

Apollo Global Management LLC
Form 10-K
March 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)
9 West 57th Street, 43rd Floor
New York, New York
(Address of principal executive offices)

20-8880053
(I.R.S. Employer
Identification No.)

10019
(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 Act. 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

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2011 the aggregate market value of 47,969,316 Class A shares held by non-affiliates was approximately \$825 million.

As of March 7, 2012 there were 126,309,787 Class A shares and 1 Class B share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward-Looking Statements

This report may contain forward looking statements that are within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, discussions related to Apollo's expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this report, the words believe, anticipate, estimate, expect, intend and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, capital markets or real estate funds, market conditions, generally; our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled Risk Factors in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (SEC), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this report, references to Apollo, we, us, our and the Company refer collectively to Apollo Global Management, LLC and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries.

AMH refers to Apollo Management Holdings, L.P., a Delaware limited partnership owned by APO Corp. and Holdings;

Apollo funds and our funds refer to the funds, alternative asset companies and other entities that are managed by the Apollo Operating Group. Apollo Operating Group refers to:

- (i) the limited partnerships through which our Managing Partners currently operate our businesses; and
- (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our principal investments.

Apollo Operating Group refers to (i) the limited partnerships through which our managing partners currently operate our businesses and (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our principal investments ;

Assets Under Management, or AUM, refers to the investments we manage or with respect to which we have control, including capital we have the right to call from our investors pursuant to their capital commitments to various funds. Our AUM equals the sum of:

- (i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments plus non-recallable capital to the extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;

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- (ii) the net asset value, or NAV, of our capital markets funds, other than certain senior credit funds, which are structured as collateralized loan obligations (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) or certain collateralized loan obligation and collateralized debt obligation credit funds that have a fee generating basis other than mark-to-market asset values, plus used or available leverage and/or capital commitments;
- (iii) the gross asset values or net asset values of our real estate entities and the structured portfolio vehicle investments included within the funds we manage, which includes the leverage used by such structured portfolio vehicles;
- (iv) the incremental value associated with the reinsurance investments of the portfolio company assets that we manage; and
- (v) the fair value of any other investments that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

Fee-generating AUM consists of assets that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. Management fees are normally based on net asset value, gross assets, adjusted par asset value, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, stockholders equity, invested capital contributions, each as defined in the applicable management agreement. Monitoring fees for AUM purposes are based on the total value of certain structured portfolio vehicle investments, which normally include leverage, less any portion of such total value that is already considered in fee-generating AUM.

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner and co-investment ownership, (c) unused credit facilities, (d) available commitments on those funds that generate management fees on invested capital, (e) structured portfolio vehicle investments that do not generate monitoring fees and (f) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value. We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income.

carried interest, incentive income and carried interest income refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees calculated by reference to the performance of such fund or its underlying investments;

co-founded means the individual joined Apollo in 1990, the year in which the company commenced business operations;

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contributing partners refers to those of our partners (and their related parties) who indirectly own (through Holdings) Apollo Operating Group units;

distressed and event-driven hedge funds refers to certain of our capital markets funds, including SVF, VIF, SOMA, AAOF and certain of our strategic investment accounts;

feeder funds refer to funds that operate by placing substantially all of their assets in, and conducting substantially all of their investment and trading activities through, a master fund, which is designed to facilitate collective investment by the participating feeder funds. With respect to certain of our funds that are organized in a master-feeder structure, the feeder funds are permitted to make investments outside the master fund when deemed appropriate by the fund's investment manager;

gross IRR of a fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on December 31, 2011 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, carried interest and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund's investors;

Holdings means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our managing partners and contributing partners hold their Apollo Operating Group units;

IRS refers to the Internal Revenue Service;

managing partners refers to Messrs. Leon Black, Joshua Harris and Marc Rowan collectively and, when used in reference to holdings of interests in Apollo or Holdings, includes certain related parties of such individuals;

net IRR of a fund means the gross IRR applicable to all investors, including related parties which may not pay fees, net of management fees, organizational expenses, transaction costs, and certain other fund expenses (including interest incurred by the fund itself) and realized carried interest all offset to the extent of interest income, and measures returns based on amounts that, if distributed, would be paid to investors of the fund; to the extent that an Apollo private equity fund exceeds all requirements detailed within the applicable fund agreement, the estimated unrealized value is adjusted such that a percentage of up to 20.0% of the unrealized gain is allocated to the general partner, thereby reducing the balance attributable to fund investors;

net return for Value Funds, SOMA and AAOF represents the calculated return that is based on month-to-month changes in net assets and is calculated using the returns that have been geometrically linked based on capital contributions, distributions and dividend reinvestments, as applicable;

our manager means AGM Management, LLC, a Delaware limited liability company that is controlled by our managing partners;

permanent capital means capital of funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, which currently consist of AAA, Apollo Investment Corporation and Apollo Commercial Real Estate Finance, Inc.; such funds may be required, or elect, to return all or a portion of capital gains and investment income;

private equity investments refers to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not

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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.

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PART I.

ITEM 1. BUSINESS

Overview

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate, with significant distressed investment expertise. We have a flexible mandate in the majority of the funds we manage that enables the funds to invest opportunistically across a company's capital structure. We raise, invest and manage funds on behalf of some of the world's most prominent pension and endowment funds, as well as other institutional and individual investors. As of December 31, 2011, we had total AUM of \$75.2 billion across all of our businesses. Our latest private equity buyout fund, Fund VII, held a final closing in December 2008, raising a total of \$14.7 billion, and as of December 31, 2011 Fund VII had \$6.2 billion of uncalled commitments, or "dry powder", remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through December 31, 2011. A number of our capital markets funds have also performed well since their inception through December 31, 2011.

Apollo is led by our managing partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 20 years and lead a team of 548 employees, including 201 investment professionals, as of December 31, 2011. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Hong Kong, and Mumbai. We operate our private equity, capital markets and real estate businesses in a highly integrated manner, which we believe distinguishes us from other alternative asset managers. Our investment professionals frequently collaborate across disciplines. We believe that this collaboration, including market insight, management, banking and consultant contacts, and investment opportunities, enables us to more successfully invest across a company's capital structure. This platform and the depth and experience of our investment team have enabled us to deliver strong long-term investment performance in our private equity funds throughout a range of economic cycles.

Our objective is to achieve superior long-term risk-adjusted returns for our fund investors. The majority of our investment funds are designed to invest capital over periods of seven or more years from inception, thereby allowing us to generate attractive long-term returns throughout economic cycles. Our investment approach is value-oriented, focusing on nine core industries in which we have considerable knowledge and experience, and emphasizing downside protection and the preservation of capital. We are frequently contrarian in our investment approach, which is reflected in a number of ways, including:

our willingness to invest in industries that our competitors typically avoid;

the often complex structures we employ in some of our investments, including our willingness to pursue difficult corporate carve-out transactions;

our experience investing during periods of uncertainty or distress in the economy or financial markets when many of our competitors simply reduce their investment activity;

our orientation towards sole sponsored transactions when other firms have opted to partner with others; and

our willingness to undertake transactions that have substantial business, regulatory or legal complexity.

We have applied this investment philosophy to identify what we believe are attractive investment opportunities, deploy capital across the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

We rely on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy significant amounts of new capital within challenging economic

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environments. As in prior market downturns and periods of significant volatility, in the current environment we have been purchasing distressed securities and continue to opportunistically build positions in high quality companies with stressed balance sheets in industries where we have deep expertise. From the fourth quarter of 2007 through December 31, 2011, Apollo's private equity and capital markets funds have acquired approximately \$15.6 billion of par value of distressed debt and approximately \$37.4 billion of par value of leveraged loans, both at significant discounts to par. Our approach towards investing in distressed situations often requires us to purchase particular debt securities as prices are declining, since this allows us both to reduce our average cost and accumulate sizable positions which may enhance our ability to influence any restructuring plans and maximize the value of our distressed investments. As a result, our investment approach may produce negative short-term unrealized returns in certain of the funds we manage. However, we concentrate on generating attractive, long-term, risk-adjusted realized returns for our fund investors, and we therefore do not overly depend on short-term results and quarterly fluctuations in the unrealized fair value of the holdings in our funds.

In addition to deploying capital in new investments, we seek to enhance value in the investment portfolios of the funds we manage. We have relied on our transaction, restructuring and capital markets experience to work proactively with our private equity funds' portfolio company management teams to identify and execute strategic acquisitions, joint ventures, and other transactions, generate cost and working capital savings, reduce capital expenditures, and optimize capital structures through several means such as debt exchange offers and the purchase of portfolio company debt at discounts to par value.

We had total AUM of \$75.2 billion as of December 31, 2011, consisting of \$35.4 billion in our private equity business, \$31.9 billion in our capital markets business and \$8.0 billion in our real estate business. We have grown our total AUM at a 31.1% compound annual growth rate, or CAGR, from December 31, 2004 to December 31, 2011. In addition, we benefit from mandates with long-term capital commitments in our private equity, capital markets and real estate businesses. Our long-lived capital base allows us to invest assets with a long-term focus, which is an important component in generating attractive returns for our investors. We believe our long-term capital also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets has historically been more challenging than during periods of economic expansion. As of December 31, 2011, approximately 92% of our AUM was in funds with a contractual life at inception of seven years or more, and 10% of our AUM was in permanent capital vehicles with unlimited duration.

We expect our growth in AUM to continue over time by seeking to create value in our funds' existing private equity, capital markets and real estate investments, continuing to deploy our available capital in what we believe are attractive investment opportunities, and raising new funds and investment vehicles as market opportunities present themselves. See Item 1A. Risk Factors - Risks Related to Our Businesses. We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure on fee arrangements of our future funds.

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Our Businesses

We have three business segments: private equity, capital markets and real estate. We also manage (i) AAA, a publicly listed permanent capital vehicle, which invests substantially all of its capital in or alongside Apollo-sponsored entities, funds and other investments, and (ii) several strategic investment accounts established to facilitate investments by third-party investors directly in Apollo-sponsored funds and other transactions. We have also raised a dedicated natural resources fund, which we include within our private equity segment, that targets global private equity opportunities in energy, metals and mining and select other natural resources sub-sectors. The diagram below summarizes our current businesses:

- (1) All data is as of December 31, 2011. The chart does not reflect legal entities or assets managed by former affiliates.
- (2) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to \$1.30 as of December 31, 2011.

Our financial results are highly variable, since carried interest (which generally constitutes a large portion of the income from the funds we manage), and the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. We manage our business and monitor our performance with a focus on long-term performance, an approach that mirrors the investment horizons of the funds we manage and is driven by the investment returns of our funds.

Private Equity

Private Equity Funds

As a result of our long history of private equity investing across market cycles, we believe we have developed a unique set of skills which we rely on to make new investments and to maximize the value of our

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existing investments. As an example, through our experience with traditional private equity buyouts, we apply a highly disciplined approach towards structuring and executing transactions, the key tenets of which include acquiring companies at below industry average purchase price multiples, and establishing flexible capital structures with long-term debt maturities and few, if any, financial maintenance covenants.

We believe we have a demonstrated ability to adapt quickly to changing market environments and capitalize on market dislocations through our traditional, distressed and corporate buyout approach. In prior periods of strained financial liquidity and economic recession, our private equity funds have made attractive investments by buying the debt of quality businesses (which we refer to as classic distressed debt), converting that debt to equity, seeking to create value through active participation with management and ultimately monetizing the investment. This combination of traditional and corporate buyout investing with a distressed option has been deployed through prior economic cycles and has allowed our funds to achieve attractive long-term rates of return in different economic and market environments. In addition, during prior economic downturns we have relied on our restructuring experience and worked closely with our funds' portfolio companies to maximize the value of our funds' investments.

Traditional Buyouts

Traditional buyouts have historically comprised the majority of our investments. We generally target investments in companies where an entrepreneurial management team is comfortable operating in a leveraged environment. We also pursue acquisitions where we believe a non-core business owned by a large corporation will function more effectively if structured as an independent entity managed by a focused, stand-alone management team. Our leveraged buyouts have generally been in situations that involved consolidation through merger or follow-on acquisitions; carveouts from larger organizations looking to shed non-core assets; situations requiring structured ownership to meet a seller's financial goals; or situations in which the business plan involved substantial departures from past practice to maximize the value of its assets.

Distressed Buyouts and Debt Investments

Over our history, approximately 46% of our private equity investments have involved distressed buyouts and debt investments. We target assets with high-quality operating businesses but low-quality balance sheets, consistent with our traditional buyout strategies. The distressed securities we purchase include bank debt, public high-yield debt and privately held instruments, often with significant downside protection in the form of a senior position in the capital structure, and in certain situations we also provide debtor-in-possession (DIP) financing to companies in bankruptcy. Our investment professionals generate these distressed buyout and debt investment opportunities based on their many years of experience in the debt markets, and as such they are generally proprietary in nature.

We believe distressed buyouts and debt investments represent a highly attractive risk/reward profile. Our investments in debt securities have generally resulted in two outcomes. The first has been when we succeed in taking control of a company through its distressed debt. By working proactively through the restructuring process, we are able to equitize our debt position, resulting in a well-financed buyout. Once we control the company, the investment team works closely with management toward an eventual exit, typically over a three- to five-year period as with a traditional buyout. The second outcome for debt investments has been when we do not gain control of the company. This is typically driven by an increase in the price of the debt beyond what is considered an attractive acquisition valuation. The run-up in bond prices is usually a result of market interest or a strategic investor's interest in the company at a higher valuation than we are willing to pay. In these cases, we typically sell our securities for cash and seek to realize a high short-term internal rate of return.

Corporate Partner Buyouts

Corporate partner buyouts or carve-out situations offer another way to capitalize on investment opportunities during environments in which purchase prices for control of companies are at high multiples of

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earnings, making them less attractive for traditional buyout investors. Corporate partner buyouts focus on companies in need of a financial partner in order to consummate acquisitions, expand product lines, buy back stock or pay down debt. In these investments, we do not seek control but instead make significant investments that typically allow us to demand control rights similar to those that we would require in a traditional buyout, such as control over the direction of the business and our ultimate exit. Although corporate partner buyouts historically have not represented a large portion of our overall investment activity, we do engage in them selectively when we believe circumstances make them an attractive strategy.

Corporate partner buyouts typically have lower purchase multiples and a significant amount of downside protection, when compared with traditional buyouts. Downside protection can come in the form of seniority in the capital structure, a guaranteed minimum return from a creditworthy partner, or extensive governance provisions. Importantly, Apollo has often been able to use its position as a preferred security holder in several buyouts to weather difficult times in a portfolio company's lifecycle and to create significant value in investments that otherwise would have been impaired.

Other Investments

In addition to our traditional, distressed and corporate partner buyout activities, we also maintain the flexibility to deploy capital of our private equity funds in other types of investments such as the creation of new companies, which allows us to leverage our deep industry and distressed expertise and collaborate with experienced management teams to seek to capitalize on market opportunities that we have identified, particularly in asset-intensive industries that are in distress. In these types of situations, we have the ability to establish new entities that can acquire distressed assets at what we believe are attractive valuations without the burden of managing an existing portfolio of legacy assets. Similar to our corporate partner buyout activities, other investments, such as the creation of new companies, historically have not represented a large portion of our overall investment activities, although we do make these types of investments selectively.

Natural Resources

Apollo recently established Apollo Natural Resources Partners, L.P. (together with any parallel fund or alternative investment vehicle, ANRP), and has assembled a team of dedicated investment professionals to capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. As of December 31, 2011, ANRP had raised nearly \$600 million of capital commitments.

Building Value in Portfolio Companies

We are a hands-on investor organized around nine core industries where we believe we have significant knowledge and expertise, and we remain actively involved with the operations of our buyout investments for the duration of the investment. In connection with this strategy, we have established relationships with operating executives that assist in the diligence review of new opportunities and provide strategic and operational oversight for portfolio investments. In addition, we have established a group purchasing program to leverage the combined corporate spending among Apollo and portfolio companies of the funds it manages in order to seek to reduce costs, optimize payment terms and improve service levels for all program participants.

Exiting Investments

We realize the value of the investments that we have made on behalf of our funds typically through either an initial public offering, or IPO, of common stock on a nationally recognized exchange or through the private sale of the companies in which we have invested. We believe the advantage of having long-lived funds and complete investment discretion is that we are able to time our exit when we believe we may most appropriately maximize value.

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The following table presents the current list of portfolio companies included in our private equity funds as of December 31, 2011.

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region	Sole Financial Sponsor
Ascometal	2011	Fund VII & ANRP	Corporate Partner	Materials	Western Europe	Yes
Brit Insurance	2011	Fund VII	Traditional	Insurance	Western Europe	No
CKx	2011	Fund VII	Traditional	Media, Entertainment & Cable	North America	Yes
Sprouts Farmers Markets	2011	Fund VI	Traditional	Food Retail	North America	Yes
Welspun	2011	Fund VII & ANRP	Other	Materials	India	No
Aleris International	2010	Fund VII & VI	Distressed	Building Products	Global	No
Athlon	2010	Fund VII	Other	Oil & Gas	North America	Yes
CKE Restaurants Inc.	2010	Fund VII	Traditional	Food Retail	North America	Yes
Constellium (formerly Alcan)	2010	Fund VII	Corporate Partner	Materials	Western Europe	No
Evertec	2010	Fund VII	Traditional	Financial Services	Puerto Rico	No
Gala Coral Group	2010	Fund VII & VI	Distressed	Gaming & Leisure	Western Europe	No
LyondellBasell	2010	Fund VII & VI	Distressed	Chemicals	Global	No
Monier	2010	Fund VII	Distressed	Building Products	Western Europe	No
Twin River	2010	Fund VII	Distressed	Gaming & Leisure	North America	No
Veritable Maritime	2010	Fund VII	Other	Shipping	North America	Yes
Charter Communications	2009	Fund VII & VI	Distressed	Media, Entertainment & Cable	North America	No
Dish TV	2009	Fund VII	Other	Media, Entertainment & Cable	India	No
Caesars Entertainment	2008	Fund VI	Traditional	Gaming & Leisure	North America	No
Norwegian Cruise Line	2008	Fund VI	Corporate Partner	Cruise	North America	Yes
Skylink	2008	Fund VII	Traditional	Logistics	North America	No
Claire's	2007	Fund VI	Traditional	Specialty Retail	Global	Yes
Countrywide	2007	Fund VI	Traditional	Real Estate Services	Western Europe	Yes
Jacuzzi Brands	2007	Fund VI	Traditional	Building Products	Global	Yes
Noranda Aluminum	2007	Fund VI	Traditional	Materials	North America	Yes
Prestige Cruise Holdings	2007	Fund VII & VI	Corporate Partner	Cruise	North America	Yes
Realogy	2007	Fund VI	Traditional	Real Estate Services	North America	Yes
Smart & Final	2007	Fund VI	Traditional	Food Retail	North America	Yes
Vantium	2007	Fund VII	Other	Business Services	North America	Yes
Berry Plastics ⁽¹⁾	2006	Fund VI & V	Traditional	Packaging & Materials	North America	Yes
CEVA Logistics ⁽²⁾	2006	Fund VI	Traditional	Logistics	Western Europe	Yes
Hughes Telematics	2006	Fund V	Traditional	Satellite & Wireless	North America	Yes
Rexnord ⁽³⁾	2006	Fund VI	Traditional	Diversified	North America	Yes
SourceHOV ⁽⁴⁾	2006	Fund V	Traditional	Industrial	North America	Yes
Verso Paper	2006	Fund VI	Traditional	Financial Services	North America	Yes
Affinion Group	2005	Fund V	Traditional	Paper Products	North America	Yes
Metals USA	2005	Fund V	Traditional	Financial Services	North America	Yes
AMC Entertainment	2004	Fund V	Traditional	Distribution & Transportation	North America	Yes
PLASE Capital	2004	Fund V	Traditional	Media, Entertainment & Cable	North America	No
Core-Mark	2003	Fund V	Traditional	Financial Services	North America	Yes
Momentive Performance Materials	2002	Fund V	Distressed	Distribution & Transportation	North America	No
	2000/2004/2006	Fund IV, V & VI	Traditional	Chemicals	North America	Yes

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Sirius XM Radio, Inc.		1998	Fund IV	Traditional	Broadcasting	North America	Yes
Quality Distribution		1998	Fund III	Traditional	Distribution & Transportation	North America	Yes
Debt Investment Vehicles	Fund VII	Various	Fund VII	Various	Various	Various	Various
Debt Investment Vehicles	Fund VI	Various	Fund VI	Various	Various	Various	Various
Debt Investment Vehicles	Fund V	Various	Fund V	Various	Various	Various	Various

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- (1) Prior to merger with Covalence.
- (2) Includes add-on investment in EGL, Inc.
- (3) Includes add-on investment in Zurn.
- (4) Subsequent to merger with SOURCECORP.

