Apollo Global Management LLC
Form S-1
April 08, 2008

As filed with the Securities and Exchange Commission on April 8, 2008

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

APOLLO GLOBAL MANAGEMENT, LLC

(Exact name of registrant as specified in its charter)

Delaware	6282	20-8880053
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Apollo Global Management, LLC

9 West 57th Street, 43rd Floor

New York, NY 10019

(212) 515-3200

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

John J. Suydam, Esq.

Chief Legal and Administrative Officer

Apollo Global Management, LLC

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(212) 515-3200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of Communications to:

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount To Be Registered**	**Proposed Maximum Offering Price Per Share(1)**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
Class A shares, representing Class A limited liability company interests	29,824,540	$14.00	$417,543,560	$16,410

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended. No exchange or over-the-counter market exists for the registrant s Class A shares, however, shares of the registrant s Class A shares issued to qualified institutional buyers in connection with its August 2007 exempt sale are traded through a private over-the-counter market for Tradable Unregistered Equity Securities, developed by Goldman, Sachs & Co., or the GSTrUE[SM] OTC market, under the symbol APOLLZ. The last sale of shares of the registrant s Class A shares that was effected on the GSTrUE[SM] OTC market, of which the registrant is aware, occurred on April 7, 2008 at a price of $14.00.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 8, 2008

PROSPECTUS

Apollo Global Management, LLC

29,824,540 Class A Shares

Representing Class A Limited Liability Company Interests

This prospectus relates solely to the resale of up to an aggregate of 29,824,540 Class A shares, representing Class A limited liability company interests of Apollo Global Management, LLC, by the selling shareholders identified in this prospectus (which term as used in this prospectus includes pledgees, donees, transferees or other successors-in-interest). The selling shareholders acquired the Class A shares in an exempt offering, which closed on August 8, 2007 and which we refer to as the Rule 144A Offering. We are registering the offer and sale of the Class A shares to satisfy registration rights we have granted to the selling shareholders.

The selling shareholders may offer the shares from time to time as they may determine through public or private transactions or through other means described in the section entitled Plan of Distribution at prevailing market prices, at prices different than prevailing market prices or at privately negotiated prices. The prices at which the selling shareholders may sell the Class A shares may be determined by the prevailing market price for the Class A shares at the time of sale, may be different than such prevailing market prices or may be determined through negotiated transactions with third parties.

We will not receive any of the proceeds from the sale of these Class A shares by the selling shareholders. We have agreed to pay all expenses relating to registering the securities. The selling shareholders will pay any brokerage commissions and/or similar charges incurred for the sale of these Class A shares.

Important observations for potential investors in our Class A shares:

Our investment style is value-oriented, emphasizes downside protection and is often contrarian in nature.

Investors should understand that we may significantly increase the pace of investment when the prevailing wisdom is to sell and may decrease the pace of investment or sell large portions of our funds portfolios when the prevailing wisdom is to buy.

A value-oriented, contrarian investment style is inherently long term in nature. There may be significant fluctuations in our financial results from quarter to quarter and year to year. Our Class A shares should only be purchased by investors who expect to remain shareholders for a number of years.

Prior to the date of this prospectus, there has been no public market for our Class A shares. Because all of the shares offered under this prospectus are being offered by the selling shareholders, we cannot currently determine the price or prices at which our Class A shares may be sold under this prospectus. However, certain qualified institutional buyers who purchased Class A shares in the Rule 144A Offering, have traded our Class A shares through a private over-the-counter market for Tradable Unregistered Equity Securities, developed by Goldman, Sachs & Co., or the GSTruE[SM] OTC market. The last trade of our Class A shares on the GSTruE OTC market, of which we are aware, was reported on April 7, 2008 at a price of $14.00 per Class A share. Future prices will likely vary from that price and these sales may not be indicative of prices at which our Class A shares will trade.

We intend to apply to list our Class A shares on the New York Stock Exchange, or the NYSE, under the symbol . The listing is subject to approval of our application.

Investing in our Class A shares involves risks. You should read the section entitled <u>Risk Factors</u> beginning on page 28 for a discussion of certain risk factors that you should consider before investing in our Class A shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated , 2008.

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THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus is solely an offer with respect to Class A shares, and is not an offer directly or indirectly of any securities of any of our funds.

The distribution of this prospectus and the offering and sale of the Class A shares in certain jurisdictions may be restricted by law. We require persons into whose possession this prospectus comes to inform themselves about and to observe any such restrictions. This prospectus does not constitute an offer of, or an invitation to purchase, any of the Class A shares in any jurisdiction in which such offer or invitation would be unlawful.

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VALUATION AND RELATED DATA

This prospectus contains valuation data relating to the Apollo funds and related data that have been derived from such funds. When considering the valuation and related data presented in this prospectus, you should bear in mind that the historical results of the private equity and capital markets funds that Apollo has managed or sponsored in the past are not indicative of the future results that you should expect from the Apollo funds or from us.

TERMS USED IN THIS PROSPECTUS

When used in this prospectus, unless the context otherwise requires:

AAA refers to AP Alternative Assets, L.P., a Guernsey limited partnership that generally invests alongside our private equity funds and directly in our capital markets funds and in other transactions that we sponsor and manage; the common units of AAA are listed on Euronext Amsterdam N.V., which we refer to as Euronext Amsterdam ;

AAA Investments refers to AAA Investments, L.P., a Guernsey limited partnership through which AAA s investments are made;

AAOF refers to Apollo Asia Opportunity Master Fund, L.P., together with its feeder funds;

ACLF refers to Apollo Credit Liquidity Fund, L.P.;

AIC refers to Apollo Investment Corporation, our publicly traded business development company;

AIE refers to AP Investment Europe Limited;

Apollo, we, us, our and the company refer collectively to Apollo Global Management, LLC and its subsidiaries, including the Ap Operating Group (as defined below) and all of its subsidiaries;

Apollo funds and our funds refer to the private funds and alternative asset companies that are managed by the Apollo Operating Group;

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

Apollo Real Estate refers to the entities that manage the Apollo Real Estate Investment Funds, a series of private real estate oriented funds initially established in 1993; our managing partners maintain a minority interest in Apollo Real Estate, but neither they nor we exert any managerial control;

Ares refers to Ares Corporate Opportunity Fund, which Apollo established in 1997 to invest predominantly in capital markets-based securities, including senior bank loans and high-yield and mezzanine debt, and other related funds; our managing partners maintain a minority interest in Ares, but neither they nor we exert any managerial control;

Artus refers to Apollo/Artus Investors 2007-1, L.P.;

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

(i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments plus non-recallable capital to the 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 collateralized senior credit opportunity funds (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations) plus used or available leverage and/or capital commitments; and

(iii) the fair value of any other assets that we manage plus unused credit facilities and/or capital commitments available for investment that are not otherwise included in clauses (i) or (ii) above.

We earn management fees from the funds that we manage pursuant to management agreements on a basis that varies from Apollo fund to Apollo fund (*e.g.,* any of net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets or capital contributions, each as defined in the applicable management agreement, may form the basis for a management fee calculation). Our calculation of AUM may differ from the calculations of other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. Our AUM measure includes assets under management for which we charge either no or nominal fees. See Business Fees, Carried Interest, Redemption and Termination. Our definition of AUM is not based on any definition of assets under management contained in our operating agreement or in any of our Apollo fund management agreements.

carried interest and incentive 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 that the individuals joined Apollo in 1990, the year in which the company commenced business operations;

contributing partners refers to those of our partners, collectively, who own approximately 9.1% of the Apollo Operating Group units;

EPF refers to Apollo European Principal Finance Fund, L.P., together with its feeder funds;

Fund IV, Fund V, Fund VI, and Fund VII mean Apollo Investment Fund IV, L.P., Apollo Investment Fund V, L.P., Apollo Investment Fund VI, L.P. and Apollo Investment Fund VII, L.P., respectively, in each case together with its parallel funds;

gross annualized return means the gross compound annual rate of return based on proceeds and estimated fair market valuations of the underlying investments at the beginning and end of the measurement period;

gross IRR of a fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investment assuming disposition on December 31, 2007) 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 Delaware limited partnership through which our managing partners and our contributing partners hold their Apollo Operating Group units;

IRS refers to the Internal Revenue Service;

managing partners refers to Messrs. Leon Black, Joshua Harris and Marc Rowan, collectively;

multiple of invested capital means (i) with respect to a given investment as of any date, the actual amount realized with respect to such investment plus the estimated fair market value of the remaining interest in such investment as of such date divided by the total capital invested in such investment through such date, and (ii) with respect to a fund as of any date, the aggregate actual amount realized in

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respect of such fund s investments plus the estimated fair market value of the fund s remaining interests in such investments as of such date divided by the lesser of the total capital invested in such investments and the total committed capital of such fund;

net annualized return of a fund means the gross annualized return of such fund, net of management fees, incentive income and all other fund expenses (including interest incurred by the fund itself);

net IRR of a fund means the gross IRR applicable to all investors, net of management fees, organizational expenses, transaction costs, and certain other fund expenses (including interest incurred by the fund itself) and realized carried interest, 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;

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 AP Investment Europe Limited; such funds may be required, or elect, to return all or a portion of capital gains and investment income;

private equity investments refers to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds;

SOMA refers to Apollo Special Opportunities Managed Account, L.P.;

SVF refers to Apollo Strategic Value Master Fund, L.P., together with its feeder funds;

total annualized return means the total compound annual rate of return for a security or index based on the change in market price, assuming the reinvestment of all dividends; and

VIF refers to Apollo Value Investment Master Fund, L.P., together with its feeder funds.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of this offering, but does not contain all of the information that you should consider before investing in our Class A shares. You should read the entire prospectus carefully, including the section entitled Risk Factors, our financial statements and the related notes and management s discussion and analysis thereof included elsewhere in this prospectus, before making an investment decision to purchase our Class A shares.

Apollo

Founded in 1990, Apollo is a leading global alternative asset manager with a track record of successful private equity, distressed debt and mezzanine investing. More recently, we have also begun to invest in senior debt. We raise, invest and manage private equity and credit-oriented capital markets 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, 2007, we had assets under management, or AUM, of $40.3 billion in our private equity and capital markets businesses. Our latest private equity fund, Fund VII, has raised $12.5 billion as of the date hereof with a target of $15.0 billion, and a number of our capital markets funds are in various stages of fundraising. We have consistently produced attractive investment returns for our investors, with our private equity funds generating a 40% gross IRR and a 29% net IRR from inception through December 31, 2007.

Over our 18-year history of investing, we have grown to become one of the largest alternative asset managers in the world and attribute our historical success to the following key competitive strengths:

- our track record of generating attractive risk-adjusted returns;
- our business model which combines the strength of our private equity and credit-oriented capital markets businesses and the extensive intellectual capital base of the global Apollo franchise to create a sustainable competitive advantage;
- our expertise in distressed investing and ability to invest capital and grow AUM throughout economic cycles;
- our deep industry knowledge and expertise with complex transactions;
- our creation of an edge in investing by combining our core industry expertise, comfort with complexity and use of strategic platforms to create proprietary investment opportunities;
- our long standing investor relationships that include many of the world s most prominent alternative asset investors; and
- our strong management team, brand name and reputation.

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 more than 175 professionals as of December 31, 2007. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, London, Los Angeles, Singapore, Frankfurt and Paris. We operate two businesses in which we believe we are a market leader: private equity and credit-oriented capital markets. We generally operate these businesses in an integrated manner. Our investment professionals frequently collaborate and share information including market insight, management, consultant and banking contacts as well as potential investment opportunities, which contributes to our library of extensive industry knowledge and enables us to 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 across various asset classes throughout a range of economic cycles. For example, three of Apollo s most successful funds (in terms of net IRR), Funds I, II and V, were initiated during economic downturns. Funds I and II were initiated during the economic downturn of 1990 through 1993 and Fund V was initiated during the economic downturn of 2001 through late 2003.

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Our objective is to achieve superior risk-adjusted returns for our fund investors throughout economic cycles. Commitment to the investors in our funds is a high priority. Our investment approach is value-oriented, focusing on industries in which we have considerable knowledge, and emphasizing downside protection and the preservation of capital. We are also frequently contrarian in our investment approach. This is reflected in many of the businesses in which we choose to invest, the structures we employ in some of our investments, our experience in investing during periods of uncertainty or distress in the economy or financial markets, our orientation towards sole sponsored transactions and our willingness to undertake transactions having substantial business, regulatory or legal complexity. We have successfully applied this investment philosophy in flexible and creative ways over our 18-year history, allowing us to consistently find attractive investment opportunities, deploy capital up and down the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

We have experienced significant growth in our businesses through the growth of our private equity funds, globalizing our capital markets business and adding new products. We had AUM of $40.3 billion as of December 31, 2007 consisting of $30.2 billion in our private equity business and $10.1 billion in our capital markets business. Fund VII has raised $12.5 billion as of the date hereof with a target of $15.0 billion. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new private equity or capital markets funds or in raising more capital for our capital markets funds. Additionally, a number of our capital markets funds are currently in various stages of fundraising. We have grown our AUM at a 53% compound annual growth rate, or CAGR, from December 31, 2004 to December 31, 2007. We have achieved this growth by raising additional capital in our private equity and credit-oriented capital markets businesses, growing AUM through appreciation and by expanding our businesses to new strategies and geographies. We have also expanded the base of investors in our funds by accessing permanent capital through AIC, AIE, and AAA. These distribution channels represent approximately 19% of our AUM as of December 31, 2007. In addition, we benefit from mandates with long-term capital commitments. As of December 31, 2007, approximately 71% of our AUM was in funds with a duration of ten years or more from inception.

We expect our growth in AUM to continue over time as we (1) raise larger private equity funds than the funds being liquidated, (2) retain profits in our capital markets funds and raise additional capital to support those vehicles and (3) launch new investment vehicles as market opportunities present themselves. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new private equity or capital markets funds or in raising more capital for our capital markets funds.

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Our Businesses

We manage private equity and credit-oriented capital markets investment entities. We also manage AAA, a publicly listed vehicle, which generally invests alongside our private equity funds and directly in our capital markets funds. The diagram below summarizes our Assets Under Management.[(1)]

(1) All data is as of December 31, 2007 unless otherwise noted. The chart does not reflect legal entities or assets managed by former affiliates.
(2) Fund VII has a fundraising target of $15.0 billion. As of the date hereof, Fund VII has raised $12.5 billion.
(3) Two of our funds are denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.46 as of December 31, 2007.

Our revenues and other income consist principally of (i) management fees, which are based on committed or invested capital (in the case of our private equity funds), adjusted assets (in the case of AAA) and gross invested capital or fund net asset value (in the case of our capital markets funds), (ii) transaction and advisory fees received from private equity portfolio companies in respect of business and transaction consulting services, as well as advisory services provided to a capital markets fund, (iii) income based on the performance of our funds, which consists of carried interest from our private equity funds, AAA and our capital markets funds, and (iv) investment income from our investments as general partner and other direct investments.

Private Equity

Private Equity Funds

The private equity business is the cornerstone of our investment activities, with AUM of $30.2 billion as of December 31, 2007. Our private equity business grew AUM by a 46% CAGR from December 31, 2004 through December 31, 2007. From our inception in 1990 through the end of 2007, our private equity business invested (or committed to invest, subject to meeting customary conditions) approximately $22.4 billion of equity capital. Most recently, our private equity funds and AAA deployed $3.2 billion of capital in debt and equity opportunities during the fourth quarter of 2007 and the first quarter of 2008. Since inception, the returns of our private equity funds have performed in the top quartile for all U.S. buyout funds, as measured by Thomson Financial. Our private equity funds have generated a gross IRR of 40% and a net IRR of 29% from inception through December 31, 2007, as compared with a total annualized return of 9% for the S&P 500 Index over the same period. In addition, since our inception, our private equity funds have achieved a 2.4x multiple of invested

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capital. See The Historical Investment Performance of Our Funds for reasons why our historical private equity returns are not indicative of the future results you should expect from our current or future funds or from us.

We believe we have a demonstrated ability to quickly adapt to changing market environments and capitalize on market dislocations through our traditional and distressed investment approach. In periods of strained financial liquidity and economic recession, we have made attractive private equity investments by buying the distressed debt of quality businesses, converting that debt to equity, creating value through active management and ultimately monetizing the investment.

Beginning in July 2007, the financial markets encountered a series of events from the sub-prime contagion to the ensuing credit crunch. These events led to a significant dislocation in the capital markets and created a backlog in the debt pipeline. Much of the backlog is left over from debt raised for large private equity-led transactions which reached record levels in 2006 and 2007. This record backlog of supply in the debt markets has materially affected the ability and willingness of lenders to fund new large private equity-led transactions and has applied downward pressure on prices of outstanding debt. Due to the difficulties in financing transactions in this market, the volume and size of traditional private equity-led transactions has declined significantly. We are drawing on our long history of investing across market cycles and are deploying capital in the following ways:

- We are looking to acquire distressed securities in industries that we know well. Examples include investments in the transportation, media, financial services and packaging industries. We believe that we can find good companies with stressed balance sheets in this market at attractive prices.

- We are also looking to invest in debt securities of companies that are performing well, but are attractively priced due to the disruption in the debt markets.

- We are seeking to take advantage of creative structures to use our equity to de-leverage a company s balance sheet and take a controlling position.

- We continue to build out our strategic platforms through value added follow-on investments in current portfolio companies. In this environment where tighter financing exists around de novo buyouts, we have recently executed, and will look to continue to execute, favorable add-on acquisitions.

Our combination of traditional buyout investing with a distressed option has proven successful throughout economic cycles and has allowed us to achieve attractive rates of return in different economic and market environments. However, we cannot assure you that we will be successful in implementing this strategy in the current economic and market environments. See Risk Factors Risks Related to Our Businesses Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our two more recent funds, Fund V and Fund VI, have proven successful to date despite the difficult economic conditions within which those funds have operated. Fund V, with $3.7 billion of committed capital, started investing during the economic downturn of 2001 through late 2003. This fund has generated a gross IRR of 71% and a net IRR of 54% from its first investment in April 2001 to December 31, 2007. It has already returned more than $10.2 billion to investors through March 31, 2008. At December 31, 2007, Fund V had an estimated unrealized value of $5.4 billion and a current multiple of invested capital of 3.6x. This performance was generated during an initial period of economic distress followed by substantial economic and capital markets expansion, which we believe illustrates our ability to use our flexible investment approach to generate returns across a range of economic environments. Fund V is in the top quartile of similar vintage funds according to Thomson Financial. See The Historical Investment Performance of Our Funds for a discussion of the reasons we do not believe our future IRRs will be similar to the IRRs for Fund V.

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Fund VI, together with AAA through its co-investment with Fund VI, with $11.6 billion of committed capital, has invested or committed to invest approximately $9.7 billion through December 31, 2007. Fund VI has generated an unrealized gross IRR of 58% and an unrealized net IRR of 42% from the first investment in July 2006 to December 31, 2007 and has already returned more than $1.3 billion to investors. As of the date hereof, the Fund VI portfolio includes 15 portfolio companies and one portfolio company investment commitment, all but one of which are transactions where we were the sole financial sponsor, nine of which were proprietary in nature (meaning deals that arise other than from winning a competitive auction process), four of which were complex corporate carveouts and all of which were in industries well known to us. The Fund VI portfolio also includes six investments in debt investment vehicles formed by our affiliates to invest in debt securities to take advantage of volatility in the credit markets.

The following charts summarize the breakdown of our private equity investments by type and industry from our inception through December 31, 2007.

Private Equity Investments by Type

Private Equity Investments by Industry

AP Alternative Assets (AAA)

AAA issued approximately $1.9 billion of equity capital in its initial global offering in June 2006 to invest primarily 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 partnership interests, are listed on Euronext Amsterdam. On June 1, 2007, AAA s investment vehicle entered into a credit agreement that provides for a $900 million revolving line of credit, thus increasing the amount of cash that AAA has available for making investments and funding its liquidity and working capital needs. AAA may incur additional indebtedness from time to time.

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 lengthy third party fundraising process. In particular, we have used AAA capital to seed one of our mezzanine funds and three of our global distressed and hedge funds. AAA s current portfolio also includes private equity co-investments in Fund VI portfolio companies and temporary cash investments. Subsequent to December 31, 2007, AAA also commenced co-investing in Fund VII portfolio companies and had utilized approximately $385 million of their line of credit for certain additional investments. Additionally, AAA may coinvest alongside ACLF (as defined below). While we currently have no definitive plans, we are continually evaluating alternatives to AAA s present structure to improve shareholder value and liquidity.

Capital Markets

Our credit-oriented capital markets operations commenced in 1990 with the management of a $3.5 billion high-yield bond and leveraged loan portfolio. The business was spun off in the late 1990s and re-established in 2003 to complement our private equity business.

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We currently manage nine capital markets funds that utilize the same disciplined, value-oriented investment philosophy that we employ with respect to private equity. These vehicles include mezzanine funds, distressed and hedge funds, and senior credit opportunity funds. Our capital markets business had AUM of $10.1 billion as of December 31, 2007 and grew its AUM by an 87% CAGR from December 31, 2004 through December 31, 2007. Additionally, a number of our capital markets funds are currently in various stages of fundraising. We expect our existing funds to be regularly fundraising, as we continue to add new products, geographies and strategies.

Mezzanine Funds

We currently manage two mezzanine funds: AIC, which is a publicly traded, closed-end investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended, or the Investment Company Act, and AIE, which is an unregistered private closed-end investment fund formed in July 2006 that utilizes a similar strategy to AIC but with a focus on Europe. The investment objective of our mezzanine funds is to generate both capital appreciation and current income through mezzanine, debt and equity investments while adhering to Apollo s industry-specialized, value-oriented investment strategy. AIC s common stock is quoted on the NASDAQ Global Select Market under the symbol AINV and was recently added to the S&P MidCap 400 index. Shareholders who invested in the stock at inception in April 2004 have earned a total annualized return of 11.7% through December 31, 2007. AIE intends to invest approximately 70% of its gross assets in secured and unsecured subordinated loans (also referred to as mezzanine loans), senior secured loans, high-yield debt and preference equity and approximately 70% of its gross assets in securities issued by, or loans made to, companies established or operating in Europe. Since inception in June 2006 and through December 31, 2007, AIE has generated a gross annualized return of 9.5% and a net annualized return of 5.0%. While the primary market in Europe remains virtually shutdown, we believe there exists investment opportunities in secondary credit markets and collateralized loan obligations in Europe. However, in light of the current economic and market environments for the kinds of investments these funds customarily make, we expect that, for as long as these market conditions continue, returns in this sector will be lower than they have been in recent history, and fundraising efforts will be challenging.

