense	2,747	123	2,624	NM	123	6,815	(6,692)	(98.2)
Total compensation and benefits	44,207	42,266	1,941	4.6	42,266	48,167	(5,901)	(12.3)
Other expenses	23,784	27,620	(3,836)	(13.9)	27,620	24,270	3,350	13.8
Total Expenses	67,991	69,886	(1,895)	(2.7)	69,886	72,437	(2,551)	(3.5)
Other Income:								
Income from equity method investments	5,675	3,722	1,953	52.5	3,722	982	2,740	279.0
Other income, net	3,584	2,402	1,182	49.2	2,402	1,271	1,131	89.0
Total Other Income	9,259	6,124	3,135	51.2	6,124	2,253	3,871	171.8
Economic Net Income (Loss)	$ 85	$ (1,556)	$ 1,641	NM	$ (1,556)	$ (8,035)	$ 6,479	(80.6)%

Revenues

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, decreased by $0.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was attributable to a decrease in capital raised and invested and the realization of underlying investments for which transaction fees and exit fees, respectively, were earned during the year ended December 31, 2013.

Management fees decreased by $6.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease in management fees was primarily due to decreased management fees from the CPI Funds for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Carried interest income from affiliates increased by $3.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase in carried interest income relating to the AGRE U.S. Real Estate Fund, L.P. in the amount of $2.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to additional capital raised and invested and the realization of underlying investments for which transaction fees and exit fees, respectively, were earned during the year.

Management fees increased by $7.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Of this increase, $2.4 million was due to management fees earned from certain sub-advisory agreements and $1.2 million due to fees earned from 2012 CMBS-I Fund, L.P. and 2012 CMBS-II Fund, L.P., which began generating fees in the third quarter of 2012. Additionally, during 2013, ARI invested additional capital and AGRE Debt Fund I, L.P. raised additional fee generating capital which resulted in higher management fees earned during the year of $5.6 million. The increase in management fees was partially offset by a decrease in management fees earned from the CPI Funds of $2.4 million as a result of the realization of underlying investments during the year ended December 31, 2013. Further offsetting the increase was a decrease of $0.5 million in management fees from AGRE U.S. Real Estate Fund, L.P. which generated higher management fees in 2012 due to new commitments to the fund for which the management fees were calculated retrospectively back to the initial closing date of the fund.

Carried interest income from affiliates decreased by $9.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $5.7 million decrease in net unrealized carried interest income driven by a decrease in the fair values of the underlying portfolio investments for certain of the CPI Funds, partially offset by increases in the fair values of the underlying investments of AGRE U.S. Real Estate Fund, L.P. Also driving the change was a decrease in realized carried interest of $4.1 million from the CPI Funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits increased by $1.9 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase of $2.6 million in profit sharing expense, driven by the increase in carried interest income earned from our real estate funds, and a decrease in equity-based compensation of $1.4 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Other expenses decreased by $3.8 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013, primarily attributable to decreased legal fees and organizational expenses, offset by higher consulting fees and technology expenses.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits decreased by $5.9 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in profit sharing expense of $6.7 million driven by the decreased carried interest income earned from our real estate funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This decrease was partially offset by an increase of $1.3 million in salary, bonus and benefits mainly driven by an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other expenses increased by $3.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased professional fees of $3.4 million due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Also, general and administrative expenses increased by $1.8 million due to higher fund-related organizational expenses incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was partially offset by a decrease in interest expense of $1.5 million due to the expiring of interest rate swaps and due to a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other Income

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Other income increased by $3.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was driven by an increase in income from equity method investments of $2.0 million due to an increase in the fair values of our real estate investments held, primarily from Apollo's ownership interest in ARI, and an increase in other income, net primarily due to a gain resulting from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 as a result of a change in projected income estimates and estimated tax rates (see note 17 to our consolidated financial statements).

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Income from equity method investments increased by $2.7 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily driven by an increase of $2.2 million in income from equity method investments in AGRE U.S. Real Estate Fund, L.P.

Other income, net increased by $1.1 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 in the consolidated financial statements for additional information on the tax receivable agreement.

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, 2014, 2013 and 2012, respectively. ENI represents segment income (loss), excluding 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 (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 and (v) non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements. 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.

	For the Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Management Business			
Revenues:			
Advisory and transaction fees from affiliates, net	$ 316,082	$ 196,562	$ 150,044
Management fees from affiliates	901,024	730,702	623,041
Carried interest income from affiliates	41,199	36,922	37,842
Total Revenues	1,258,305	964,186	810,927
Expenses:			
Equity-based compensation	107,112	66,341	68,942
Salary, bonus and benefits	339,846	294,753	274,574
Interest expense	22,394	29,260	37,116
Professional fees(1)	80,607	82,448	63,250
General, administrative and other(2)	96,485	97,085	86,550
Placement fees	15,422	42,424	22,271
Occupancy	40,511	39,946	37,218
Depreciation and amortization	10,182	11,046	10,227
Total Expenses	712,559	663,303	600,148
Other Income:			
Interest income	9,194	10,763	8,149
Other income, net	35,904	33,185	12,783
Total Other Income	45,098	43,948	20,932
Non-Controlling Interests	(12,688)	(13,985)	(8,730)
Economic Net Income	$ 578,156	$ 330,846	$ 222,981

(1) Excludes professional fees related to the consolidated funds.
(2) Excludes general and administrative expenses and interest income related to the consolidated funds.