Capital Markets

We believe our capital markets expertise has served as an integral component of our company's growth and success. Our credit-oriented capital markets operations commenced in 1990 with the management of a \$3.5 billion high-yield bond and leveraged loan portfolio. Since that time, our capital markets activities have grown significantly, and leverage Apollo's integrated platform and utilize the same disciplined, value-oriented investment philosophy that we employ with respect to our private equity funds. Our capital markets operations, which include 95 investment professionals as of December 31, 2011, are led by James Zelter, who has served as the managing director of the capital markets business since April 2006. Our capital markets business had total and fee-generating AUM of \$31.9 billion and \$26.6 billion, respectively, as of December 31, 2011 and grew its total and fee-generating AUM by a 53.9% and 50.2% CAGR, respectively, from December 31, 2004 through December 31, 2011.

Our credit-oriented capital markets funds have been established to capitalize upon our investment experience and deep industry expertise. We seek to participate in capital markets businesses where we believe our industry expertise and experience can be used to generate attractive investment returns. As depicted in the chart below, our capital markets activities span a broad range of the credit spectrum, including non-performing loans, distressed debt, mezzanine debt, senior bank loans and value-oriented fixed income. The value-oriented fixed income segment of the capital markets spectrum is the most recent investment area for Apollo, and it is characterized by its ability to generate attractive risk-adjusted returns relative to traditional fixed income investments.

As of December 31, 2011, our capital markets funds included distressed and event-driven hedge funds with total AUM of \$1.9 billion, mezzanine funds with total AUM of \$3.9 billion, senior credit funds with total AUM of \$15.4 billion, and a European non-performing loan fund with total AUM of \$1.9 billion. Our capital markets segment also includes a number of strategic investment accounts, a fund focused on opportunities in the life settlements industry, and permanent capital vehicles including Apollo Senior Floating Rate Fund Inc. (AFT), Apollo Residential Mortgage, Inc. (AMTG) and Athene Asset Management LLC, which provides asset management services to certain annuity and life insurance providers.

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Distressed and Event-Driven Hedge Funds

We currently manage distressed and event-driven hedge funds that invest primarily in North America, Europe and Asia. These funds had a total of \$1.9 billion in AUM as of December 31, 2011. Investors can invest in several of our distressed and event-driven hedge funds as frequently as monthly. Our distressed and event-driven hedge funds utilize similar value-oriented investment philosophies as our private equity business and are focused on capitalizing on our substantial industry and credit knowledge.

Value Funds. We are the investment managers for our flagship distressed Value Funds, which utilize similar investment strategies. The Value Funds seek to identify and capitalize on absolute-value driven investment opportunities. Apollo Value Investment Master Fund, L.P., together with its feeder funds (VIF) began investing capital in October 2003 and is currently closed to new investors. Apollo Strategic Value Master Fund, L.P., together with its feeder funds (SVF) began investing capital in June 2006 and is currently open to new investors. The Value Funds had a combined net asset value of approximately \$765.6 million as of December 31, 2011, and had a net return of 50.0% since inception and (9.6)% for the year ended December 31, 2011.

The Value Funds flexible investment strategy primarily focuses on investments in distressed companies before, during, or after a restructuring, as well as undervalued securities. Investments are executed primarily through the purchase or sale of senior secured bank debt, second lien debt, high yield debt, trade claims, credit derivatives, preferred stock and equity. As of December 31, 2011, the Value Funds investments were primarily located in North America, and comprised approximately 68% of the portfolio, with the remaining 32% of the total portfolio being investments made internationally.

SOMA. SOMA is a private investment fund we formed to manage for one of our Strategic Investors. SOMA seeks to generate attractive risk-adjusted returns through investment in distressed opportunities, primarily in North America and Europe. This fund s primary mandate is a very similar investment strategy to our Value Funds and is currently managed by the same investment professionals. SOMA began investing capital in March 2007 and represents a commitment by one of our Strategic Investors of \$800.0 million. The fund had a net asset value of approximately \$963.0 million as of December 31, 2011, including \$748.0 million in the primary mandate, which had a net return of 25.9% since inception and (10.5)% for the year ended December 31, 2011.

Apollo Asia Opportunity Fund. Apollo Asia Opportunity Fund (AAOF) is an investment vehicle that seeks to generate attractive risk-adjusted returns throughout economic cycles by capitalizing on investment opportunities in the Asian markets, excluding Japan, and targeting event-driven volatility across capital structures, as well as opportunities to develop proprietary platforms. AAOF began investing capital in February 2007. The fund had a net asset value of approximately \$230.6 million as of December 31, 2011, and had a net return of 7.4% since inception and (7.3)% for the year ended December 31, 2011

Mezzanine Funds

We manage U.S. and European-based mezzanine funds and related investment vehicles with total AUM of \$3.9 billion as of December 31, 2011, including: (i) Apollo Investment Corporation (AINV), a U.S.-based permanent capital vehicle, which is a publicly traded, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (Investment Company Act) and to be treated for tax purposes as a regulated investment company under the Internal Revenue Code; (ii) Apollo Investment Europe I, L.P. (AIE I), which is an unregistered private closed-end investment fund formed in June 2006; and (iii) Apollo Investment Europe II, L.P. (AIE II), which is an unregistered private closed-end investment fund formed in April 2008. AIE I and AIE II seek to capitalize upon mezzanine and subordinated debt opportunities with a focus on Western Europe.

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Apollo Investment Corporation. Apollo Investment Corporation's common stock is quoted on the NASDAQ Global Select Market under the symbol AINV and is currently a component of the S&P MidCap 400 index. AINV raised over \$870 million of net permanent investment capital through its initial public offering on the NASDAQ in April 2004. Since that time, AINV has successfully completed several secondary offerings and raised approximately \$1.9 billion of net incremental permanent investment capital. Since inception in April 2004 through December 31, 2011, the annualized return on AINV's net asset value was 3.9%, and as of December 31, 2011, AINV's net asset value was approximately \$1.6 billion. AINV has the ability to incur indebtedness by issuing senior securities in amounts such that its asset coverage equals at least 200% after each issuance.

European Mezzanine Funds. AIE I and AIE II, our European mezzanine funds, are unregistered private closed-end investment funds formed in June 2006 and April 2008, respectively, that seek to more fully capitalize upon mezzanine and subordinated debt opportunities with a primary focus on Western Europe. As of December 31, 2011, AIE I and AIE II had an investment portfolio of approximately 87% in secured and unsecured subordinated loans (also referred to as mezzanine loans), senior secured loans and high-yield debt.

As of December 31, 2011, AIE I had an investment portfolio of approximately \$30.7 million at market value, based on an exchange rate of 1.00 to \$1.30 as of such date. Due to market conditions in 2008 and early 2009, AIE I's investment performance was adversely impacted, and on July 10, 2009, its shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling AIE I's assets over a three-year period from July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of AIE I's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with applicable law and maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid.

The investment objective of AIE II is to generate both capital appreciation and current income through debt and equity investments. AIE II utilizes a disciplined investment approach that seeks to evaluate the appropriate part of the capital structure in which to invest based on the risk/reward profile of the investment opportunity. AIE II invests primarily in European mezzanine investments, with a primary focus in Western Europe. AIE II participates in both the primary and secondary credit markets based on the relative attractiveness of each at any given time.

As of December 31, 2011, AIE II had an investment portfolio of approximately \$237.9 million at market value based on an exchange rate of 1.00 to \$1.30 as of such date, and had a net IRR of 14.2% since inception until December 31, 2011. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - The Historical Investment Performance of Our Funds for reasons why AIE II's returns might decrease from its historical performance and the historical performances of our other funds.

Senior Credit Funds

We believe we are a leading manager of senior credit. We manage senior credit funds with total AUM of \$15.4 billion as of December 31, 2011. We began to establish these funds, which are primarily oriented towards the acquisition of leveraged loans and other performing senior debt, in late 2007 and 2008, in order to capitalize upon the supply-demand imbalances in the leveraged finance market. Since that time, we have been actively investing these funds and have established new senior credit funds. Our senior credit funds together with our private equity funds and certain other capital markets funds, as of December 31, 2011, have deployed approximately \$34.0 billion, including leverage, in senior credit investments. We believe these funds benefit from the broad range of investment opportunities that arise as a result of our deep industry and credit expertise. The following funds comprise the majority of our senior credit funds' AUM.

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Apollo Credit Opportunity Fund I, L.P. Apollo Credit Opportunity Fund I, L.P. (COF I) began investing in April 2008 and, as of December 31, 2011, had aggregate capital commitments of approximately \$1.5 billion, primarily from one of our Strategic Investors. COF I principally invests, through privately negotiated transactions, in senior secured debt instruments, including bank loans and bonds, as well as opportunistically investing in a variety of other public and private debt instruments such as DIP financings, rescue or bridge financings, and other debt instruments. COF I may use leverage to finance portfolio investments, including as incurred by the fund's subsidiaries or special-purpose vehicles, and may enter into credit facilities or other debt transactions to leverage its investments.

Our capital commitment to COF I is equal to 2.0% of the aggregate capital commitments of COF I's limited partners (without regard to any co-investment commitments). COF I is closed to additional investors. As of December 31, 2011, COF I had a net asset value of approximately \$1.9 billion.

Apollo Credit Opportunity Fund II, L.P. Apollo Credit Opportunity Fund II, L.P. (COF II) began investing in June 2008 and has aggregate capital commitments of approximately \$1.6 billion as of December 31, 2011. COF II principally invests, through privately negotiated transactions, in senior secured debt instruments, including bank loans and bonds, as well as opportunistically investing in a variety of other public and private debt instruments such as DIP financings, rescue or bridge financings, and other debt instruments. COF II may use leverage to finance portfolio investments, including as incurred by the fund's subsidiaries or special-purpose vehicles, and may enter into credit facilities or other debt transactions to leverage its investments.

Our capital commitment to COF II is equal to 1.5% of the aggregate capital commitments of COF II's limited partners (without regard to any co-investment commitments). COF II is closed to additional investors. As of December 31, 2011, COF II had a net asset value of approximately \$1.6 billion.

Apollo Credit Liquidity Fund, L.P. Apollo Credit Liquidity Fund, L.P. (ACLF) began investing capital in October 2007 and held its final closing on November 13, 2007 with initial aggregate capital commitments of \$681.6 million. Subsequent to the final closing, ACLF accepted additional commitments of \$302.4 million, raising the aggregate capital commitments to \$984.0 million by December 10, 2008. ACLF invests principally in senior secured bank debt and debt related securities in the United States and Western Europe. Additionally, up to 20% of ACLF's capital commitments may be invested in other types of debt and debt related securities, including non-senior bank debt, publicly traded debt securities, bridge financings and the equity tranche of any collateralized debt obligation fund sponsored by Apollo or others. Investments may be effected using a wide variety of investment types and transaction structures, including the use of derivatives or other credit instruments, such as credit default swaps, total return swaps and any other credit securities or other credit instruments.

Our capital commitment to ACLF is equal to 2.4% of the aggregate capital commitments of ACLF's limited partners (without regard to any co-investment commitments). ACLF is closed to additional investors. As part of the initial closing of ACLF, Apollo closed on a co-investment vehicle that has the capacity to invest alongside ACLF on a pre-determined proportionate basis in senior debt investments, which we refer to as ACLF Co-Invest. As of December 31, 2011, ACLF had net assets of \$586.1 million and was primarily invested in debt-related securities and various derivative instruments.

Apollo/Artus Investors 2007 I, L.P. Apollo/Artus Investors 2007 I, L.P. (Artus) closed on October 19, 2007 with aggregate capital commitments of \$106.6 million, including a commitment from one of our Strategic Investors. In November 2007, Artus purchased certain collateralized loan obligations. The collateralized loan obligations are secured by a diversified pool of approximately \$0.5 billion in aggregate principal amount of commercial loans and cash as of December 31, 2011.

Apollo Senior Floating Rate Fund. During 2010, we formed AFT, a non-diversified, closed-end management investment company. The investment objective of the fund is to seek current income and preservation of capital primarily through investments in senior secured loans made to companies whose debt is

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rated below investment grade and investments with similar economic characteristics. During the first quarter of 2011, the fund issued \$309 million of common shares (\$295 million net of offering costs) in its initial public offering and trades on the New York Stock Exchange under the symbol AFT.

Apollo European Credit Fund. During 2011 we established Apollo European Credit, L.P. (AEC), which seeks to generate total returns via both capital gains and current income, with a secondary objective of capital preservation, by investing in a variety of fixed income investment opportunities in Europe. We generally expect that at least 70% of AEC's investments will be made in securities issued by, or loans made to, companies established or operating in Europe, with a focus on Western Europe. As of December 31, 2011, AEC had total AUM of \$234 million.

Gulf Stream Asset Management. In addition to the funds listed above, on October 24, 2011, we completed the acquisition of Gulf Stream Asset Management, LLC (Gulf Stream), a leading asset manager of ten collateralized loan obligations, or CLOs, primarily focused on the U.S. corporate credit markets. The Gulf Stream acquisition increased Apollo's AUM by \$3 billion. We believe Gulf Stream is highly complementary to our existing CLO management activities, and brings our total number of CLOs under management to 14 as of December 31, 2011.

Non-Performing Loan Funds

Apollo European Principal Finance Fund. Apollo European Principal Finance Fund L.P. (EPF) is an investment fund launched in May 2007 that invests primarily in European commercial and residential mortgage performing and non-performing loans (NPLs) and unsecured consumer loans. NPLs are loans held by financial institutions that are in default of principal or interest payments for 90 days or more. We estimate that the size of the European NPL and non-core asset market is approximately 1.7 trillion. Investment banks have traditionally been the biggest buyers of NPLs, but almost all of these firms either no longer exist or have exited the business during the past few years. In addition, despite the market size and decrease in natural competition, high barriers to entry have limited, and we believe will continue to limit, the number of credible competitors. We believe EPF is uniquely positioned to capitalize on this opportunity through its 17 professionals based in London, Frankfurt and Dublin, combined with its captive pan-European loan servicing and property management platform, The Lapithus Group, or Lapithus. Lapithus operates in six European countries and is directly servicing approximately 54,000 loans secured by more than 19,000 commercial and residential properties. As of December 31, 2011, EPF had portfolio investments throughout Europe with its largest concentration in the United Kingdom, Germany and Spain.

EPF has approximately 1.3 billion (\$1.7 billion using an exchange rate of 1.00 to \$1.30 as of December 31, 2011) in total capital commitments. EPF is structured with many characteristics typically associated with private equity funds, including multi-year capital commitments from the fund's investors. Through December 31, 2011, the fund had invested approximately 1.1 billion (\$1.4 billion using an exchange rate of 1.00 to \$1.30 as of December 31, 2011) in 17 NPL investments in loan portfolios and three ancillary investments and had received net proceeds of approximately 60% of invested capital. EPF had a net asset value of approximately \$1.1 billion as of December 31, 2011 based on an exchange rate of 1.00 to \$1.30 as of such date.

During the second half of 2011, Apollo also began raising a second European non-performing loan fund (EPF II) that will have an investment strategy similar to EPF. As of December 31, 2011, EPF II had raised approximately \$200 million of capital commitments.

Other Capital Markets Funds

Athene. During 2009, Apollo formed Athene Asset Management LLC, an investment manager that provides asset management services to Athene Holding Ltd (together with its subsidiaries, Athene), a Bermuda holding

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company founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector, and others. In addition, certain Apollo affiliates manage assets for Athene Asset Management and earn sub-advisory fees for these services.

Athene is the parent of: Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the life reinsurance sector; Liberty Life Insurance Company, a recently acquired Delaware-domiciled (formerly South Carolina domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market; Investors Insurance Corporation, a Delaware-domiciled stock life insurance company focused on the retirement services market; and Athene Life Insurance Company, an Indiana-domiciled stock life insurance company focused on the institutional guaranteed investment contract (GIC) backed note and funding agreement markets.

As of December 31, 2011, Athene represented approximately \$8.5 billion of Apollo's total AUM, \$2.1 billion of which was managed by other Apollo funds and investment vehicles.

Apollo Residential Mortgage, Inc. In 2011, we launched AMTG, a residential real estate finance company that is focused primarily on investing in, financing, and managing residential mortgage-backed securities, residential mortgage loans, and other residential mortgage assets in the United States. Apollo Residential Mortgage, Inc. began trading on the New York Stock Exchange in July 2011 under the ticker AMTG, raising approximately \$200 million of gross proceeds in its initial public offering.

The principal objective of Apollo Residential Mortgage is to provide attractive risk-adjusted returns to its stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. Apollo Residential Mortgage aims to achieve this objective by selectively constructing a portfolio of assets that will consist of Agency MBS, non-Agency MBS, residential mortgage loans and other residential mortgage assets.

Financial Credit Investment I, L.P. In 2010, we established Financial Credit Investment I, L.P. (FCI). FCI seeks to capitalize on dislocations in the life insurance market by acquiring large portfolios of life insurance policies, typically at discounts to face value. As of December 31, 2011, FCI had total AUM of \$521 million.

Real Estate

We have assembled a dedicated global investment management team to pursue real estate investment opportunities, which we refer to as Apollo Global Real Estate Management, L.P. (AGRE) and which we believe benefits from Apollo's long-standing history of investing in real estate-related sectors such as hotels and lodging, leisure, and logistics. AGRE, which includes 27 investment professionals as of December 31, 2011, is led by Joseph Azrack, who joined Apollo in 2008 with 30 years of real estate investment management experience, having previously served as President and CEO of Citi Property Investors.

We believe our dedicated real estate platform benefits from, and contributes to, Apollo's integrated platform, and further expands Apollo's deep real estate industry knowledge and relationships. As of December 31, 2011, our real estate business had total and fee-generating AUM of approximately \$8.0 billion and \$3.5 billion, respectively.

In addition to the funds described below, we may seek to serve as the manager of, or sponsor, additional real estate funds that focus on commercial real estate-related debt investments and opportunistic investments in distressed debt and equity recapitalization transactions, including corporate real estate, distress for control situations and the acquisition and recapitalization of real estate portfolios, platforms and operating companies, including non-performing and deeply discounted loans.

CPI Business. On November 12, 2010, Apollo completed the acquisition of the CPI business, which was the real estate investment management business of Citigroup Inc. The CPI business had AUM of approximately \$3.5 billion as of December 31, 2011. CPI is an integrated real estate investment platform with investment

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professionals located in Asia, Europe and North America. As part of the acquisition, Apollo acquired general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and added to its team of real estate professionals.

Apollo Commercial Real Estate Finance, Inc. In 2009, we launched Apollo Commercial Real Estate Finance, Inc. (*ARI*), a real estate investment trust managed by Apollo that acquires, originates, invests in and manages performing commercial first mortgage loans, CMBS, mezzanine investments and other commercial real estate-related investments in the United States. The company trades on the New York Stock Exchange under the symbol *ARI*. As of December 31, 2011, *ARI* had raised gross proceeds of \$354.3 million through equity offerings and subsequent private placements.

AGRE CMBS Accounts. In December 2009, we launched the *AGRE CMBS Fund L.P.* (*AGRE CMBS Account*), a real estate strategic investment account formed to invest principally in CMBS and leverage those investments by borrowing from the TALF program and repurchase facilities. We collectively refer to this account, together with the 2011 A4 Fund, L.P. described below, as the *AGRE CMBS Accounts*. As of December 31, 2011, the *AGRE CMBS Account* had total and fee-generating AUM of approximately \$1.3 billion and \$0.2 billion, respectively.

In November 2010, we launched the 2011 A4 Fund, L.P., a real estate strategic investment account formed to invest principally in CMBS and leverage those investments through repurchase facilities. As of December 31, 2011, the 2011 A4 Fund had total and fee generating AUM of approximately \$1.0 billion and \$0.1 billion, respectively.

AGRE U.S. Real Estate Fund, L.P. *AGRE* is sponsoring the *AGRE U.S. Real Estate Fund, L.P.* (*AGRE U.S. Real Estate Fund*), which will pursue investment opportunities to recapitalize, restructure and acquire real estate assets, portfolios and companies primarily in the United States. The *AGRE U.S. Real Estate Fund*'s investment strategy will focus on opportunities created by the significant re-pricing and restructuring of the U.S. real estate industry that have resulted from the financial market crisis and the ensuing deterioration of real estate fundamentals. As of December 31, 2011, the *AGRE U.S. Real Estate Fund* had \$385 million of committed capital.