Global Distressed and Hedge Funds

We currently manage five distressed and hedge funds that primarily invest in North America, Europe and Asia.

SVF, VIF and SOMA utilize similar investment strategies, seeking to identify and capitalize on absolute-value driven investment opportunities by investing primarily in the securities of leveraged companies through special situations, distressed investments and privately negotiated investments. VIF began investing capital in October 2003 and is currently closed to new investors. SVF began investing capital in June 2006 and is currently open to new investors. We refer to SVF and VIF as the Value Funds. In the 12 months preceding December 31, 2007, the Value Funds collectively generated a gross annual return of 8.2%, a net return of 4.6%. SOMA began investing capital in March 2007 and represents a commitment by one of our Strategic Investors (as defined below under The Offering Transactions and the Strategic Investors Transaction) of at least $800 million, with an option for such Strategic Investor to increase its commitment to $1.2 billion.

We have been expanding our international presence and have launched new initiatives to capitalize on capital markets oriented investment opportunities in Europe and Asia. We manage AAOF, 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. We believe our experienced Asia team has great access to private deals throughout Asia. Since inception, AAOF has generated a gross annualized return of 25.4% and a net annualized return of 18.1%. We also manage

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EPF, which was formed in May 2007 and invests primarily in non-performing loans, or NPLs, in Europe. Currently the fund has investments in Germany, Spain, Portugal and the United Kingdom. The fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their NPLs. We believe the team s global experience and local network of relationships complements Apollo s background in distressed and private equity investing. As of March 31, 2008, EPF had $764.7 million in total committed capital. Our global distressed and hedge funds utilize similar value-oriented investment philosophies as our private equity business and are focused on capitalizing on our substantial industry knowledge and network of industry relationships. We currently expect our global distressed and hedge fund activities will increase in scale and scope as we continue our global expansion.

Senior Credit Opportunity Funds

We established two new senior credit opportunity funds in late 2007 in order to take advantage of the supply-demand imbalances in the leveraged finance market. We were able to establish these funds with some of our largest and most loyal investors in a rapid fashion to capitalize on the time sensitive nature of the dislocation in the capital markets which began in July 2007.

Artus closed on October 19, 2007 with aggregate capital commitments of $106.5 million, including a commitment from one of our Strategic Investors (as defined below under The Offering Transactions and the Strategic Investors Transaction). In November 2007, Artus purchased certain of the notes issued by a collateralized loan obligation, or the CLO. The notes issued by the CLO are secured by a diversified pool of approximately $1.0 billion in aggregate principal amount of United States dollar denominated commercial loans and cash as of December 31, 2007. ACLF, which had aggregate capital commitments of $681.6 million as of its closing on November 13, 2007, invests principally in newly issued senior secured bank debt in the U.S. and Europe in order to take advantage of a major component of the financial market dislocation. ACLF has a flexible structure which allows it to invest in second lien bank debt, publicly traded debt securities, bridge financings and the equity tranche of any collateralized debt obligation security.

Competitive Strengths

Over our 18-year history, we have grown to be one of the largest alternative asset managers in the world. We attribute our success, and our confidence in our future plans, to the following competitive strengths.

Our Investment Track Record. Our cornerstone private equity funds have generated a 40% gross IRR and a 29% net IRR from inception through December 31, 2007. Our track record of generating attractive risk-adjusted returns is a key differentiating factor for our fund investors and, we believe, will allow us to continue to expand our AUM and capitalize new investment vehicles. See The Historical Investment Performance of Our Funds for reasons why our historical returns are not indicative of the future results you should expect from our current or future funds or from us.

Our Integrated Business Model. Generally, we operate our global franchise as an integrated investment platform with a free flow of information across our businesses. See Risk Factors Risks Related to Our Businesses Possession of material non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers. Our investment professionals interact frequently across our businesses on a formal and informal basis. Each of our private equity and credit-oriented capital markets businesses contributes to and draws from what we refer to as our library of information and experience. This library includes market insight, management, industry consultant and banking contacts, as well as potential investment opportunities. Each of the businesses provides investment opportunities and intellectual capital to the other, enabling the firm to successfully invest across a company s capital structure. See Risk Factors Risks Related to Our Businesses Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers.

Our Flexible Approach to Investing Across Market Cycles. We have consistently invested capital and grown AUM throughout economic cycles by focusing on opportunities that we believe are often overlooked by other investors. Our expertise in capital markets, focus on core industry sectors and investment experience allow us to respond quickly to changing environments. In our private equity business, we have had success investing in buyouts during both expansionary and recessionary economic periods. During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, we invested or committed to invest approximately $13.2 billion primarily in traditional and corporate partner buyouts. In the recessionary periods of 1990 through 1993, 2001 through late 2003 and the slowdown period of the third quarter of 2007 through the first quarter of 2008, we invested approximately $9.5 billion, the majority of which was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts. We believe distressed buyouts represent a highly attractive risk/reward profile and allow our funds to invest at below-market multiples when historically our peer private equity firms have largely been inactive. Our capital markets funds follow the same disciplined approach to investing throughout economic cycles.

The table below summarizes our view of how our investment strategy has differed from that of a typical private equity firm during the U.S. economic cycles since our inception in 1990 and our view of certain market conditions during these cycles.

	Recession 1990-1993	**Recovery 1994-1997**	**Expansion 1998-2000**	**Recession 2001-2003 3Q**	**Recovery 2003 4Q-2005**	**Expansion 2006-2007 2Q**	**Slowdown 2007 3Q-2008 1Q**
Liquidity	Low	High	High	Low	High	High	Low
Valuation	Low	Low-Medium	High	Low	Medium	Medium-High	Medium
Typical private equity firm	Inactive	Active	Inactive or paid high prices	Inactive	Active and paid high prices	Active and paid high prices	Reduced activity
Apollo	Focus on distressed buyout option	Traditional buyouts	Seeks to reduce acquisition price through complex buyouts and corporate partnerships	Focus on distressed buyout option	Traditional buyouts using industry expertise to reduce acquisition price	Seeks to reduce acquisition price through complex buyouts and corporate partnerships	Focus on distressed investments and strategic acquisitions
Apollo s traditional and corporate partner buyouts (1)	$547	$1,454	$3,216	$521	$2,469	$5,830	$2,669
Apollo s distressed buyouts and debt investments (1)	$3,010	$60	$0	$1,445	$134	$58	$1,298

(1) Dollars in millions. Amounts set forth above represent capital invested by our private equity business.
Note: Characterization of economic cycles is based on our management s views.

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Our Deep Industry Expertise and Focus on Complex Transactions. We have substantial expertise in eight core industry sectors and have invested in over 150 companies since inception. Our core industry sectors are chemicals; consumer and retail; distribution and transportation; financial and business services; manufacturing and industrial; media, cable and leisure; packaging and materials; and satellite and wireless. Our deep experience in these industry sectors has allowed us to develop an extensive network of strategic relationships with CEOs, CFOs and board members of current and former portfolio companies, as well as consultants, investment bankers and other industry-focused intermediaries. We believe that situational and structural complexity often hides compelling value that competitors may lack the inclination or ability to uncover. We believe that we are known in the market for having substantial corporate carveout experience, having consummated 15 buy-side carveouts since 2000, and that our industry expertise and comfort with complexity help drive our performance.

Our Investment Edge Creates Proprietary Investment Opportunities. We seek to create an investment edge, which allows us to consistently deploy capital up and down the balance sheet of franchise businesses, make investments at attractive valuations and maximize returns. We believe our industry expertise allows us to create strategic platforms and approach new investments as a strategic buyer with synergies, cross-selling opportunities and economies of scale advantages over other purely financial sponsors. Additionally, our expertise in complex corporate carveouts allows us to source investment opportunities in a private to private negotiation, oftentimes exclusively, which facilitates deployment of capital at attractive valuations. Since our inception, we believe over 75% of our private equity buyouts have been proprietary in nature. We have also avoided the market trend of consortium transactions (defined as including more than one main financial sponsor), being the sole financial sponsor in 15 of our last 16 private equity portfolio company transactions. We believe these competitive advantages often result in our buyouts being effected at a lower multiple of adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, than many of our peers.

Our Strong, Longstanding Investor Relationships. We manage capital for hundreds of investors in our private equity funds, which include many of the world s most prominent pension funds, university endowments and financial institutions, as well as individuals. Most of our private equity investors are invested in multiple Apollo private equity funds, and many have invested in one or more of our capital markets funds, including as seed investors in new strategies. We believe that our deep investor relationships, founded on our consistent performance, disciplined and prudent management of our fund investors capital and our frequently contrarian investment approach, have facilitated the growth of our existing businesses and will assist us with the launch of new businesses.

The Continuity of Our Strong Management Team and Reputation. Our managing partners actively participate in the oversight of the investment activities of our funds, have worked together for more than 20 years and lead a team of more than 175 professionals who possess a broad range of transaction, financial, managerial and investment skills. Our investment team includes our contributing partners, who have worked together for an average of 13 years, as well as exclusive relationships with operating executives who are former CEOs with significant experience in our core industries. We have developed a strong reputation in the market as an investor and partner who can make significant contributions to a business or investing decision, and we believe the longevity of our management team is a key competitive advantage.

Alignment of Interests with Investors in Our Funds. Fundamental to our business model is the alignment of interests of our professionals with those of the investors in our funds. From our inception through December 31, 2007, our professionals have committed or invested an estimated $944 million of their own capital to our funds (including Fund VII). In addition, our practice is to allocate a portion of the management fees and incentive income payable by our funds to our professionals, which serves to incentivize those employees to generate superior investment returns. We believe that this alignment of interests with our fund investors helps us to raise new funds and execute our growth strategy.

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Long-Term Capital Base. A significant portion of our $40.3 billion of AUM as of December 31, 2007 was long-term in nature. Our permanent capital vehicles, AIC, AIE and AAA, represented approximately 19% of our AUM. As of December 31, 2007, approximately 71% of our AUM was in funds with a duration of ten years or more from inception. Our long-lived capital base allows us to invest assets with a long-term focus that we believe drives attractive returns. We believe that our increasing use of permanent capital vehicles also facilitates the efficient raising of capital, as demonstrated by the three follow-on equity offerings of AIC that we have successfully completed since AIC s inception in April 2004. These three offerings generated a total of $1.0 billion in net proceeds for AIC, which AIC was able to leverage with increases to its committed credit facility. These permanent capital vehicles are able to grow organically through the continuous investment and reinvestment of capital, which we believe provides us with stability and with a valuable potential source of long-term income.

Growth Strategy

Our growth and investment returns have been supported by an institutionalized and strategic organizational structure designed to promote teamwork, industry specialization, permanence of capital, compliance and regulatory excellence and internal systems and processes. Our ability to grow our revenues depends on our performance and on our ability to attract new capital and fund investors, which we have done successfully over the last 18 years.

The following are key elements of our growth strategy.

Continue to Achieve Superior Returns in Our Funds. Continued achievement of superior returns will support growth in AUM. We believe our experienced investment team, value-oriented investment strategy and flexible investment approach will continue to drive superior returns. We will emphasize creating long-term value for our shareholders with less focus on our quarter-to-quarter or year-to-year earnings volatility.

Continued Commitment to Our Fund Investors. Commitment to our fund investors is a high priority. We intend to continue managing our businesses with a strong focus on developing and maintaining long-term relationships with our fund investors. Our fund investors include many of the world s most prominent pension and endowment funds as well as other institutional and individual investors. Most of our private equity investors are invested in multiple Apollo private equity funds, and many invested in one or more of our capital markets funds. We believe that our strong investor relationships facilitate the growth of our existing businesses and the successful launch of new businesses.

Raise Additional Investment Capital for our Current Businesses. We will continue to utilize our firm s reputation and track record to grow our AUM. Our funds capital raising activities benefit from our 18-year investment track record, the reputation of our firm and investment professionals, our access to public markets through AIC and AAA and our strong relationships with our investors.

Expand Into New Investment Strategies, Markets and Businesses. We intend to grow our businesses through the targeted development of new investment strategies that we believe are complementary to our existing businesses. In addition, we expect to continue expanding into new businesses, possibly through strategic acquisitions of other investment management companies or other strategic initiatives.

Take Advantage of the Benefits of Being a Public Company. We believe that being a public company will help us grow our AUM and revenues. We believe that fund investors will increasingly prefer to trust their capital to publicly traded asset managers because of the corporate-governance and disclosure requirements that apply to such managers, as well as the more efficient succession-planning and reduced key man risk that we believe result from becoming a public company. We also believe that we can utilize our currency as a public company to broaden our industry verticals and capital markets products and expand into new product offerings and strategies.

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We cannot assure you that our funds will be successful in raising the capital described above or that any capital they do raise will be on terms favorable to us or consistent with terms of capital that our funds have previously raised. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new private equity or capital markets funds, or in raising more capital for our funds for a more detailed discussion of these risks.

The Offering Transactions and the Strategic Investors Transaction

On August 8, 2007, in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), we sold 27,000,000 Class A shares, at an initial offering price of $24 per share, to (i) Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Credit Suisse (USA) LLC, which we refer to as the initial purchasers, for their resale to qualified institutional buyers that are also qualified purchasers in reliance upon Rule 144A under the Securities Act, and (ii) to accredited investors, with the initial purchasers acting as placement agents, in a private placement, as defined in Rule 501(a) under the Securities Act. The initial purchasers exercised their over-allotment option and on September 5, 2007, we sold an additional 2,824,540 Class A shares to the initial purchasers at the price of $24 per share. We refer to this exempt sale of Class A shares to the initial purchasers and to accredited investors as the Rule 144A Offering.

In connection with the Rule 144A Offering, on July 16, 2007, we entered into a purchase agreement with Credit Suisse Securities (USA) LLC, one of the Rule 144A Offering initial purchasers, pursuant to which Credit Suisse Management LLC, or the CS Investor, purchased from us in a private placement that closed concurrently with the Rule 144A Offering an aggregate of $180 million of the Class A shares at a price per share of $24, or 7,500,000 Class A shares. Pursuant to a shareholders agreement we entered into with the CS Investor, the CS Investor agreed not to sell its Class A shares for a period of one year from August 8, 2007, the closing date of the Rule 144A Offering. We refer to our sale of Class A shares to the CS Investor as the Private Placement and to the Private Placement, and the Rule 144A Offering collectively, as the Offering Transactions.

On July 13, 2007, we sold securities to the California Public Employees Retirement System, or CalPERS, and an affiliate of the Abu Dhabi Investment Authority, or ADIA, in return for a total investment of $1.2 billion. We refer to CalPERS and ADIA as the Strategic Investors. Upon completion of the Offering Transactions, the securities that we sold to the Strategic Investors converted into non-voting Class A shares. We refer to the foregoing issuance of securities, our use of proceeds from that sale and the conversion of such securities into non-voting Class A shares as the Strategic Investors Transaction. Pursuant to a lenders rights agreement we have entered into with the Strategic Investors, the Strategic Investors have agreed not to sell any of their Class A shares for a period of two years after the date on which the shelf registration statement of which this prospectus forms a part became effective, or the shelf effectiveness date, subject to limited exceptions. Thereafter, the amount of Class A shares they may sell is subject to a limit that increases with each year. See Certain Relationships and Related Party Transactions Lenders Rights Agreement Transfer Restrictions. The Strategic Investors are two of the largest alternative asset investors in the world and have been significant investors with us in multiple funds covering a variety of strategies. In total, from our inception through the date hereof, the Strategic Investors have invested or committed to invest approximately $6.4 billion of capital in us and our funds. The Strategic Investors are significant supporters of our integrated platform, with one or both having invested in multiple private equity and capital markets funds. With substantial combined assets, we believe the Strategic Investors will be an important source of future growth in the AUM in our existing and future funds for many years, as well as in new products and geographic expansions. Although they have no obligation to invest further in our funds, in connection with our sale of securities to the Strategic Investors, we granted to each of them the option, exercisable until July 13, 2010, to invest or commit to invest up to 10% of the aggregate dollar amount invested or committed by investors in the initial closing of any privately placed fund that we offer to third party investors, subject to limited exceptions.

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Structure and Formation of the Company

Apollo Global Management, LLC is a holding company whose primary assets are 100% of the general partner interests in each limited partnership included in the Apollo Operating Group, which is described below under Holding Company Structure, and 28.9% of the limited partner interests of the Apollo Operating Group entities, in each case held through intermediate holding companies. The remaining 71.1% limited partner interests of the Apollo Operating Group entities are owned directly by Holdings, an entity 100% owned, directly or indirectly, by our managing partners and contributing partners, and represent its economic interest in the Apollo Operating Group. With limited exceptions, the Apollo Operating Group owns each of the operating entities included in our historical consolidated and combined financial statements as described below under Our Assets.

Apollo Global Management, LLC is owned by its Class A and Class B shareholders. Holders of our Class A shares and Class B share vote as a single class on all matters presented to the shareholders, although the Strategic Investors do not have voting rights in respect of any of their Class A shares. We have issued to BRH Holdings GP, Ltd., or BRH, a single Class B share solely for purposes of granting voting power to BRH. BRH is the general partner of Holdings and is a Cayman Islands exempted company owned and controlled by our managing partners. The Class B share does not represent an economic interest in Apollo Global Management, LLC. The voting power of the Class B share, however, increases or decreases with corresponding changes in Holdings economic interest in the Apollo Operating Group.

Our shareholders vote together as a single class on the limited set of matters on which shareholders have a vote. Such matters include a proposed sale of all or substantially all of our assets, certain mergers and consolidations, certain amendments to our operating agreement and an election by our manager to dissolve the company.

We refer to the formation of the Apollo Operating Group described below under Equity Interests Retained by Our Managing Partners and Contributing Partners, the deconsolidation of most Apollo funds described below under Deconsolidation of Apollo Funds and the borrowing under the AMH credit facility and the related distribution to our managing partners described below under Distributions to Our Managing Partners Prior to the Offering Transactions, collectively, as the Reorganization.

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The diagram below depicts our current organizational structure.

(1) Investors in the Offering Transactions hold 38.4% of the Class A shares, and the Strategic Investors hold 61.6% of the Class A shares. The Class A shares held by investors in the Offering Transactions represent 13.5% of the total voting power of our shares entitled to vote and 11.1% of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights and represent 17.8% of the economic interests in the Apollo Operating Group. Such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the Strategic Investors Transaction.

(2) Our managing partners own BRH, which in turn holds our only outstanding Class B share. The Class B share initially represents 86.5% of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our managing partners economic interests are instead represented by their indirect ownership, through Holdings, of 71.1% of the limited partnership interests in the Apollo Operating Group.
(3) Through BRH Holdings, L.P., our managing partners own limited partnership interests in Holdings.
(4) Represents 71.1% of the limited partner interests in each Apollo Operating Group entity. The Apollo Operating Group units held by Holdings are exchangeable for Class A shares, as described below under Equity Interests Retained by Our Managing Partners and Contributing Partners.
(5) BRH is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement. See Description of Shares Operating Agreement for a description of the authority that our manager exercises.
(6) Represents 28.9% of the limited partnership interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC also indirectly owns 100% of the general partnership interests in each Apollo Operating Group entity.

Holding Company Structure

Apollo Global Management, LLC, through two intermediate holding companies (APO Corp. and APO Asset Co., LLC) owns 28.9% of the economic interests of, and operates and controls all of the businesses and affairs of, the Apollo Operating Group and its subsidiaries. Holdings owns the remaining 71.1% of the economic interests in the Apollo Operating Group. Apollo Global Management, LLC consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a minority interest in Apollo Global Management, LLC s consolidated financial statements.

The Apollo Operating Group consists of the following partnerships: Apollo Principal Holdings I, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings II, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings III, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IV, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), and Apollo Management Holdings, L.P., or AMH (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes). Apollo Global Management, LLC conducts all of its material business activities through the Apollo Operating Group.

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions. Apollo Principal Holdings I, L.P. holds our domestic general partners of private equity funds and our private equity domestic co-invest vehicle; Apollo Principal Holdings II, L.P. holds our domestic general partners of capital markets funds and two capital markets domestic co-invest vehicles; Apollo Principal Holdings III, L.P. holds our foreign general partners of private equity funds, including the foreign general partner of AAA Investments, and our private equity foreign co-invest vehicle; Apollo Principal Holdings IV, L.P. holds our foreign general partners of capital markets funds and one capital markets foreign co-invest vehicle; and Apollo Management Holdings, L.P. holds the management companies for our private equity funds (including AAA) and our capital markets funds.

Our Manager

Our operating agreement provides that so long as the Apollo Group (as defined below) beneficially owns at least 10% of the aggregate number of votes that may be cast by holders of outstanding voting shares, our manager, which is 100% owned by BRH, will conduct, direct and manage all activities of Apollo Global Management, LLC. We refer to the Apollo Group s beneficial ownership of at least 10% of such voting power as the Apollo control condition. So long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. See Description of Shares.

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For purposes of our operating agreement, the Apollo Group means (i) our manager and its affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its affiliates, including their respective general partners, members and limited partners, (iii) with respect to each managing partner, such managing partner and such managing partner s group (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, the Exchange Act), (iv) any former or current investment professional of or other employee of an Apollo employer (as defined below) or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group), (v) any former or current executive officer of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group) and (vi) any former or current director of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group). With respect to any person, Apollo employer means Apollo Global Management, LLC or such other entity controlled by Apollo Global Management, LLC or its successor as may be such person s employer.

Holders of our Class A shares and Class B share have no right to elect our manager, which is controlled by our managing partners through BRH. Although our manager has no business activities other than the management of our businesses, conflicts of interest may arise in the future between us and our Class A shareholders, on the one hand, and our managing partners, on the other. The resolution of these conflicts may not always be in our best interests or those of our Class A shareholders. We describe the potential conflicts of interest in greater detail under Risk Factors Risks Related to Our Organization and Structure Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders. We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. Our operating agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Our Assets

Prior to the Offering Transactions, our managing partners contributed to the Apollo Operating Group their interests in each of the entities included in our historical consolidated and combined financial statements, but excluding the excluded assets described under Our Structure Reorganization Excluded Assets.