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, other income, net and profit sharing expenses that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

	For the Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Incentive Business			
Revenues:			
Carried interest income (loss) from affiliates:			
Unrealized gains (losses)[1]	$ (1,347,786)	$ 402,835	$ 1,166,397
Realized gains	1,713,108	2,456,404	997,222
Total Revenues	365,322	2,859,239	2,163,619
Expenses:			
Compensation and Benefits:			
Profit sharing expense:			
Unrealized profit sharing expense[2]	(506,026)	195,298	426,098
Realized profit sharing expense	782,216	977,957	446,035
Total Profit Sharing Expense	276,190	1,173,255	872,133
Other Income:			
Other income, net	24,291	10,203	-
Net gains (losses) from investment activities[3]	9,062	(12,593)	(1,142)
Income from equity method investments	54,905	113,211	121,120
Total Other Income	88,258	110,821	119,978
Economic Net Income	$ 177,390	$ 1,796,805	$ 1,411,464

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $3.4 million in aggregate with respect to two of our credit funds. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) 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 with respect to SOMA and APC, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of the reporting 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

(2) 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 to return previously distributed carried interest income with respect to Fund VI.

(3) Excludes investment income and net gains from investment activities related to consolidated funds and the consolidated VIEs.

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Below is the summary of our total reportable segments, including management and incentive businesses, and a reconciliation of ENI to Net Income Attributable to Apollo Global Management, LLC reported in our consolidated statements of operations:

	For the Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Revenues	$ 1,623,627	$ 3,823,425	$ 2,974,546
Expenses	988,749	1,836,558	1,472,281
Other income	133,356	154,769	140,910
Non-Controlling Interests	(12,688)	(13,985)	(8,730)
Economic Net Income	755,546	2,127,651	1,634,445
Non-cash charges related to equity-based compensation	(502)	(59,847)	(529,712)
Income tax provision	(147,245)	(107,569)	(65,410)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(404,682)	(1,257,650)	(685,357)
Amortization of intangible assets	(34,888)	(43,194)	(43,009)
Net Income Attributable to Apollo Global Management, LLC	$ 168,229	$ 659,391	$ 310,957

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Summary of Distributable Earnings and Economic Net Income

"Distributable Earnings," or "DE," as well as "DE After Taxes and Related Payables", are derived from our segment reported results, and are supplemental measures to assess performance and amounts available for distribution to Class A shareholders, holders of RSUs that participate in distributions and holders of AOG Units. DE represents the amount of net realized earnings without the effects of the consolidation of any of the affiliated funds. DE, which is a component of ENI, is the sum across all segments of (i) total management fees and advisory and transaction fees, excluding monitoring fees received from Athene based on its capital and surplus (as defined in Apollo's transaction advisory services agreement with Athene), (ii) other income (loss), excluding the gains (losses) arising from the reversal of a portion of the tax receivable agreement liability, (iii) realized carried interest income, and (iv) realized investment income, less (i) compensation expense, excluding the expense related to equity-based awards, (ii) realized profit sharing expense, and (iii) non-compensation expenses, excluding depreciation and amortization expense. DE After Taxes and Related Payables represents DE less estimated current corporate, local and non-U.S. taxes as well as the payable under Apollo's tax receivable agreement.

The following table is a summary of DE for the years ended December 31, 2014, 2013 and 2012.

	For the Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Management Business Economic Net Income	$ 578,156	$ 330,846	$ 222,981
Net realized carried interest income	930,892	1,478,447	551,187
Realized investment income(1)	63,951	107,615	66,063
Athene capital and surplus fees(2)	(228,331)	(110,132)	-
Reversal of tax receivable agreement liability(3)(5)	(32,182)	(13,038)	(3,937)
Equity-based compensation	107,112	66,341	68,942
Depreciation and amortization	10,182	11,046	10,227
Distributable Earnings	1,429,780	1,871,125	915,463
Taxes and related payables(4)	(73,565)	(41,151)	(40,800)
Distributable Earnings After Taxes and Related Payables	$ 1,356,215	$ 1,829,974	$ 874,663
Net unrealized carried interest income (loss)	(841,760)	207,537	740,299
Unrealized investment and other income (loss)	24,307	3,206	53,915
Add back: Athene capital and surplus fees(2)	228,331	110,132	-
Add back: Reversal of tax receivable agreement liability(3)(5)	32,182	13,038	3,937
Add back: Taxes and related payables(4)	73,565	41,151	40,800
Less: Equity-based compensation	(107,112)	(66,341)	(68,942)
Less: Depreciation and amortization	(10,182)	(11,046)	(10,227)
Total Economic Net Income	$ 755,546	$ 2,127,651	$ 1,634,445

(1) Represents realized gains from our general partner investments in our funds and other balance sheet investments.

(2) Represents monitoring fees paid by Athene to Apollo by delivery of common shares of Athene Holding, calculated based on Athene's capital and surplus, as defined in our transaction and advisory services agreement with Athene.

(3) Represents gains resulting from reductions of the tax receivable agreement liability due to changes in projected income estimates and estimated tax rates.

(4) Represents the estimated current corporate, local and Non-U.S. taxes as well as the payable under Apollo's tax receivable agreement.

(5) During the year ended December 31, 2014, the calculation of Distributable Earnings was revised to exclude the gains (losses) arising from the reversal of a portion of the tax receivable agreement liability. The prior period financial data was recast to conform to the revised definition of Distributable Earnings. The difference in Distributable Earnings After Taxes and Related Payables under the revised definition as compared to the previous methodology was $13.0 million and $3.9 million for the year ended December 31, 2013 and 2012, respectively.