Strategic Investment Vehicles

In addition to the funds described above, we manage other investment vehicles, including *AAA* and Apollo Palmetto Strategic Partnership, L.P. (*Palmetto*), which have been established to invest either directly in or alongside certain of our funds and certain other transactions that we sponsor and manage.

AP Alternative Assets, L.P.

AP Alternative Assets, L.P. (*AAA*) issued approximately \$1.9 billion of equity capital in its initial offering in June 2006. *AAA* is designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allows us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our capital markets funds and certain other transactions that we sponsor and manage. The common units of *AAA*, which represent limited partner interests, are listed on NYSE Euronext Amsterdam. *AAA* is the sole limited partner in *AAA Investments*, the vehicle through which *AAA*'s investments are made, and the Apollo Operating Group holds the economic general partnership interests in *AAA Investments*.

Since its formation, *AAA* has allowed us to quickly target investment opportunities by capitalizing new investment vehicles formed by Apollo in advance of a lengthier third-party fundraising process. *AAA Investments* was the initial investor in one of our mezzanine funds, two of our distressed and event-driven hedge

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funds, our non-performing loan fund, one of our senior credit funds, and Athene. AAA Investments' current portfolio also includes private equity co-investments in Fund VI and Fund VII portfolio companies, certain opportunistic investments and temporary cash investments. AAA Investments may also invest in additional funds and other opportunistic investments identified by Apollo Alternative Assets, L.P., the investment manager of AAA.

AAA Investments generates management fees for us through the Apollo funds in which it invests. In addition, AAA Investments generates management fees and incentive income on the portion of its assets that is not invested directly in Apollo funds or temporary investments. AAA Investments pays management fees to Apollo Alternative Assets, L.P., its investment manager, which is 100% owned by the Apollo Operating Group, and pays incentive income to AAA Associates, L.P.

The following chart illustrates AAA Investments' \$1.7 billion in investments as of December 31, 2011:

AAA Investments

As is common with investments in private equity funds, AAA Investments may follow an over-commitment approach when making investments in order to maximize the amount of capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by AAA Investments to, or to co-investment programs with, private equity funds and capital markets funds at a given time may exceed the aggregate amount of cash and available credit lines that AAA Investments has available for immediate investment. As of December 31, 2011, AAA Investments was not overcommitted.

We are contractually committed to reinvest a certain amount of our carried interest income from AAA into common units or other equity interests of AAA, as described in more detail below under "General Partner and Professionals Investments and Co-Investments - General Partner Investments."

Strategic Investment Accounts (SIAs)

Institutional investors are expressing increasing levels of interest in SIAs since these accounts can provide investors with greater levels of transparency, liquidity and control over their investments as compared to more traditional investment funds. Based on the trends we are currently witnessing among a select group of large institutional investors, we expect our AUM that is managed through SIAs to continue to grow over time. As of December 31, 2011, approximately \$8.0 billion of our total AUM and \$7.8 billion of our fee-generating AUM was managed through SIAs.

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An example of a SIA managed by Apollo is Palmetto, which we manage on behalf of a single investor. As of December 31, 2011, the total capital commitments to Palmetto were \$1.5 billion from a large state pension fund and \$18.0 million of current commitments from Apollo. Palmetto was established to facilitate investments by such third-party investor directly in our private equity and capital markets funds and certain other transactions that we sponsor and manage. As of December 31, 2011, Palmetto had committed approximately \$1.3 billion, net of non-recallable distributions received from investments which have the ability to be recycled under the Palmetto limited partnership agreement for investments primarily in certain of our capital markets and private equity funds.

Recent Developments

During December 2011, Apollo announced an agreement to merge Stone Tower Capital LLC and its related management companies (Stone Tower), a leading alternative credit manager, into Apollo s capital markets business. The transaction is expected to close in April, subject to the satisfaction of closing conditions. Apollo believes the Stone Tower transaction will bolster Apollo s position as one of the world s largest and most diverse credit managers by adding significant scale and several new credit product capabilities. Stone Tower manages approximately \$18 billion of AUM that was not included in Apollo s AUM as of December 31, 2011.

On January 31, 2012, Apollo entered into definitive documentation for a long-term strategic partnership with Teacher Retirement System of Texas (TRS). The elements of the strategic partnership include \$3 billion of long-term committed capital for new funds and investment strategies; significant recycle provisions for the commitments; discretionary deployment of the capital within agreed upon product baskets; customized fee and priority return provisions to recognize that the capital will be deployed across numerous product categories over an extended period; considerable risk mitigation for TRS as investments across multiple product categories will be made through a single partnership; and significant collaboration between Apollo s investment teams and the Private Markets staff at TRS.

Fundraising and Investor Relations

We believe our performance track record across our funds has resulted in strong relationships with our fund investors. Our fund investors include many of the world s most prominent pension funds, university endowments and financial institutions, as well as individuals. We maintain an internal team dedicated to investor relations across our private equity, credit-oriented capital markets and real estate businesses.

In our private equity business, fundraising activities for new funds begin once the investor capital commitments for the current fund are largely invested or committed to be invested. The investor base of our private equity funds includes both investors from prior funds and new investors. In many instances, investors in our private equity funds have increased their commitments to subsequent funds as our private equity funds have increased in size. During our Fund VI fundraising effort, investors representing over 88% of Fund V s capital committed to the new fund. During our Fund VII fundraising effort, investors representing over 84% of Fund VI s capital committed to Fund VII. The single largest unaffiliated investor represents only 6% of Fund VI s commitments and 7% of Fund VII s commitments. In addition, our investment professionals commit their own capital to each private equity fund.

During the management of a fund, we maintain an active dialogue with our fund investors. We host quarterly webcasts for our fund investors led by members of our senior management team and we provide quarterly reports to our fund investors detailing recent performance by investment. We also organize an annual meeting for our private equity investors that consists of detailed presentations by the senior management teams of many of our current investments. From time to time, we also hold meetings for the advisory board members of our private equity funds.

AAA is an important component of our business strategy, as it has allowed us to quickly target attractive investment opportunities by capitalizing new investment vehicles formed by Apollo in advance of a lengthier

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third-party fundraising process. In particular, we have used AAA capital to make initial investments in AIE I, SVF, AAOF, a senior credit fund, EPF and Athene. The common units of AAA are listed on Euronext Amsterdam by NYSE Euronext and AAA complies with the reporting requirements of that exchange. AAA provides monthly information and quarterly reports to, and hosts quarterly conference calls with, our AAA investors.

In our capital markets business, we have raised capital from prominent institutional investors, similar to our private equity and real estate businesses, and have also raised capital from public market investors, as in the case of AINV, AFT and AMTG. AINV provides quarterly reports to, and hosts conference calls with, investors that highlight investment activities. AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT and AMTG are listed on the New York Stock Exchange and comply with the reporting requirements of that exchange.

Similar to our private equity and capital markets businesses, in our real estate business we have raised capital from an institutional investor for the AGRE CMBS Accounts, and we have also raised capital from public market investors with respect to ARI. ARI provides quarterly reports to, and hosts conference calls with, investors that highlight investment activities. ARI is listed on the New York Stock Exchange and complies with the reporting requirements of that exchange.

Investment Process

We maintain a rigorous investment process and a comprehensive due diligence approach across all of our funds. We have developed policies and procedures, the adequacy of which are reviewed annually, that govern the investment practices of our funds. Moreover, each fund is subject to certain investment criteria set forth in its governing documents that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one company and the geographic regions in which the fund will invest. Our investment professionals are thoroughly familiar with our investment policies and procedures and the investment criteria applicable to the funds that they manage, and these limitations have generally not impacted our ability to invest our funds.

Our investment professionals interact frequently across our businesses on a formal and informal basis. In addition, members of the private equity investment committee currently serve on the investment committees of each of our capital markets funds. We believe this structure is uncommon and provides us with a competitive advantage.

We have in place certain procedures to allocate investment opportunities among our funds. These procedures are meant to ensure that each fund is treated fairly and that transactions are allocated in a way that is equitable, fair and in the best interests of each fund, subject to the terms of the governing agreements of such funds. Each of our funds has a primary investment mandate, which is carefully considered in the allocation process.

Private Equity

Our private equity investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies. These investment professionals perform significant research into each prospective investment, including a review of the company's financial statements, comparisons with other public and private companies and relevant industry data. The due diligence effort will also typically include:

on-site visits;

interviews with management, employees, customers and vendors of the potential portfolio company;

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research relating to the company's management, industry, markets, products and services, and competitors; and

background checks.

After an initial selection, evaluation and diligence process, the relevant team of investment professionals will prepare a detailed analysis of the investment opportunity for our private equity investment committee. Our private equity investment committee generally meets weekly to review the investment activity and performance of our private equity funds.

After discussing the proposed transaction with the deal team, the investment committee will decide whether to give its preliminary approval to the deal team to continue the selection, evaluation, diligence and negotiation process. The investment committee will typically conduct several lengthy meetings to consider a particular investment before finally approving that investment and its terms. Both at such meetings and in other discussions with the deal team, our managing partners and partners will provide guidance to the deal team on strategy, process and other pertinent considerations. Every private equity investment requires the approval of our three managing partners.

Our private equity investment professionals are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. Disposition decisions made on behalf of our private equity funds are subject to careful review and approval by the private equity investment committee, including all three of our managing partners.

AAA. Investment decisions on behalf of AAA are subject to investment policies and procedures that have been adopted by the board of directors of the managing general partner of AAA. Those policies and procedures provide that all AAA investments (except for temporary investments) must be reviewed and approved by the AAA investment committee. In addition, they provide that over time AAA will invest approximately 90% or more of its capital in Apollo funds and Apollo sponsored private equity transactions and, subject to market conditions, target approximately 50% or more in private equity transactions. Pending those uses, AAA capital is invested in temporary liquid investments. AAA's investments do not need to be exited within fixed periods of time or in any specified manner. AAA is, however, generally required to exit any traditional private equity co-investments it makes with an Apollo fund at the same time and on the same terms as the Apollo fund in question exits its investment. The AAA investment policies and procedures provide that the AAA investment committee should review the policies and procedures on a regular basis and, if necessary, propose changes to the board of directors of the managing general partner of AAA when the committee believes that those changes would further assist AAA in achieving its objective of building a strong investment base and creating long-term value for its unitholders.

Capital Markets and Real Estate

Each of our capital markets funds and real estate funds maintains an investment process similar to that described above under Private Equity. Our capital markets and real estate investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments for our capital markets funds and real estate funds, respectively. The investment professionals perform significant research into and due diligence of each prospective investment, and prepare analyses of recommended investments for the investment committee of the relevant fund.

Investment decisions are carefully scrutinized by the investment committees where applicable, who review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. Close attention is given to how well a proposed investment is aligned with the distinct investment objectives of the fund in question, which in many cases have specific geographic or other focuses. At least one of our managing partners approves every significant capital markets and real estate fund investment decision. The investment committee of each of our capital markets funds and real estate funds generally is provided with a summary of the investment activity and performance of the relevant funds on at least a monthly basis.

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Overview of Fund Operations

Investors in our private equity funds and our real estate equity funds make commitments to provide capital at the outset of a fund and deliver capital when called by us as investment opportunities become available. We determine the amount of initial capital commitments for any given private equity fund by taking into account current market opportunities and conditions, as well as investor expectations. The general partner's capital commitment is determined through negotiation with the fund's investor base. The commitments are generally available for six years during what we call the investment period. We have typically invested the capital committed to our funds over a three to four year period. Generally, as each investment is realized, our private equity funds first return the capital and expenses related to that investment and any previously realized investments to fund investors and then distribute any profits. These profits are typically shared 80% to the investors in our private equity funds and 20% to us so long as the investors receive at least an 8% compounded annual return on their investment, which we refer to as a preferred return or hurdle. Our private equity funds typically terminate ten years after the final closing, subject to the potential for two one-year extensions. After the amendments we sought in order to deconsolidate most of our funds, dissolution of those funds can be accelerated upon a majority vote of investors not affiliated with us and, in any case, all of our funds also may be terminated upon the occurrence of certain other events. Ownership interests in our private equity funds and certain of our capital markets and real estate funds, are not, however, subject to redemption prior to termination of the funds.

The processes by which our capital markets funds and our fixed income real estate funds receive and invest capital vary by type of fund. AINV, for instance, raises capital by selling shares in the public markets and it can also issue debt. Our distressed and event-driven hedge funds sell shares or limited partner interests, subscriptions for which are payable in full upon a fund's acceptance of an investor's subscription, via private placements. The investors in SOMA, EPF, AIE II, COF I and COF II made a commitment to provide capital at the formation of such funds and deliver capital when called by us as investment opportunities become available. As with our private equity funds, the amount of initial capital commitments for our capital markets funds is determined by taking into account current market opportunities and conditions, as well as investor expectations. The general partner commitments for our capital markets funds that are structured as limited partnerships are determined through negotiation with the fund's investor base. The fees and incentive income we earn for management of our capital markets funds and the performance of these funds and the terms of such funds governing withdrawal of capital and fund termination vary across our capital markets funds and are described in detail below.

We conduct the management of our private equity, capital markets and real estate funds primarily through a partnership structure, in which limited partnerships organized by us accept commitments and/or funds for investment from investors. Funds are generally organized as limited partnerships with respect to private equity funds and other U.S. domiciled vehicles and limited partnership and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. Typically, each fund has an investment advisor affiliated with an advisor registered under the Advisers Act. Responsibility for the day-to-day operations of the funds is typically delegated to the fund's respective investment advisors pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment advisor to the applicable funds, certain rights of termination in respect of our investment advisory agreements and, generally, with respect to our capital markets funds (as these matters are covered in the limited partnership agreements of the private equity funds), the calculation of management fees to be borne by investors in such funds, as well as the calculation of the manner and extent to which other fees received by the investment advisor from fund portfolio companies serve to offset or reduce the management fees payable by investors in our funds. The funds themselves generally do not register as investment companies under the Investment Company Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the Investment Company Act exempts 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

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more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the Investment Company Act exempts from registration any non-U.S. fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In addition to having an investment advisor, each fund that is a limited partnership, or partnership fund, also has a general partner that makes all policy and investment decisions relating to the conduct of the fund's business. The general partner is responsible for all decisions concerning the making, monitoring and disposing of investments, but such responsibilities are typically delegated to the fund's investment advisor pursuant to an investment advisory (or similar) agreement. The limited partners of the partnership funds take no part in the conduct or control of the business of the funds, have no right or authority to act for or bind the funds and have no influence over the voting or disposition of the securities or other assets held by the funds. These decisions are made by the fund's general partner in its sole discretion, subject to the investment limitations set forth in the agreements governing each fund. The limited partners often have the right to remove the general partner or investment advisor for cause or cause an early dissolution by a majority vote. In connection with the private offering transactions that occurred in 2007 pursuant to which the Company sold shares to certain initial purchasers and accredited investors in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the Private Offering Transactions), we amended the governing agreements of certain of our consolidated private equity funds (with the exception of AAA) and capital markets funds to provide that a simple majority of a fund's investors have the right to accelerate the dissolution date of the fund.

In addition, the governing agreements of our private equity funds and certain of our capital markets funds enable the limited partners holding a specified percentage of the interests entitled to vote not to elect to continue the limited partners' capital commitments for new portfolio investments in the event certain of our managing partners do not devote the requisite time to managing the fund or in connection with certain Triggering Events (as defined below). In addition to having a significant, immeasurable negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us. Further, the loss of one or more 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 the funds and affiliates. As a limited partner, general partner and manager of the Apollo funds, Apollo had unfunded capital commitments of \$137.9 million and \$140.6 million at December 31, 2011 and 2010, respectively.

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

Managing Partners and Other Professionals Investments

To further align our interests with those of investors in our funds, our managing partners and other professionals have invested their own capital in our funds. Our managing partners and other professionals will either re-invest their carried interest to fund these investments or use cash on hand or funds borrowed from third parties. On occasion, we have provided guarantees to lenders in respect of funds borrowed by some of our professionals to fund their capital commitments. We do not provide guarantees for our managing partners or other senior executives. We generally have not historically charged management fees or carried interest on capital invested by our managing partners and other professionals directly in our private equity and capital markets funds.

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Co-Investments

Investors in many of our funds, as well as other investors, may have the opportunity to make co-investments with the funds. Co-investments are investments in portfolio companies or other assets generally on the same terms and conditions as those to which the applicable fund is subject.

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisors of our funds are affiliates of certain of our subsidiaries that are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended (Investment Advisers Act). Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions.

AFT is a registered investment company under the Investment Company Act, as amended and is subject to the requirements and regulations of the Investment Company Act and the rules thereunder.

AINV elected to be treated as a business development company under the Investment Company Act.

In order to maintain its status as a regulated investment company under Subchapter M of the Internal Revenue Code, AINV is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, in order to avoid excise tax, it needs to distribute at least 98% of its income (such income to include both ordinary income and net capital gains), which would take into account short-term and long-term capital gains and losses. AIC, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay an excise tax on this income. In addition, as a business development company, AINV must not acquire any assets other than qualifying assets specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of AINV's total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. In late 2006, the SEC adopted rules under the Investment Company Act to expand the definition of eligible portfolio company to include all private companies and companies whose securities are not listed on a national securities exchange. The rules also permit AINV to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition.

ARI elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code commencing with its taxable year ended December 31, 2009. To maintain its status as a REIT, ARI must distribute at least 90% of its taxable income to its shareholders and meet, on a continuing basis, certain other complex requirements under the Internal Revenue Code. AMTG also intends to elect to be taxed as a REIT under the Internal Revenue Code, commencing with its fiscal year ending December 31, 2011.

During 2011, the Company formed Apollo Global Securities, LLC (AGS), which is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, or FINRA . From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, capital structure, record keeping, the financing of customers

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purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

Apollo Management International LLP is regulated by the U.K. Financial Services Authority.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of asset management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. Federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities.

However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Legal Officer serves as the Chief Compliance Officer and supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

We generally operate without information barriers between our businesses. In an effort to manage possible risks resulting from our decision not to implement these barriers, our compliance personnel maintain a list of issuers for which we have access to material, non-public information and for whose securities our funds and investment professionals are not permitted to trade. We could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event our ability to operate as an integrated platform will be restricted.

Competition

The asset management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and niche basis.

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We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. We compete for outside investors based on a variety of factors, including:

investment performance;

investor perception of investment managers' drive, focus and alignment of interest;

quality of service provided to and duration of relationship with investors;

business reputation; and

the level of fees and expenses charged for services.

Over the past several years, the size and number of private equity funds, capital markets and real estate funds has continued to increase, heightening the level of competition for investor capital.

In addition, fund managers have increasingly adopted investment strategies traditionally associated with the other. Capital markets funds have become active in taking control positions in companies, while private equity funds have acquired minority and/or debt positions in publicly listed companies. This convergence could heighten our competitive risk by expanding the range of asset managers seeking private equity investments and making it more difficult for us to differentiate ourselves from managers of capital markets funds.

Depending on the investment, we expect to face competition in acquisitions primarily from other private equity funds, specialized funds, hedge fund sponsors, other financial institutions, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see Item 1A. Risk Factors - Risks Related to Our Businesses. The investment management business is intensely competitive, which could materially adversely impact us.

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ITEM 1A. RISK FACTORS

Risks Related to Our Businesses

Poor performance of our funds would cause a decline in our revenue and results of operations, may obligate us to repay incentive income previously paid to us and would adversely affect our ability to raise capital for future funds.

We derive revenues in part from:

management fees, which are based generally on the amount of capital invested in our funds;

transaction and advisory fees relating to the investments our funds make;

incentive income, based on the performance of our funds; and

investment income from our investments as general partner.

If a fund performs poorly, we will receive little or no incentive income with regard to the fund and little income or possibly losses from any principal investment in the fund. Furthermore, if, as a result of poor performance of later investments in a private equity fund's or a certain capital markets fund's life, the fund does not achieve total investment returns that exceed a specified investment return threshold for the life of the fund, we will be obligated to repay the amount by which incentive income that was previously distributed to us exceeds amounts to which we are ultimately entitled. Our fund investors and potential fund investors continually assess our funds' performance and our ability to raise capital. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income.

We depend on Leon Black, Joshua Harris and Marc Rowan, and the loss of any of their services would have a material adverse effect on us.