In addition, prior to the Offering Transactions, our contributing partners contributed to the Apollo Operating Group a portion of their rights to receive a portion of the management fees and incentive income that are earned from management of our funds, or points. We refer to such contributed points as partner contributed interests. In return for a contribution of points, each contributing partner received an interest in Holdings. Each contributing partner continues to own directly those points that such contributing partner did not contribute to the Apollo Operating Group or sell to the Apollo Operating Group in connection with the Strategic Investors Transaction. Each contributing partner will remain entitled (on an individual basis and not through ownership interests in Holdings) to receive payments in respect of his partner contributed interests with respect to fiscal year 2007 based on the date his partner contributed interests were contributed or sold as described below under Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization. The Strategic Investors will similarly receive a pro rata portion of our net income prior to the date of the Offering Transactions for our fiscal year 2007, calculated in the same manner as for the managing partners and contributing partners, as described in more detail under Our Structure Strategic Investors Transaction. In addition, we issued points in Fund VII, and intend to issue points in future funds, to our contributing partners and other of our professionals.

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As a result of these contributions and the contributions of our managing partners, the Apollo Operating Group and its subsidiaries generally is entitled to:

all management fees payable in respect of all our current and future funds as well as transaction and other fees that may be payable by these funds portfolio companies (other than fees that certain of our professionals have a right to receive, as described below);

50% 66% (depending on the particular fund investment) of all incentive income earned from the date of contribution in relation to investments by our current private equity and capital markets funds (with the remainder of such incentive income continuing to be held by certain of our professionals);

all incentive income earned from the date of contribution in relation to investments made by our future private equity and capital markets funds, other than the percentage we determine to allocate to our professionals, as described below; and

all returns on current or future investments of our own capital in the funds we sponsor and manage.

With respect to our actively investing funds as well as any future funds, we intend to continue to allocate a portion of the management fees, transaction and advisory fees and incentive income earned in relation to these funds to our professionals, including the contributing partners, in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately 20% to 40% of management fees, 20% of transaction and advisory fees and 34% to 50% of incentive income earned in relation to our funds will be allocated to our investment professionals, although these percentages may fluctuate up or down over time. For the next five years, our managing partners will not receive any allocations of management fees, transaction and advisory fees or incentive income, and all of their rights to receive such fees and incentive income earned in relation to our actively investing funds and future funds will be solely through their ownership of Apollo Operating Group units.

The income of the Apollo Operating Group (including management fees, transaction and advisory fees and incentive income) benefits Apollo Global Management, LLC to the extent of its equity interest in the Apollo Operating Group. See Business Fees, Carried Interest, Redemption and Termination.

Equity Interests Retained by Our Managing Partners and Contributing Partners

In exchange for the contributions of assets described above and after giving effect to the Strategic Investor Transactions, Holdings (which is owned by BRH and contributing partners) received 80.0% of the limited partnership units in the Apollo Operating Group. We use the terms Apollo Operating Group unit or unit in/of Apollo Operating Group to refer to a limited partnership unit in each of the Apollo Operating Group partnerships. We refer to the managing partners and contributing partners contribution of assets to the Apollo Operating Group and Holdings receipt of Apollo Operating Group units in exchange therefor as the Apollo Operating Group Formation.

Our managing partners, through their partnership interests in BRH and Holdings, own 62.0% of the Apollo Operating Group units and, through their ownership of BRH, the Class B share that we have issued to BRH. Our managing partners have entered into an agreement, which we refer to as the Agreement Among Managing Partners, providing that each managing partner s interest in the Apollo Operating Group units that he holds indirectly through his partnership interest in BRH and Holdings is subject to vesting. Each of Messrs. Harris and Rowan vests in his interest in the Apollo Operating Group units in 60 equal monthly installments, and Mr. Black vests in his interest in the Apollo Operating Group units in 72 equal monthly installments. Although the Agreement Among Managing Partners was entered into on July 13, 2007, for purposes of its vesting provisions, our managing partners are credited for their employment with us since January 1, 2007. In the event that a managing partner terminates his employment with us for any reason, he will be required to forfeit the unvested portion of his Apollo Operating Group units to the other managing partners. The number of Apollo Operating Group units that must be forfeited upon termination depends on the cause of the termination. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners. However, this agreement may be amended and the terms and conditions of the agreement may be changed or modified upon the unanimous approval of the managing partners. We, our shareholders (other than the Strategic Investors, as set forth under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its obligations.

Pursuant to a shareholders agreement that we entered into with our managing partners prior to the Offering Transactions, which we refer to as the Managing Partners Shareholders Agreement, no managing partner may voluntarily effect transfers of the interests in Apollo Operating Group units that such managing partner owns through BRH and Holdings or Class A shares into which such Apollo Operating Group units are exchanged, or his Equity Interests, for a period of two years after the shelf effectiveness date, subject to certain exceptions, including an exception for certain transactions entered into by one or more managing partners the results of which are that the managing partners no longer exercise control over us or the Apollo Operating Group or no longer hold at least 50.1% of the economic interests in us or the Apollo Operating Group. The transfer restrictions applicable to Equity Interests held by our managing partners and the exceptions to such transfer restrictions are described in more detail under Certain Relationships and Related Party Transactions Managing Partner Shareholders Agreement Transfer Restrictions. Our managing partners and contributing partners also were granted demand, piggyback and shelf registration rights through Holdings which are exercisable six months after the shelf effectiveness date.

Our contributing partners, through their interests in Holdings, own 9.1% of the Apollo Operating Group units. Pursuant to the agreements by which our contributing partners contributed their partner contributed interests to the Apollo Operating Group and received interests in Holdings, which we refer to as the Roll-Up Agreements, no contributing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date. The transfer restrictions applicable to Equity Interests held by our contributing partners are described in more detail under Certain Relationships and Related Party Transactions Roll-Up Agreements.

Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements), upon 60 days notice prior to a designated quarterly date, each managing partner and contributing partner will have the right to cause Holdings to exchange the Apollo Operating Group units that he owns through his partnership interest in Holdings for Class A shares, to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held by our managing partners and contributing partners. To effect an exchange, a managing partner or contributing partner, through Holdings, must simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased.

Deconsolidation of Apollo Funds

Certain of our private equity and capital markets funds have historically been consolidated into our financial statements, due to our controlling interest in certain funds notwithstanding that we have only a minority equity interest in these funds. Consequently, our pre-Reorganization financial statements do not reflect our ownership interest at fair value in these funds, but rather reflect on a gross basis the assets, liabilities, revenues, expenses and cash flows of our funds. We amended the governing documents of certain of our funds to provide that a simple majority of the fund s unaffiliated investors have the right to liquidate that fund. These amendments became effective for some of our funds on either July 31, 2007 or November 30, 2007, which deconsolidated these funds that have historically been consolidated in our financial statements. Accordingly, we no longer reflect the share that other parties own in total assets and non-controlling interest. We continue to consolidate AAA. See Unaudited Condensed Consolidated Pro Forma Financial Information for a more detailed description of the effect of the deconsolidation of these funds on our financial statements.

Tax Considerations

We believe that under current law, Apollo Global Management, LLC is treated as a partnership and not as a corporation for U.S. Federal income tax purposes. An entity that is treated as a partnership for U.S. Federal income tax purposes is not a taxable entity and incurs no U.S. Federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. Federal income tax liability, regardless of whether or not cash distributions are then made. Investors in this offering will be deemed to be limited partners of Apollo Global Management, LLC for U.S. Federal income tax purposes. See Material Tax Considerations Material U.S. Federal Tax Considerations for a summary discussing certain U.S. Federal income tax considerations related to the purchase, ownership and disposition of our Class A shares as of the date of this offering.

Legislation was introduced in Congress in mid-2007 that would, if enacted in its present form, cause Apollo Global Management, LLC to become taxable as a corporation, and other proposed legislation could change the character of portions of our income to ordinary income, either of which would substantially reduce our net income or increase our net loss, as applicable, or cause other significant adverse tax consequences for us and/or the holders of Class A shares. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects and Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares. See also Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Distribution to Our Managing Partners Prior to The Offering Transactions

On April 20, 2007, AMH, one of the entities in the Apollo Operating Group, entered into a credit facility, or the AMH credit facility, under which AMH borrowed a $1.0 billion variable-rate term loan. We used these borrowings to make a $986.6 million distribution to our managing partners and to pay related fees and expenses. The AMH credit facility is guaranteed by Apollo Management, L.P.; Apollo Capital Management, L.P.; Apollo International Management, L.P.; Apollo Principal Holdings II, L.P.; Apollo Principal Holdings IV, L.P.; and AAA Holdings, L.P. and matures on April 20, 2014. It is secured by (i) a first priority lien on substantially all assets of AMH and the guarantors and (ii) a pledge of the equity interests of each of the guarantors, in each case subject to customary carveouts.

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Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization

We intend to make one or more distributions to our managing partners and contributing partners, representing all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 shall be treated as having been earned prior to that date. We estimate that the aggregate amount of such distributions will be $387.0 million, which was included in our consolidated and combined statements of financial condition as of December 31, 2007.

The Historical Investment Performance of Our Funds

In this Prospectus Summary and elsewhere in this prospectus, we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments and the general partners of which have not been contributed to Apollo Global Management, LLC. The data for these funds are presented from the date indicated through July 13, 2007 and have not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

When considering the data presented in this prospectus, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares.

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

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

- our funds returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly or that favorable market conditions will continue; in recent months, for example, there have been several instances in which LBOs, including some of Apollo s, encountered difficulties in the financing process;

- the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of Funds VI and VII, which have little or no investment track record;

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

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

- our track record with respect to our capital markets funds is relatively short as compared to our private equity funds and six out of nine of our capital markets funds have commenced operations in the last eighteen months;

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

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated a 13% gross IRR and 10% net IRR since inception, while Fund V has generated a 71% gross IRR and 54% net IRR since inception. 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 applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests. See Risk Factors Risks Related to Our Businesses The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

Recent Developments

Subsequent to December 31, 2007, Fund VII raised an additional $3.0 billion of committed capital and as of the date hereof, Fund VII had raised approximately $12.5 billion of committed capital and has a target of $15.0 billion.

Subsequent to December 31, 2007, the capital markets segment raised more than $1.1 billion as of the date hereof, centering primarily on EPF.

In light of the current adverse conditions in the financial markets, returns for funds may be lower than they were historically and our fundraising efforts may be challenging. While these conditions last, we will focus on investing in distressed debt markets and raising capital for funds focusing on distressed debt markets, including the senior credit opportunity funds.

Investment Risks

An investment in our Class A shares involves a high degree of risk. Some of the more significant challenges and risks include those associated with our susceptibility to conditions in the global financial markets and global economic conditions, the volatility of our revenue, net income and cash flow, our dependence on our managing partners and other key investment professionals, our ability to retain and motivate our existing investment professionals and recruit, retain and motivate new investment professionals in the future and risks associated with adverse changes in tax law and other legislative or regulatory changes. See Risk Factors for a discussion of the factors you should consider before investing in our Class A shares.

Our Corporate Information

Apollo Global Management, LLC was formed in Delaware on July 3, 2007. Our principal executive offices are located at 9 West 57th Street, New York, New York 10019, and our telephone number is (212) 515-3200.

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The Offering

Shares Offered for Resale by the Selling Shareholders in this Offering	29,824,540 Class A shares
Shares Outstanding:	
Class A Shares	97,324,541 Class A shares
Class B Shares	1 Class B share
Shares Held by Our Managing Partners:	
Class A Shares	None
Class B Share	Our managing partners indirectly hold the single Class B share that we have issued to BRH, representing 86.5% of the total voting power of our shares entitled to vote.
Apollo Operating Group Units Held:	
By Us	97,324,541 or 28.9% of the total Apollo Operating Group units
Indirectly By Our Managing Partners and Contributing Partners	240,000,000 or 71.1% of the total Apollo Operating Group units
Voting:	
Class A Shares	One vote per share (except that Class A shares held by the Strategic Investors and their affiliates do not have any voting rights).
Class B Share	Initially, 240,000,000 votes. In the event that a managing partner or contributing partner, through Holdings, exercises his right to exchange the Apollo Operating Group units that he owns through his partnership interest in Holdings for Class A shares, the voting power of the Class B share will be proportionately reduced.
Voting Rights	Holders of our Class A shares (other than the Strategic Investors and their affiliates, who have no voting rights) and our Class B share vote together as a single class on all matters submitted to our shareholders for their vote or approval. So long as the Apollo control condition is satisfied, however, our manager manages all of our operations and activities and exercises substantial control over extraordinary matters and other structural changes. You will have only limited voting rights on matters affecting our businesses and will have no right to elect our manager, which is owned and controlled by our managing partners. Moreover, our managing partners, through their ownership of BRH, hold 86.5% of the total combined voting power of our shares entitled to vote and thus are able to

	exercise control over all matters requiring shareholder approval. See Description of Shares.
Use of Proceeds	We will not receive any proceeds from the sale of the Class A shares pursuant to this prospectus.

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Cash Dividend Policy	Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any one or more of the ensuing four quarters. We recently announced our first cash distribution amounting to $0.33 per Class A share, resulting from the first quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.17 per Class A share primarily resulting from the realization of Goodman Global in February 2008. The distribution will be payable on April 18, 2008, to holders of record on April 8, 2008. Because we will not know what our actual available cash flow from operations will be for any year until the end of such year, we expect that the fourth quarter dividend payment will be adjusted to take into account actual net after-tax cash flow from operations for that year. From time to time, management may also declare special quarterly distributions based on investment realizations. Our Class B shareholder is not entitled to any dividends.

The declaration, payment and determination of the amount of our quarterly dividend will be at the sole discretion of our manager. We cannot assure you that any dividends, whether quarterly or otherwise, will or can be paid. See Cash Dividend Policy for a discussion of the factors our manager is likely to consider in regard to our payment of cash dividends.

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

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

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

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

If Apollo Operating Group units are issued to other parties, such as employees, such parties would be entitled to a portion of the distributions from the Apollo Operating Group as partners described above.

In addition, the partnership agreements of the Apollo Operating Group partnerships provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the

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	general partners of such partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. Federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). The Apollo Operating Group partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities and all such distributions will be made to all partners on a pro rata basis based upon their respective interests in the applicable partnership.
Managing Partners and Contributing Partners Exchange Rights	Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements), at any time and from time to time, each managing partner and contributing partner has the right to cause Holdings to exchange Apollo Operating Group units for Class A shares to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held by our managing partners and contributing partners. To effect an exchange, a managing partner or contributing partner, through Holdings, must simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly reduced.

Any exchange of the Apollo Operating Group units generally is expected to result in increases in the tax basis of the tangible and intangible assets of APO Corp. that would not otherwise have been available. These increases in tax basis are expected to increase (for tax purposes) the depreciation and amortization deductions available to APO Corp. and therefore reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. APO Corp. has entered into a tax receivable agreement with Holdings whereby it agrees to pay to Holdings 85% of the amount of actual cash savings, if any, in U.S. Federal, state and local income taxes that APO Corp. realizes as a result of these increases in tax basis. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Apollo Operating Group units in the future,

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	or if we become taxable as a corporation for U.S. Federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms. See Certain Relationships and Related Party Transactions Tax Receivable Agreement and Unaudited Condensed Consolidated Pro Forma Financial Information.
Trading	We intend to apply for our Class A shares to be listed on the NYSE under the symbol . The listing is subject to approval of our application.
Risk Factors	Please read the section entitled Risk Factors beginning on page 28 for a discussion of some of the factors you should carefully consider before deciding to invest in our Class A shares.

References in this section to the number of our Class A shares outstanding, and the percent of our voting rights held, exclude:

- 240,000,000 Class A shares issuable upon exchange of the Apollo Operating Group units and interests in our Class B share by Holdings on behalf of our managing partners and contributing partners;
- interests granted or reserved under our equity incentive plan, consisting of:
  - 20,477,101 restricted share units (RSUs) that were granted in 2007 and approximately 8 million that were granted in the first quarter of 2008, subject to vesting, to certain employees and consultants; and
  - effective as of January 1, 2008, additional interests in respect of Class A shares that were reserved for issuance under the equity incentive plan, for a total number of shares issued and reserved for issuance of shares. The plan is subject to automatic increases annually.

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Summary Historical and Other Data

The following summary historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with Our Structure, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated and combined financial statements and related notes included elsewhere in this prospectus and the unaudited condensed consolidated pro forma financial information and notes thereto included elsewhere in this prospectus under Unaudited Condensed Consolidated Pro Forma Financial Information.

We derived the summary historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2007, 2006 and 2005 and the summary historical consolidated and combined statements of financial condition data as of December 31, 2007 and 2006 from our audited consolidated and combined financial statements, which are included elsewhere in this prospectus.

We derived the summary historical consolidated and combined statements of operations data for the years ended December 31, 2004 and 2003 and the summary consolidated and combined statements of financial condition data as of December 31, 2005, 2004 and 2003 from our unaudited consolidated and combined financial statements which are not included in this prospectus. The unaudited consolidated and combined financial statements have been prepared on substantially the same basis as the audited consolidated and combined financial statements and include all adjustments that we consider necessary for a fair presentation of our consolidated and combined financial position and results of operation for all periods presented.

The summary historical financial data are not indicative of our expected future operating results. In particular, after the Reorganization on July 13, 2007 and providing liquidation rights to investors of certain of the funds we manage on either July 31, 2007 or November 30, 2007, Apollo Global Management, LLC no longer consolidated in its financial statements certain of the funds that have historically been consolidated in our financial statements.

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	Year ended December 31, 2007(c)	2006(c)	2005	2004	2003
	(in thousands)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates	$ 150,191	$ 147,051	$ 80,926	$ 67,503	$ 42,126
Management fees from affiliates	192,934	101,921	33,492	26,391	9,299
Carried interest income from affiliates	294,725	97,508	69,347	67,370	25,915
Total Revenues	637,850	346,480	183,765	161,264	77,340
Expenses:					
Compensation and benefits	1,450,330	266,772	309,235	473,691	165,086
Interest expense beneficial conversion feature	240,000				
Interest expense	105,968	8,839	1,405	2,143	3,919
Professional fees	81,824	31,738	45,687	39,652	37,806
General, administrative and other	36,618	38,782	25,955	19,506	15,927
Placement fees	27,253		47,028	171	538
Occupancy	12,865	7,646	5,993	5,089	1,731
Depreciation and amortization	7,869	3,288	2,304	2,210	1,876
Total Expenses	1,962,727	357,065	437,607	542,462	226,883
Other Income:					
Net gain from investment activities	2,279,263	1,620,554	1,970,770	2,826,300	1,809,319
Dividend income from affiliates	238,609	140,569	25,979	178,620	188,549
Interest income	52,500	38,423	33,578	41,745	73,064
Income from equity method investments	1,722	1,362	412	1,010	321
Other (loss) income	(36)	3,154	2,832	3,098	3,457
Total Other Income	2,572,058	1,804,062	2,033,571	3,050,773	2,074,710
Income Before Income Tax Provision and Non-Controlling Interest	1,247,181	1,793,477	1,779,729	2,669,575	1,925,167
Income tax provision	(6,726)	(6,476)	(1,026)	(2,800)	(2,506)
Income Before Non-Controlling Interest	1,240,455	1,787,001	1,778,703	2,666,775	1,922,661
Non-Controlling Interest	(1,810,106)	(1,414,022)	(1,577,459)	(2,191,420)	(1,725,815)
Net (Loss) Income	$ (569,651)	$ 372,979	$ 201,244	$ 475,355	$ 196,846
Statement of Financial Condition Data (as of period end)					
Total Assets	$ 5,115,642	$ 11,179,921	$ 7,571,249	$ 7,798,333	$ 7,267,359
Total Debt Obligations	1,057,761	93,738	20,519	22,262	42,061
Total Equity	96,043	484,921	338,625	406,672	190,860
Non-Controlling Interest	2,312,286	9,847,069	6,556,621	6,843,076	6,843,741
Other Data (non-GAAP):					
Economic Net Income [(a)]	$ 152,846	$ 376,600	$ 198,860	$ 475,796	$ 196,962
Private equity dollars invested[(b)]	8,647,912	5,216,715	686,663	819,843	1,544,671
Assets Under Management (as of period end) (in millions):					
Private Equity	$ 30,237	$ 20,186	$ 18,734	$ 9,765	$ 9,200
Capital Markets	10,118	4,392	2,463	1,557	529

Total AUM	$	40,355	$	24,578	$	21,197	$	11,322	$	9,729

(a) Economic Net Income (ENI) is a key performance measure used by management in making operating decisions and evaluating the performance of our businesses and employees. ENI is a measure of profitability and represents

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segment income (loss) which excludes the impact of non-cash charges related to equity-based compensation, income tax provision and Non-Controlling Interest.

Management makes operating decisions and assesses performance of each of our segments based on financial and operating metrics excluding the impact of any Apollo funds that are consolidated into the consolidated and combined financial statements. Accordingly, segment data analyzed excludes the assets, liabilities and operating results of the Apollo funds.

Below is a reconciliation of our net (loss) income for the years ended December 31, 2003 through 2007 to ENI for such periods:

	Year ended December 31,				
	2007	2006	2005	2004	2003
			(in thousands)		
Net (Loss) Income :	$ (569,651)	$ 372,979	$ 201,244	$ 475,355	$ 196,846
(i) Adjusted for the impact of non-cash charges related to equity-based compensation	989,849				
(ii) Income tax provision	6,726	6,476	1,026	2,800	2,506
(iii) Non-Controlling Interest[d]	(274,078)	(2,855)	(3,410)	(2,359)	(2,390)
Economic Net Income	$ 152,846	$ 376,600	$ 198,860	$ 475,796	$ 196,962

(b) Private equity dollars invested represents the aggregate amount of newly funded or committed capital invested by our private equity funds and co-investment vehicles in private equity transactions during a reporting period.

(c) Significant changes in the statement of operations for 2007 compared to 2006 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 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 $1.0 billion AMH credit facility obtained in April 2007.

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

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

Non-Controlling Interest increased due to formation of Holdings and the formation of Apollo Global Management, LLC and its ownership of Apollo Operating Group units.

(d) Amounts include Non-Controlling Interest for Holdings, contributing partners, and Wilmington Trust.

RISK FACTORS

Investing in our Class A shares involves a high degree of risk. You should carefully consider the following risk factors, as well as other information contained in this prospectus, before deciding to invest in our Class A shares. The occurrence of any of the following risks could materially and adversely affect our businesses, prospects, financial condition, results of operations and cash flow, in which case, the trading price of our Class A shares could decline and you could lose all or part of your investment.

Risks Related to Our Businesses

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 Management Employment, Non-Competition and Non-Solicitation Agreements with Managing Partners for a more detailed description of the terms of the agreements. In addition, although the Agreement Among Managing Partners imposes vesting and forfeiture requirements on the managing partners in the event any of them terminates their employment, we, our shareholders (other than the Strategic Investors, as described under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its provisions, including the forfeiture provisions. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners for a more detailed description of the terms of this agreement.