The success of our businesses depends on the efforts, judgment and personal reputations of our managing partners, Leon Black, Joshua Harris and Marc Rowan. Their reputations, expertise in investing, relationships with our fund investors and relationships with members of the business community on whom our funds depend for investment opportunities and financing are each critical elements in operating and expanding our businesses. We believe our performance is strongly correlated to the performance of these individuals. Accordingly, our retention of our managing partners is crucial to our success. Retaining our managing partners could require us to incur significant compensation expense after the expiration of their current employment agreements in 2012. Our managing partners may resign, join our competitors or form a competing firm at any time. If any of our managing partners were to join or form a competitor, some of our investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our managing partners would have a material adverse effect on us, including our ability to retain and attract investors and raise new funds, and the performance of our funds. We do not carry any key man insurance that would provide us with proceeds in the event of the death or disability of any of our managing partners. In addition, the loss of one or more of our managing partners may result in the termination of our role as general partner of one or more of our funds and the acceleration of our debt.

Although in connection with the Strategic Investors Transaction, our managing partners entered into employment, non-competition and non-solicitation agreements, which impose certain restrictions on competition and solicitation of our employees by our managing partners if they terminate their employment, a court may not enforce these provisions. See Item 11. Executive Compensation Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table Employment, Non-Competition and Non-Solicitation Agreement with Chief Executive Officer for a more detailed description of the terms of the agreement for one of our managing partners. In addition, although the Agreement Among Managing Partners imposes vesting and forfeiture requirements on the managing partners in the event any of them terminates their employment, we, our shareholders (other than the Strategic Investors, as described under Item 13. Certain

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Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its provisions, including the forfeiture provisions. See Item 13. Certain Relationships and Related Party Transactions Agreement Among Managing Partners for a more detailed description of the terms of this agreement.

Changes in the debt financing markets have negatively impacted the ability of our funds and their portfolio companies to obtain attractive financing for their investments and have increased the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

Since the latter half of 2007, the markets for debt financing have contracted significantly, particularly in the area of acquisition financings for private equity and leveraged buyout transactions. Large commercial and investment banks, which have traditionally provided such financing, have demanded higher rates, higher equity requirements as part of private equity investments, more restrictive covenants and generally more onerous terms in order to provide such financing, and in some cases are refusing to provide financing for acquisitions, the type of which would have been readily financed in earlier years.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase. Similarly, the portfolio companies owned by our private equity funds regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the current credit markets have rendered such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that the current markets make it difficult or impossible to refinance debt that is maturing in the near term, the relevant portfolio company may face substantial doubt as to its status as a going concern (which may result in an event of default under various agreements) or be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. Global financial markets have experienced considerable volatility in the valuations of equity and debt securities, a contraction in the availability of credit and an increase in the cost of financing. The lack of credit has materially hindered the initiation of new, large-sized transactions for our private equity segment and, together with volatility in valuations of equity and debt securities, adversely impacted our operating results in recent periods reflected in the financial statements included in this report. If market conditions further deteriorate, our business could be affected in different ways. These events and general economic trends are likely to impact the performance of portfolio companies in many industries, particularly industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our private equity funds and our performance may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends.

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Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs, within a time frame sufficient to match any further decreases in net income or increases in net losses relating to changes in market and economic conditions.

The financial downturn that began in 2007 adversely affected our operating results in a number of ways, and if the economy were to re-enter a period of recession, it may cause our revenue and results of operations to decline by causing:

our AUM to decrease, lowering management fees from our funds;

increases in costs of financial instruments;

adverse conditions for our portfolio companies (e.g., decreased revenues, liquidity pressures, increased difficulty in obtaining access to financing and complying with the terms of existing financings as well as increased financing costs);

lower investment returns, reducing incentive income;

higher interest rates, which could increase the cost of the debt capital we use to acquire companies in our private equity business; and

material reductions in the value of our private equity fund investments in portfolio companies, affecting our ability to realize carried interest from these investments.

Lower investment returns and such material reductions in value may result, among other reasons, because during periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our AUM and operating results. Furthermore, such conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our mezzanine funds, distressed and event-driven hedge funds and senior credit funds. Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets, and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth.

A decline in the pace of investment in our private equity funds would result in our receiving less revenue from transaction and advisory fees.

The transaction and advisory fees that we earn are driven in part by the pace at which our private equity funds make investments. Any decline in that pace would reduce our transaction and advisory fees and could make it more difficult for us to raise capital. Many factors could cause such a decline in the pace of investment, including the inability of our investment professionals to identify attractive investment opportunities, competition for such opportunities among other potential acquirers, decreased availability of capital on attractive terms and our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets. In particular, the lack of financing options for new leveraged buyouts resulting from the recent credit market dislocation, significantly reduced the pace of traditional buyout investments by our private equity funds.

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If one or more of our managing partners or other investment professionals leave our company, the commitment periods of certain private equity funds may be terminated, and we may be in default under our credit agreement.

The governing agreements of our private equity funds provide that in the event certain key persons (such as one or more of Messrs. Black, Harris and Rowan and/or certain other of our investment professionals) fail to devote the requisite time to managing the fund, the commitment period will terminate if a certain percentage in interest of the investors do not vote to continue the commitment period. This is true of Fund VI and Fund VII, on which our near-to medium-term performance will heavily depend. EPF has a similar provision. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

In addition, it will be an event of default under the April 20, 2007 credit facility that AMH, one of the entities in the Apollo Operating Group, entered into (the AMH credit facility), under which AMH borrowed a \$1.0 billion variable-rate term loan if either (i) Mr. Black, together with related persons or trusts, shall cease as a group to participate to a material extent in the beneficial ownership of AMH or (ii) two of the group constituting Messrs. Black, Harris and Rowan shall cease to be actively engaged in the management of the AMH loan parties. If such an event of default occurs and the lenders exercise their right to accelerate repayment of the \$1.0 billion loan, we are unlikely to have the funds to make such repayment and the lenders may take control of us, which is likely to materially adversely impact our results of operations. Even if we were able to refinance our debt, our financial condition and results of operations would be materially adversely affected.

Messrs. Black, Harris and Rowan may terminate their employment with us at any time.

We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure on fee arrangements of our future funds.

Our funds may not be successful in consummating their current capital-raising efforts or others that they may undertake, or they may consummate them at investment levels far lower than those currently anticipated. Any capital raising that our funds do consummate may be on terms that are unfavorable to us or that are otherwise different from the terms that we have been able to obtain in the past. These risks could occur for reasons beyond our control, including general economic or market conditions, regulatory changes or increased competition.

Over the last few years, a large number of institutional investors that invest in alternative assets and have historically invested in our funds experienced negative pressure across their investment portfolios, which may affect our ability to raise capital from them. As a result of the global economic 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,

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we may experience pressure to do so. For example, on April 20, 2010, we announced a new strategic relationship agreement with CalPERS, whereby we agreed to reduce management and other fees charged to CalPERS on funds we manage, or in the future will manage, solely for CalPERS by \$125 million over a five-year period or as close a period as required to provide CalPERS with that benefit.

The failure of our funds to raise capital in sufficient amounts and on satisfactory terms could result in a decrease in AUM and management fee and transaction fee revenue or us being unable to achieve an increase in AUM and management fee and transaction fee revenue, and could have a material adverse effect on our financial condition and results of operations. Similarly, any modification of our existing fee arrangements or the fee structures for new funds could adversely affect our results of operations.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in all of our private equity and certain of our capital markets and real estate funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

We have presented in this report the returns relating to the historical performance of our private equity funds and capital markets funds. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in the past and may earn in the future, our reputation and our ability to raise new funds. The returns of the funds we manage are not, however, directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in Class A shares. However, poor performance of the funds we manage will cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and the value of our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds. Moreover, most of our funds have not been consolidated in our financial statements for periods since either August 1, 2007 or November 30, 2007 as a result of the deconsolidation of most of our funds as of August 1, 2007 and November 30, 2007.

Moreover, the historical returns of our funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we have experienced for the last few years and may experience in the future;

our funds' returns have benefited from investment opportunities and general market conditions that currently do not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;

our private equity funds' rates of returns, which are calculated on the basis of net asset value of the funds' investments, reflect unrealized gains, which may never be realized;

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our funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;

the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no realized investment track record;

Fund VI and Fund VII are several times larger than our previous private equity funds, and this additional capital may not be deployed as profitably as our prior funds;

the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;

our track record with respect to our capital markets funds and real estate funds is relatively short as compared to our private equity funds;

in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and high liquidity in debt markets; and

our newly established funds may generate lower returns during the period that they take to deploy their capital.

Finally, our private equity IRRs have historically varied greatly from fund to fund. Accordingly, you should realize that the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations The Historical Investment Performance of Our Funds.

Our reported net asset values, rates of return and incentive income from affiliates are based in large part upon estimates of the fair value of our investments, which are based on subjective standards and may prove to be incorrect.

A large number of investments in our funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate of their fair value as of the date of determination. We estimate the fair value of our investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our funds are in industries or sectors which are unstable, in distress, or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our funds and our AUM. Furthermore, we recognize incentive income from affiliates based in part on these estimated fair values. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize.

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In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuation of these assets will change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a fund's net asset values, we would suffer losses in the applicable fund. This could in turn lead to a decline in asset management fees and a loss equal to the portion of the incentive income from affiliates reported in prior periods that was not realized upon disposition. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Segment Analysis for information related to fund activity that is no longer consolidated. If asset values turn out to be materially different than values reflected in fund net asset values, fund investors could lose confidence which could, in turn, result in redemptions from our funds that permit redemptions or difficulties in raising additional investments.

We have experienced rapid growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources.

Our AUM has grown significantly in the past, despite recent fluctuations, and we are pursuing further growth in the near future. Our rapid growth has caused, and planned growth, if successful, will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our AUM has grown, but of the growth in the variety, including the differences in strategy between, and complexity of, our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting, regulatory and tax developments.

Our future growth will depend in part, on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

in maintaining adequate financial, regulatory and business controls;

implementing new or updated information and financial systems and procedures; and

in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

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Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our businesses. Changes in tax or law and other legislative or regulatory changes could adversely affect us.

Overview of Our Regulatory Environment. We are subject to extensive regulation, including periodic examinations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of an investment advisor from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or fail to gain new investors. The requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our shareholders. Consequently, these regulations often serve to limit our activities.

As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the regulatory environment in which we operate both in the United States and outside the United States is particularly likely to be subject to further regulation. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to our businesses may impose additional expenses on us, require the attention of senior management or result in limitations in the manner in which our business is conducted. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which imposes significant new regulations on almost every aspect of the U.S. financial services industry, including aspects of our business and the markets in which we operate. Among other things, the Dodd-Frank Act requires private equity and hedge fund advisers to register with the SEC, under the Investment Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies. Importantly, many of the provisions of the Dodd-Frank Act are subject to further rulemaking and to the discretion of regulatory bodies, such as the Financial Stability Oversight Council. As a result, we do not know exactly what the final regulations under the Dodd-Frank Act will require or how significantly the Dodd-Frank Act will affect us.

Exceptions from Certain Laws. We regularly rely on exemptions from various requirements of the Securities Act of 1933 (the Securities Act), the Exchange Act, the Investment Company Act and the Employment Retirement Income Security Act, or ERISA, in conducting our activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our businesses could be materially and adversely affected. See, for example, Risks Related to Our Organization and Structure If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.

Fund Regulatory Environment. The regulatory environment in which our funds operate may affect our businesses. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity, and changes in state laws may limit investment activities of state pension plans. See Item 1. Business Regulatory and Compliance Matters for a further discussion of the regulatory environment in which we conduct our businesses.

Future Regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations

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that supervise the financial markets. As calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Such investigations may impose additional expenses on us, may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations.

We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

Apollo provides investment management services through registered investment advisers. Investment advisers are subject to extensive regulation in the United States and in the other countries in which our investment activities occur. The SEC oversees our activities as a registered investment adviser under the Investment Advisers Act. In the United Kingdom, we are subject to regulation by the U.K. Financial Services Authority. Our other European operations, and our investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country. A failure to comply with the obligations imposed by regulatory regimes to which we are subject, including the Investment Advisers Act could result in investigations, sanctions and reputational damage.

In June 2010, the SEC adopted a new pay-to-play rule that restricts politically active investment advisers 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 advisers. It will be imperative for a covered investment advisor to adopt an effective compliance program in light of the substantial penalties associated with the rule.

In November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the AIFM. The AIFM was entered into force in early 2011 and EU member states are required to implement the AIFM into their national laws within two years (by early 2013). The AIFM imposes significant new regulatory requirements on investment managers operating within the EU, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EU in which interests are marketed within the EU would be subject to significant conditions on their operations, including satisfying the competent authority of the robustness of internal arrangements with respect to risk management, in particular liquidity risks and additional operational and counterparty risks associated with short selling; the management and disclosure of conflicts of interest; the fair valuation of assets; and the security of depository/custodial arrangements. Such rules could potentially impose significant additional costs on the operation of our business in the EU and could limit our operating flexibility within that jurisdiction.

In Denmark and Germany, legislative amendments have been adopted which may limit deductibility of interest and other financing expenses in companies in which our funds have invested or may invest in the future. In brief, the Danish legislative amendments generally entail that annual net financing expenses in excess of a certain threshold amount (approximately 2.9 million in 2011) will be limited on the basis of earnings before interest and taxes and/or asset tax values. According to the German legislative amendments, under the German interest barrier rule, the tax deduction available to a company in respect of net interest expense (interest expense less interest income) is limited to 30% of its tax EBITDA (interest expense that does not exceed the threshold of 3m can be deducted without any limitations for income tax purposes). Interest expense in excess of the interest deduction limitation may be carried forward indefinitely (subject to change in ownership restrictions) and used in future periods against all profits and gains. In respect of a tax group, interest paid by the German tax group

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entities to non-tax group parties (e.g. interest on bank debt, capex facility and working capital facility debt) will be restricted to 30% of the tax group's tax EBITDA. However, the interest barrier rule may not apply where German company's gearing under IFRS accounting principles is at maximum of 2% higher than the overall group's leverage ratio at the level of the very top level entity which would be subject to IFRS consolidation (the "escape clause test"). This test is failed where any worldwide company of the entire group pays more than 10% of its net interest expense on debt to substantial (i.e. greater than 25%) shareholders, related parties of such shareholders (that are not members of the group) or secured third parties (although security granted by group members should not be harmful). If the group does not apply IFRS accounting principles, EU member countries' GAAP or US GAAP may also be accepted for the purpose of the escape clause test. It should be noted that for trade tax purposes, there is principally a 25% add back on all deductible interest paid or accrued by any German entity. These amendments may in turn impact the profitability of companies affected by the rules. Our businesses are subject to the risk that similar measures might be introduced in other countries in which they currently have investments or plan to invest in the future, or that other legislative or regulatory measures might be promulgated in any of the countries in which we operate that adversely affect our businesses. In particular, the U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of a portion of our carried interest income as ordinary income, that would cause us to become taxable as a corporation and/or would have other adverse effects. See "Risks Related to Our Organization and Structure." Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of the Class A Shares could be adversely affected. In addition, U.S. and foreign labor unions have recently been agitating for greater legislative and regulatory oversight of private equity firms and transactions. Labor unions have also threatened to use their influence to prevent pension funds from investing in private equity funds.

Antitrust Regulation. It has been reported in the press that a few of our competitors in the private equity industry have received information requests relating to private equity transactions from the Antitrust Division of the U.S. Department of Justice. In addition, the U.K. Financial Services Authority recently published a discussion paper on the impact that the growth in the private equity market has had on the markets in the United Kingdom and the suitability of its regulatory approach in addressing risks posed by the private equity market.

Use of Placement Agents. We sometimes use placement agents to assist in marketing certain of the investment funds that we manage. Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. Apollo is cooperating with all such investigations and other reviews. Any unanticipated developments from these or future investigations or changes in industry practice may adversely affect our business. Even if these investigations or changes in industry practice do not directly affect our business, adverse publicity could harm our reputation, may cause us to lose existing investors or fail to gain new investors, may depress the price of our Class A shares or may have other negative consequences.

Our revenue, net income and cash flow are all highly variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Class A shares to decline.

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that carried interest from our private equity funds, which constitutes the largest portion of income from our combined businesses, and the transaction and advisory fees that we receive can vary significantly from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values

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of our funds' investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. In addition, carried interest income from our private equity funds and certain of our capital markets and real estate funds is subject to contingent repayment by the general partner if, upon the final distribution, the relevant fund's general partner has received cumulative carried interest on individual portfolio investments in excess of the amount of carried interest it would be entitled to from the profits calculated for all portfolio investments in the aggregate. Such variability may lead to volatility in the trading price of our Class A shares and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our Class A shares or increased volatility in our Class A share price generally.

The timing of carried interest generated by our private equity funds is uncertain and will contribute to the volatility of our results. Carried interest depends on our private equity funds' performance. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value or other proceeds of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash or other proceeds. We cannot predict when, or if, any realization of investments will occur. Although we recognize carried interest income on an accrual basis, we receive private equity carried interest payments only upon disposition of an investment by the relevant fund, which contributes to the volatility of our cash flow. If we were to have a realization event in a particular quarter or year, it may have a significant impact on our results for that particular quarter or year that may not be replicated in subsequent periods. We recognize revenue on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our results.

With respect to a number of our capital markets funds, our incentive income is paid annually, semi-annually or quarterly, and the varying frequency of these payments will contribute to the volatility of our revenues and cash flow. Furthermore, we earn this incentive income only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular threshold. Our distressed and event-driven hedge funds also have "high water marks" with respect to the investors in these funds. If the high water mark for a particular investor is not surpassed, we would not earn incentive income with respect to such investor during a particular period even though such investor had positive returns in such period as a result of losses in prior periods. If such an investor experiences losses, we will not be able to earn incentive income from such investor until it surpasses the previous high water mark. The incentive income we earn is therefore dependent on the net asset value of investors' investments in the fund, which could lead to significant volatility in our results.

Because our revenue, net income and cash flow can be highly variable from quarter to quarter and year to year, we plan not to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our Class A share price.

The investment management business is intensely competitive, which could materially adversely impact us.

Over the past several years, the size and number of private equity funds and capital markets funds has continued to increase. If this trend continues, it is possible that it will become increasingly difficult for our funds to raise capital as funds compete for investments from a limited number of qualified investors. As the size and number of private equity and capital markets funds increase, it could become more difficult to win attractive investment opportunities at favorable prices. Due to the global economic downturn and generally poor returns in alternative asset investment businesses during the crisis, institutional investors have suffered from decreasing returns, liquidity pressure, increased volatility and difficulty maintaining targeted asset allocations, and a significant number of investors have materially decreased or temporarily stopped making new fund investments during this period. As the economy begins to recover, such investors may elect to reduce their overall portfolio

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allocations to alternative investments such as private equity and hedge funds, resulting in a smaller overall pool of available capital in our industry. Even if such investors continue to invest at historic levels, they may seek to negotiate reduced fee structures or other modifications to fund structures as a condition to investing.

In the event all or part of this analysis proves true, when trying to raise new capital we will be competing for fewer total available assets in an increasingly competitive environment which could lead to fee reductions and redemptions as well as difficulty in raising new capital. Such changes would adversely affect our revenues and profitability.

Competition among funds is based on a variety of factors, including:

investment performance;

investor liquidity and willingness to invest;

investor perception of investment managers' drive, focus and alignment of interest;

quality of service provided to and duration of relationship with investors;

business reputation; and

the level of fees and expenses charged for services.

We compete in all aspects of our businesses with a large number of investment management firms, private equity fund sponsors, capital markets fund sponsors and other financial institutions. A number of factors serve to increase our competitive risks:

fund investors may develop concerns that we will allow a business to grow to the detriment of its performance;

investors may reduce their investments in our funds or not make additional investments in our funds based upon current market conditions, their available capital or their perception of the health of our businesses;

some of our competitors have greater capital, lower targeted returns or greater sector or investment strategy-specific expertise than we do, which creates competitive disadvantages with respect to investment opportunities;

some of our competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;

some of our competitors may perceive risk differently than we do, which could allow them either to outbid us for investments in particular sectors or, generally, to consider a wider variety of investments;

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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.

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In addition, fund managers have increasingly adopted investment strategies traditionally associated with the other. Capital markets funds have become active in taking control positions in companies, while private equity funds have assumed minority positions in publicly listed companies. This convergence could heighten our competitive risk by expanding the range of asset managers seeking private equity investments and making it more difficult for us to differentiate ourselves from managers of capital markets funds.

These and other factors could reduce our earnings and revenues and materially adversely affect our businesses. In addition, if we are forced to compete with other alternative asset managers on the basis of price, we may not be able to maintain our current management fee and incentive income structures. We have historically competed primarily on the performance of our funds, and not on the level of our fees or incentive income relative to those of our competitors. However, there is a risk that fees and incentive income in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or incentive income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

Our ability to retain our investment professionals is critical to our success and our ability to grow depends on our ability to attract additional key personnel.

Our success depends on our ability to retain our investment professionals and recruit additional qualified personnel. We anticipate that it will be necessary for us to add investment professionals as we pursue our growth strategy. However, we may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive. Our investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities, and in certain cases have key relationships with our fund investors. Therefore, if our investment professionals join competitors or form competing companies it could result in the loss of significant investment opportunities and certain existing fund investors. Legislation has been proposed in the U.S. Congress to treat portions of carried interest as ordinary income rather than as capital gain for U.S. Federal income tax purposes. Because we compensate our investment professionals in large part by giving them an equity interest in our business or a right to receive carried interest, such legislation could adversely affect our ability to recruit, retain and motivate our current and future investment professionals. See **Risks Related to Taxation**. Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. The loss of even a small number of our investment professionals could jeopardize the performance of our funds, which would have a material adverse effect on our results of operations. Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses, both geographically and into complementary new investment strategies. We may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of special risks, including some or all of the following:

the diversion of management's attention from our core businesses;

the disruption of our ongoing businesses;

entry into markets or businesses in which we may have limited or no experience;

increasing demands on our operational systems;

potential increase in investor concentration; and

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the broadening of our geographic footprint, increasing the risks associated with conducting operations in foreign jurisdictions.

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Additionally, any expansion of our businesses could result in significant increases in our outstanding indebtedness and debt service requirements, which would increase the risks in investing in our Class A shares and may adversely impact our results of operations and financial condition.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability, or in identifying and acquiring new businesses that increase our profitability. Because we have not yet identified these potential new investment strategies, geographic markets or businesses, we cannot identify for you all the risks we may face and the potential adverse consequences on us and your investment that may result from our attempted expansion. We also do not know how long it may take for us to expand, if we do so at all. We have total discretion, at the direction of our manager, without needing to seek approval from our board of directors or shareholders, to enter into new investment strategies, geographic markets and businesses, other than expansions involving transactions with affiliates which may require limited board approval.

Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities.

Many of our funds invest in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Accordingly, our funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our funds, particularly our private equity funds, to dispose of investments is heavily dependent on the public equity markets, inasmuch as the ability to realize value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. Furthermore, large holdings even of publicly traded equity securities can often be disposed of only over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our private equity funds' investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's leverage will often increase in recapitalization transactions subsequent to the company's acquisition by a private equity fund. The absence of available sources of senior debt financing for extended periods of time could therefore materially and adversely affect our private equity funds. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all. For example, the dislocation in the credit markets which we believe began in July 2007 and the record backlog of supply in the debt markets resulting from such dislocation has materially affected the ability and willingness of banks to underwrite new high-yield debt securities.

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Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;

allow even moderate reductions in operating cash flow to render it unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;

limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;

limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and

limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, many investments consummated by private equity sponsors during the past three years which utilized significant amounts of leverage are experiencing severe economic stress and may default on their debt obligations due to a decrease in revenues and cash flow precipitated by the recent economic downturn.

When our private equity funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the current unusually limited availability of financing for such purposes were to persist for several years, when significant amounts of the debt incurred to finance our private equity funds' existing portfolio investments start to come due, these funds could be materially and adversely affected.

Our capital markets funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. The fund may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost and the timing and magnitude of such losses may be accelerated or exacerbated in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. In addition, as a business development company under the Investment Company Act, AIC is permitted to issue senior securities in amounts such that its asset coverage ratio equals at least 200% after each issuance of senior securities. AIC's ability to pay dividends will be restricted if its asset coverage ratio falls below at least 200% and any amounts that it uses to service its indebtedness are not available for dividends to its common stockholders. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

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Our internal control over financial reporting does not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our businesses and stock price.

We have not previously been required to comply with the requirements of the Sarbanes-Oxley Act, including the internal control evaluation and certification requirement of Section 404 of that statute, and we will not be required to comply with all those requirements until after we have been subject to the requirements of the Exchange Act for a specified period. We are in the process of addressing our internal control over, and policies and processes related to, financial reporting and the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

We have begun the process of documenting and evaluating our internal control procedures pursuant to the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the AMH credit facility. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us and lead to a decline in our share price. In addition, we will incur incremental costs in order to improve our internal control over financial reporting and comply with Section 404, including increased auditing and legal fees and costs associated with hiring additional accounting and administrative staff.

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States of America to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under International Financial Reporting Standards, or IFRS, instead of under generally accepted accounting principles in the United States of America, or U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board, or IASB, and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Apollo. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Apollo, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

Operational risks relating to the execution, confirmation or settlement of transactions, our dependence on our headquarters in New York City and third-party providers may disrupt our businesses, result in losses or limit our growth.

We face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our credit-oriented capital markets business is highly dependent on our ability to process and

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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 fund's 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

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could have a material adverse effect on our results of operations. Currently, AIC is the only Apollo fund that is subject to these provisions of the Investment Company Act, as it has elected to be treated as a business development company under the Investment Company Act.

In addition, in connection with the deconsolidation of certain of our private equity and capital markets funds, the governing documents of those funds were amended to provide that a simple majority of a fund's unaffiliated investors have the right to liquidate that fund, which would cause management fees and incentive income to terminate. Our ability to realize incentive income from such funds also would be adversely affected if we are required to liquidate fund investments at a time when market conditions result in our obtaining less for investments than could be obtained at later times. Because this right is a new one, we do not know whether, and under what circumstances, the investors in our funds are likely to exercise such right.

In addition, the management agreements of our funds would terminate if we were to experience a change of control without obtaining investor consent. Such a change of control could be deemed to occur in the event our managing partners exchange enough of their interests in the Apollo Operating Group into our Class A shares such that our managing partners no longer own a controlling interest in us. We cannot be certain that consents required for the assignment of our management agreements will be obtained if such a deemed change of control occurs. Termination of these agreements would affect the fees we earn from the relevant funds and the transaction and advisory fees we earn from the underlying portfolio companies, which could have a material adverse effect on our results of operations.

Our use of leverage to finance our businesses will expose us to substantial risks, which are exacerbated by our funds' use of leverage to finance investments.

We have a term loan outstanding under the AMH credit facility. We may choose to finance our business operations through further borrowings. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including those discussed below under Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments. These risks are exacerbated by certain of our funds' use of leverage to finance investments and, if they were to occur, could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which might result in an increase in our borrowing costs or result in other material adverse effects on our businesses.

Borrowings under the AMH credit facility mature on either April 20, 2014 or January 3, 2017. As these borrowings and other indebtedness matures, we will be required to either refinance them by entering into new facilities, which could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. We could also repay them by using cash on hand or cash from the sale of our assets. We could have difficulty entering into new facilities or issuing equity in the future on attractive terms, or at all.

Borrowings under the AMH credit facility are either LIBOR or ABR-based floating-rate obligations. As a result, an increase in short-term interest rates will increase our interest costs to the extent such borrowings have not been hedged into fixed rates.

We are subject to third-party litigation that could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.

In general, we will be exposed to risk of litigation by our investors if our management of any fund is alleged to constitute bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. Investors could sue us to recover amounts lost by our funds due to our alleged misconduct, up to the entire amount of loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of our funds or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities in our funds

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and actions taken by the officers and directors (some of whom may be Apollo employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies in which our funds have large investments. We are also exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In addition, our rights to indemnification by the funds we manage may not be upheld if challenged, and our indemnification rights generally do not cover bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from our funds, our results of operations, financial condition and liquidity would be materially adversely affected.

In addition, with a workforce that includes many very highly paid investment professionals, we face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount. Such claims are more likely to occur in the current environment where individual employees may experience significant volatility in their year-to-year compensation due to trading performance or other issues and in situations where previously highly compensated employees were terminated for performance or efficiency reasons. The cost of settling such claims could adversely affect our results of operations.

If any lawsuits brought against us were to result in a finding of substantial legal liability, the lawsuit could, in addition to any financial damage, cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. In addition, fund investors (or holders of Class A shares) may perceive conflicts of interest regarding investment decisions for funds in which our managing partners, who have and may continue to make significant personal investments in a variety of Apollo funds, are personally invested. Similarly, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies.

Pursuant to the terms of our operating agreement, whenever a potential conflict of interest exists or arises between any of the managing partners, one or more directors or their respective affiliates, on the one hand, and us, any of our subsidiaries or any shareholder other than a managing partner, on the other, any resolution or course of action by our board of directors shall be permitted and deemed approved by all shareholders if the resolution or course of action (i) has been specifically approved by a majority of the voting power of our outstanding voting shares (excluding voting shares owned by our manager or its affiliates) or by a conflicts committee of the board of directors composed entirely of one or more independent directors, (ii) is on terms no less favorable to us or our shareholders (other than a managing partner) than those generally being provided to or available from unrelated third parties or (iii) it is fair and reasonable to us and our shareholders taking into account the totality of the relationships between the parties involved. All conflicts of interest described in this

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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

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involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Certain of our funds utilize special situation and distressed debt investment strategies that involve significant risks.

Our funds often invest in obligors and issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in general if they are not publicly traded securities. Furthermore, some of our funds' distressed investments may not be widely traded or may have no recognized market. A fund's exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to successfully predict the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. If the corporate event we predict is delayed, changed or never completed, the market price and value of the applicable fund's investment could decline sharply.

In addition, these investments could subject us to certain potential additional liabilities that may exceed the value of our original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

Our funds make investments in companies that we do not control.

Investments by our capital markets funds (and, in certain instances, our private equity funds) will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In the

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future, our private equity funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, we cannot give assurance as to the degree of diversification that will actually be achieved in any fund investments. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a significant adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund's performance and therefore, our financial condition and results of operations.

Some of our funds invest in foreign countries and securities of issuers located outside of the United States, which may involve foreign exchange, political, social and economic uncertainties and risks.

Some of our funds invest all or a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, including, Germany, China and Singapore. In addition to business uncertainties, such investments may be affected by changes in exchange values as well as political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments may adversely impact the value of our fund investments. Such restrictions or actions could include exchange controls, seizure or nationalization of foreign deposits or other assets and adoption of other governmental restrictions that adversely affect the prices of securities or the ability to repatriate profits on investments or the capital invested itself. Income received by our funds from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by a fund will reduce the net income or return from such investments. While our funds will take these factors into consideration in making investment decisions, including when hedging positions, our funds may not be able to fully avoid these risks or generate sufficient risk-adjusted returns.

Third-party investors in our funds will have the right under certain circumstances to terminate commitment periods or to dissolve the funds, and investors in our hedge funds may redeem their investments in our hedge funds at any time after an initial holding period of 12 to 36 months. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of certain of our funds allow the limited partners of those funds to (i) terminate the commitment period of the fund in the event that certain key persons (for example, one or more of our managing partners and/or certain other investment professionals) fail to devote the requisite time to managing the fund, (ii) (depending on the fund) terminate the commitment period, dissolve the fund or remove the general partner if we, as general partner or manager, or certain key persons engage in certain forms of misconduct, or (iii) dissolve the fund or terminate the commitment period upon the affirmative vote of a specified percentage of limited partner interests entitled to vote. Both Fund VI and Fund VII, on which our near- to medium-term performance will heavily depend, include a number of such provisions. Also, in order to deconsolidate most of

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our funds for financial reporting purposes, we amended the governing documents of those funds to provide that a simple majority of a fund's unaffiliated investors have the right to liquidate that fund. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

Investors in our hedge funds may also generally redeem their investments on an annual, semiannual or quarterly basis following the expiration of a specified period of time when capital may not be redeemed (typically between one and five years). Fund investors may decide to move their capital away from us to other investments for any number of reasons in addition to poor investment performance. Factors which could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with changes in or broadening of a fund's investment strategy, changes in our reputation and departures or changes in responsibilities of key investment professionals. In a declining market, the pace of redemptions and consequent reduction in our Assets Under Management could accelerate. The decrease in revenues that would result from significant redemptions in these funds could have a material adverse effect on our businesses, revenues, net income and cash flows.

In addition, the management agreements of all of our funds would be terminated upon an assignment, without the requisite consent, of these agreements, which may be deemed to occur in the event the investment advisers of our funds were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end mezzanine funds, each fund's investment management agreement must be approved annually by the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such funds.

Our financial projections for portfolio companies could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. These projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections we used to establish a given portfolio company's capital structure. Because of the leverage we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds' performance to fall short of our expectations.

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we manage. Although the U.S. economy has improved, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governmental agencies in the U.S. and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse

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performance or additional pressure due to downward trends. For example, performance of theatre exhibition companies could be adversely affected by poor box office performance, increased competition from other forms of out-of-home entertainment, as well as the continued increase in use of alternative film delivery methods. Similarly, the gaming industry is highly competitive, and in recent periods, supply has typically grown at a faster pace than demand in some markets. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies (including pricing pressure) of gaming companies have increased competition in many markets, and such competitive pressures have and are expected to continue to adversely affect financial performance of gaming companies in such markets. Cruise ship operations are also susceptible to adverse changes in the economic climate, such as higher fuel prices, as increases in the cost of fuel globally would increase the cost of cruise ship operations. Economic and political conditions in certain parts of the world make it difficult to predict the price of fuel in the future. In addition, cruise ship operators could experience increases in other operating costs, such as crew, insurance and security costs, due to market forces and economic or political instability beyond their control. In respect of real estate, even though the U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on the companies' performance, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

The performance of certain of our portfolio companies in the chemical and refining industries is subject to the cyclical and volatile nature of the supply-demand balance in these industries. These industries historically have experienced alternating periods of capacity shortages leading to tight supply conditions, causing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins. In addition to changes in the supply and demand for products, the volatility these industries experience occurs as a result of changes in energy prices, costs of raw materials and changes in various other economic conditions around the world. The performance of investments we may make in the commodities markets is also subject to a high degree of business and market risk, as it is substantially dependent upon prevailing prices of oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments in the commodities markets to deploy hedging strategies to protect against pricing fluctuations (but that may or may not protect our investments).

Our funds' investments in commercial mortgage loans and other commercial real-estate related loans are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with mortgage loans made on the security of residential properties. If the net operating income of the commercial property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by various factors, such as success of tenant businesses, property management decisions, competition from comparable types of properties and declines in regional or local real estate values and rental or occupancy rates.

Fraud and other deceptive practices could harm fund performance.

Instances of fraud and other deceptive practices committed by senior management of portfolio companies in which an Apollo fund invests may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of a fund's investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact an Apollo fund's investment program. As a result, instances of fraud could result in fund performance that is poorer than expected.

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Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers.

Our managing partners, investment professionals or other employees may acquire confidential or material non-public information and, as a result, be restricted from initiating transactions in certain securities. This risk affects us more than it does many other investment managers, as we generally do not use information barriers that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Our decision not to implement these barriers could prevent our investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise.

In order to manage possible risks resulting from our decision not to implement information barriers, our compliance personnel maintain a list of restricted securities as to which we have access to material, non-public information and in which our funds and investment professionals are not permitted to trade. This internal control relating to the management of material non-public information could fail and with the result that we, or one of our investment professionals, might trade when at least constructively in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on our reputation, result in the imposition of regulatory or financial sanctions and as a consequence, negatively impact our financial condition. In addition, we could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event, our ability to operate as an integrated platform will be restricted. The establishment of such information barriers may also lead to operational disruptions and result in restructuring costs, including costs related to hiring additional personnel as existing investment professionals are allocated to either side of such barriers, which may adversely affect our business.

Regulations governing AINV's operation as a business development company affect its ability to raise, and the way in which it raises, additional capital.

As a business development company under the Investment Company Act, AINV may issue debt securities or preferred stock and borrow money from banks or other financial institutions, which we refer to collectively as

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senior securities, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, AINV is permitted to issue senior securities only in amounts such that its asset coverage, as defined in the Investment Company Act, equals at least 200% after each issuance of senior securities. If the value of its assets declines, it may be unable to satisfy this test. If that happens, it may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous.

Business development companies may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during the one-year period after stockholder approval. AINV's stockholders have, in the past, approved a plan so that during the subsequent 12-month period, AINV may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock at a price below the then current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of its independent directors and a requirement that the sale price be not less than approximately the market price of the shares of its common stock at specified times, less the expenses of the sale. AINV may ask its stockholders for additional approvals from year to year. There is no assurance such approvals will be obtained.

Our hedge funds are subject to numerous additional risks.

Our hedge funds are subject to numerous additional risks, including the risks set forth below.

Generally, there are few limitations on the execution of these funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss.

These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.

Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions.

The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.

These funds may make investments or hold trading positions in markets that are volatile and which may become illiquid.

These funds' investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances.

Risks Related to Our Class A Shares

The market price and trading volume of our Class A shares may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A shares may fluctuate and cause significant price variations to occur. If the market price of our Class A shares declines significantly, you may be unable to resell your Class A shares at or above your purchase price, if at all. The market price of our Class A shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A shares or result in fluctuations in the

price or trading volume of our Class A shares include:

variations in our quarterly operating results or distributions, which variations we expect will be substantial;

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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.

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The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. As of December 31, 2011, we had 123,923,042 Class A shares outstanding. The Class A shares reserved under the Equity Plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and Apollo Operating Group units exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. Taking into account grants of RSUs and options made through December 31, 2011, 41,900,162 Class A shares remained available for future grant under our equity incentive plan. In addition, Holdings may at any time exchange its

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Apollo Operating Group units for up to 240,000,000 Class A shares on behalf of our managing partners and contributing partners. We may also elect to sell additional Class A shares in one or more future primary offerings.

Our managing partners and contributing partners, through their partnership interests in Holdings, owned an aggregate of 65.9% of the Apollo Operating Group units as of December 31, 2011. Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and contributing partners and any applicable transfer restrictions and lock-up agreements) each managing partner and contributing partner has the right, upon 60 days' notice prior to a designated quarterly date, to exchange the Apollo Operating Group units for Class A shares. These Class A shares are eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations.

Our managing partners and contributing partners (through Holdings) have the ability to cause us to register the Class A shares they acquire upon exchange of their Apollo Operating Group units. Such rights will be exercisable beginning two years after the initial public offering of our Class A shares.

The Strategic Investors have the ability to cause us to register any of their non-voting Class A shares beginning two years after the initial public offering of our Class A shares, and, generally, may only transfer their non-voting Class A shares prior to such time to its controlled affiliates.

We have on file with the SEC a registration statement on Form S-8 covering the shares issuable under our equity incentive plan. Subject to vesting and contractual lock-up arrangements, such shares will be freely tradable.

We cannot assure you that our intended quarterly distributions will be paid each quarter or at all.

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable laws and regulations, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. The declaration, payment and determination of the amount of our quarterly dividend, if any, will be at the sole discretion of our manager, who may change our dividend policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly dividend, our manager considers general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as our manager may deem relevant.

Our managing partners beneficial ownership of interests in the Class B share that we have issued to BRH, the control exercised by our manager and anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our managing partners, through their ownership of BRH, beneficially own the Class B share that we have issued to BRH. The managing partners interests in such Class B share represented 79.0% of the total combined voting power of our shares entitled to vote as of December 31, 2011. As a result, they are able to exercise control over all matters requiring the approval of shareholders and are able to prevent a change in control of our company. In addition, our operating agreement provides that so long as the Apollo control condition is satisfied, our manager, which is owned and controlled by our managing partners, manages all of our operations and activities. The control of our manager will make it more difficult for a potential acquirer to assume control of us. Other provisions in our operating agreement may also make it more difficult and expensive for a third party to

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acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, certain provisions of Delaware law may delay or prevent a transaction that could cause a change in our control. The market price of our Class A shares could be adversely affected to the extent that our managing partners' control over us, the control exercised by our manager as well as provisions of our operating agreement discourage potential takeover attempts that our shareholders may favor.

We are a Delaware limited liability company, and there are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our Class A shareholders.

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

Risks Related to Our Organization and Structure

Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected.

The U.S. Congress, the IRS and the U.S. Treasury Department have recently examined the U.S. Federal income tax treatment of private equity funds, hedge funds and other kinds of investment partnerships. The present U.S. Federal income tax treatment of a holder of Class A shares and/or our own taxation may be adversely affected by any new legislation, new regulations or revised interpretations of existing tax law that arise as a result of such examinations. In May 2010, the U.S. House of Representatives passed legislation (the May 2010 House Bill) that would have, in general, treated income and gains, including gain on sale, attributable to an interest in an investment services partnership interest (ISPI) as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. The interests of Class A shareholders and our interests in the Apollo Operating Group that are entitled to receive carried interest may be classified as ISPIs for purposes of this legislation. The United States Senate considered, but did not pass, similar legislation. On February 14, 2012, Representative Levin introduced similar legislation (the 2012 Levin Bill) that would tax carried interest at ordinary income rates (which would be higher than the proposed blended rate in the May 2010 House Bill). It is unclear when or whether the U.S. Congress will pass such legislation or what provisions would be included in any legislation, if enacted.