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 that are outside our control, 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 may affect the level and volatility of securities prices and the liquidity and the value of investments. We may not be able to or may choose not to manage our exposure to these market conditions. In the event of a downturn in one or more markets, a deterioration in economic conditions or a disruptive political event, our businesses could be materially adversely affected. For example, financing leveraged buyout transactions by issuing high-yield debt securities in the public capital markets has recently become difficult. In particular, beginning in July 2007, the financial markets encountered a series of events from the sub-prime fall-out which led to a dislocation of credit markets and a rapid deterioration of conditions in fixed income markets. As a result, the backlog of debt raised to fund pending large private equity-led transactions reached record levels. This record backlog of supply in the debt markets has materially affected the ability and willingness of lenders to fund new large private equity-led transactions and recently some lenders have reneged on their funding commitments. Due to the difficulties in financing transactions, the volume of private equity-led transactions has declined significantly. If the disruption 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. More costly and restrictive financing may adversely impact the returns of our leveraged buyout transactions and, therefore, adversely affect our results of operations and financial condition. This was the case following the attacks of September 11, 2001 and the U.S. invasion of Iraq in March 2003, when the economic effects of such events made it more difficult for us to raise capital and to consummate transactions. Our profitability may also be adversely affected by the possibility that we would be unable to scale back our costs, many of which are fixed, within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

A general market downturn, a specific market dislocation, or deteriorating economic conditions may cause our revenue and results of operations to decline by causing:

- our AUM to decrease, lowering management fees from our capital markets funds and AAA;
- 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 in a particular sector, 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 Assets Under Management 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, hedge funds and distressed funds. Our funds may be affected by reduced opportunities to exit and realize value from their investments 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 current lack of financing options for new leveraged buy-outs resulting from the credit market dislocation, has significantly reduced the pace of investment by our private equity funds.

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

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

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

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

We may not be successful in raising new private equity or capital markets funds or in raising more capital for our capital markets funds.

In this prospectus, we describe capital raising efforts that certain of our businesses are currently undertaking. Our funds may not be successful in consummating these capital-raising efforts or others that they may undertake, or they may consummate them at investment levels far lower than those currently anticipated. Any capital raising that our funds do consummate may be on terms that are unfavorable to us or that are otherwise different from the terms that we have been able to obtain in the past. These risks could occur for reasons beyond our control, including general economic or market conditions, regulatory changes or increased competition. The failure of our funds to raise capital in sufficient amounts and on satisfactory terms would result in us being unable to achieve the increase in AUM that we currently anticipate, and would have a material adverse effect on our financial condition and results of operations.

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

We have presented in this prospectus the returns relating to the historical performance of our private equity funds and capital markets funds. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in the past and may earn in the future. The returns of the funds we manage are not, however, directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in Class A shares. However, poor performance of the funds we manage will cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and the value of our Class A shares.

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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:

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

our funds returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly; or that favorable market condition will continue in recent months, for example, there have been several instances in which leverage buyouts, LBOs, including some of Apollo s, encountered difficulties in the financing process;

the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of Funds VI and VII, which have little or no investment track record;

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

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

our track record with respect to our capital markets funds is relatively short as compared to our private equity funds and six out of nine of our capital markets funds have commenced operations in the last eighteen months;

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

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

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

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

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

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

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

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

Our AUM have grown significantly in recent years, 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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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 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.

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.

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

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

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

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. In recent years, there has been debate in both the U.S. and foreign governments about new rules or regulations to be applicable to the private equity industry. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. The effects of any such legislation could be extensive. For example, such changes could place limitations on the type of investor that can invest in private equity or capital markets funds or on the conditions under which such investors may invest, or could limit the scope of investing activities that may be undertaken.

In addition, regulatory developments designed to increase oversight of hedge funds may adversely affect our businesses. In recent years, there has been debate in U.S. and foreign governments about new rules and regulations for hedge funds. For example, the SEC had recently adopted a rule, which was later struck down by a Federal court, that would have required registration under the Investment Advisers Act of 1940, as amended, or the Investment Advisers Act, of hedge fund managers if they had fewer than 15 funds, but those funds had 15 or more investors in the aggregate. While certain of our entities that serve as advisers to our funds are already registered with the SEC under the Advisers Act, other new regulations could constrain or otherwise impose burdens on our businesses.

Legislative proposals have recently been introduced in Denmark and Germany that would significantly limit the tax deductibility of interest expense incurred by companies in those countries. If adopted, these measures would adversely affect Danish and German companies in which our funds have investments and limit the benefits to them of additional investments in those countries. 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 all of our carried interest income as ordinary income, that would cause us to become taxable as a corporation and/or would have other adverse effects. Legislation that would cause us to be taxable as a corporation after the Class A shares are listed is pending in Congress. See Risks Related to Taxation and Risks Related to Our Organization and Structure. In addition, U.S. and foreign labor unions have recently been agitating for greater legislative and regulatory oversight of private equity firms and transactions. Labor unions have also threatened to use their influence to prevent pension funds from investing in private equity funds.

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

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

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that carried interest from our private equity funds, which constitute the largest portion of income from our combined businesses, and

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the transaction and advisory fees that we receive can vary significantly from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values of our funds investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. 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 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 hedge funds also have high water marks whereby we do not earn incentive income during a particular period even though the fund had positive returns in such period as a result of losses in prior periods. If a hedge fund experiences losses, we will not be able to earn incentive income from the fund until it surpasses the previous high water mark. The incentive income we earn is therefore dependent on the net asset value of the hedge 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. More significantly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors may lead to a reduction in profitable investment opportunities, including by driving prices for investments higher and increasing the difficulty of achieving targeted returns. In addition, if interest rates were to rise or there were to be a prolonged bull market in equities, the attractiveness of our funds relative to investments in other investment products could decrease.

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Competition among private equity funds and capital markets funds is 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.

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;
- 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;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- some fund investors may prefer to invest with an investment manager that is not publicly traded;
- there are relatively few barriers to entry impeding new private equity and capital markets fund management firms, and the successful efforts of new entrants into our various businesses, including former star portfolio managers at large diversified financial institutions as well as such institutions themselves, will continue to result in increased competition;
- there are no barriers to entry to our businesses, implementing an integrated platform similar to ours or the strategies that we deploy at our funds, such as distressed investing, which we believe are our competitive strengths, except that our competitors would need to hire professionals with the investment expertise or grow it internally; and

other industry participants continuously seek to recruit our investment professionals away from us.

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

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

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

Our success depends on our ability to retain our investment professionals and recruit additional qualified personnel. We anticipate that it will be necessary for us to add investment professionals as we pursue our growth strategy. However, we may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive. Our investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds investments, have significant relationships with the institutions that are the source of many of our funds investment opportunities, and in certain cases have key relationships with our fund investors. Therefore, if our investment professionals join competitors or form competing companies it could result in the loss of significant investment opportunities and certain existing fund investors. Legislation has been proposed in the U.S. Congress to treat 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 also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis and Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects. The loss of even a small number of our investment professionals could jeopardize the performance of our funds, which would have a material adverse effect on our results of operations. Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability.

Our sale of equity interests to the public may harm our ability to provide equity compensation to investment professionals, which could make it more difficult to attract and retain them and could harm aspects of our business.

We might not be able to provide investment professionals with equity interests in our business to the same extent or with the same tax consequences as we did prior to the Offering Transactions. Therefore, in order to recruit and retain existing and future investment professionals, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new investment professionals over time, we may increase the level of compensation we pay to our investment professionals, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, any issuance of equity interests in our business to investment professionals would dilute the holders of Class A shares.

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with investors. The effects of becoming public, including potential changes in our compensation structure, could adversely affect this culture. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

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

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

- the diversion of management s attention from our core businesses;
- the disruption of our ongoing businesses;
- entry into markets or businesses in which we may have limited or no experience;
- increasing demands on our operational systems;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, increasing the risks associated with conducting operations in foreign jurisdictions.

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

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

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

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

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

Because many of our private equity funds investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company s total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company s leverage will often increase in recapitalization

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transactions subsequent to the company s acquisition by a private equity fund. 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 began in July 2007 and the record backlog of supply in the debt markets resulting from such dislocation has materially affected the ability and willingness of banks to underwrite new high-yield debt securities.

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

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

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

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

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

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

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt.

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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The requirements of being a public entity may strain our resources.

Once the registration statement of which this prospectus forms a part becomes effective, we will be subject to the reporting requirements of the Exchange Act and requirements of the U.S. Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our businesses and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, which is discussed below. In order to maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight will be required. We have not had to prepare and file such reports in the past. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur significant additional annual expenses related to these steps and, among other things, additional directors and officers liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

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

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

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

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manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. New investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products. In addition, our information systems and technology might not be able to accommodate our growth, and the cost of maintaining such systems might increase from its current level. These risks could cause us to suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention and reputational damage.

Furthermore, we depend on our headquarters, which is located in New York City, for the operation of many of our businesses. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, may have an adverse impact on our ability to continue to operate our businesses without interruption which could have a material adverse effect on us. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses.

Finally, we rely on third party service providers for certain aspects of our businesses, including for certain information systems, technology and administration of our funds and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of the funds operations and could impact our reputation and adversely affect our businesses and limit our ability to grow.

We derive a substantial portion of our revenues from funds managed pursuant to management agreements that may be terminated or fund partnership agreements that permit fund investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the general partner of the fund or the fund s board of directors the right to terminate our investment management agreement with the fund. However, insofar as we control the general partner of our funds that are limited partnerships, the risk of termination of investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for our offshore capital markets funds, which have independent boards of directors.

With respect to our funds that are subject to the Investment Company Act, each fund s investment management agreement must be approved annually by such funds board of directors or by the vote of a majority of the shareholders and the majority of the independent members of such fund s board of directors and, as required by law. The funds investment management agreement can also be terminated by the majority of the shareholders. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations. Currently, AIC is the only Apollo fund that is subject to these provisions of the Investment Company Act, as it has elected to be treated as a business development company under the Investment Company Act.

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

In addition, the management agreements of our funds would terminate if we were to experience a change of control without obtaining investor consent. Such a change of control could be deemed to occur in the event our managing partners exchange enough of their interests in the Apollo Operating Group into our Class A shares such that our managing partners no longer own a controlling interest in us. We cannot be certain that consents

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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 $1 billion term loan outstanding under the AMH credit facility. We may choose to finance our business operations through further borrowings. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including those discussed below under Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments. These risks are exacerbated by certain of our funds use of leverage to finance investments and, if they were to occur, could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which might result in an increase in our borrowing costs or result in other material adverse effects on our businesses.

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

Borrowings under the AMH credit facility are LIBOR-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.

See Unaudited Condensed Consolidated Pro Forma Financial Information for information concerning the pro forma effects of borrowings under the AMH credit facility on our historical financial results.

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

In general, we will be exposed to risk of litigation by our investors if our management of any fund is alleged to constitute bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. Investors could sue us to recover amounts lost by our funds due to our alleged misconduct, up to the entire amount of loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of our funds or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities in our funds and actions taken by the officers and directors (some of whom may be Apollo employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies in which our funds have large investments. We are also exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In addition, our rights to indemnification by the funds we manage may not be upheld if challenged, and our indemnification rights generally do not cover bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from our funds, our results of operations, financial condition and liquidity would be materially adversely affected.

In addition, with a workforce that includes many very highly paid investment professionals, we face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount. The cost of settling such claims could adversely affect our results of operations.

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

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

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

Pursuant to the terms of our operating agreement, whenever a potential conflict of interest exists or arises between any of the managing partners, one or more directors or their respective affiliates, on the one hand, and us, any of our subsidiaries or any shareholder other than a managing partner, on the other, any resolution or course of action by our board of directors shall be permitted and deemed approved by all shareholders if the resolution or course of action (i) has been specifically approved by a majority of the voting power of our outstanding voting shares (excluding voting shares owned by our manager or its affiliates) or by a conflicts committee of the board of directors composed entirely of one or more independent directors, (ii) is on terms no less favorable to us or our shareholders (other than a managing partner) than those generally being provided to or available from unrelated third parties or (iii) it is fair and reasonable to us and our shareholders taking into account the totality of the relationships between the parties involved. All conflicts of interest described in this prospectus will be deemed to have been specifically approved by all shareholders. Notwithstanding the foregoing, it is possible that potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation which would materially adversely affect our businesses in a number of ways, including as a result of redemptions by our investors from our funds, an inability to raise additional funds and a reluctance of counterparties to do business with us.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to grow our businesses by increasing AUM in existing businesses and expanding into new investment strategies, geographic markets and businesses. Our organizational documents, however, do not limit us to the investment management business. Accordingly, we may pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners or other strategic initiatives, which may include entering into new lines of business, such as the insurance, broker-dealer or financial advisory industries. In addition, we expect opportunities will arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (i) the required investment of capital and other resources, (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, (iii) combining or integrating operational and management systems and controls and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

Employee misconduct could harm us by impairing our ability to attract and retain investors and by subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with the investors in our funds, potential fund investors and third-parties with whom we do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. There is a risk that our employees could engage in misconduct that adversely affects our businesses. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, investor relationships and ability to attract future investors. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. Misconduct by our employees, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our businesses.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

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

Our funds often invest in obligors and issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and

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

Our funds may face risks relating to undiversified investments.

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

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

Some of our funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States. 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 certain of our funds for financial reporting purposes, we amended the governing documents of those funds to provide that a simple majority of a fund s unaffiliated investors have the right to liquidate that fund. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

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

In addition, because all of our funds have advisers that are affiliates of advisers registered under the Advisers Act, 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 these advisers

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were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end mezzanine funds, each fund s investment management agreement must be approved annually by the independent members of such fund s board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such funds.

Our financial projections for portfolio companies could prove inaccurate.

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

Fraud and other deceptive practices could harm fund performance.

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

Contingent liabilities could harm fund performance.

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

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

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

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

Our managing partners, investment professionals or other employees may acquire confidential or material non-public information and, as a result, be restricted from initiating transactions in certain securities. This risk

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affects us more than it does many other investment managers, as we generally do not use information barriers that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Our decision not to implement these barriers could prevent our investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise.

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

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

As a business development company under the Investment Company Act, AIC may issue debt securities or preferred stock and borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, AIC is permitted to issue senior securities only in amounts such that its asset coverage, as defined in the Investment Company Act, equals at least 200% after each issuance of senior securities. If the value of its assets declines, it may be unable to satisfy this test. If that happens, it may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous.

In addition, under the provisions of the Investment Company Act, AIC is not generally able to issue and sell its common stock at a price below the current net asset value per share of the common stock, and could as a result be limited in its ability to raise capital.

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 our hedge funds investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

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

- Hedge 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.

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

Hedge fund 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 Organization and Structure

Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares.

On June 14, 2007, the Chairman and the Ranking Republican Member of the U.S. Senate Committee on Finance introduced legislation that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment advisor or asset management services. In addition, the Chairman and the Ranking Republican Member concurrently issued a press release stating that they do not believe that proposed public offerings of private equity and hedge fund management firms are consistent with the intent of the existing rules regarding publicly traded partnerships because the majority of their income is from the active provision of services to investment funds and limited partner investors in such funds. Further, they have sent letters to the Secretary of the Treasury and the Chairman of the U.S. Securities and Exchange Commission regarding these tax issues in which they express a view that recent initial public offerings of private equity and hedge funds raise serious tax questions that if left unaddressed have the potential to jeopardize the integrity of the tax code and the corporate tax base over the long term. As explained in the technical explanation accompanying the proposed legislation:

Under the bill, the exception from corporate treatment for a publicly traded partnership does not apply to any partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from services provided by any person as an investment advisor, as defined in the Investment Advisers Act, or as a person associated with an investment advisor, as defined in that Act. Further, the exception from corporate treatment does not apply to a partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from asset management services provided by an investment advisor, a person associated with an investment advisor, or any person related to either, in connection with the management of assets with respect to which investment advisor services were provided. For purposes of the bill, these determinations are made without regard to whether the person is required to register as an investment advisor under the Investment Advisers Act.

If enacted in its present form, the proposed legislation introduced by the Chairman and the Ranking Republican Member of the U.S. Senate Committee on Finance would be effective as of the date it was introduced and could potentially apply to us as early as our 2007 taxable year. On June 20, 2007, a Congressman from Vermont introduced legislation in the House of Representatives that is substantially similar to the proposed legislation introduced in the Senate. In addition, on June 22, 2007, legislation was introduced in the House of Representatives that would cause allocations of income associated with carried interests to be taxed as ordinary income for the performance of services, which apparently would have the effect of treating publicly traded partnerships that derive substantial amounts of income from carried interests as corporations for U.S. Federal income tax purposes (although the effective date of such legislation has not been determined). On October 25, 2007, the House Ways and Means Committee Chairman, in connection with his tax reform proposal, introduced legislation that was substantially similar to the June 22, 2007 bill. On November 9, 2007, the House of Representatives passed legislation similar to the June 22, 2007 legislation. Under a transition rule contained in the November 9, 2007 legislation, the carried interest would not be treated as ordinary income for purposes of

Section 7704 until December 31, 2009 and therefore would not preclude us from qualifying as a partnership for U.S. Federal income tax purposes until our taxable year beginning January 1, 2010. None of these legislative proposals affecting the tax treatment of our carried interests or of our ability to qualify as a partnership for U.S. Federal income tax purposes has yet been entered into law. If the proposed legislation introduced in either the Senate or the House of Representatives were to be enacted into law in its proposed form, we would incur a substantial increase in our tax liability when such legislation begins to apply to us. If Apollo Global Management, LLC were taxed as a corporation, our effective tax rate would increase substantially. The U.S. Federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the Federal benefit, would aggregate approximately 4%. If any of this proposed legislation or any other change in the tax laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules, this would substantially increase our tax liability and it could well result in a reduction in the value of our Class A shares.

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

So long as the Apollo control condition is satisfied, our manager, AGM Management, LLC, which is owned by our managing partners, will manage all of our operations and activities. AGM Management, LLC is managed by BRH, a Cayman entity owned by our managing partners and managed by an executive committee composed of our managing partners. Our shareholders do not elect our manager, its manager or its manager s executive committee and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our businesses and therefore limited ability to influence decisions regarding our businesses. Furthermore, if our shareholders are dissatisfied with the performance of our manager, they will have little ability to remove our manager. As discussed below, the managing partners collectively have 86.5% of the voting power of Apollo Global Management, LLC. Therefore, they will have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

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

Our managing partners, through their partnership interests in Holdings, control 86.5% of the combined voting power of our shares entitled to vote. Accordingly, our managing partners have the ability to control our management and affairs to the extent not controlled by our manager. In addition, they are able to determine the outcome of all matters requiring shareholder approval (such as a proposed sale of all or substantially of our assets, the approval of a merger or consolidation involving the company, and an election by our manager to dissolve the company) and are able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. The control of voting power by our managing partners could deprive Class A shareholders of an opportunity to receive a premium for their Class A shares as part of a sale of our company, and might ultimately affect the market price of the Class A shares.

In addition, our managing partners and contributing partners, through their partnership interests in Holdings, are entitled to 71.1% of Apollo Operating Group s economic returns through the Apollo Operating Group units owned by Holdings. 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.

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

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

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

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

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

Our manager is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to 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.

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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 Certain Relationships and Related Party Transactions and Conflicts of Interest and Fiduciary Responsibilities for a more detailed discussion of these conflicts.

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

Our operating agreement contains provisions that waive or consent to conduct by our manager and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our operating agreement provides that when our manager is acting in its individual capacity, as opposed to in its capacity as our manager, it may act without any fiduciary obligations to us or our shareholders whatsoever. When our manager, in its capacity as our manager, is permitted to or required to make a decision in its sole discretion or discretion or that it deems necessary or appropriate or necessary or advisable, then our manager will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any of our shareholders and will not be subject to any different standards imposed by our operating agreement, the Delaware Limited Liability Company Act or under any other law, rule or regulation or in equity.

Whenever a potential conflict of interest exists between us and our manager, our manager may resolve such conflict of interest. If our manager determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our manager, then it will be presumed that in making this determination, our manager acted in good faith. A shareholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our shareholders will only have recourse and be able to seek remedies against our manager if our manager breaches its obligations pursuant to our operating agreement. Unless our manager breaches its obligations pursuant to our operating agreement, we and our unitholders will not have any recourse against our manager even if our manager were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our operating agreement, our operating agreement provides that our manager and its officers and directors will not be liable to us or our shareholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the manager or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the shareholders because they restrict the remedies available to them for actions that without those limitations might constitute breaches of duty including fiduciary duties.

Also, if our manager obtains the approval of its conflicts committee, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our manager of any duties it may owe to us or our

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shareholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you purchase a Class A share, you will be treated as having consented to the provisions set forth in the operating agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, shareholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See Conflicts of Interest and Fiduciary Responsibilities.

The control of our manager may be transferred to a third party without shareholder consent.

Our manager may transfer its manager interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without the consent of our shareholders. Furthermore, at any time, the partners of our manager may sell or transfer all or part of their partnership interests in our manager without the approval of the shareholders, subject to certain restrictions as described elsewhere in this prospectus. A new manager may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Apollo s track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our businesses, our results of operations and our financial condition could materially suffer.

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

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

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

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

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

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

On a quarterly basis, each managing partner and contributing partner will have the right to exchange the Apollo Operating Group units that he holds through his partnership interest in Holdings for our Class A shares in a taxable transaction. These taxable exchanges, as well as our acquisitions of units from our managing partners or contributing partners, may result in increases in the tax depreciation and amortization deductions from depreciable and amortizable assets, as well as an increase in the tax basis of other assets of the Apollo Operating Group that otherwise would not have been available. A portion of these increases in tax depreciation and amortization deductions, as well as the increase in the tax basis of such other assets, will reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. 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. The 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

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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 Certain Relationships and Related Party Transactions Tax Receivable Agreement.

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

Generally, a person is an investment company if it is or holds itself out as being engaged primarily in the business of investing or trading in securities or owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an investment company under the Investment Company Act because the nature of our assets and the sources of our income exclude us from the definition of an investment company pursuant to Rule 3a-1 under the Investment Company Act, which excludes from the definition of investment company entities no more than 45% of value of whose total assets and no more than 45% of whose net income after taxes over a specified period is derived from specified securities. 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, it is possible that the composition of our assets or net income for purposes of Rule 3a-1 could change or our reliance on the Section 3(b)(1) exemption under the Investment Company Act could be challenged. 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 This Offering

There may not be an active market for our Class A shares, which may cause our Class A shares to trade at a discount price and make it difficult to sell the Class A shares you purchase.