Both the May 2010 House Bill and the 2012 Levin Bill provide that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is treated as ordinary income under the rules discussed above would not meet the qualifying income requirements

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under the publicly traded partnership rules. Therefore, if similar legislation were to be enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. Federal income tax purposes or be required to hold all such ISPIs through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all ISPIs through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, holders of Class A shares could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, now treated as capital gains, including gain on disposition of interests attributable to an ISPI, at rates higher than the capital gains rate applicable to such income under current law, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of carried interest. Furthermore, in the proposed American Jobs Act, the Obama administration proposed that current law regarding the treatment of carried interest be changed for taxable years ending after December 31, 2012 to subject such income to ordinary income tax. In its published revenue proposal for 2013, the Obama administration proposed that the current law regarding treatment of carried interest be changed to subject such income to ordinary income tax. The Obama administration's published revenue proposals for 2010, 2011 and 2012 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation would be enacted.

On February 22, 2012, the Obama administration announced its framework of key elements to change the U.S. federal income tax rules for businesses. Few specifics were included, and it is unclear what any actual legislation could provide, when it would be proposed, or its prospects for enactment. Several parts of the framework, if enacted, could adversely affect us. First, the framework could reduce the deductibility of interest for corporations in some manner not specified. A reduction in interest deductions could increase our tax rate and thereby reduce cash available for distribution to investors or for other uses by us. Such a reduction could also limit our ability to finance new transactions and increase the effective cost of financing by companies in which we invest, which could reduce the value of our carried interest in respect of such companies. The framework also suggests that some entities currently treated as partnerships for tax purposes could be subject to an entity-level income tax similar to the corporate income tax. If such a proposal caused us to be subject to additional entity-level taxes, it could reduce cash available for distribution to investors or for other uses by us. The framework reiterates the President's support for treatment of carried interest as ordinary income, as provided in the President's revenue proposal for 2013 described above. However, whether the President's framework will actually be enacted by the government is unknown, and the ultimate consequences of tax reform legislation, if any, are also presently not known.

Our shareholders do not elect our manager or vote and have limited ability to influence decisions regarding our businesses.

So long as the Apollo control condition is satisfied, our manager, AGM Management, LLC, which is owned by our managing partners, will manage all of our operations and activities. AGM Management, LLC is managed by BRH, a Cayman entity owned by our managing partners and managed by an executive committee composed of our managing partners. Our shareholders do not elect our manager, its manager or its manager's executive committee and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our businesses and therefore limited ability to influence decisions regarding our businesses. Furthermore, if our shareholders are dissatisfied with the performance of our manager, they will have little ability

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to remove our manager. As discussed below, the managing partners collectively had 79.0% of the voting power of Apollo Global Management, LLC as of December 31, 2011. Therefore, they have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

Control by our managing partners of the combined voting power of our shares and holding their economic interests through the Apollo Operating Group may give rise to conflicts of interests.

Our managing partners controlled 79.0% of the combined voting power of our shares entitled to vote as of December 31, 2011. Accordingly, our managing partners have the ability to control our management and affairs to the extent not controlled by our manager. In addition, they are able to determine the outcome of all matters requiring shareholder approval (such as a proposed sale of all or substantially of our assets, the approval of a merger or consolidation involving the company, and an election by our manager to dissolve the company) and are able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. The control of voting power by our managing partners could deprive Class A shareholders of an opportunity to receive a premium for their Class A shares as part of a sale of our company, and might ultimately affect the market price of the Class A shares.

In addition, our managing partners and contributing partners, through their partnership interests in Holdings, are entitled to 65.9% of Apollo Operating Group's economic returns through the Apollo Operating Group units owned by Holdings as of December 31, 2011. Because they hold their economic interest in our businesses directly through the Apollo Operating Group, rather than through the issuer of the Class A shares, our managing partners and contributing partners may have conflicting interests with holders of Class A shares. For example, our managing partners and contributing partners may have different tax positions from us, which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement. In addition, the structuring of future transactions may take into consideration the managing partners' and contributing partners' tax considerations even where no similar benefit would accrue to us.

We qualify for, and rely on, exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We qualify for exceptions from certain corporate governance and other requirements under the rules of the NYSE. Pursuant to these exceptions, we have elected not to comply with certain corporate governance requirements of the NYSE, including the requirements (i) that a majority of our board of directors consist of independent directors, (ii) that we have a nominating/corporate governance committee that is composed entirely of independent directors and (iii) that we have a compensation committee that is composed entirely of independent directors. In addition, we are not required to hold annual meetings of our shareholders. Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NYSE.

Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders.

Conflicts of interest may arise among our manager, on the one hand, and us and our shareholders, on the other hand. As a result of these conflicts, our manager may favor its own interests and the interests of its affiliates over the interests of us and our shareholders. These conflicts include, among others, the conflicts described below.

Our manager determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional stock and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you.

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Our manager is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our shareholders; for example, our affiliates that serve as general partners of our funds have fiduciary and contractual obligations to our fund investors, and such obligations may cause such affiliates to regularly take actions that might adversely affect our near-term results of operations or cash flow; our manager has no obligation to intervene in, or to notify our shareholders of, such actions by such affiliates.

Because our managing partners and contributing partners hold their Apollo Operating Group units through entities that are not subject to corporate income taxation and Apollo Global Management, LLC holds the Apollo Operating Group units in part through a wholly-owned subsidiary that is subject to corporate income taxation, conflicts may arise between our managing partners and contributing partners, on the one hand, and Apollo Global Management, LLC, on the other hand, relating to the selection and structuring of investments.

Other than as set forth in the non-competition, non-solicitation and confidentiality agreements to which our managing partners and other professionals are subject, which may not be enforceable, affiliates of our manager and existing and former personnel employed by our manager are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.

Our manager has limited its liability and reduced or eliminated its duties (including fiduciary duties) under our operating agreement, while also restricting the remedies available to our shareholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our manager and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our Class A shares, you will have agreed and consented to the provisions set forth in our operating agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law.

Our operating agreement does not restrict our manager from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the operating agreement.

Our manager determines how much debt we incur and that decision may adversely affect our credit ratings.

Our manager determines which costs incurred by it and its affiliates are reimbursable by us.

Our manager controls the enforcement of obligations owed to us by it and its affiliates.

Our manager decides whether to retain separate counsel, accountants or others to perform services for us. See Item 13. Certain Relationships and Related Party Transactions for a more detailed discussion of these conflicts.

Our operating agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our manager and limit remedies available to shareholders for actions that might otherwise constitute a breach of duty. It will be difficult for a shareholder to challenge a resolution of a conflict of interest by our manager or by its conflicts committee.

Our operating agreement contains provisions that waive or consent to conduct by our manager and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our operating agreement provides that when our manager is acting in its individual capacity, as opposed to in its capacity as our manager, it may act without any fiduciary obligations to us or our shareholders whatsoever. When our manager, in its capacity as our manager, is permitted to or required to make a decision in its sole discretion or discretion or that it deems necessary or appropriate or necessary or advisable, then our manager will be entitled to consider only such interests and factors as it desires, including its own interests,

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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.

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Our ability to pay regular distributions may be limited by our holding company structure. We are dependent on distributions from the Apollo Operating Group to pay distributions, taxes and other expenses.

As a holding company, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. We intend to distribute quarterly distributions to our Class A shareholders. Accordingly, we expect to cause the Apollo Operating Group to make distributions to its unitholders (in other words, Holdings, which is 100% owned, directly and indirectly, by our managing partners and our contributing partners, and the three intermediate holding companies, which are 100% owned by us), pro rata in an amount sufficient to enable us to pay such distributions to our Class A shareholders; however, such distributions may not be made. In addition, our manager can reduce or eliminate our dividend at any time, in its discretion. The Apollo Operating Group intends to make periodic distributions to its unitholders in amounts sufficient to cover hypothetical income tax obligations attributable to allocations of taxable income resulting from their ownership interest in the various limited partnerships making up the Apollo Operating Group, subject to compliance with any financial covenants or other obligations. Tax distributions will be calculated assuming each shareholder was subject to the maximum (corporate or individual, whichever is higher) combined U.S. Federal, New York State and New York City tax rates, without regard to whether any shareholder was subject to income tax liability at those rates. If the Apollo Operating Group has insufficient funds, we may have to borrow additional funds or sell assets, which could materially adversely affect our liquidity and financial condition. Furthermore, by paying that cash distribution rather than investing that cash in our business, we might risk slowing the pace of our growth or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise. Because tax distributions to unitholders are made without regard to their particular tax situation, tax distributions to all unitholders, including our intermediate holding companies, were increased to reflect the disproportionate income allocation to our managing partners and contributing partners with respect to built-in gain assets at the time of the Private Offering Transactions.

There may be circumstances under which we are restricted from paying distributions under applicable law or regulation (for example, due to Delaware limited partnership or limited liability company act limitations on making distributions if liabilities of the entity after the distribution would exceed the value of the entity's assets). In addition, under the AMH credit facility, Apollo Management Holdings is restricted in its ability to make cash distributions to us and may be forced to use cash to collateralize the AMH credit facility, which would reduce the cash it has available to make distributions.

Tax consequences to our managing partners and contributing partners may give rise to conflicts of interests.

As a result of unrealized built-in gain attributable to the value of our assets held by the Apollo Operating Group entities at the time of the Private Offering Transactions, upon the sale, refinancing or disposition of the assets owned by the Apollo Operating Group entities, our managing partners and contributing partners will incur different and significantly greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to the managing partners and contributing partners upon a realization event. As the managing partners and contributing partners will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different objectives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or the sale or disposition of assets with unrealized built-in gains may also influence the timing and amount of payments that are received by an exchanging or selling founder or partner under the tax receivable agreement. All other factors being equal, earlier disposition of assets with unrealized built-in gains following such exchange will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets with unrealized built-in gains before an exchange will increase a managing partner's or contributing partner's tax liability without giving rise to any rights to receive payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by our managing partners and contributing partners pursuant to the tax receivable agreement.

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We are required to pay Holdings for most of the actual tax benefits we realize as a result of the tax basis step-up we receive in connection with taxable exchanges by our units held in the Apollo Operating Group entities or our acquisitions of units from our managing partners and contributing partners.

On a quarterly basis, each managing partner and contributing partner has the right to exchange the Apollo Operating Group units that he holds through his partnership interest in Holdings for our Class A shares in a partially taxable transaction. These exchanges, as well as our acquisitions of units from our managing partners or contributing partners, may result in increases in the tax basis of the intangible assets of the Apollo Operating Group that otherwise would not have been available. Any such increases may reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. The IRS may challenge all or part of these increased deductions and tax basis increases and a court could sustain such a challenge.

We have entered into a tax receivable agreement with Holdings that provides for the payment by APO Corp. to our managing partners and contributing partners of 85% of the amount of actual tax savings, if any, that APO Corp. realizes (or is deemed to realize in the case of an early termination payment by APO Corp. or a change of control, as discussed below) as a result of these increases in tax deductions and tax basis of the Apollo Operating Group. In April 2011 and April 2010, the Apollo Operating Group made a distribution of \$39.8 million and \$15.0 million, respectively, to APO Corp., and APO Corp. made payment to satisfy the liability under the tax receivable agreement to the managing partners and contributing partners from a realized tax benefit for the 2010 and 2009 tax year. In April 2009, APO Corp. made payment of \$9.1 million pursuant to the tax receivable agreement. Prior to 2010, the distribution percentage was governed by a special allocation as discussed in footnote 15 of our consolidated financial statements and as a result, the Apollo Operating Group made a total distribution of \$27.0 million in 2009 to APO Corp. and Holdings, respectively, in accordance with their pro rata interests, to satisfy the liability under the tax receivable agreement. Of the distribution, \$17.9 million was distributed to the managing partners and contributing partners in 2009 from a realized tax benefit for the 2008 tax year. Future payments that APO Corp. may make to our managing partners and contributing partners could be material in amount. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Apollo Operating Group units in the future, or if we become taxable as a corporation for U.S. Federal income tax purposes, we expect, and have agreed that, each will become subject to a tax receivable agreement with substantially similar terms.

The IRS could challenge our claim to any increase in the tax basis of the assets owned by the Apollo Operating Group that results from the exchanges entered into by the managing partners or contributing partners. The IRS could also challenge any additional tax depreciation and amortization deductions or other tax benefits (including deductions for imputed interest expense associated with payments made under the tax receivable agreement) we claim as a result of, or in connection with, such increases in the tax basis of such assets. If the IRS were to successfully challenge a tax basis increase or tax benefits we previously claimed from a tax basis increase, Holdings would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to them (although any future payments would be adjusted to reflect the result of such challenge). As a result, in certain circumstances, payments could be made to our managing partners and contributing partners under the tax receivable agreement in excess of 85% of the actual aggregate cash tax savings of APO Corp. APO Corp.'s ability to achieve benefits from any tax basis increase and the payments to be made under this agreement will depend upon a number of factors, including the timing and amount of its future income.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, APO Corp.'s (or its successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. See Item 13. Certain Relationships and Related Party Transactions Tax Receivable Agreement.

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If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.

We do not believe that we are an investment company under the Investment Company Act because the nature of our assets and the income derived from those assets allow us to rely on the exception provided by Rule 3a-1 issued under the Investment Company Act. In addition, we believe we are not an investment company under Section 3(b)(1) of the Investment Company Act because we are primarily engaged in non-investment company businesses. We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, we would be taxed as a corporation and other restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with affiliates that apply to us, could make it impractical for us to continue our businesses as contemplated and would have a material adverse effect on our businesses and the price of our Class A shares.

Risks Related to Taxation

You may be subject to U.S. Federal income tax on your share of our taxable income, regardless of whether you receive any cash distributions from us.

Under current law, so long as we are not required to register as an investment company under the Investment Company Act and 90% of our gross income for each taxable year constitutes qualifying income within the meaning of the Internal Revenue Code on a continuing basis, we will be treated, for U.S. Federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. You will be subject to U.S. Federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit for each of our taxable years ending with or within your taxable year, regardless of whether or not you receive cash distributions from us. Accordingly, you may be required to make tax payments in connection with your ownership of Class A shares that significantly exceed your cash distributions in any specific year.

If we are treated as a corporation for U.S. Federal income tax purposes, the value of the Class A shares would be adversely affected.

The value of your investment will depend in part on our company being treated as a partnership for U.S. Federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code, and that we are not required to register as an investment company under the Investment Company Act and related rules. Although we intend to manage our affairs so that our partnership will meet the 90% test described above in each taxable year, we may not meet these requirements or, as discussed below, current law may change so as to cause, in either event, our partnership to be treated as a corporation for U.S. Federal income tax purposes. If we were treated as a corporation for U.S. Federal income tax purposes, (i) we would become subject to corporate income tax and (ii) distributions to shareholders would be taxable as dividends for U.S. Federal income tax purposes to the extent of our earnings and profits.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to entity level taxation. See Risks Related to Our Organization and Structure. The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as the market price of our units, could be reduced. Because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

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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.

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Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under the U.S. Foreign Account Tax Compliance Act, or FATCA, all entities in a broadly defined class of foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or, beginning in 2014, be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2015, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or, beginning in 2014, be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2015, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). The reporting obligations imposed under FATCA require FFIs to enter into agreements with the IRS to obtain and disclose information about certain investors to the IRS. Regulations implementing FATCA have not yet been finalized. Recently issued proposed regulations if finalized would delay the implementation of certain reporting requirements under FATCA but no assurance can be given that the proposed regulations will be finalized or that any final regulations will include any delay. Accordingly, some foreign investors may hesitate to invest in U.S. funds until there is more certainty around FATCA implementation. In addition, the administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. Federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. Federal income tax purposes. Such an entity may be a passive foreign investment company, or a PFIC, or a controlled foreign corporation, or a CFC, for U.S. Federal income tax purposes. For example, APO (FC), LLC is considered to be a CFC for U.S. Federal income tax purposes. Class A shareholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences, including the recognition of taxable income prior to the receipt of cash relating to such income. In addition, gain on the sale of a PFIC or CFC may be taxable at ordinary income tax rates.

Complying with certain tax-related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. Federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment we (or our subsidiaries) may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we may not have otherwise entered into. This may cause us to incur additional tax liability and/or adversely affect our ability to operate solely to maximize our cash flow. Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Apollo Operating Group. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax free to our holders if we were a corporation. To the extent we hold assets other than through the Apollo Operating Group, we will make appropriate adjustments to the Apollo Operating Group agreements so that distributions to Holdings and us would be the same as if such assets were held at that level. Moreover, we are precluded by a contract with one of the Strategic Investors from acquiring assets in a manner that would cause that Strategic Investor to be engaged in a commercial activity within the meaning of Section 892 of the Internal Revenue Code.

Tax gain or loss on disposition of our Class A shares could be more or less than expected.

If you sell your Class A shares, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those Class A shares. Prior distributions to you in excess of the

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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.

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We do not intend to make, or cause to be made, an election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Group Partnerships. Thus, a holder of Class A shares could be allocated more taxable income in respect of those Class A shares prior to disposition than if such an election were made.

We did not make and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P. Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P. and Apollo Principal Holdings IX, L.P. If no such election is made, there will generally be no adjustment for a transferee of Class A shares even if the purchase price of those Class A shares is higher than the Class A shares' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, on a sale of an asset, gain allocable to a transferee could include built-in gain allocable to the transferor at the time of the transfer, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made.

Class A shareholders may be subject to state and local taxes and return filing requirements as a result of investing in our Class A shares.

In addition to U.S. federal income taxes, our Class A shareholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our Class A shareholders do not reside in any of those jurisdictions. Our Class A shareholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, Class A shareholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Class A shareholder to file all U.S. federal, state and local tax returns that may be required of such Class A shareholder.

We may not be able to furnish to each Class A shareholder specific tax information within 90 days after the close of each calendar year, which means that holders of Class A shares who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that Class A shareholders may be required to file amended income tax returns.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each Class A shareholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, Class A shareholders who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that a Class A shareholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a Class A shareholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each Class A shareholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease the space for our offices in Purchase, NY, California, Houston, London, Singapore, Frankfurt, Mumbai, Hong Kong and Luxembourg. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, party to various legal actions arising in the ordinary course of business, including claims and litigation, reviews, investigations and proceedings by governmental and self-regulatory agencies regarding our business.

On July 16, 2008, Apollo was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, Apollo and the other private equity firm defendants violated the U.S. antitrust laws by forming bidding clubs or consortia that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels, and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages, and attorneys' fees. On August 27, 2008, Apollo and its co-defendants moved to dismiss plaintiffs' complaint and on November 20, 2008, the Court granted Apollo's motion. The Court also dismissed two other defendants, Permira and Merrill Lynch. In an order dated August 18, 2010, the Court granted in part and denied in part plaintiffs' motion to expand the complaint and to obtain additional discovery. The Court ruled that plaintiffs could amend the complaint and obtain discovery in a second discovery phase limited to eight additional transactions. The Court gave the plaintiffs until September 17, 2010 to amend the complaint to include the additional eight transactions. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding the additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the Court granted plaintiffs' motion to file the fourth amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds Apollo Global Management, LLC, as a defendant. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the fourth amended complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a fifth amended complaint that adds ten additional transactions and expands the scope of the class seeking relief. On September 7, 2011, the Court denied the motion for leave to amend without prejudice and gave plaintiffs permission to take limited discovery on the ten additional transactions. The Court set April 17, 2012, as the deadline for completing all fact discovery. Currently, Apollo does not believe that a loss from liability in this case is either probable or reasonably estimable. The Court granted Apollo's motion to dismiss plaintiffs' initial complaint in 2008, ruling that Apollo was released from the only transaction in which it allegedly was involved. While plaintiffs have survived Apollo's motion to dismiss the fourth amended complaint, the Court stated in denying the motion that it will consider the statute of limitations (one of the bases for Apollo's motion to dismiss) at the summary judgment stage. Based on the applicable statute of limitations, among other reasons, Apollo believes that plaintiffs' claims lack factual and legal merit. For these reasons, no estimate of possible loss, if any, can be made at this time.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The report of the CalPERS Special

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Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (Arvco) (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS' s purchase of securities in various funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner. Finally, on December 29, 2011, the United States Bankruptcy Court for the District of Nevada approved an application made by Mr. Villalobos, Arvco and related entities (the Arvco Debtors) in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. To date, no such claims have been brought. Apollo denies the merit of any such claims and will vigorously contest them, if they are brought.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Class A shares are traded on the New York Stock Exchange (NYSE) under the symbol APO. Our Class A shares began trading on the NYSE on March 30, 2011.