Although the initial purchasers have made a market in the Class A shares through the GSTrUE OTC market, prior to this offering there has been no public trading market for our Class A shares. It is possible that an active market will not develop, which would make it difficult for you to sell your Class A shares at an attractive price or at all. As no current holders of our Class A shares are obligated to sell any shares, volume of trading in our shares may be very limited.

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

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

- variations in our quarterly operating results or dividends, which variations we expect will be substantial;
- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A shares after this offering;
- additions or departures of our managing partners and other key management personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our businesses or enforcement of these laws and regulations, or announcements relating to these matters;
- a lack of liquidity in the trading of our Class A shares;
- adverse publicity about the asset management industry generally or individual scandals, specifically; and
- general market and economic conditions.

In addition, from time to time, management may also declare special quarterly distributions based on investment realizations. Volatility in the market price may be heightened at or around times of investment realizations as well as following such realization, as a result of speculation as to whether such a distribution may be declared.

An investment in Class A shares is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

This prospectus is solely an offer with respect to Class A shares, and is not an offer directly or indirectly of any securities of any of our funds. Class A shares are securities of Apollo Global Management, LLC only. While our historical consolidated and combined financial information includes financial information, including assets and revenues, of certain Apollo funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except through management fees, incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this prospectus.

Our Class A share price may decline due to the large number of shares eligible for future sale and for exchange into Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. At March 31, 2008, we had 97,324,541 Class A shares outstanding, not including approximately 28 million Class A shares or share units granted, subject to vesting, to certain employees and consultants under our equity incentive plan. The Class A shares reserved under our equity incentive plan will be increased on the first day of each fiscal year during the plan s term by the lesser of (x) the excess of (i) 15% of the number of outstanding Class A shares of the company and the number of outstanding Apollo Operating Group Units on the last day of the immediately preceding fiscal year over (ii) the number of shares reserved and available for issuance under our equity incentive plan as of such date or (y) such lesser amount by which the administrator may decide to increase the number of Class A shares. Following such increase, as of January 1, 2008, Class A shares remain available for future grant under our equity incentive plan. In addition, Holdings may at any time exchange its Apollo Operating Group units for up to 240,000,000 Class A shares on behalf of our managing partners and contributing partners. We may also elect to sell additional Class A shares in one or more future primary offerings.

Our managing partners and contributing partners, through their partnership interests in Holdings, own an aggregate of 71.1% of the Apollo Operating Group units. 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. Holdings, our executive officers and directors, certain employees and consultants who received Class A shares in connection with the Offering Transactions and the Strategic Investors have agreed with the initial purchasers not to dispose of or hedge any of our Class A shares, subject to specified exceptions, through the date 180 days after the shelf effectiveness date, except with the prior written consent of the representatives of the initial purchasers. After the expiration of this 180-day lock-up period, these Class A shares will be eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations. Under certain circumstances, the 180-day lock-up period may be extended.

After the expiration of their lock-up period, our managing partners and contributing partners (through Holdings) will have the ability to cause us to register the Class A shares they acquire upon exchange of their Apollo Operating Group units. Such rights will be exercisable beginning two years after the shelf effectiveness date.

The Strategic Investors will have the ability to cause us to register any of its non-voting Class A shares beginning two years after the shelf effectiveness date, and, generally, may only transfer its non-voting Class A shares prior to such time to its controlled affiliates. The CS Investor has received demand registration rights with respect to its Class A shares, exercisable beginning August 8, 2008.

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

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 represents 86.5% of the total combined voting power of our shares entitled to vote. As a result, they are able to exercise control over all matters requiring the approval of shareholders and are able to prevent a change in control of our company. In addition, our operating agreement provides that so long as the Apollo control condition is satisfied, our manager, which is owned and controlled by our managing partners, manages all of our operations and activities. The control of our manager will make it more difficult for a potential acquirer to assume control of us. Other provisions in our operating agreement may also make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, certain provisions of Delaware law may delay or prevent a transaction that could cause a change in our control. The market price of our Class A shares could be adversely affected to the extent that our managing partners control over us, the control exercised by our manager as well as provisions of our operating agreement discourage potential takeover attempts that our shareholders may favor.

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

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

Risks Related to Taxation

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

Under current law, so long as we are not required to register as an investment company under the Investment Company Act and 90% of our gross income for each taxable year constitutes qualifying income within the meaning of the 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 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 current law may change so as to cause, in either event, our partnership to be treated as a

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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. tax purposes to the extent of our earnings and profits. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us. O Melveny & Myers LLP has provided an opinion to us based on factual statements and representations made by us, including statements and representations as to the manner in which we intend to manage our affairs and the composition of our income, that we will be treated as a partnership and not as a corporation for U.S. Federal income tax purposes. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge.

The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects.

The U.S. Congress, the IRS and the U.S. Treasury Department are currently examining the U.S. Federal income tax treatment of private equity funds, hedge funds and other kinds of investment partnerships. The present U.S. Federal income tax treatment of a holder of Class A shares and/or our own taxation as described under Material Tax Considerations Material U.S. Federal Tax Considerations may be adversely affected by any new legislation, new regulations or revised interpretations of existing tax law that arise as a result of such examinations. Most notably, on June 14, 2007, legislation was introduced in the Senate that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment advisor or asset management services and similar legislation was later introduced in the House of Representatives. In addition, on June 22, 2007, legislation was introduced in the House of Representatives that would cause allocations of income associated with carried interests to be taxed as ordinary income for the performance of services, which apparently would have the effect of treating publicly traded partnerships that derive substantial amounts of income from carried interests as corporations for U.S. Federal income tax purposes. On October 25, 2007, the House Ways and Means Committee Chairman, in connection with his tax reform proposal, introduced legislation that was substantially similar to the June 22, 2007 bill. On November 9, 2007, the House of Representatives passed legislation similar to the June 22, 2007 legislation. Under a transition rule contained in the November 9, 2007 legislation, the carried interest would not be treated as ordinary income for purposes of Section 7704 until December 31, 2009 and therefore would not preclude us from qualifying as a partnership for U.S. Federal income tax purposes until our taxable year beginning January 1, 2010. None of these legislative proposals affecting the tax treatment of our carried interests or of our ability to qualify as a partnership for U.S. Federal income tax purposes has yet been entered into law. Any such changes in tax law would cause us to be taxable as a corporation, thereby substantially increasing our tax liability and reducing the value of Class A shares. Furthermore, it is possible that the U.S. Federal income tax law could be changed so as to adversely affect the anticipated tax consequences for us and/or the holders of Class A shares as described under Material Tax Considerations Material U.S. Federal Tax Considerations, including possible changes that would adversely affect the taxation of tax-exempt and/or non-U.S. holders of Class A shares. It is unclear whether any such legislation would apply to us and/or the holders of Class A shares, and it is unclear whether any other such tax law changes will occur or, if they do, how they might affect us and/or the holders of Class A shares. In view of the potential significance of any such U.S. Federal income tax law changes and the fact that there are likely to be ongoing developments in this area, each prospective holder of Class A shares should consult its own tax advisor to determine the U.S. Federal income tax consequences to it of acquiring and holding Class A shares in light of such potential U.S. Federal income tax law changes.

Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure also is 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 qualifying income 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) or otherwise adversely affect an investment in our Class A shares. See Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Our operating agreement permits our manager to modify our operating agreement from time to time, without the consent of the holders of Class A shares, to address certain changes in U.S. Federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all holders of Class A shares. 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 Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects holders of Class A shares.

The interest in certain of our businesses will be held through entities that will be treated as corporations for U.S. Federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly traded partnership rules under U.S. Federal income tax law and other requirements, the partnership will hold its interest in certain of our businesses through entities that will be treated as corporations for U.S. Federal income tax purposes. Each such corporation could be liable for significant U.S. Federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment. Furthermore, it is possible that the IRS could challenge the manner in which such corporation s taxable income is computed by us.

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

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. Federal income tax purposes. Such an entity may be a passive foreign investment company (a PFIC) or a controlled foreign corporation (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. See Material Tax Considerations Material U.S. Federal Tax Considerations Passive Foreign Investment Companies and Controlled Foreign Corporations.

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

In order for us to be treated as a partnership for U.S. Federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed

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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 Code.

Non-U.S. persons face unique U.S. tax issues from owning our shares that may result in adverse tax consequences to them.

We believe that we will not be treated as engaged in a trade or business for U.S. Federal income tax purposes and, therefore, non-U.S. holders of Class A shares will generally not be subject to U.S. Federal income tax on interest, dividends and gains derived from non-U.S. sources. It is possible, however, that the IRS could disagree or that the tax laws and regulations could change and we could be deemed to be engaged in a U.S. trade or business, which would have a material adverse effect on non-U.S. holders. If we have income that is treated as effectively connected to a U.S. trade or business, non-U.S. holders would be required to file a U.S. Federal income tax return to report that income and would be subject to U.S. Federal income tax at the regular graduated rates. Holders likely will be required to file state and local income tax returns and pay state and local income taxes in some or all jurisdictions where we operate. It is the responsibility of each holder to file all U.S. Federal, state and local tax returns that may be required of such holder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in Class A shares.

An investment in Class A shares will give rise to UBTI to certain tax-exempt holders.

We will not make investments through taxable U.S. corporations solely for the purpose of limiting unrelated business taxable income, or UBTI, from debt-financed property and, thus, an investment in Class A shares will give rise to UBTI to tax-exempt holders of Class A shares. APO Asset Co., LLC may borrow funds from APO Corp. or third parties from time to time to make investments. These investments will give rise to UBTI from debt-financed property. Moreover, if the IRS successfully asserts that we are engaged in a trade or business, then additional amounts of income could be treated as UBTI.

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

We 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., and Apollo Principal Holdings III, 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 transferee at the time of the transfer, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made. See Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Tax Elections.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus may contain forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, should, seeks, approximately, predicts, intends, plans or the negative version of those words or other comparable words. Any forward-looking statements contained in this prospectus are based upon our historical performance and our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the risk factors and other cautionary statements that are included in this prospectus. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes market and industry data and forecasts from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data, estimates and forecasts. Independent consultant reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable.

Our internal data, estimates and forecasts are based upon information obtained from our investors, partners, trade and business organizations and other contacts in the markets in which we operate and our management s understanding of industry conditions. Although we believe that such information is reliable, we have not had such information verified by any independent sources.

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OUR STRUCTURE

Apollo Global Management, LLC was formed as a Delaware limited liability company for the purposes of completing the Reorganization, the Strategic Investors Transaction and the Offering Transactions and conducting our businesses as a publicly held entity. Apollo Global Management, LLC is a holding company whose primary assets are 28.9% of the limited partner interests of the Apollo Operating Group entities, in each case held through intermediate holding companies. The remaining 71.1% limited partner interests of the Apollo Operating Group entities are owned directly by Holdings, an entity 100% owned, directly and indirectly, by our managing partners and contributing partners, and represent its economic interest in the Apollo Operating Group. With limited exceptions, the Apollo Operating Group owns each of the operating entities included in our historical consolidated and combined financial statements as described below under Reorganization Our Assets.

Apollo Global Management, LLC is owned by its Class A and Class B shareholders. Holders of our Class A shares and Class B share vote as a single class on all matters presented to the shareholders, although the Strategic Investors do not have voting rights in respect of any of their Class A shares. We have issued to BRH a single Class B share solely for purposes of granting voting power to BRH. BRH is the general partner of Holdings and is a Cayman Islands exempted company owned and controlled by our managing partners. The Class B share does not represent an economic interest in Apollo Global Management, LLC. The voting power of the Class B share will, however, increase or decrease with corresponding changes in Holdings economic interest in the Apollo Operating Group.

Our shareholders vote together as a single class on the limited set of matters on which shareholders have a vote. Such matters include a proposed sale of all or substantially all of our assets, certain mergers and consolidations, certain amendments to our operating agreement and an election by our manager to dissolve the company.

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The diagram below depicts our current organizational structure.

(1) Investors in the Offering Transactions hold 38.4% of the Class A shares, and the Strategic Investors hold 61.6% of the Class A shares. The Class A shares held by investors in the Offering Transactions represent 13.5% of the total voting power of our shares entitled to vote and 11.1% of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights and represent 17.8% of the economic interests in the Apollo Operating Group. Such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the Strategic Investors Transaction.

(2) Our managing partners own BRH, which in turn holds our only outstanding Class B share. The Class B share represents 86.5% of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our managing partners economic interests are instead represented by their indirect ownership, through Holdings, of 71.1% of the limited partnership interests in the Apollo Operating Group.

(3) Through BRH Holdings, L.P., our managing partners own limited partnership interests in Holdings.

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(4) Represents 71.1% of the limited partner interests in each Apollo Operating Group entity. The Apollo Operating Group units held by Holdings are exchangeable for Class A shares, as described below under Reorganization Equity Interests Retained by Our Managing Partners and Contributing Partners.
(5) BRH is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement. See Description of Shares Operating Agreement for a description of the authority that our manager exercises.
(6) Represents 28.9% of the limited partnership interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC also indirectly owns 100% of the general partnership interests in each Apollo Operating Group entity.

Reorganization

Holding Company Structure

Apollo Global Management, LLC, through two intermediate holding companies (APO Corp. and APO Asset Co., LLC) owns 28.9% of the economic interests of, and operate and controls all of the businesses and affairs of, the Apollo Operating Group and its subsidiaries. Holdings owns the remaining 71.1% of the economic interests in the Apollo Operating Group. Apollo Global Management, LLC consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a minority interest in Apollo Global Management, LLC s consolidated financial statements.

The Apollo Operating Group consists of the following partnerships: Apollo Principal Holdings I, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings II, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings III, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IV, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), and AMH (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes). Apollo Global Management, LLC conducts all of its material business activities through the Apollo Operating Group. Substantially all of our expenses, including substantially all expenses solely incurred by or attributable to Apollo Global Management, LLC are borne by the Apollo Operating Group; provided that obligations incurred under the tax receivable agreement by Apollo Global Management, LLC or its wholly owned subsidiaries (which currently consist of our two intermediate holding companies, APO Corp. and APO Asset Co., LLC), income tax expenses of Apollo Global Management, LLC and its wholly owned subsidiaries and indebtedness incurred by Apollo Global Management, LLC and its wholly owned subsidiaries are borne solely by Apollo Global Management, LLC and its wholly owned subsidiaries.

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions. Apollo Principal Holdings I, L.P. holds our domestic general partners of private equity funds and our private equity domestic co-invest vehicle; Apollo Principal Holdings II, L.P. holds our domestic general partners of capital markets funds and two capital markets domestic co-invest vehicles; Apollo Principal Holdings III, L.P. holds our foreign general partners of private equity funds, including the foreign general partner of AAA Investments, and our private equity foreign co-invest vehicle; Apollo Principal Holdings IV, L.P. holds our foreign general partners of capital markets funds and one capital markets foreign co-invest vehicle; and Apollo Management Holdings, L.P. holds the management companies for our private equity funds (including AAA) and our capital markets funds.

We intend to cause the Apollo Operating Group to make distributions to its partners, including Apollo Global Management, LLC s wholly-owned subsidiaries, in order to fund any distributions Apollo Global Management, LLC may declare on its Class A shares. If the Apollo Operating Group makes such distributions, the limited partners of the Apollo Operating Group will be entitled to receive distributions pro rata based on their partnership interests in the Apollo Operating Group.

The partnership agreements of the Apollo Operating Group partnerships provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the wholly-owned subsidiaries of

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Apollo Global Management, LLC that wholly-own the general partners of the Apollo Operating Group partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. Federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). The Apollo Operating Group partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year are otherwise insufficient to cover such tax liabilities.

Our Manager

Our operating agreement provides that so long as the Apollo Group (as defined below) beneficially owns at least 10% of the aggregate number of votes that may be cast by holders of outstanding voting shares, our manager, which is 100% owned by BRH, will conduct, direct and manage all activities of Apollo Global Management, LLC. We refer to the Apollo Group s beneficial ownership of at least 10% of such voting power as the Apollo control condition. So long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. See Description of Shares.

For purposes of our operating agreement, the Apollo Group means (i) our manager and its affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its affiliates, including their respective general partners, members and limited partners, (iii) with respect to each managing partner, such managing partner and such managing partner s group (as defined in Section 13(d) of the Exchange Act), (iv) any former or current investment professional of or other employee of an Apollo employer (as defined below) or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group), (v) any former or current executive officer of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group); and (vi) any former or current director of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group). With respect to any person, Apollo employer means Apollo Global Management, LLC or such other entity controlled by Apollo Global Management, LLC or its successor as may be such person s employer.

Holders of our Class A shares and Class B share have no right to elect our manager, which is controlled by our managing partners through BRH. Although our manager has no business activities other than the management of our businesses, conflicts of interest may arise in the future between us and our Class A shareholders, on the one hand, and our managing partners, on the other. The resolution of these conflicts may not always be in our best interests or those of our Class A shareholders. We describe the potential conflicts of interest in greater detail under Risk Factors Risks Related to Our Organization and Structure Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders. We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. Our operating agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Our Assets

Prior to the Offering Transactions, our managing partners contributed to the Apollo Operating Group their interests in each of the entities included in our historical consolidated and combined financial statements, but excluding the excluded assets described below under Excluded Assets.

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More specifically, prior to the Offering Transactions, our managing partners contributed to the Apollo Operating Group the intellectual property rights associated with the Apollo name and the indicated equity interests in the following businesses (other than the excluded assets), which we refer to collectively as the Contributed Businesses :

- 100% of the investment advisors of all of Apollo s funds, which provide investment management services to, and are entitled to any management fees and incentive income payable in respect of, these funds, as well as transaction, advisory and other fees that may be payable by these funds portfolio companies, other than the percentage of fees that has been allocated or that we determine to allocate to our professionals, as described below.

- With respect to Fund IV, Fund V, Fund VI and AAA, which constitute all of our private equity funds that are either actively investing or have a meaningful amount of unrealized investments:

  - 100% of the entire non-economic general partner interests in the general partners of such funds, which non-economic interests give the Apollo Operating Group control of these funds;

  - 100% of the economic interests in the managing general partner of AAA; and

  - 46% to 57% (depending on the particular fund investment) of all limited partner interests in the general partners of such funds, representing 46% to 57% of the carried interest earned in relation to investments by such funds; this includes all of the carried interest in these funds that had been allocated to our managing partners, with the remainder of such carried interest continuing to be held by certain of our professionals.

- With respect to a number of our capital markets funds (the Value Funds, AAOF, SOMA and EPF):

  - 100% of the entire non-economic general partner interests in the general partners of these funds, which non-economic interests give the Apollo Operating Group control of these funds; and

  - 54% to 100% (depending on the particular fund investment) of all limited partner interests in the general partners of these funds, representing 54% to 100% of the incentive income earned in relation to investments by these funds; this includes all of the incentive income in these funds that had been allocated to our managing partners, with the remainder of such incentive income continuing to be held by certain of our professionals.

In addition, prior to the Offering Transactions, our contributing partners contributed to the Apollo Operating Group a portion of their points. We refer to such contributed points as partner contributed interests. In return for a contribution of points, each contributing partner received an interest in Holdings. Each contributing partner continues to own directly those points that such partner did not contribute to the Apollo Operating Group or sell to the Apollo Operating Group in connection with the Strategic Investors Transaction. Each contributing partner remained entitled (on an individual basis and not through ownership interests in Holdings) to receive payments in respect of his partner contributed interests with respect to fiscal year 2007 based on the date his partner contributed interests were contributed or sold as described below under Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization. The Strategic Investors are similarly entitled to receive a pro rata portion of our net income prior to the date of the Offering Transactions for our fiscal year 2007, calculated in the same manner as for the managing partners and contributing partners, as described in more detail under Strategic Investors Transaction. In addition, we issued points in Fund VII, and intend to issue points in future funds, to our contributing partners and other of our professionals.

As a result of these contributions and the contributions of our managing partners, the Apollo Operating Group and its subsidiaries generally is entitled to:

all management fees payable in respect of all our current and future funds as well as transaction and other fees that may be payable by these funds portfolio companies (other than fees that certain of our professionals have a right to receive, as described below);

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- 50% 66% (depending on the particular fund investment) of all incentive income earned from the date of contribution in relation to investments by both our current private equity and capital markets funds (with the remainder of such incentive income continuing to be held by certain of our professionals);

- all incentive income earned from the date of contribution in relation to investments made by our future private equity and capital markets funds, other than the percentage we determine to allocate to our professionals, as described below; and

- all returns on current or future investments of our own capital in the funds we sponsor and manage.

With respect to our actively investing funds as well as any future funds, we intend to continue to allocate a portion of the management fees, transaction and advisory fees and incentive income earned in relation to these funds to our professionals, including the contributing partners, in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately 20% to 40% of management fees, 20% of transaction and advisory fees and 34% to 50% of incentive income earned in relation to our funds will be allocated to our investment professionals, although these percentages may fluctuate up or down over time. For the next five years, our managing partners will not receive any allocations of management fees, transaction and advisory fees or incentive income, and all of their rights to receive such fees and incentive income earned in relation to our actively investing funds and future funds will be solely through their ownership of Apollo Operating Group units.

The income of the Apollo Operating Group (including management fees, transaction and advisory fees, and incentive income) benefits Apollo Global Management, LLC to the extent of its equity interest in the Apollo Operating Group. See Business Fees, Carried Interest, Redemption and Termination.

Excluded Assets

Excluded assets comprise any direct or indirect interest in the following, whether existing now or in the future:

- any personal investment or co-investment in any fund or co-investment vehicle by any managing partner or a related group member, as defined below (including any future personal investments or co-investments and investments funded through any Apollo management fee waiver program, which allows each of our managing partners to waive the right to receive any future distribution that he would otherwise be entitled to receive on a periodic basis from AMH in respect of management fees from certain private equity funds in exchange for a profits interest in the applicable Apollo fund, which satisfies his obligation to make a capital contribution to such fund in the amount of the waived management fee), although no managing partner may waive compensation that would not otherwise be paid to the managing partner, directly or indirectly, from the members of the Apollo Operating Group;

- amounts owed, directly or indirectly, to any managing partner or a related group member by an Apollo fund pursuant to any fee deferral arrangement in an investment management agreement;

- any direct or indirect amounts owed to any managing partner or a related group member pursuant to any escrow of Fund VI carried interest payments (escrowed carry) to secure the clawback obligation of the general partner of Fund VI pursuant to its organizational documents;

- Apollo Real Estate or Ares, which are funds formerly managed by us but in which neither we nor our managing partners continue to exert any managerial control although our managing partners continue to have minority interests in such entities, including their general partners and management companies;

- the general partners of Funds I, II and III;

compensation and benefits paid or given to a managing partner consistent with the terms of his employment agreement;

director options issued prior to January 1, 2007 by any portfolio company;

Hamlet Holdings, LLC, an entity partially owned by our managing partners (without any economics, which have been contributed) that has 100% voting control over the investment of Fund VI in Harrah s Entertainment, Inc. and that will remain exclusively in the personal control of the managing partners; and

other miscellaneous, non-core assets.

The excluded assets were not contributed to the Apollo Operating Group; however, due to the existence of a common control group, Funds I, II and III and the general partner are consolidated in our historical financial statements for the periods prior to July 13, 2007.

With respect to our contributing partners, excluded assets includes all points not contributed to the Apollo Operating Group or purchased in connection with the Strategic Investors Transaction, any personal investment or co-investment in any fund or co-investment vehicle by any contributing partner, the right to receive escrowed carry and all other assets not specifically described in this prospectus as being contributed to the Apollo Operating Group.

Related group member means, with respect to each of our managing partners, (i) such managing partner s spouse, (ii) a lineal descendant of such managing partner s parents, the spouse of any such descendant or a lineal descendent of any such spouse, (iii) a charitable institution controlled by such managing partner or one of his related group members, (iv) a trustee of a trust (whether inter vivos or testamentary), all of the current beneficiaries and presumptive remaindermen of which are one or more of such managing partners and persons described in clauses (i) through (iii) of this definition, (v) a corporation, limited liability company or partnership, of which all of the outstanding shares of capital stock or interests therein are owned by one or more of such managing partners and persons described in clauses (i) through (iv) of this definition, (vi) an individual mandated under a qualified domestic relations order, or (vii) a legal or personal representative of such managing partner in the event of his death or disability; for purposes of this definition, (x) lineal descendants shall not include individuals adopted after attaining the age of 18 years and such adopted person s descendants, (y) presumptive remaindermen shall refer to those persons entitled to a share of a trust s assets if it were then to terminate, and (z) no managing partner shall ever be deemed a related group member of another managing partner.

Equity Interests Retained by Our Managing Partners and Contributing Partners

Our managing partners, through their partnership interests in Holdings, own 62.0% of the Apollo Operating Group units and, through their ownership of BRH, the Class B share that we have issued to BRH. The Agreement Among Managing Partners provides that each managing partner s interest in the Apollo Operating Group units that he holds indirectly through his partnership interest in Holdings is subject to vesting. Each of Messrs. Harris and Rowan vests in his interest in the Apollo Operating Group units in 60 equal monthly installments, and Mr. Black vests in his interest in the Apollo Operating Group units and in 72 equal monthly installments. Although the Agreement Among Managing Partners was entered into on July 13, 2007, for purposes of its vesting provisions, our managing partners are credited for their employment with us since January 1, 2007. In the event that a managing partner terminates his employment with us for any reason, he will be required to forfeit the unvested portion of his Apollo Operating Group units to the other managing partners. The number of Apollo Operating Group units that must be forfeited upon termination depends on the cause of the termination. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners. However, this agreement may be amended and the terms and conditions of the agreement may be changed or modified upon the unanimous approval of the managing partners. We, our shareholders (other than our Strategic Investors, as set forth under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its obligations.

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Pursuant to the Managing Partner Shareholders Agreement, no managing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date, subject to certain exceptions, including an exception for certain transactions entered into by one or more managing partners the results of which are that the managing partners no longer exercise control over us or the Apollo Operating Group or no longer hold at least 50.1% of the economic interests in us or the Apollo Operating Group. The transfer restrictions applicable to Equity Interests held by our managing partners and the exceptions to such transfer restrictions are described in more detail under Certain Relationships and Related Party Transactions Managing Partner Shareholders Agreement Transfer Restrictions. Our managing partners and contributing partners also were granted demand, piggyback and shelf registration rights through Holdings which are exercisable six months after the shelf effectiveness date.

Our contributing partners, through their interests in Holdings, own 9.1% of the Apollo Operating Group units. Pursuant to the Roll-Up Agreements, no contributing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date. The transfer restrictions applicable to Equity Interests held by our contributing partners are described in more detail under Certain Relationships and Related Party Transactions Roll-Up Agreements.

Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements), upon 60 days notice prior to a designated quarterly date, each managing partner and contributing partner will have the right to cause Holdings to exchange the Apollo Operating Group units that he owns through his partnership interest in Holdings for Class A shares, to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held by our managing partners and contributing partners. To effect an exchange, a managing partner or contributing partner, through Holdings, must simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased.

Deconsolidation of Apollo Funds

Certain of our private equity funds and capital markets funds have historically been consolidated into our financial statements, due to our controlling interest in certain funds notwithstanding that we have only a minority equity interest in these funds. Consequently, our pre-Reorganization financial statements do not reflect our ownership interest at fair value in these funds, but rather reflect on a gross basis the assets, liabilities, revenues, expenses and cash flows of our funds. We amended the governing documents of certain of our funds to provide that a simple majority of the fund s unaffiliated investors have the right to liquidate that fund, which deconsolidated these funds that have historically been consolidated in our financial statements. Accordingly, we no longer reflect the share that other parties own in total assets and non-controlling interest. We continue to consolidate AAA. See Unaudited Condensed Consolidated Pro Forma Financial Information for a more detailed description of the effect of the deconsolidation of these funds on our financial statements. We believe that the deconsolidation of these funds by means of the amendments to governing documents described above, result in our financial statements reflecting our asset management businesses, including our management fee and incentive income revenues, in a manner that reflects more closely both how our management evaluates our businesses and the risks of our assets and liabilities. Accordingly, we believe that deconsolidating these funds will provide investors reviewing our financial statements an enhanced understanding of our businesses. We did not seek or receive any consideration from the investors in our funds for granting them these rights. There was no change in either our equity or net income as a result of the deconsolidation.

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Distribution to Our Managing Partners

On April 20, 2007, AMH, one of the entities in the Apollo Operating Group, entered into the AMH credit facility, under which AMH borrowed a $1.0 billion variable-rate term loan. We used these borrowings to make a $986.6 million distribution to our managing partners and to pay related fees and expenses. The AMH credit facility is guaranteed by Apollo Management, L.P.; Apollo Capital Management, L.P.; Apollo International Management, L.P.; Apollo Principal Holdings II, L.P.; Apollo Principal Holdings IV, L.P.; and AAA Holdings, L.P. and matures on April 20, 2014. It is secured by (i) a first priority lien on substantially all assets of AMH and the guarantors and (ii) a pledge of the equity interests of each of the guarantors, in each case subject to customary carveouts.

Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization

We intend to make one or more distributions to our managing partners and contributing partners, representing all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 shall be treated as having been earned prior to that date. We estimate that the aggregate amount of such distributions will be $387.0 million, which was included in our consolidated and combined statements of financial condition as of December 31, 2007.

Strategic Investors Transaction

On July 13, 2007, we sold securities to the Strategic Investors in return for a total investment of $1.2 billion. The Strategic Investors are two of the largest alternative asset investors in the world and have been significant investors with us in multiple funds, covering a variety of strategies. In total, from our inception through the date hereof, the Strategic Investors have invested or committed to invest approximately $6.4 billion of capital in us and our funds. The Strategic Investors are significant supporters of our integrated platform, having invested in multiple private equity and capital markets funds. With substantial combined assets, we believe the Strategic Investors will be an important source of future growth in the AUM in our existing and future funds for many years, as well as in new products and geographic expansions. Although they have no obligation to invest further in our funds, in connection with our sale of securities to the Strategic Investors, we granted to each of them the option, exercisable until July 13, 2010, to invest or commit to invest up to 10% of the aggregate dollar amount invested or committed by investors in the initial closing of any privately placed fund that we offer to third party investors, subject to limited exceptions.

Through our intermediate holding companies, we used all of the proceeds from the issuance of the securities to the Strategic Investors to purchase from our managing partners 17.4% of their Apollo Operating Group units for an aggregate purchase price of $1,067.9 million, and to purchase from our contributing partners a portion of their points for an aggregate purchase price of $156.4 million. Upon completion of the Offering Transactions, the securities sold to the Strategic Investors converted into non-voting Class A shares, which currently represents 61.6% of our issued and outstanding Class A shares and 17.8% of the economic interest in the Apollo Operating Group. Based on our agreement with the Strategic Investors, we will distribute to the Strategic Investors the greater of 7% on the convertible notes issued or a pro rata portion of our net income for our fiscal year 2007, based on (i) their proportionate interests in Apollo Operating Group units during the period after the Strategic Investors Transaction and prior to the date of the Offering Transactions, and (ii) the number of days elapsed during such period. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to the date of the Offering Transactions or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to the date of the Offering Transactions shall be treated as having been earned prior to the date of the Offering Transactions. On August 8, 2007, we paid approximately $6 million in interest expense on the convertible notes and as a result of our net loss we have no further obligations for 2007 to pay the Strategic Investors.

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In connection with the sale of securities to the Strategic Investors, we entered into the Lenders Rights Agreement with the Strategic Investors. For a more detailed summary of the Lenders Rights Agreement, see Certain Relationships and Related Party Transactions Lenders Rights Agreement.

Tax Considerations

We believe that under current law, Apollo Global Management, LLC will be treated as a partnership and not as a corporation for U.S. Federal income tax purposes. An entity that is treated as a partnership for U.S. Federal income tax purposes is not a taxable entity and incurs no U.S. Federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its own U.S. Federal income tax liability, regardless of whether or not cash distributions have been made. Investors in this offering will be deemed to be limited partners of Apollo Global Management, LLC for U.S. Federal income tax purposes. See Material Tax Considerations Material U.S. Federal Tax Considerations for a summary discussing certain U.S. Federal income tax considerations related to the purchase, ownership and disposition of our Class A shares as of the date of this offering.

Legislation was introduced in Congress in mid-2007 that would, if enacted in its present form, cause Apollo Global Management, LLC to become taxable as a corporation, which would substantially reduce our net income or increase our net loss, as applicable, or cause other significant adverse tax consequences for us and/or the holders of Class A shares. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects and Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares and Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Offering Transactions

The CS Investor purchased from us in a private placement that closed on August 8, 2007, concurrently with the Rule 144A Offering an aggregate of $180 million of the Class A shares at a price per share equal to $24, or 7,500,000 Class A shares, representing 7.7% of the total number of our Class A shares outstanding.

Apollo Global Management, LLC contributed the net proceeds it received in the Offering Transactions to its wholly-owned subsidiaries, APO Asset Co., LLC and APO Corp. These wholly-owned subsidiaries then contributed the funds to the Apollo Operating Group.

Amounts contributed to the Apollo Operating Group concurrently with the Offering Transactions diluted (i) the percentage ownership interests of our managing partners (held indirectly through Holdings) in those entities by 7.7% to 62.0%, and (ii) the percentage ownership interests of our contributing partners (held indirectly through Holdings) in those entities by 1.1% to 9.1%. The relative percentage ownership interests in Apollo Operating Group held by the Apollo Global Management, LLC, our managing partners and our contributing partners will continue to change over time. Potential future events that would result in a relative increase in the number of Apollo Operating Group units held by Apollo Global Management, LLC, and result in a corresponding dilution of our managing partners and contributing partners percentage ownership interest in the Apollo Operating Group include (i) issuances of Class A shares (assuming that the proceeds of any such issuance is contributed to the Apollo Operating Group), (ii) the conversion by our managing partners or contributing partners of their Apollo Operating Group units for Class A shares and (iii) any offers, from time to time, at the discretion of our manager, to purchase from our managing partners and contributing partners their Apollo Operating Group units.

As a result of the Reorganization, the Strategic Investors Transaction and the Offering Transactions:

- Apollo Global Management, LLC, through its wholly-owned subsidiaries, holds 28.9% of the outstanding Apollo Operating Group units;
- our managing partners, through Holdings, hold 62.0% of the outstanding Apollo Operating Group units;
- our contributing partners, through Holdings, hold 9.1% of the outstanding Apollo Operating Group units;
- the Strategic Investors own 60,000,001 of our non-voting Class A shares representing 61.6% of our Class A shares outstanding, which represent 17.8% of the economic interests in the Apollo Operating Group units;
- the investors in the Rule 144A Offering and the CS Investor hold 37,324,540 Class A shares, representing 38.4% of our Class A shares outstanding, which represent 11.1% of the economic interests in the Apollo Operating Group units;
- our managing partners, through BRH, own the single Class B share of Apollo Global Management, LLC;
- on those few matters that may be submitted for a vote of the shareholders of Apollo Global Management, LLC, our Class A shareholders (other than the Strategic Investors) collectively have 13.5% of the voting power of, and our Class B shareholder have 86.5% of the voting power of, Apollo Global Management, LLC;
- APO Corp. or APO Asset Co., LLC, as applicable, is the sole general partner of each of the entities that constitute the Apollo Operating Group; accordingly, we operate and control the businesses of the Apollo Operating Group and its subsidiaries; and
- net profits, net losses and distributions of the Apollo Operating Group are allocated and made to its partners on a pro rata basis in accordance with their respective Apollo Operating Group units; accordingly, net profits and net losses allocable to Apollo Operating Group partners will initially be allocated, and distributions will initially be made, approximately 28.9% indirectly to us, approximately 62.0% indirectly to our managing partners and approximately 9.1% indirectly to our contributing partners.

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USE OF PROCEEDS

We are registering these Class A shares for resale pursuant to the registration rights granted to the selling shareholders in connection with the Rule 144A Offering. We will not receive any proceeds from the sale of the Class A shares offered by this prospectus. The net proceeds from the sale of the Class A shares by this prospectus will be received by the selling shareholders.

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CASH DIVIDEND POLICY

Dividend Policy for Class A Shares

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any one or more of the ensuing four quarters. We recently announced our first cash distribution amounting to $0.33 per Class A share, resulting from the first quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.17 per Class A share primarily resulting from the realization of Goodman Global in February 2008. The distribution will be payable on April 18, 2008, to holders of record as of April 8, 2008. Because we will not know what our actual available cash flow from operations will be for any year until the end of such year, we expect that the fourth quarter dividend payment will be adjusted to take into account actual net after-tax cash flow from operations for that year. From time to time, management may also declare special quarterly distributions based on investment realizations.

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

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

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

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

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

If Apollo Operating Group units are issued to other parties, such as investment professionals, such parties would be entitled to a portion of the distributions from the Apollo Operating Group as partners described above.

We believe that the payment of dividends will provide transparency to our Class A shareholders and will impose upon us an investment discipline with respect to new products, businesses and strategies.

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 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.

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. See Description of Indebtedness for a more detailed description of these restrictions. Instruments governing indebtedness that we or our subsidiaries incur in the future may contain further restrictions on our or our subsidiaries ability to pay dividends or make other cash distributions to equityholders.

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

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended dividends. To the extent we do not have cash on hand sufficient to pay dividends, we may have to borrow funds to pay dividends, or we may determine not to borrow funds to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing that pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

Distributions to Our Managing Partners and Contributing Partners

We made a distribution to our managing partners in 2007 in respect of their Apollo Operating Group units totaling $986.6 million, which was paid out of the net proceeds of borrowings under the AMH credit facility. In addition, we used all of the proceeds received from the Strategic Investors Transaction to purchase Apollo Operating Group units from our managing partners and points from our contributing partners.

We intend to make one or more distributions to our managing partners and contributing partners, representing all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 shall be treated as having been earned prior to that date. We estimate that the aggregate amount of such distributions will be approximately $387.0 million, which was included in our consolidated and combined statements of financial condition as of December 31, 2007.

Prior to the Apollo Operating Group Formation, 100% of the Apollo Operating Group was owned by our managing partners and contributing partners. Accordingly, all decisions regarding the amount and timing of distributions were made in prior periods by our managing partners with regard to their personal financial and tax situations and their assessments of appropriate amounts of distributions, taking into account Apollo s capital needs as well as actual and potential earnings and borrowings.

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CAPITALIZATION

The following table sets forth our capitalization and cash and cash equivalents as of December 31, 2007.

This table should be read in conjunction with Our Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Condensed Consolidated Pro Forma Financial Information and the financial statements and notes thereto included in this prospectus.

	As of December 31, 2007(1) (in thousands)
Cash and cash equivalents	$ 763,053
Total Debt	$ 1,057,761
Non-Controlling Interest	2,312,286
Shareholders equity	96,043
Total Capitalization	$ 3,466,090

(1) We will distribute approximately $387.0 million to our managing and contributing partners related to transactions entered into prior to July 13, 2007 but closed subsequent to such date.

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UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

Overview

The following unaudited condensed consolidated pro forma statement of operations for the year ended December 31, 2007 is based upon our historical consolidated and combined financial statements included elsewhere in this prospectus. In addition, the following pro forma measure of Economic Net Income (ENI) for the year ended December 31, 2007 represents a supplemental financial measure used by management to assess financial performance. ENI is based upon non-GAAP financial measures and is defined elsewhere in this prospectus. This unaudited condensed consolidated pro forma statement of operations and the non-GAAP supplemental financial measure present our consolidated and combined results of operations giving pro forma effect to the transactions specified below as if such transactions had been completed as of January 1, 2007. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on the historical consolidated and combined financial information for 2007. The adjustments are described below, and then further in the notes to the unaudited condensed consolidated pro forma statement of operations.

The unaudited condensed consolidated pro forma financial information should be read together with Our Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited historical consolidated and combined financial statements and related notes included elsewhere in this prospectus.

Apollo Management Holdings Credit Facility

On April 20, 2007, Apollo Management Holdings, L.P., one of the entities in the Apollo Operating Group, entered into the AMH credit facility, under which AMH borrowed a $1.0 billion variable-rate term loan. We used these borrowings to make a $986.6 million distribution to our managing partners and to pay related fees and expenses. The Apollo Management Holdings, L.P. credit facility is guaranteed by Apollo Management, L.P.; Apollo Capital Management, L.P.; Apollo International Management, L.P.; Apollo Principal Holdings II, L.P.; Apollo Principal Holdings IV, L.P.; and AAA Holdings, L.P. and matures on April 20, 2014. The pro forma adjustment in the column labeled *Borrowing Under AMH Credit Facility* gives effect to the increase in interest expense, without consideration of any hedging, resulting from our entering into the AMH credit facility, as if the transaction occurred on January 1, 2007.

Our Reorganization

We were formed as a Delaware limited liability company on July 3, 2007. We are managed and operated by our manager, AGM Management, LLC, which in turn is wholly owned and controlled by the managing partners.

Apollo s business was historically conducted through a large number of entities as to which there was no single holding entity but which were separately owned by the managing partners and others (Predecessor Owners), and controlled by the managing partners. In order to facilitate the Offering Transactions as described in further detail below, the Predecessor Owners completed the Reorganization as of the close of business on July 13, 2007 whereby, except for Apollo Advisors (Apollo Advisors) and Apollo Advisors II, L.P. (Apollo Advisors II), each of the operating entities of the Predecessor and the intellectual property rights associated with the Apollo name, were contributed (Contributed Businesses) to the five newly-formed holding partnerships (Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Management Holdings, L.P. and Apollo Principal Holdings IV, L.P. which was formed subsequent to July 13, 2007) that comprise the Apollo Operating Group.

Apollo currently owns, after completion of the transactions described below, through two intermediate holding companies (APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, and APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S.

Federal income tax purposes) (collectively, the Intermediate Holding Companies), 28.9% of the economic interests of, and operates and controls all of the businesses and affairs of, the Apollo Operating Group as general partners. Holdings is the entity through which our managing partners and other contributing partners hold the remaining Apollo Operating Group units. Holdings owns the remaining 71.1% of the economic interests in the Apollo Operating Group. The company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in our historical consolidated and combined financial statements. The pro forma adjustments in the column labeled *Reorganization and Other Adjustments* give effect to (i) amortization of Apollo Operating Group units, (ii) a reduction in profit sharing based on reduced points for the contributing partners and (iii) other related transactions.

Purchase Accounting

The Reorganization was accounted for as an exchange of entities under common control for the interests in the Contributed Businesses, which were contributed by the managing partners. The acquisition of Non-Controlling Interests from the contributing partners was accounted for using the purchase method of accounting pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). The pro forma adjustment in the column labeled *Reorganization and Other Adjustments* give effect to the purchase of interests from the contributing partners and the amortization of the intangible assets.

Deconsolidation of Funds

Certain of our private equity funds and capital markets funds have historically been consolidated into our financial statements, due to our controlling interest in certain funds notwithstanding that we have only a minority equity interest in these funds. Consequently, our pre-Reorganization financial statements do not reflect our ownership interest at fair value in these funds, but rather reflect on a gross basis the assets, liabilities, revenues, expenses and cash flows of our funds. We amended the governing documents of certain of our funds to provide that a simple majority of each such fund s unaffiliated investors have the right, without cause, to liquidate that fund in accordance with certain procedures. The granting of these rights resulted in the deconsolidation of such funds from our consolidated and combined financial statements. Accordingly, we no longer reflect the share that other parties own in total assets and Non-Controlling Interest. The pro forma adjustment in the column labeled *Deconsolidation of Funds* gives effect to the deconsolidation of the funds which were deconsolidated in July or November, 2007, as if they were deconsolidated as of January 1, 2007.

Deconsolidation of Gulfstream G-IV (G-IV)

On July 31, 2007, certain management companies within Apollo Management Holdings, L.P. transferred their indirect interests in a corporate aircraft, a G-IV, to a group of Apollo Non-Controlling Interest holders, which was treated as a distribution to such Non-Controlling Interest holders. Simultaneously with the transfer, such management companies were released from their obligations as guarantors of the loan used to finance the purchase of the G-IV. The transfer of the indirect interests and release as guarantors resulted in deconsolidation of the trust that owns the corporate aircraft. The pro forma adjustments in the column labeled *Reorganization and Other Adjustments* include the deconsolidation of Wilmington Trust, which holds the G-IV Aircraft.

Earnings Per Share

On August 8, 2007, we sold 34,500,000 Class A shares to the initial purchasers in connection with the Offering Transactions, which also triggered the issuance of 60,000,001 Class A shares to the Strategic Investors as a result of the conversion of the notes. On August 31, 2007, the initial purchasers exercised their over-allotment option to purchase additional shares, which closed on September 5, 2007 and resulted in the issuance of 2,824,540 additional Class A shares to the initial purchasers.