The number of holders of record of our Class A shares as of March 7, 2012 was 6. This does not include the number of shareholders that hold shares in street name through banks or broker-dealers.

Cash Distribution Policy

With respect to fiscal year 2011, we have paid four cash distributions of \$0.17, \$0.22, \$0.24 and \$0.20 per Class A share on January 14, June 1, August 29 and December 2, 2011 (aggregating \$0.83 per Class A share) to record holders of Class A shares and we have declared an additional cash distribution of \$0.46 per Class A shares to shareholders in respect of the fourth quarter of 2011 payable on February 29, 2012 to holders of record of Class A shares at the close of business on February 23, 2012. These distributions related to fiscal year 2011 represented our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

The following table sets forth the high and low intra-day sales prices per unit of our Class A shares, for the periods indicated, as reported by the NYSE:

2011	Sales Price	
	High	Low
First Quarter	\$ 19.00	\$ 17.91
Second Quarter	18.91	15.27
Third Quarter	17.94	9.83
Fourth Quarter	14.21	8.85

Our current intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. Because we will not know what our actual available cash flow from operations will be for any year until sometime after the end of such year, we expect that a fourth quarter distribution may be adjusted to take into account actual net after-tax cash flow from operations for that year.

The declaration, payment and determination of the amount of our quarterly distribution will be at the sole discretion of our manager, which may change our cash distribution policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly distribution, our manager will take into account general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us and such other factors as our manager may deem relevant.

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Because we are a holding company that owns intermediate holding companies, the funding of each distribution, if declared, will occur in three steps, as follows.

First, we will cause one or more entities in the Apollo Operating Group to make a distribution to all of its partners, including our wholly-owned subsidiaries APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), and Holdings, on a pro rata basis;

Second, we will cause our intermediate holding companies, APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), to distribute to us, from their net after-tax proceeds, amounts equal to the aggregate distribution we have declared; and

Third, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

Payments that any of our intermediate holding companies make under the tax receivable agreement will reduce amounts that would otherwise be available for distribution by us on Class A shares.

The Apollo Operating Group intends to make periodic distributions to its partners (that is, Holdings and our intermediate holding companies) in amounts sufficient to cover hypothetical income tax obligations attributable to allocations of taxable income resulting from their ownership interest in the various limited partnerships making up the Apollo Operating Group, subject to compliance with any financial covenants or other obligations. Tax distributions will be calculated assuming each shareholder was subject to the maximum (corporate or individual, whichever is higher) combined U.S. Federal, New York State and New York City tax rates, without regard to whether any shareholder was subject to income tax liability at those rates. Because tax distributions to partners are made without regard to their particular tax situation, tax distributions to all partners, including our intermediate holding companies, will be increased to reflect the disproportionate income allocation to our managing partners and contributing partners with respect to built-in gain assets at the time of the Private Offering Transactions. Tax distributions will be made only to the extent all distributions from the Apollo Operating Group for such year are insufficient to cover such tax liabilities and all such distributions will be made to all partners on a pro rata basis based upon their respective interests in the applicable partnership. There can be no assurance that we will pay cash distributions on the Class A shares in an amount sufficient to cover any tax liability arising from the ownership of Class A shares.

Under Delaware law we are prohibited from making a distribution to the extent that our liabilities, after such distribution, exceed the fair value of our assets. Our operating agreement does not contain any restrictions on our ability to make distributions, except that we may only distribute Class A shares to holders of Class A shares. The AMH credit facility, however, restricts the ability of AMH to make cash distributions to us by requiring mandatory collateralization and restricting payments under certain circumstances. AMH will generally be restricted from paying distributions, repurchasing stock and making distributions and similar types of payments if any default or event of default occurs, if it has failed to deposit the requisite cash collateralization or does not expect to be able to maintain the requisite cash collateralization or if, after giving effect to the incurrence of debt to finance such distribution, its debt to EBITDA ratio would exceed specified levels. Instruments governing indebtedness that we or our subsidiaries incur in the future may contain further restrictions on our or our subsidiaries' ability to pay distributions or make other cash distributions to equityholders.

In addition, the Apollo Operating Group's cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case the Apollo Operating Group may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our cash distribution policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay distributions according to our cash distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions.

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As of December 31, 2011, approximately 25.8 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, to be paid in the form of cash compensation.

Class A Shares Repurchases in the Fourth Quarter of 2011

No purchases of our Class A shares were made by us or on our behalf in the fourth quarter of the year ended December 31, 2011.

Unregistered Sale of Equity Securities

On October 10, 2011 and November 10, 2011, we issued 51,663 and 1,011,248 Class A shares, net of taxes, to Apollo Management Holdings, L.P., respectively, for an aggregate purchase price of \$543,494 and \$13,409,148, respectively. The issuances were exempt from registration under the Securities Act in accordance with Section 4(2) and Rule 506 thereof, as transactions by the issuer not involving a public offering. We determined that the purchaser of Class A shares in the transactions, Apollo Management Holdings, L.P., was an accredited investor.

Use of Proceeds from Initial Public Offering

The effective date of Apollo Global Management, LLC's registration statement filed on Form S-1 under the Securities Act (File No. 333-150141) relating to the initial public offering of Class A shares, representing Class A limited liability company interests of Apollo Global Management, LLC, was March 29, 2011. A total of 21,500,000 Class A shares were offered for sale by us and 8,257,559 Class A shares were offered for resale by certain selling shareholders. Goldman, Sachs & Co., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated acted as representatives of the underwriter and, together with Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., UBS Securities LLC, Barclays Capital Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, acted as joint book-running managers of the offering. The initial public offering was completed on April 4, 2011.

The aggregate offering price for the Class A shares offered by selling shareholders was approximately \$156.9 million and the related underwriting discounts were approximately \$9.4 million. We did not receive any of the proceeds from the sale of Class A shares offered by selling shareholders participating in the initial public offering.

The aggregate offering price for the Class A shares offered by us was approximately \$408.5 million and the related underwriting discounts were approximately \$24.5 million, none of which was paid to affiliates of Apollo Global Management, LLC. We incurred approximately \$1.5 million of other expenses in connection with the initial public offering. The net proceeds from the sale of 21,500,000 Class A shares offered by us totaled approximately \$382.5 million. We have used the proceeds from the initial public offering for general corporate purposes and to fund growth initiatives.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included in Item 8. Financial Statements and Supplementary Data.

The selected historical consolidated statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2011, 2010 and 2009 and the selected historical consolidated statements of financial condition data as of December 31, 2011 and 2010 have been derived from our consolidated financial statements which are included in Item 8. Financial Statements and Supplementary Data.

We derived the selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2008 and 2007 and the selected consolidated and combined statements of financial condition data as of December 31, 2009, 2008 and 2007 from our audited consolidated and combined financial statements which are not included in this document.

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The selected historical financial data are not indicative of our expected future operating results. In particular, after undergoing the Reorganization on July 13, 2007 (2007 Reorganization) and providing liquidation rights to limited partners of certain of the funds we manage on either August 1, 2007 or November 30, 2007, Apollo Global Management, LLC no longer consolidated in its financial statements certain of the funds that have historically been consolidated in our financial statements.

	Year Ended December 31,				
	2011	2010	2009	2008	2007⁽⁵⁾
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates	\$ 81,953	\$ 79,782	\$ 56,075	\$ 145,181	\$ 150,191
Management fees from affiliates	487,559	431,096	406,257	384,247	192,934
Carried interest (loss) income from affiliates	(397,880)	1,599,020	504,396	(796,133)	294,725
Total Revenues	171,632	2,109,898	966,728	(266,705)	637,850
Expenses:					
Compensation and benefits:					
Equity-based compensation	1,149,753	1,118,412	1,100,106	1,125,184	989,849
Salary, bonus and benefits	251,095	249,571	227,356	201,098	149,553
Profit sharing expense	(63,453)	555,225	161,935	(482,682)	307,739
Incentive fee compensation	3,383	20,142	5,613		3,189
Total Compensation and Benefits	1,340,778	1,943,350	1,495,010	843,600	1,450,330
Interest expense	40,850	35,436	50,252	62,622	105,968
Interest expense - beneficial conversion feature					240,000
Professional fees	59,277	61,919	33,889	76,450	81,824
Litigation settlement ⁽¹⁾				200,000	
General, administrative and other	75,558	65,107	61,066	71,789	36,618
Placement fees	3,911	4,258	12,364	51,379	27,253
Occupancy	35,816	23,067	29,625	20,830	12,865
Depreciation and amortization	26,260	24,249	24,299	22,099	7,869
Total Expenses	1,582,450	2,157,386	1,706,505	1,348,769	1,962,727
Other Income (Loss):					
Net (loss) income from investment activities	(129,827)	367,871	510,935	(1,269,100)	2,279,263
Net gains from investment activities of consolidated variable interest entities	24,201	48,206			
Income (loss) from equity method investments	13,923	69,812	83,113	(57,353)	1,722
Interest income	4,731	1,528	1,450	19,368	52,500
Gain from repurchase of debt ⁽²⁾			36,193		
Dividend income from affiliates					238,609
Other income (loss), net	205,520	195,032	41,410	(4,609)	(36)
Total Other Income (Loss)	118,548	682,449	673,101	(1,311,694)	2,572,058
(Loss) Income Before Income Tax (Provision) Benefit	(1,292,270)	634,961	(66,676)	(2,927,168)	1,247,181
Income tax (provision) benefit	(11,929)	(91,737)	(28,714)	36,995	(6,726)
Net (Loss) Income	(1,304,199)	543,224	(95,390)	(2,890,173)	1,240,455
Net loss (income) attributable to Non-Controlling Interests ⁽³⁾⁽⁴⁾	835,373	(448,607)	(59,786)	1,977,915	(1,810,106)
Net (Loss) Income Attributable to Apollo Global Management, LLC	\$ (468,826)	\$ 94,617	\$ (155,176)	\$ (912,258)	\$ (569,651)
Distributions Declared per Class A share	\$ 0.83	\$ 0.21	\$ 0.05	\$ 0.56	\$

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- (1) Litigation settlement charge was incurred in connection with an agreement with Huntsman to settle certain claims related to Hexion's now terminated merger agreement with Huntsman. Insurance proceeds of \$162.5 million and \$37.5 million are included in other income during the years ended December 31, 2010 and 2009, respectively.
- (2) During April and May 2009, the Company repurchased a combined total of \$90.9 million of face value of debt for \$54.7 million and recognized a net gain of \$36.2 million which is included in other (loss) income in the consolidated and combined statements of operations for the year ended December 31, 2009.
- (3) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain individuals who receive an allocation of income from certain of our capital markets management companies.
- (4) Reflects the Non-Controlling Interests in the net (loss) income of the Apollo Operating Group relating to the units held by our managing partners and contributing partners post-Reorganization which is calculated by applying the ownership percentage of Holding in the Apollo Operating Group. The ownership interest was impacted by a share repurchase in February 2009, the Company's IPO in April 2011, and issuances of Class A shares in settlement of vested RSUs in 2010 and 2011. Refer to Item 8. Financial Statements and Supplementary Data, Note 13 to our consolidated financial statements for details of the ownership percentage for each period presented.

- (5) Significant changes in the consolidated and combined statement of operations for 2007 compared to their respective comparative period are due to (i) the Reorganization, (ii) the deconsolidation of certain funds, and (iii) the Strategic Investors Transaction. Some of the significant impacts of the above items are as follows:

Revenue from affiliates increased due to the deconsolidation of certain funds.

Compensation and benefits, including non-cash charges related to equity-based compensation increased due to amortization of Apollo Operating Group units, AAA RDUs and RSUs.

Interest expense increased as a result of conversion of debt on which the Strategic Investors had a beneficial conversion feature. Additionally, interest expense increased related to the AMH credit facility obtained in April 2007.

Professional fees increased due to Apollo Global Management, LLC's formation and ongoing requirements.

Net gain from investment activities increased due to increased activity in our consolidated funds through the date of deconsolidation.

Non-Controlling Interests changed significantly due to the formation of Holdings and reflects net losses attributable to Holdings post-Reorganization.

- (6) This per share (loss) income is for the period July 13, 2007 through December 31, 2007, from the date of reorganization to year end.

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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, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section of this report entitled Item 1A. Risk Factors. The highlights listed below have had significant effects on many items within our consolidated financial statements and affect the comparison of the current period's activity with those of prior periods.

General

Our Businesses

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate with significant distressed expertise and a flexible mandate in the majority of our funds that enables our funds to invest opportunistically across a company's capital structure. We raise and invest funds and managed accounts on behalf of some of the world's most prominent pension and endowment funds as well as other institutional and individual investors.

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

- (i) ***Private equity*** invests in control equity and related debt instruments, convertible securities and distressed debt instruments;
- (ii) ***Capital markets*** primarily invests in non-control debt and non-control equity instruments, including distressed debt instruments; and
- (iii) ***Real estate*** invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

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

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

Business Environment

Global equity markets remained volatile during 2011. The debate over the United States debt ceiling and continued concerns over European sovereign debt resulted in considerable volatility and declines in financial markets around the world. The S&P 500 and Dow Jones Industrial Average were up approximately 2% and 8%, respectively, during 2011, while the VIX (a measure of market volatility) surged approximately 32% during the same period. The credit markets in which Apollo is most active also suffered losses, and financing activity in

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those markets slowed. During the volatile economic environment, which we believe began in the third quarter of 2007, we have been relying on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy a significant amount of new capital. As examples of this, from the beginning of the third quarter of 2007 and through December 31, 2011, we have deployed approximately \$28.5 billion of gross invested capital across our private equity and certain capital markets funds, focused on control, distressed and buyout investments, leveraged loan portfolios and mezzanine, non-control distressed and non-performing loans. In addition, from the beginning of the fourth quarter of 2007 through December 31, 2011, the funds managed by Apollo have acquired approximately \$15.6 billion in face value of distressed debt at discounts to par value and purchased approximately \$37.4 billion in face value of leveraged senior loans at discounts to par value from financial institutions. Since we purchased these leveraged loan portfolios from highly motivated sellers, we were able to secure, in certain cases, attractive long-term, low cost financing.

In addition to deploying capital in new investments, we have been depending on our over 20 years of experience to enhance value in the current investment portfolio of the funds to which we serve as an investment manager. We have been relying on our restructuring and capital markets experience to work proactively with our funds' portfolio company management teams to generate cost and working capital savings, reduce capital expenditures, and optimize capital structures through several means such as debt exchange offers and the purchase of portfolio company debt at discounts to par value. For example, as of December 31, 2011, Fund VI and its underlying portfolio companies purchased or retired approximately \$19.4 billion in face value of debt and captured approximately \$9.6 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Caesars Entertainment, Realogy and Momentive Performance Materials. In certain situations, such as CEVA Logistics, funds managed by Apollo are the largest owner of the total outstanding debt of the portfolio company. In addition to the attractive return profile associated with these portfolio company debt purchases, we believe that building positions as senior creditors within the existing portfolio companies is strategic to the existing equity ownership positions. Additionally, the portfolio companies of Fund VI have implemented approximately \$3.1 billion of cost savings programs on an aggregate basis from the date Fund VI invested in them through December 31, 2011, which we believe will positively impact their operating profitability.

Regardless of the market or economic environment at any given time, we rely on our contrarian, value-oriented approach to consistently invest capital on behalf of our investors throughout economic cycles by focusing on opportunities that we believe are often overlooked by other investors. We believe that our expertise in capital markets, focus on nine core industry sectors and investment experience allow us to respond quickly to changing environments. For example, in our private equity business, our private equity funds have had success investing in buyouts and credit opportunities during both expansionary and recessionary economic periods.

Market Considerations

Our revenues consist of the following:

Management fees, which are calculated based upon any of net asset value, gross assets, adjusted costs of all unrealized portfolio investments, capital commitments, adjusted assets, invested capital or stockholders' equity, each as defined in the applicable management agreement of the unconsolidated funds;

Advisory and transaction fees relating to the investments our funds make, or individual monitoring agreements with individual portfolio companies of the private equity funds and capital markets funds as well as advisory services provided to a capital markets fund; and

Carried interest with respect to our private equity funds and our capital markets funds.

Our ability to grow our revenues depends in part on our ability to attract new capital and investors, which in turn depends on our ability to appropriately invest our funds' capital, and on the conditions in the financial

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markets, including the availability and cost of leverage, and economic conditions in the United States, Western Europe, Asia, and to some extent, elsewhere in the world. The market factors that impact this include the following:

The strength of the alternative investment management industry, including the amount of capital invested and withdrawn from alternative investments. Allocations of capital to the alternative investment sector are dependent, in part, on the strength of the economy and the returns available from other investments relative to returns from alternative investments. Our share of this capital is dependent on the strength of our performance relative to the performance of our competitors. The capital we attract and our returns are drivers of our Assets Under Management, which, in turn, drive the fees we earn. In light of the current volatile conditions in the financial markets, our funds' returns may be lower than they have been historically and fundraising efforts may be more challenging.

The strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically. The strength of these markets affects the value of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner.

The strength and liquidity of the U.S. and relevant global debt markets. Our funds and our portfolio companies borrow money to make acquisitions and our funds utilize leverage in order to increase investment returns that ultimately drive the performance of our funds. Furthermore, we utilize debt to finance the principal investments in our funds and for working capital purposes. To the extent our ability to borrow funds becomes more expensive or difficult to obtain, the net returns we can earn on those investments may be reduced.

Stability in interest rate and foreign currency exchange rate markets. We generally benefit from stable interest rate and foreign currency exchange rate markets. The direction and impact of changes in interest rates or foreign currency exchange rates on certain of our funds is dependent on the funds' expectations and the related composition of their investments at such time.

For the most part, we believe the trends in these factors have historically created a favorable investment environment for our funds. However, adverse market conditions may affect our businesses in many ways, including reducing the value or hampering the performance of the investments made by our funds, and/or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow, and affect our financial condition and prospects. As a result of our value-oriented, contrarian investment style which is inherently long-term in nature, there may be significant fluctuations in our financial results from quarter to quarter and year to year.

The financial markets encountered a series of negative events in 2007 and 2008 which led to a global liquidity and broad economic crisis and impacted the performance of many of our funds' portfolio companies and capital markets funds. The impact of such events on our private equity and capital markets funds resulted in volatility in our revenue. If this market volatility continues, we and the funds we manage may experience further tightening of liquidity, reduced earnings and cash flow, impairment charges, as well as challenges in raising additional capital, obtaining investment financing and making investments on attractive terms. These market conditions can also have an impact on our ability to liquidate positions in a timely and efficient manner.

For a more detailed description of how economic and global financial market conditions can materially affect our financial performance and condition, see Item 1A. Risk Factors Risks Related to Our Businesses Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Uncertainty remains regarding Apollo's future taxation levels. On May 28, 2010, the House of Representatives passed legislation that would, if enacted in its present form, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules.

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See Item 1A. Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects, Item 1A. Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced and the House of Representatives has passed legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares.

Managing Business Performance

We believe that the presentation of Economic Net Income (Loss) supplements a reader's understanding of the economic operating performance of each segment.

Economic Net Income (Loss)

ENI is a measure of profitability and does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of Apollo Operating Group units (AOG Units), income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements. Adjustments relating to income tax expense, intangible asset amortization and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of the non-cash charges related to our reorganization for equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

During the fourth quarter of 2011, the Company modified the measurement of ENI to better evaluate the performance of Apollo's private equity, capital markets and real estate segments in making key operating decisions. These modifications include a reduction to ENI for equity-based compensation for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options, reduction for non-controlling interests related to the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies and an add-back for amortization of intangibles associated with the 2007 Reorganization and acquisitions. These modifications to ENI have been reflected in the prior period presentation of our segment results. The impact of this modification on ENI is reflected in the table below for the years ended December 31, 2011, 2010 and 2009, respectively.