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Pro Forma Adjustments

The pro forma adjustments in *Reorganization and Other Adjustments* give effect to:

- the effects of the compensation arrangements made in connection with the Offering Transactions, including adjustments to compensation expense as a result of (i) the granting of equity-based compensation to certain executives; (ii) the reduction of the contributing partners points in the underlying entities held by the Apollo Operating Group; and (iii) the recharacterization of an employee as a partner in connection with the Reorganization;

- the elimination of expenses including interest, depreciation, professional fees, and general administrative and other expenses relating to one of the corporate aircrafts as a result of the Reorganization;

- additional amortization expense incurred in connection with the intangible assets recognized as a result of the Reorganization;

- the tax-related effects of our Reorganization, including (i) the provision for corporate income taxes on the income of APO Corp., our wholly-owned subsidiary that is taxable as a corporation for U.S. Federal income tax purposes, and (ii) the tax effects related to the pro forma adjustments presented in the column labeled *Borrowing Under AMH Credit Facility*; and

- exclusion of Apollo Advisors and Advisors II along with their respective consolidated funds, as if they were excluded on January 1, 2007. These entities were historically combined for the periods prior to the effective date of the Reorganization on July 13, 2007.

We have taken the necessary steps to amend the governing documents of our funds that have historically been consolidated to provide that a simple majority of each such fund s unaffiliated investors have the right, without cause, to liquidate that fund in accordance with certain procedures. The granting of these rights resulted in the deconsolidation of such funds from our consolidated and combined financial statements. The deconsolidation of these funds only affected the manner in which we account for these funds, which is to reflect our share of the funds net assets and liabilities and our share of the funds net earnings; this accounting treatment affects neither our consolidated equity nor net income or loss. The following describes the significant effects of the pro forma adjustment related to the deconsolidation of funds on our historical consolidated and combined financial statements:

- Management fees and incentive income earned as well as the carried interest income and equity basis investment income from these funds are included in our statement of operations rather than eliminated in consolidation.

- We no longer record gross expenses and other income of the deconsolidated funds. Accordingly, we no longer record the Non-Controlling Interests share of these funds net income.

We have not made any pro forma adjustments relating to reporting, compliance, investor relations and other costs that we will incur as a public company as estimates of such expenses are not readily determinable.

The unaudited condensed consolidated pro forma financial information is included for informational purposes only and does not purport to reflect our results of operations that would have occurred had the transactions referenced above occurred on January 1, 2007. The unaudited condensed consolidated pro forma financial information also does not project our results of operations for any future period.

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Unaudited Condensed Consolidated Pro Forma Statement of Operations

Year Ended December 31, 2007

(dollars in thousands, except per share data)

	Historical	Deconsolidation of Funds(1)	Subtotal	Borrowing Under AMH Credit Facility(2)	Reorganization and Other Adjustments(3)	Pro Forma
Revenues:						
Advisory and transaction fees from affiliates	$ 150,191	$ (59,589)	$ 90,602	$	$	$ 90,602
Management fees from affiliates	192,934	56,490	249,424			249,424
Carried interest income from affiliates	294,725	443,663	738,388			738,388
Total Revenues	637,850	440,564	1,078,414			1,078,414
Expenses:						
Compensation and benefits	1,450,330		1,450,330		13,886(a)	1,464,216
Interest expense beneficial conversion feature	240,000		240,000			240,000
Interest expense	105,968	(2,741)	103,227	20,765	(499)(b)	123,493
Professional fees	81,824	(7,900)	73,924		(502)(b)(d)	73,422
General, administrative and other	36,618	(2,016)	34,602		(2,244)(b)(d)	32,358
Placement fees	27,253		27,253			27,253
Occupancy	12,865		12,865		(89)(b)	12,776
Depreciation and amortization	7,869		7,869		4,622 (c)	12,491
Total Expenses	1,962,727	(12,657)	1,950,070	20,765	15,174	1,986,009
Other Income:						
Net gains from investment activities	2,279,263	(2,046,529)	232,734		5,382 (d)	238,116
Dividend income from affiliates	238,609	(238,609)				
Interest income	52,500	(32,299)	20,201		(973)(d)	19,228
Income from equity method investments	1,722	2,659	4,381			4,381
Other loss	(36)		(36)			(36)
Total Other Income	2,572,058	(2,314,778)	257,280		4,409	261,689
Income (Loss) before income tax provision and Non-Controlling Interest	1,247,181	(1,861,557)	(614,376)	(20,765)	(10,765)	(645,906)
Income tax provision	(6,726)		(6,726)		(2,353)(e)	(9,079)
Income (Loss) before Non-Controlling Interest	1,240,455	(1,861,557)	(621,102)	(20,765)	(13,118)	(654,985)
Non-Controlling Interest	(1,810,106)	1,861,557	51,451		334,917 (f)	386,368
Net loss	$ (569,651)	$	$ (569,651)	$ (20,765)	$ 321,799	$ (268,617)

	July 13, 2007 through December 31, 2007[4]	January 1, 2007 through December 31, 2007[4]
Net loss per Class A share:		
Net loss available to Class A shareholders	$ (962,107)	$ (268,617)
Net loss per Class A share Basic and Diluted	$ (11.71)	$ (2.76)
Number of Class A shares Basic and Diluted	82,152,883	97,324,541

See Notes to Unaudited Condensed Consolidated Pro Forma Statement of Operations

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Notes to Unaudited Condensed Consolidated Pro Forma Statement of Operations

(dollars in thousands, except per share data)

1. Deconsolidation of Funds

With the exception of AAA, which we continue to include in our consolidated and combined financial statements, we have taken the necessary steps to amend the governing documents of the consolidated funds to provide that a simple majority of each such fund s unaffiliated investors have the right, without cause, to liquidate that fund in accordance with certain procedures. These changes led to the deconsolidation of such investment funds from our consolidated and combined financial statements in either July or November, 2007. This column reflects the deconsolidation of such funds as if it had occurred as of January 1, 2007.

Because the portion of the interests of the limited partner investors Non-Controlling Interest will be eliminated in connection with the deconsolidation of these investment funds, such deconsolidation does not impact our net loss. The adjustment reflects the elimination of the historical amounts of (i) other income of the funds, comprised principally of net gains from investment activities, and (ii) expenses of the funds which will no longer be consolidated. In addition, the management fee and incentive income as well as the carried interest income and equity basis investment income, which had been previously eliminated in consolidation of our historical financial statements, are restored for purposes of the pro forma presentation.

2. Borrowing Under AMH Credit Facility

Our April 20, 2007, $1.0 billion borrowing under the AMH credit facility bears interest at three-month LIBOR, plus 1.50%. The LIBOR rate applied to our term loan borrowing resets on a quarterly basis. As of December 31, 2007, we have incurred $47.9 million in interest expense in connection with AMH credit facility. On a pro forma basis, we estimate interest expense for the year of $68.7 million assuming the borrowing had occurred on January 1, 2007. Therefore, an interest expense adjustment of $20.8 million was recorded in the pro forma statement of operations based on actual rates, as if the agreement was in place as of January 1, 2007. For every 1/8% change in the interest rate applied, the pro forma interest expense adjustment would change by approximately $1.3 million.

3. Reorganization and Other Adjustments

(a) The pro forma adjustment includes (i) incremental amortization expense associated with the Apollo Operating Group units granted to the contributing partners to give the effect of the units granted in July 2007 as if they were granted on January 1, 2007 in the amount of $49.6 million, (ii) a decrease to profit sharing expense of approximately $35.5 million is based on a reduction in points for the contributing partners of $30.1 million and the recharacterization of an employee as a partner in conjunction with our Reorganization of $5.4 million, and (iii) a decrease to compensation expense associated with the Reorganization in the amount of $0.2 million related to the impact of deconsolidation of the G-IV of ($0.9) million and the effect of excluded assets of $0.7 million. The following table summarizes the adjustments and net impact.

	Year Ended December 31, 2007
Apollo Operating Group units pro forma incremental amortization	$ 49,568
Reduced profit sharing plan participation	(35,469)
Other	(213)
Total compensation expense	$ 13,886

(b) Reflects the elimination of expenses incurred up to the date of the Reorganization associated with the corporate aircraft. These expenses were incurred prior to the Reorganization and presented in our consolidated

Notes to Unaudited Condensed Consolidated Pro Forma Statement of Operations

(dollars in thousands, except per share data)

and combined historical financial statements for the year ended December 31, 2007. The net effect of the deconsolidation of the aircraft was a reduction in expenses by $2.6 million. The company will continue to incur aircraft expenses on an as needed basis and will utilize rental aircraft as a result.

(c) Reflects the impact of the finite-life intangible assets related to the contractual right to future fee income from management and advisory services and the contractual right to earn future carried interest from the private equity and capital markets funds estimated to be $100.3 million. For the year ended December 31, 2007, we recorded in our historical consolidated and combined financial statements approximately $4.7 million in amortization expense. On an annual basis we expect to incur approximately $9.9 million, resulting in a pro forma adjustment of approximately $5.2 million. Additionally, the adjustment includes a decrease to depreciation associated with the corporate aircraft in the amount of $0.6 million, resulting in a total pro forma adjustment of $4.6 million.

(d) Reflects the net impact of the excluded assets of Apollo Advisors, Apollo Advisors II and Funds I, II and III. These entities were historically combined for the periods prior to the effective date of the Reorganization on July 13, 2007. The pro forma adjustment was to exclude these entities as if the Reorganization was effective on January 1, 2007.

(e) Apollo historically operated as a group of partnerships and disregarded entities for U.S. Federal income tax purposes and primarily as a corporate entity in non-U.S. jurisdictions. Accordingly, income tax provisions shown in our historical consolidated and combined statements of operations of $6.7 million primarily consisted of the New York City Unincorporated Business Tax (UBT). Several entities will continue to be subject to UBT and non-U.S. entities will be subject to corporate income taxes in jurisdictions in which they operate.

Following the Reorganization, the Apollo Operating Group and its subsidiaries continue to operate in the U.S. as partnerships for U.S. Federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases continue to be subject to New York City unincorporated business tax, or in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, the company became subject to U.S. corporate Federal income tax through its corporate subsidiary APO Corp.

In calculating the pro forma income tax provision, the pro forma income tax expense adjustment reflects the additional tax expenses assuming that the entities subject to U.S. Federal and state income taxes commencing on the date of the Reorganization had become subject to U.S. Federal and state income taxes commencing on January 1, 2007. The blended statutory rate reflects statutory rate of 35% for federal taxes and the state blended rate (net of federal benefit) of 3%. The state rate reflects a reduced rate of tax on portfolio income.

(f) Includes our allocation of a portion of the pro forma loss before income tax provision to Holdings, the entity that became a Non-Controlling Interest holder in the Apollo Operating Group once we became the beneficial owner of the general partnership interests thereof. Although we would generally not allocate losses to Non-Controlling Interest resulting in a balance below zero, our pro forma loss before income tax provision and Non-Controlling Interest of $645.9 million for the year ended December 31, 2007, includes equity-based compensation expense with respect to which there is a corresponding paid-in capital and Non-Controlling Interest contribution. Since we allocate equity-based compensation expense between our controlling and Non-Controlling Interest to the extent of the corresponding contribution and the remaining income is positive for the periods presented, this income was proportionately allocated to Non-Controlling Interest holders. In addition, the adjustment includes our allocation of a portion of the pro forma loss after income tax provision to contributing partners, the impact of excluded assets and the deconsolidation of the G-IV.

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Notes to Unaudited Condensed Consolidated Pro Forma Statement of Operations

(dollars in thousands, except per share data)

Pro forma adjustments to Non-Controlling Interest include the following:

	Year Ended December 31, 2007
Non-Controlling Interest A.P. Professional Holdings Pro Forma	$ 640,075
Less: Non-Controlling Interest A.P. Professional Holdings Historical	(278,549)
Non-Controlling Interest A.P. Professional Holdings Pro Forma Adjustment	361,526
Non-Controlling Interest Contributing partners interests in private equity and capital markets management companies	(21,462)
Non-Controlling Interest Exclusion of Apollo Advisors, Advisors II and Fund I, II, and III	(3,839)
Non-Controlling Interest Deconsolidation of G-IV	(1,308)
Total pro forma adjustments	$ 334,917

Final allocation of our pro forma loss before income tax provision and Non-Controlling Interest to Non-Controlling Interest holders in our consolidated subsidiaries includes the following:

	Year Ended December 31, 2007
Non-Controlling Interest A.P. Professional Holdings(1)	$ 640,075
Non-Controlling Interest Other Entities:	
AP Alternative Assets(2)	(226,569)
Private Equity Entities(3)	(13,831)
Capital Market Entities(4)	(13,712)
Other Entity(5)	405
	$ 386,368

(1) Reflects the Non-Controlling Interest in the loss of the consolidated entities relating to the Holdings units held by our managing partners and contributing partners after the Offering Transactions.
(2) Reflects the Non-Controlling Interest in the profits of AP Alternative Assets.
(3) Reflects the remaining interest in the private equity management companies net earnings held by our contributing partners immediately following the Offering Transactions.
(4) Reflects the remaining interests held by Non-Controlling Interest holders in the net earnings of certain of our capital market entities.
(5) Reflects the interests in Wilmington Trust that is owned by unaffiliated parties.

4. Determination of Earnings per Share

The Apollo Global Management, LLC pro forma earnings per share assume that the Apollo Operating Group units held by Holdings immediately following the Reorganization and the Offering Transactions and additional Class A shares as a result of the exercise of the over-allotment option were outstanding from January 1, 2007.

Basic and diluted earnings per share are calculated as follows:

	July 13, 2007 - December 31, 2007 Historical (after Reorganization)	Year Ended December 31, 2007 Pro forma
Basic and diluted net loss per Class A share		
Net loss available to the Apollo Global Management, LLC shareholders	$ (962,107)	$ (268,617)
Net loss per Class A share	$ (11.71)	$ (2.76)
Weighted average number of Class A shares outstanding	82,152,883	97,324,541

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Notes to Unaudited Condensed Consolidated Pro Forma Statement of Operations

(dollars in thousands, except per share data)

5. Pro Forma Economic Net Income

Economic Net Income (ENI) is a key performance measure used by management in making operating decisions and evaluating the performance of our businesses and employees. ENI is a measure of profitability and represents segment income (loss) which excludes the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interest.

Below is a reconciliation of Apollo Global Management, LLC s pro forma net loss to pro forma ENI for the year ended December 31, 2007:

			Year Ended December 31, 2007
Pro forma net loss			$ (268,617)
(i)	Income tax provision		
		Historical	6,726
		Pro forma	2,353
(ii)	Adjustment for the impact of non-cash charges related to equity-based compensation[1]		1,039,417
(iii)	Non-Controlling Interest[2]		
		Historical	(274,078)
		Pro forma	(338,859)
Pro forma Economic Net Income[3]			$ 166,942

(1)	(a) Issuance of Apollo Operating Group units to contributing partners	
	Historical	$ 49,568
	Pro forma	49,568
	(b) Agreement Among Managing Partners Historical	931,145
	(c) Issuance of Apollo Global Management, LLC restricted shares to employees Historical	5,267
	(d) Issuance of AP Alternative Assets restricted depository units Historical	3,869
	Total	$ 1,039,417

(2) Economic Net Income adjusts for Non-Controlling Interest related to Holdings, contributing partners interests retained in management companies and Non-Controlling Interest in Wilmington Trust.

(3) In addition, included in the calculation of pro forma Economic Net Income are (i) placement fees $27,253, (ii) interest expense beneficial conversion feature $240,000, and (iii) transaction costs $44,327. If these items were excluded from the calculation of pro forma Economic Net Income, the adjusted pro forma Economic Net Income would be $478,522.

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SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with Our Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this prospectus.

The selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2007, 2006 and 2005 and the selected historical consolidated and combined statements of financial condition data as of December 31, 2007 and 2006 have been derived from our audited consolidated and combined financial statements which are included elsewhere in this prospectus. We derived the selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2004 and 2003 and the selected consolidated and combined statements of financial condition data as of December 31, 2005, 2004 and 2003 from our unaudited consolidated and combined financial statements which are not included in this prospectus. The unaudited consolidated and combined financial statements have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments that we consider necessary for a fair presentation of our combined financial position and results of operations for all periods presented.

The selected historical financial data are not indicative of our expected future operating results. In particular, after the Reorganization on July 13, 2007 and providing liquidation rights to limited partners of certain of the funds we manage on either July 31, 2007 or November 30, 2007, Apollo Global Management, LLC no longer consolidated in its financial statements certain of the funds that have historically been consolidated in our financial statements.

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	Year ended December 31, 2007[(a)]	2006[(a)]	2005 (in thousands)	2004	2003
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates	$ 150,191	$ 147,051	$ 80,926	$ 67,503	$ 42,126
Management fees from affiliates	192,934	101,921	33,492	26,391	9,299
Carried interest income from affiliates	294,725	97,508	69,347	67,370	25,915
Total Revenues	637,850	346,480	183,765	161,264	77,340
Expenses:					
Compensation and benefits	1,450,330	266,772	309,235	473,691	165,086
Interest expense beneficial conversion feature	240,000				
Interest expense	105,968	8,839	1,405	2,143	3,919
Professional fees	81,824	31,738	45,687	39,652	37,806
General, administrative and other	36,618	38,782	25,955	19,506	15,927
Placement fees	27,253		47,028	171	538
Occupancy	12,865	7,646	5,993	5,089	1,731
Depreciation and amortization	7,869	3,288	2,304	2,210	1,876
Total Expenses	1,962,727	357,065	437,607	542,462	226,883
Other Income:					
Net gain from investment activities	2,279,263	1,620,554	1,970,770	2,826,300	1,809,319
Dividend income from affiliates	238,609	140,569	25,979	178,620	188,549
Interest income	52,500	38,423	33,578	41,745	73,064
Income from equity method investments	1,722	1,362	412	1,010	321
Other (loss) income	(36)	3,154	2,832	3,098	3,457
Total Other Income	2,572,058	1,804,062	2,033,571	3,050,773	2,074,710
Income Before Income Tax Provision and Non-Controlling Interest	1,247,181	1,793,477	1,779,729	2,669,575	1,925,167
Income tax provision	(6,726)	(6,476)	(1,026)	(2,800)	(2,506)
Income Before Non-Controlling Interest	1,240,455	1,787,001	1,778,703	2,666,775	1,922,661
Non-Controlling Interest	(1,810,106)	(1,414,022)	(1,577,459)	(2,191,420)	(1,725,815)
Net (Loss) Income	$ (569,651)	$ 372,979	$ 201,244	$ 475,355	$ 196,846
Statement of Financial Condition Data (as of period end)					
Total Assets	$ 5,115,642	$ 11,179,921	$ 7,571,249	$ 7,798,333	$ 7,267,359
Total Debt Obligations	1,057,761	93,738	20,519	22,262	42,061
Total Equity	96,043	484,921	338,625	406,672	190,860
Non-Controlling Interest	2,312,286	9,847,069	6,556,621	6,843,076	6,843,741

(a) Significant changes in the consolidated and combined statement of operations for 2007 compared to 2006 are due to (i) the Reorganization, (ii) the deconsolidation of certain funds, and (iii) the Strategic Investors Transaction.

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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 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 $1.0 billion AMH credit facility obtained in April 2007.

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

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

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(tables in thousands except otherwise indicated)

As Apollo Global Management, LLC was formed in July 2007, the Apollo Operating Group is considered our predecessor for accounting purposes and its consolidated and combined financial statements are our historical financial statements for the periods prior to our Reorganization on July 13, 2007.

The following discussion should be read in conjunction with the Apollo Global Management, LLC consolidated and combined financial statements and the related notes as of December 31, 2007 and 2006 and for the years ended 2007, 2006 and 2005. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section entitled Risk Factors. The highlights listed below have had significant effects on many items within our consolidated and combined financial statements and affect the comparison of the current year s activity with those of prior years.

General

Our Businesses

Founded in 1990, Apollo is a leading global alternative asset manager with a proven track record of successful private equity, distressed debt and mezzanine investing. More recently, we have also begun to invest in senior debt. We raise, invest and manage private equity and capital markets funds on behalf of some of the world s most prominent pension and endowment funds, as well as, other institutional and individual investors.

Apollo conducts its management and investment businesses through the following two segments: (i) private equity and (ii) capital markets. These segments are differentiated based on the varying investment strategies of the funds and how we manage each segment.

(i) ***Private equity***. We have managed private equity funds since 1990. We pursue a diverse group of transactions globally, including traditional buyouts, corporate partner buyouts and distressed investments.

(ii) ***Capital markets***. Our capital markets segment is comprised of our management of mezzanine, distressed and hedge funds in the U.S. and globally.

Beginning in July 2007, the financial markets encountered a series of events from the sub-prime contagion to the ensuing credit crunch. These events led to a significant dislocation in the capital markets and created a backlog in the debt pipeline. Much of the backlog is left over from debt raised for large private equity-led transactions which reached record levels in 2006 and 2007. This record backlog of supply in the debt markets has materially affected the ability and willingness of lenders to fund new large private equity-led transactions and has applied downward pressure on prices of outstanding debt. Due to the difficulties in financing transactions in this market, the volume and size of traditional private equity-led transactions has declined significantly. We are drawing on our long history of investing across market cycles and are deploying capital by looking to acquire distressed securities in industries that we know well. We search for companies with stressed balance sheets in this market at attractive prices. We are also looking to invest in debt securities of companies that are performing well, but are attractively priced due to the disruption in the debt markets. Additionally, we seek to take advantage of creative structures to use our equity to de-leverage a company s balance sheet and take a controlling position. We also intend to build out our strategic platforms through value added follow-on investments in current portfolio companies.

Our Reorganization and the Offering Transactions

We were formed as a Delaware limited liability company on July 3, 2007. We are managed and operated by our manager, AGM Management, LLC, which in turn is wholly owned and controlled by our managing partners.

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Apollo s business was historically conducted through a large number of entities as to which there was no single holding entity but which were separately owned by our Predecessor Owners, and controlled by our managing partners. In order to facilitate the Offering Transactions we completed a reorganization as of the close of business on July 13, 2007 whereby, except for Apollo Advisors and Apollo Advisors II, each of the operating entities and the intellectual property rights associated with the Apollo name, were contributed to the five newly-formed holding partnerships (Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Management Holdings, L.P. and Apollo Principal Holdings IV, L.P., which was formed subsequent to July 13, 2007) that comprise the Apollo Operating Group.

As part of the Reorganization, we entered into an agreement on July 13, 2007 with the Strategic Investors, both of which are limited partners in a number of our funds. In connection with this agreement, we issued convertible notes with a beneficial conversion feature in principal amount of approximately $600 million to each of the Strategic Investors. These securities converted into non-voting Class A shares on August 8, 2007, concurrently with the completion of the Offering Transactions.