	Impact of Modification on ENI			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
For the year ended December 31, 2011	\$ (22,756)	\$ (32,711)	\$ (9,723)	\$ (65,190)
For the year ended December 31, 2010	(6,525)	(23,449)	(3,975)	(33,949)
For the year ended December 31, 2009	7,226	(8,009)	(1,652)	(2,435)

ENI is a key performance measure used for understanding the performance of our operations from period to period and although not every company in our industry defines these metrics in precisely the same way that we

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do, we believe that this metric, as we use it, facilitates comparisons with other companies in our industry. We use ENI to evaluate the performance of our private equity, capital markets and real estate segments. Management also believes the components of ENI such as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company's performance. Management also uses ENI in making key operating decisions such as the following:

Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the need for additional resources and the location for deployment of the new hires based on the results of this measure. For example, a positive ENI could indicate the need for additional staff to manage the respective segment whereas a negative ENI could indicate the need to reduce staff assigned to manage the respective segment.

Decisions related to capital deployment such as providing capital to facilitate growth for our business and/or to facilitate expansion into new businesses. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the availability and need to provide capital to facilitate growth or expansion into new businesses based on the results of this measure. For example, a negative ENI may indicate the lack of performance of a segment and thus indicate a need for additional capital to be deployed into the respective segment.

Decisions related to expense, such as determining annual discretionary bonuses and equity-based compensation awards to our employees. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can better identify higher performing businesses and employees to allocate discretionary bonuses based on the results of this measure. As it relates to compensation, our philosophy has been and remains to better align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest income earned in relation to the funds we manage, with our own interests and with those of the investors in the funds. To achieve that objective, a significant amount of compensation paid is based on our performance and growth for the year. For example, a positive ENI could indicate a higher discretionary bonus for a team of investment professionals whereas a negative ENI could indicate the need to reduce bonuses based on poor performance.

The calculation of ENI has certain limitations and as such, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results. These limitations include omission of the following:

- (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, although these costs are expected to be recurring components of our costs we may be able to incur lower cash compensation costs with the granting of equity-based compensation;
- (ii) income tax, which represents a necessary and recurring element of our operating costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense;
- (iii) amortization of intangible assets associated with the 2007 Reorganization and acquisitions, which is a recurring item until all intangibles have been fully amortized; and
- (iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our capital markets management companies, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company.

We believe that ENI is helpful for an understanding of our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed below in [Overview of Results of Operations](#) that have been prepared in accordance with U.S. GAAP.

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The following summarizes the adjustments to ENI that reconcile ENI to the net income (loss) attributable to Apollo Global Management, LLC determined in accordance with U.S. GAAP:

Inclusion of the impact of RSUs granted in connection with the 2007 private placement and non-cash equity-based compensation expense comprising amortization of AOG Units. Management assesses our performance based on management fees, advisory and transaction fees, and carried interest income generated by the business and excludes the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units because these non-cash charges are not viewed as part of our core operations.

Inclusion of the impact of income taxes as we do not take income taxes into consideration when evaluating the performance of our segments or when determining compensation for our employees. Additionally, income taxes at the segment level (which exclude APO Corp.'s corporate taxes) are not meaningful, as the majority of the entities included in our segments operate as partnerships and therefore are only subject to New York City unincorporated business taxes and foreign taxes when applicable.

Inclusion of amortization of intangible assets associated with the 2007 Reorganization and subsequent acquisitions as these non-cash charges are not viewed as part of our core operations.

Carried interest income, management fees and other revenues from Apollo funds are reflected on an unconsolidated basis. As such, ENI excludes the Non-Controlling Interests in consolidated funds, which remain consolidated in our consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds. One exception is the non-controlling interest related to certain individuals who receive an allocation of income from certain of our capital markets management companies which is deducted from ENI to better reflect the performance attributable to shareholders.

ENI may not be comparable to similarly titled measures used by other companies and is not a measure of performance calculated in accordance with U.S. GAAP. We use ENI as a measure of operating performance, not as a measure of liquidity. ENI should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with U.S. GAAP. The use of ENI without consideration of related U.S. GAAP measures is not adequate due to the adjustments described above. Management compensates for these limitations by using ENI as a supplemental measure to U.S. GAAP results, to provide a more complete understanding of our performance as management measures it. A reconciliation of ENI to our U.S. GAAP net income (loss) attributable to Apollo Global Management, LLC can be found in the notes to our consolidated financial statements.

Operating Metrics

We monitor certain operating metrics that are common to the alternative investment management industry. These operating metrics include Assets Under Management, private equity dollars invested and uncalled private equity commitments.

Assets Under Management

Assets Under Management, or AUM, refers to the investments we manage or with respect to which we have control. Our AUM equals the sum of:

- (i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments plus non-recallable capital to the extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;

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- (ii) the net asset value, or NAV, of our capital markets funds, other than certain senior credit funds, which are structured as collateralized loan obligations (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) or certain collateralized loan obligation and collateralized debt obligation credit funds that have a fee generating basis other than mark-to-market asset values, plus used or available leverage and/or capital commitments;
- (iii) the gross asset values or net asset value of our real estate entities and the structured portfolio vehicle investments included within the funds we manage, which includes the leverage used by such structured portfolio vehicles;
- (iv) the incremental value associated with the reinsurance investments of the funds we manage; and
- (v) the fair value of any other investments that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers.

Assets Under Management Fee-Generating/Non-Fee Generating

Fee-generating AUM consists of assets that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. Management fees are normally based on net asset value, gross assets, adjusted par asset value, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, stockholders equity, invested capital, capital contributions, each as defined in the applicable management agreement. Monitoring fees for AUM purposes are based on the total value of certain structured portfolio vehicle investments, which normally include leverage, less any portion of such total value that is already considered in fee-generating AUM.

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner and co-investment ownership, (c) unused credit facilities, (d) available commitments on those funds that generate management fees on invested capital, (e) structured portfolio vehicle investments that do not generate monitoring fees and (f) the difference between gross assets and net asset value for those funds that earn management fees based on net asset value. We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income.

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The table below displays fee-generating and non-fee generating AUM by segment as of December 31, 2011, 2010 and 2009. The changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

	2011	As of December 31, 2010 (in millions)	2009
Private Equity	\$ 35,384	\$ 38,799	\$ 34,002
Fee-generating	28,031	27,874	28,092
Non-fee generating	7,353	10,925	5,910
Capital Markets	31,867	22,283	19,112
Fee-generating	26,553	16,484	14,854
Non-fee generating	5,314	5,799	4,258
Real Estate	7,971	6,469	495
Fee-generating	3,537	2,679	279
Non-fee generating	4,434	3,790	216
Total Assets Under Management	75,222	67,551	53,609
Fee-generating	58,121	47,037	43,225
Non-fee generating	17,101	20,514	10,384

During the year ended December 31, 2011, our total fee-generating AUM increased primarily due to acquisitions in our capital markets segment, as well as increases in subscriptions across our three segments. The fee-generating AUM of our capital markets funds increased primarily due to acquisitions in 2011 by Athene and AGM's Gulf Stream acquisition, as well as increased subscriptions. The fee-generating AUM of our real estate segment increased due to net segment transfers from other segments, subscriptions and increases in leverage, partially offset by losses and distributions. The fee-generating AUM of our private equity funds increased due to subscriptions, partially offset by distributions.

When the fair value of an investment exceeds invested capital, we are normally entitled to carried interest income on the difference between the fair value once realized and invested capital after also considering certain expenses and preferred return amounts, as specified in the respective partnership agreements; however, we do not earn management fees on such excess. As a result of the growth in both the size and number of funds that we manage, we have experienced an increase in our management fees and advisory and transaction fees. To support this growth, we have also experienced an increase in operating expenses, resulting from hiring additional personnel, opening new offices to expand our geographical reach and incurring additional professional fees.

With respect to our private equity funds and certain of our capital markets and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to realized carried interest on the realized gains on the dispositions investments. Certain funds may have current fair values below invested capital, however, the management fee would still be computed on the invested capital for such funds. With respect to ARI and AMTG, we receive management fees on stockholders equity as defined in its management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees on value in excess of fund commitments. As of December 31, 2011, our total fee-generating AUM is comprised of approximately 88% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

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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, 2011 and 2010 are presented below:

	Private Equity	As of December 31, 2011		Total
		Capital Markets	Real Estate	
		(in millions)		
Fee-generating AUM based on capital commitments	\$ 14,848	\$ 2,747	\$ 279	\$ 17,874
Fee-generating AUM based on invested capital	8,635	2,909	1,820	13,364
Fee-generating AUM based on gross/adjusted assets	948	15,862	1,213 ⁽⁴⁾	18,023
Fee-generating AUM based on leverage ⁽¹⁾	3,600	3,213		6,813
Fee-generating AUM based on NAV		1,822	225	2,047
Total Fee-Generating AUM	\$ 28,031⁽²⁾	\$ 26,553⁽³⁾	\$ 3,537	\$ 58,121

- (1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
- (2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2011 is 65 months.
- (3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.
- (4) The fee-generating AUM for our real estate entities is based on an adjusted equity amount as specified by the respective management agreements.

	Private Equity	As of December 31, 2010		Total
		Capital Markets	Real Estate	
		(in millions)		
Fee-generating AUM based on capital commitments	\$ 14,289	\$ 1,689	\$ 154	\$ 16,132
Fee-generating AUM based on invested capital	8,742	3,093	1,750	13,585
Fee-generating AUM based on gross/adjusted assets	1,177	5,556		6,733
Fee-generating AUM based on leverage ⁽¹⁾	3,666	3,577		7,243
Fee-generating AUM based on NAV		2,569	775	3,344
Total Fee-Generating AUM	\$ 27,874⁽²⁾	\$ 16,484⁽³⁾	\$ 2,679	\$ 47,037

- (1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
- (2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2010 is 76 months.
- (3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.

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AUM as of December 31, 2011, 2010 and 2009 was as follows:

	Total Assets Under Management		
	2011	As of December 31, 2010	2009
	(in millions)		
AUM:			
Private equity	\$ 35,384	\$ 38,799	\$ 34,002
Capital markets	31,867	22,283	19,112
Real estate	7,971	6,469	495
Total	\$ 75,222	\$ 67,551	\$ 53,609

The following table presents total Assets Under Management and Fee Generating Assets Under Management amounts for our private equity segment by strategy:

	Total AUM			Fee Generating AUM		
	2011	As of December 31, 2010	2009	2011	As of December 31, 2010	2009
	(in millions)					
Traditional Private Equity Funds	\$ 34,232	\$ 37,341	\$ 32,822	\$ 26,984	\$ 26,592	\$ 27,096
AAA	1,152	1,458	1,180	1,047	1,282	996
Total	\$ 35,384	\$ 38,799	\$ 34,002	\$ 28,031	\$ 27,874	\$ 28,092

The following table presents total Assets Under Management and Fee Generating Assets Under Management amounts for our capital markets segment by strategy:

	Total AUM			Fee Generating AUM		
	2011	As of December 31, 2010	2009	2011	As of December 31, 2010	2009
	(in millions)					
Distressed and Event-Driven Hedge Funds	\$ 1,867	\$ 2,759	\$ 2,428	\$ 1,783	\$ 2,423	\$ 2,021
Mezzanine Funds	3,904	4,503	4,306	3,229	3,483	3,435
Senior Credit Funds	15,405	11,210	9,272	11,931	7,422	6,896
Non-Performing Loan Fund	1,935	1,908	1,868	1,636	1,689	1,807
Other ⁽¹⁾	8,756	1,903	1,238	7,974	1,467	695
Total	\$ 31,867	\$ 22,283	\$ 19,112	\$ 26,553	\$ 16,484	\$ 14,854

(1) Includes strategic investment accounts and investments held through Athene.

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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,		
	2011	2010	2009	2011	2010	2009
	(in millions)					
Fixed Income	\$ 4,042	\$ 2,827	\$ 495	\$ 1,411	\$ 549	\$ 279
Equity	3,929	3,642		2,126	2,130	
Total	\$ 7,971	\$ 6,469	\$ 495	\$ 3,537	\$ 2,679	\$ 279

The following tables summarize changes in total AUM and total AUM for each of our segments for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31,		
	2011	2010 ⁽¹⁾	2009 ⁽¹⁾
	(in millions)		
Change in Total AUM:			
Beginning of Period	\$ 67,551	\$ 53,609	\$ 44,202
(Loss) income	(1,477)	8,623	9,465
Subscriptions/capital raised	3,797	617	1,828
Other inflows/acquisitions	9,355	3,713	
Distributions	(5,153)	(2,518)	(1,372)
Redemptions	(532)	(338)	(261)
Leverage	1,681	3,845	(253)
End of Period	\$ 75,222	\$ 67,551	\$ 53,609
Change in Private Equity Total AUM:			
Beginning of Period	\$ 38,799	\$ 34,002	\$ 29,094
(Loss) income	(1,612)	6,387	6,215
Subscriptions/capital raised	417		
Distributions	(3,464)	(1,568)	(827)
Net segment transfers	167	(68)	216
Leverage	1,077	46	(696)
End of Period	\$ 35,384	\$ 38,799	\$ 34,002
Change in Capital Markets Total AUM:			
Beginning of Period	\$ 22,283	\$ 19,112	\$ 15,108
(Loss) income	(110)	2,207	3,253
Subscriptions/capital raised	3,094	512	1,617
Other inflows/acquisitions	9,355		
Distributions	(1,237)	(698)	(545)
Redemptions	(532)	(338)	(261)
Net segment transfers	(1,353)	(291)	(322)
Leverage	367	1,779	262
End of Period	\$ 31,867	\$ 22,283	\$ 19,112

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Change in Real Estate Total AUM:

Beginning of Period	\$ 6,469	\$ 495	\$
Income (loss)	245	29	(3)
Subscriptions/capital raised	286	105	211
Other inflows/acquisitions		3,713	
Distributions	(452)	(252)	
Net segment transfers	1,186	359	106
Leverage	237	2,020	181
End of Period	\$ 7,971	\$ 6,469	\$ 495

(1) Reclassified to conform to current period's presentation.

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The following tables summarize changes in total fee-generating AUM and fee-generating AUM for each of our segments for the years ended December 31, 2011 and 2010:

	For the Year Ended December 31,	
	2011	2010
	(in millions)	
Change in Total Fee-Generating AUM:		
Beginning of Period	\$ 47,037	\$ 43,224
(Loss) income	(393)	1,244
Subscriptions/capital raised	2,547	1,234
Other inflows/acquisitions	9,355	2,130
Distributions	(734)	(1,327)
Redemptions	(481)	(291)
Net movements between Fee Generating/Non Fee Generating	761	(197)
Leverage	29	1,020
End of Period	\$ 58,121	\$ 47,037
Change in Private Equity Fee-Generating AUM:		
Beginning of Period	\$ 27,874	\$ 28,092
(Loss) income	(112)	391
Subscriptions/capital raised	410	
Distributions	(272)	(432)
Net segment transfers	(88)	(59)
Net movements between Fee Generating/Non Fee Generating	285	(218)
Leverage	(66)	100
End of Period	\$ 28,031	\$ 27,874
Change in Capital Markets Fee-Generating AUM:		
Beginning of Period	\$ 16,484	\$ 14,854
Income	301	842
Subscriptions/capital raised	1,795	1,234
Other inflows/acquisitions	9,355	
Distributions	(283)	(696)
Redemptions	(481)	(291)
Net segment transfers	(638)	(300)
Net movements between Fee Generating/Non Fee Generating	356	21
Leverage	(336)	820
End of Period	\$ 26,553	\$ 16,484
Change in Real Estate Fee-Generating AUM:		
Beginning of Period	\$ 2,679	\$ 278
(Loss) income	(582)	11
Subscriptions/capital raised	342	
Other inflows/acquisitions		2,130
Distributions	(179)	(199)
Net segment transfers	726	359
Net movements between Fee Generating/Non Fee Generating	120	
Leverage	431	100
End of Period	\$ 3,537	\$ 2,679

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Private Equity

During the year ended December 31, 2011, the total AUM in our private equity segment decreased by \$3.4 billion, or 8.8%. This decrease was primarily a result of distributions of \$3.5 billion, including \$1.5 billion from Fund VII and \$0.9 billion from Fund IV and \$0.8 billion from Fund VI. In addition, \$1.6 billion of unrealized losses were incurred that were primarily attributable to Fund VI. Offsetting these decreases was a \$1.1 billion increase in leverage, primarily from Fund VII and capital raised of \$0.4 billion, primarily in ANRP.

During the year ended December 31, 2010, the total AUM in our private equity segment increased by \$4.8 billion, or 14.1%. This increase was primarily impacted by improved investment valuations of \$6.4 billion. This increase was partially offset primarily by \$1.6 billion of distributions from Fund V.

During the year ended December 31, 2009, the total AUM in our private equity segment increased by \$4.9 billion, or 16.9%. This increase was impacted by \$6.2 billion of income that was primarily attributable to improved investment valuations in our private equity funds, including \$4.2 billion in Fund VI. Offsetting this increase was \$0.3 billion of distributions from Fund IV, \$0.3 billion of distributions from Fund VI and \$0.2 billion of distributions from Fund VII.

Capital Markets

During the year ended December 31, 2011, total AUM in our capital markets segment increased by \$9.6 billion, or 43.0%. This increase was primarily attributable to inflows of \$9.4 billion related to \$6.4 billion from Athene and \$3.0 billion from Gulf Stream. Also contributing to this increase was \$3.1 billion of capital raised driven by \$0.8 billion in Palmetto, \$0.4 billion in FCI, \$0.3 billion in AFT, \$0.5 billion in Apollo European Strategic Investments L.P. and \$0.2 billion in EPF II. Partially offsetting these increases were distributions of \$1.2 billion and redemptions of \$0.5 billion, as well as \$1.4 billion in net transfers between segments.

During the year ended December 31, 2010, total AUM in our capital markets segment increased by \$3.2 billion, or 16.6%. This increase was attributable to \$2.2 billion in improved valuations, primarily in Athene of \$0.4 billion and COF I and COF II of \$0.7 billion and \$0.2 billion, respectively, \$1.8 billion of increased leverage primarily in COF II and Athene of \$1.1 billion and \$0.5 billion, respectively, and \$0.5 billion of additional subscriptions. These increases were partially offset by \$0.7 billion of distributions and \$0.3 billion in redemptions.

During the year ended December 31, 2009, total AUM in our capital markets segment increased by \$4.0 billion, or 26.5%. This increase was primarily attributable to improved investment valuations in COF I and COF II of \$0.8 billion and \$0.6 billion, respectively, and \$0.7 billion and \$0.4 billion of improved investment valuations in ACLF and the Value Funds, respectively. The overall AUM gain in our capital markets segment was also positively impacted by additional capital raised of \$1.6 billion, which was primarily comprised of EPF, Palmetto and AIC of approximately \$0.6 billion, \$0.6 billion and \$0.3 billion, respectively.

Real Estate

During the year ended December 31, 2011, total AUM in our real estate segment increased by \$1.5 billion, or 23.2%. This increase was primarily attributable to \$1.2 billion from other net segments. Also impacting this change was an increase in leverage of \$0.2 billion, primarily for the AGRE CMBS Accounts. In addition, there was \$0.2 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by \$0.5 billion of distributions.

During the year ended December 31, 2010, total AUM in our real estate segment increased by approximately \$6.0 billion. The overall AUM increase in our real estate segment was primarily driven by the acquisition of CPI during the fourth quarter of 2010, which had approximately \$3.6 billion of AUM at

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December 31, 2010. Additionally, \$2.0 billion of incremental leverage was added during the year ended December 31, 2010 to our real estate segment, which was primarily attributable to the AGRE CMBS Accounts and ARI.

During the year ended December 31, 2009, total AUM in our real estate segment increased by \$0.5 billion. This increase was comprised of \$0.2 billion of capital raised that resulted from the initial public offering and concurrent private placement by ARI as well as the formation of the AGRE CMBS Accounts, which raised \$0.1 billion in equity capital.

Private Equity Dollars Invested and Uncalled Private Equity Commitments

Private equity dollars invested represents the aggregate amount of capital invested by our private equity funds during a reporting period. Uncalled private equity commitments, by contrast, represent unfunded commitments by investors in our private equity funds to contribute capital to fund future investments or expenses incurred by the funds, fees and applicable expenses as of the reporting date. Private equity dollars invested and uncalled private equity commitments are indicative of the pace and magnitude of fund capital that is deployed or will be deployed, and which therefore could result in future revenues that include transaction fees and incentive income. Private equity dollars invested and uncalled private equity commitments can also give rise to future costs that are related to the hiring of additional resources to manage and account for the additional capital that is deployed or will be deployed. Management uses private equity dollars invested and uncalled private equity commitments as key operating metrics since we believe the results measure our investment activities.

The following table summarizes the private equity dollars invested during the specified reporting periods:

	For the Year Ended		
	December 31,		
	2011	2010	2009
		(in millions)	
Private equity dollars invested	\$ 3,350	\$ 3,863	