We contributed the $1.2 billion of proceeds from the investment by the Strategic Investors to our two wholly-owned Intermediate Holding Companies, APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, and APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes. The Intermediate Holding Companies, in turn, purchased from our managing partners for $1,067.9 million certain interests in the limited partnerships that operate our business, and contributed those purchased interests to the Apollo Operating Group, in return for approximately 17.4% of the limited partnership interests of the Apollo Operating Group entities. Certain contributing partners of Apollo also sold a portion of their interests in subsidiaries of the Apollo Operating Group to the Intermediate Holding Companies for an aggregate purchase price of $156.4 million, representing 2.6% of the limited partnership interests in the Apollo Operating Group.

On July 31, 2007, the limited partners of Funds IV, V, and VI and VIF approved amendments to their limited partnership agreements to provide liquidation rights to all investors. These rights allow a simple majority of unaffiliated investors to liquidate the fund.

Additionally, due to further investments by our managing partners on July 1, 2007, we consolidated AAOF and SVF in accordance with EITF 04-5 (as defined below). These funds were deconsolidated effective November 30, 2007, after unaffiliated investors were granted liquidation rights. These rights allow a simple majority of unaffiliated investors to liquidate the fund.

Because the company and the advisor entities, Apollo Advisors and Apollo Advisors II were under the same control group as defined by FASB Emerging Issues Task Force (EITF) Issue No. 02-5, *Definition* of *Common Control in Relation to FASB No. 141,* the advisor entities are combined for the historical periods prior to the effective date of the Reorganization in the accompanying consolidated and combined financial statements. You should also note that in accordance with EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entry When the Limited Partners Have Certain Rights* (EITF 04-5), the advisor entities consolidate their respective funds. These advisor entities were excluded assets in the Reorganization on July 13, 2007 (see Note 1, Reorganization of the Company in the consolidated and combined financial statements). As such, they are not presented in the consolidated and combined financial statements subsequent to the Reorganization.

On August 8, 2007, through the Offering Transactions we raised net proceeds of $754.8 million through a private placement of 34,500,000 Class A shares at a purchase price of $24 per share. The proceeds were contributed to the Apollo Operating Group and are to be used for general corporate purposes, as discussed below in more detail under Liquidity and Capital Resources. The initial purchasers exercised their over-allotment option, and on September 5, 2007, we sold an additional 2,824,540 Class A shares to the initial purchasers at a price of $24 per share and received net proceeds of approximately $64.1 million. These proceeds were also contributed to the Apollo Operating Group to be used for general corporate purposes.

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Through our Intermediate Holding Companies, we currently own 28.9% of the economic interests of, and operate and control all of the businesses and affairs of, the Apollo Operating Group and its subsidiaries as general partners with the super majority voting rights of its Class B shareholder. Holdings, a Delaware limited partnership through which our managing partners and our contributing partners hold their Apollo Operating Group units, owns the remaining 71.1% of the economic interests in the Apollo Operating Group. We consolidate the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in our consolidated and combined financial statements.

Managing Business Performance

We believe that the presentation of Economic Net Income and Private Equity Dollars Invested (as described below) supplements a reader s understanding of the economic operating performance of each segment.

Economic Net Income

Management makes operating decisions and assesses performance of each of our segments based on financial and operating metrics excluding the impact of consolidation for the Apollo funds. Accordingly, segment data analyzed excludes the assets, liabilities and operating results of the consolidated Apollo funds. Economic Net Income (ENI) is a key performance measure used by management in making operating decisions and evaluating the performance of our businesses and employees. ENI is a measure of profitability and represents segment income (loss), which excludes the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interest.

Private Equity Dollars Invested

Private equity dollars invested is the aggregate amount of newly funded or committed capital invested by our private equity funds and co-investment vehicles in private equity transactions during a reporting period. Such amount is indicative of the pace and magnitude of deployment of fund capital which could result in future revenue such as transaction fees and additional incentive income.

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 or capital contributions, each as defined in the applicable management agreement of the unconsolidated funds. Fees earned from our consolidated funds are eliminated in consolidation;

- 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

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

Our ability to grow our revenues depends in part on our ability to attract new capital and investors, which in turn depends on our ability to appropriately invest our funds capital, and on the conditions in the financial markets, including the availability and cost of leverage, and economic conditions in the United States, Western Europe, Asia, and to some extent, elsewhere in the world. The market factors that impact this include the following:

- *The strength of the alternative investment management industry, including the amount of capital invested and withdrawn from alternative investments*. Allocations of capital to the alternative investment sector are dependent, in part, on the strength of the economy and the returns available from other investments relative to returns from alternative investments. Our share of this capital is dependent on the strength of our performance relative to the performance of our competitors. The capital we

attract is a driver of our Assets Under Management, as are our returns, which, in turn, drive the fees we earn. In light of the current adverse 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, current 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 conditions 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.

Beginning in July 2007, the financial markets encountered a series of negative events starting with the sub-prime fall-out which led to the decline in availability of asset backed commercial paper and debt underwriting. Based on the performance of many of our portfolio companies and capital markets funds in the third and fourth quarter of 2007, the impact to date of these events on our private equity and capital markets funds has resulted in a reduction in revenue. We do not currently know the full extent to which this recent disruption will affect us or the markets in which we operate. If the disruption 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 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. Members of the United States Congress have introduced and Congress has considered (but not enacted) 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. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects, and Risk Factors Risks Related to Our

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Organization and Structure Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares and Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Assets Under Management

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

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

(ii) the net asset value, or NAV, of our capital markets funds, other than collateralized senior credit opportunity funds (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying CLO) plus used or available leverage and/or capital commitments; and

(iii) the fair value of any other assets that we manage plus unused credit facilities and/or capital commitments available for investment that are not otherwise included in clauses (i) or (ii) above.

We earn management fees from the funds that we manage pursuant to management agreements on a basis that varies from Apollo fund to Apollo fund (e.g., any of net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets or capital contributions, each as defined in the applicable management agreement, may form the basis for a management fee calculation). Our calculation of AUM may differ from the calculations of other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. 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. Our AUM has increased significantly since December 31, 2005, as a result of (1) raising new funds with sizeable capital commitments and (2) increasing net asset values of our existing funds from new investor capital and their retained profits.

AUM as of December 31, 2007, 2006 and 2005 are set forth below:

	December 31,		
	2007	**2006**	**2005**
AUM: (in millions)			
Private equity	$ 30,237	$ 20,186	$ 18,734
Capital markets	10,118	4,392	2,463
Total	$ 40,355	$ 24,578	$ 21,197

The increase in private equity AUM from the year ended December 31, 2007 over the year ended December 31, 2006 was largely driven by investment appreciation and by closings in Fund VII. The increase in capital markets AUM during the same year over year period was driven by growth in new funds established during 2007 as well as additional assets in our existing funds. At year end 2007, approximately $14.0 billion and $8.5 billion of private equity and capital markets AUM, respectively, represent fee generating assets. Fee generating assets are those on which we earn management fees. A significant portion of our private equity non-

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fee generating AUM at December 31, 2007 was related to our latest fund, Fund VII. We began receiving management fees effective January 1, 2008 on those assets and will record corresponding revenues beginning in the first quarter of 2008. The table below displays fee generating and non-fee generating AUM by segments as of December 31, 2007, 2006 and 2005.

Assets Under Management

Fee Generating/Non-Fee Generating

	December 31, 2007	December 31, 2006	December 31, 2005
	(dollars in million)		
Private equity	$ 30,237	$ 20,186	$ 18,734
Fee generating	14,039	13,502	3,223
Non-fee generating	16,198	6,684	15,511
Capital markets	10,118	4,392	2,463
Fee generating	8,502	3,941	1,958
Non-fee generating	1,616	451	505
Total assets under management	40,355	24,578	21,197
Fee generating	22,541	17,443	5,181
Non-fee generating	17,814	7,135	16,016

Our Recent Growth

We have experienced significant growth in our businesses from 2002 to present. We have achieved this growth by our funds raising additional assets/capital in our private equity and credit-oriented capital markets businesses, growing AUM through appreciation and by expanding our businesses using new strategies and geographies. We also expect to achieve growth in our AUM as a result of Fund VII. Fund VII has a target of $15.0 billion, as compared with Fund VI, which had total committed capital of $10.1 billion. As of December 31, 2007, Fund VII had raised $9.5 billion of committed capital, which is included in the AUM above. At December 31, 2007, several of our capital markets funds are in various stages of fundraising. As a result of our recent growth, we have experienced a significant increase in our revenue. To support this growth, we have also experienced a material increase in operating expenses, resulting from hiring additional personnel, opening new offices to expand our geographical reach and incurring additional professional fees.

Overview of Results of Operations

Revenues

Advisory and Transaction Fees from Affiliates. As a result of providing advisory services with respect to actual and potential private equity investments, we are entitled to receive fees for transactions related to the acquisition and disposition of portfolio companies as well as fees for ongoing monitoring of portfolio company operations. Under the terms of the limited partnership agreements for certain of our private equity funds, the management fee earned is subject to a reduction of a percentage of such advisory and transaction fees. This management fee rebate is calculated at 65% and 68% for Funds V and VI, respectively, which is reflected as a reduction to Advisory and Transaction Fees from Affiliates on our consolidated and combined statements of operations.

Additionally, in the normal course of business, the management companies incur certain costs related to private equity fund transactions that are not consummated (broken deal costs). A portion of broken deal costs related to certain of our private equity funds, up to the total amount of transaction and advisory fees, are reimbursed by the unconsolidated funds (through reductions of the management fee offset described above) and are included in Advisory and Transaction Fees from Affiliates in our consolidated and combined statements of operations.

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As we have grown the invested capital of the Apollo private equity funds, the advisory and transaction fees that we have earned from private equity transactions have grown as well.

Management Fees from Affiliates. The significant growth of our AUM has had a positive effect on our revenues. Management fees are calculated based upon any of net asset value, gross assets, adjusted costs of all unrealized portfolio investments, capital commitments, adjuste assets or capital contributions, each as defined in the applicable management agreement of the unconsolidated funds. Fees earned from our consolidated funds are eliminated in consolidation.

Carried Interest Income from Affiliates. The general partners are entitled to an incentive return that can amount to as much as 20% of the total returns on fund capital, depending upon performance of the underlying funds. The carried interest income from affiliates is recognized in accordance with EITF Topic D-96, *Accounting for Arrangement Fees Based on a Formula* (EITF Topic D-96). In applying EITF Topic D-96, the carried interest from affiliates for any period is based upon an assumed liquidation of the funds net assets at the reporting date, and distribution of the net proceeds in accordance with the funds allocation provisions. Carried interest income in both private equity funds and certain capital markets funds is subject to clawback in the event of future losses to the extent of the cumulative carried interest recognized in income to date. Carried interest receivables are classified within Investments in the consolidated and combined statements of financial condition. Carried interest from our consolidated funds is eliminated in consolidation.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, profit sharing expense associated with the carried interest income earned from private equity funds and recognition of compensation expense associated with the vesting of non-cash equity awards.

Our compensation arrangements with certain partners and employees contain a significant performance-based bonus component. Therefore, as our net revenues increase, our compensation costs also rise. In addition, our compensation costs reflect the increased investment in people as we expand geographically and create new funds. Historically, all payments for services rendered by our managing partners have been accounted for as partnership distributions rather than compensation and benefits expense. As a result, our compensation expense has not reflected compensation expense for services rendered by these individuals, other than the expense associated with Apollo Operating Group units, described below, commencing in 2007. In addition, certain professionals and selected other individuals have a profit sharing interest in the carried interest earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds. Such profit sharing expense is part of our compensation and benefits expense. Profit sharing expense was $307.7 million, $185.0 million and $235.1 million for the years ended December 31, 2007, 2006 and 2005, respectively. Such profit sharing is based upon a fixed percentage of private equity carried interest income on a pre-tax and a pre-consolidated basis.

Cash payments for services rendered by our managing partners will be limited to $100,000 per year for a five-year period commencing September 2007. Subsequent to this period, cash compensation costs will likely increase. Additionally, in connection with the Reorganization, the managing partners and contributing partners received Apollo Operating Group units with a vesting period of five to six years and certain employees were granted RSUs with a vesting period of six years. The non-cash compensation expenses related to such Apollo Operating Group units and RSUs were approximately $980.7 million and $5.3 million, respectively, for the year ended December 31, 2007.

Professional fees. Professional fees consist mainly of legal and consulting fees, fees for audit and tax services, for accounting services and broken deal costs.

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Other Expenses. The balance of our other expenses includes interest, including interest related to the beneficial conversion feature, occupancy, depreciation and amortization, costs related to travel, information technology, and other operating expenses. Interest expense consists primarily of interest related to our $1.0 billion credit agreement which has a variable interest amount based on LIBOR and interest on our Strategic Investor convertible debt. Additionally, we incurred interest expense related to the mandatory exercise of the beneficial conversion feature when the Strategic Investors converted the debt they were issued to Class A shares on August 8, 2007. Occupancy expense represents charges related to office leases and associated expenses, such as utilities. Depreciation and amortization of fixed assets is calculated using the straight-line method over their estimated useful lives, ranging from two to sixteen years, taking into consideration any residual value. Leasehold improvements are amortized over the shorter of the useful life of the asset or the expected term of the lease. Intangible assets recognized from the acquisition of the Non-Controlling Interest during the third quarter of 2007 are amortized using the straight-line method over the expected useful lives of the assets.

Other Income

Net Gains from Investment Activities. The performance of the consolidated Apollo funds has impacted our gains (losses) from investments. Gains (losses) from investments includes both realized gains and losses and the difference in unrealized gains and losses in our investment portfolio between the opening balance sheet date and the closing balance sheet date. Net unrealized gains (losses) are a result of changes in the fair market value of investments that have not been realized as of the balance sheet date. Significant judgment and estimation goes into the assumptions that drive these models and the actual values realized with respect to investments could be materially different from values obtained based on the use of those estimates. The valuation methodologies applied impact the reported value of investment company holdings and their underlying portfolios in our consolidated and combined financial statements.

Interest and Dividend Income and Other Income. Dividend income is recognized on the ex-dividend date and interest income is recognized as earned on an accrual basis. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective investments using the effective interest method.

Income Tax Provision

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

Following the Reorganization, the Apollo Operating Group and its subsidiaries continue to operate in the U.S. as partnerships for U.S. Federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases continue to be subject to New York City unincorporated business tax, or in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, APO Corp. is subject to federal, state and local corporate income taxes at the entity level and these taxes are reflected in the consolidated and combined financial statements.

Non-Controlling Interest

For the period prior to the Reorganization, Non-Controlling Interest primarily consisted of the income or loss of consolidated funds allocated to Non-Controlling Interest holders. Subsequent to the Reorganization, Non-Controlling Interest excludes the funds previously consolidated, but includes the ownership share in Apollo s earnings for Holdings.

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Investment Platform and Cost Trends

In order to accommodate the increasing demands of our funds rapidly growing investment portfolios, we have expanded our investment platform, which is comprised primarily of our people, financial and operating systems and supporting infrastructure. Expansion of our investment platform required increases in headcount, consisting of newly hired professionals and support staff, as well as, leases and associated improvements to new offices to accommodate the increasing number of employees, and related augmentation of systems and infrastructure. Our headcount increased from 144 employees as of December 31, 2006 to 276 employees as of December 31, 2007. As a result, our compensation and other personnel related expenses have increased, as have our rent and other office related expenses. As we continue to expand our global platform, we anticipate our headcount and related expenses will continue to increase.

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

- in maintaining adequate financial, regulatory and business controls;
- implementing new or updated information and financial systems, process and procedures; and
- in training, managing, hiring qualified professionals and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

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

Results of Operations

Following is a discussion of our consolidated and combined results of operations for the years ended December 31, 2007, 2006 and 2005. For additional analysis of the factors that affected our results at the segment level, see Segment Analysis below.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenues

	Year Ended December 31, 2007	Year Ended December 31, 2006	Amount Change	Percentage Change
Advisory and transaction fees from affiliates	$ 150,191	$ 147,051	$ 3,140	2.1%
Management fees from affiliates	192,934	101,921	91,013	89.3
Carried interest income from affiliates	294,725	97,508	197,217	202.3
Total Revenues	$ 637,850	$ 346,480	$ 291,370	84.1%

Our revenues and other income include fixed components that result from measures of capital and asset levels, and variable components that result from realized and unrealized investment performance and the value of successfully completed transactions.

Total revenues were $637.9 million for the year ended December 31, 2007 compared to $346.5 million for the year ended December 31, 2006, an increase of $291.4 million or 84.1%. This increase is primarily attributable to the increase in the carried interest income from affiliates.

Advisory and transaction fees from affiliates were $150.2 million for the year ended December 31, 2007 compared to $147.1 million for the year ended December 31, 2006, an increase of $3.1 million or 2.1%. The

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number of portfolio company acquisition and disposition transactions increased from 12 in 2006 to 14 in 2007. Advisory fees for ongoing services performed for portfolio companies increased along with reimbursed broken deal costs, which are also included in these fees.

Management fees from affiliates were $192.9 million for the year ended December 31, 2007 compared to $101.9 million for the year ended December 31, 2006, an increase of $91.0 million or 89.3%. An increase of $45.6 million in management fees was due to the impact of deconsolidation of certain funds on July 31, 2007; the remaining net increase was attributable to an increase in capital markets management fees of $47.0 million partially offset by a decrease in private equity management fees of $1.6 million. The $47.0 million increase in management fees earned from capital markets funds was driven by the capital markets AUM increase to $10.1 billion as of December 31, 2007 from $4.4 billion as of December 31, 2006. This increase was principally due to new funds established in 2007, as well as investment appreciation in our existing funds. The net decrease of $1.6 million in private equity management fees was principally due to the winding down of Fund III, which generated no fees in 2007, partially offset by management fees earned beginning in 2007 from AAA Investments.

Carried interest income from affiliates was $294.7 million for the year ended December 31, 2007 compared to $97.5 million for the year ended December 31, 2006, an increase of $197.2 million or 202.3%. As a result of improved performance of existing funds, our carried interest income increased. This increase is primarily attributable to carried interest income generated by newly established Fund VI and AAA, as well as positive returns generated by our existing private equity and capital markets funds in 2007.

Expenses

	Year Ended December 31, 2007	2006	Amount Change	Percentage Change
Compensation and benefits	$ 1,450,330	$ 266,772	$ 1,183,558	443.7%
Interest expense beneficial conversion feature	240,000		240,000	N/A
Interest expense	105,968	8,839	97,129	1,098.9
Professional fees	81,824	31,738	50,086	157.8
General, administrative and other	36,618	38,782	(2,164)	(5.6)
Placement fees	27,253		27,253	N/A
Occupancy	12,865	7,646	5,219	68.3
Depreciation and amortization	7,869	3,288	4,581	139.3
Total Expenses	$ 1,962,727	$ 357,065	$ 1,605,662	449.7%

Total expenses were $1,962.7 million for the year ended December 31, 2007 compared to $357.1 million for the year ended December 31, 2006, an increase of $1,605.7 million or 449.7%. The increase was primarily due to the increased compensation and benefits and the interest expense associated with the beneficial conversion feature of the convertible debt.

Total compensation and benefits was $1,450.3 million for the year ended December 31, 2007 compared to $266.8 million for the year ended December 31, 2006, an increase of $1,183.6 million or 443.7%. This increase was primarily due to the amortization of the Apollo Operating Group units of $980.7 million related to the Reorganization. The managing partners and contributing partners received 240,000,000 Apollo Operating Group units, all of which will vest over a period of either 60 or 72 months, commencing on January 1, 2007 for the managing partners. Additionally, other compensation increased due to profit sharing expense of $122.7 million, resulting from increased carried interest income from affiliates, and amortization of restricted depositary units, or the RDUs, of $3.9 million and RSU s of $5.3 million. The remaining increase was due to increased headcount and compensation to existing personnel in 2007.

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The total interest expense beneficial conversion feature charge of $240 million was incurred when convertible notes with a principal amount of $1.2 billion, issued to the Strategic Investors on July 13, 2007, were mandatorily converted to Class A shares on August 8, 2007.

Total interest expense was $106.0 million for the year ended December 31, 2007 compared to $8.8 million for the year ended December 31, 2006, an increase of $97.1 million or 1,098.9%. The increase was attributable to $44.3 million related to the amortization of deferred loan transaction costs, $6.1 million of interest expense related to the convertible notes prior to their conversion to equity and $47.9 million of additional interest incurred primarily related to the $1.0 billion seven year credit agreement entered into by AMH during 2007. The increases in interest expense were partially offset by a reduction in interest rates on our variable debt due to market changes.

Total professional fees were $81.8 million for the year ended December 31, 2007 compared to $31.7 million for the year ended December 31, 2006, an increase of $50.1 million or 157.8%. Substantially all of this increase was attributable to additional consulting and legal fees associated with new funds that were established and commenced operations in 2007 and additional external accounting and audit fees incurred during 2007 relating to various one time projects, including the preparation of historical U.S. GAAP financial statements and the implementation of new systems.

Placement fees incurred were $27.3 million for the year ended December 31, 2007. These expenses include $22.8 million incurred by private equity primarily in relation to the raising of committed capital for Fund VII and $4.5 million for raising of capital related to a capital markets fund.

Total occupancy expense was $12.9 million for the year ended December 31, 2007 compared to $7.6 million for the year ended December 31, 2006, an increase of $5.2 million or 68.3%. This increase was primarily the result of the addition of three new leased properties as well as increased rents and maintenance fees on existing spaces leased.

Total depreciation and amortization expense was $7.9 million for the year ended December 31, 2007 compared to $3.3 million for the year ended December 31, 2006, an increase of $4.6 million or 139.3%. This increase was primarily the result of $4.7 million in amortization expense from the intangible assets recognized from the acquisition of the Non-Controlling Interest during 2007. This increase was slightly offset by a minimal decrease to depreciation expense due to the distribution of the Gulfstream G-IV.

Other Income

	Year Ended December 31, 2007	Year Ended December 31, 2006	Amount Change	Percentage Change
Net gains from investment activities	$ 2,279,263	$ 1,620,554	$ 658,709	40.6%
Dividend income from affiliates	238,609	140,569	98,040	69.7
Interest income	52,500	38,423	14,077	36.6
Income from equity method investments	1,722	1,362	360	26.4
Other (loss) income	(36)	3,154	(3,190)	(101.1)
Total Other Income	$ 2,572,058	$ 1,804,062	$ 767,996	42.6%

Total other income was $2,572.1 million for the year ended December 31, 2007 compared to $1,804.1 million for the year ended December 31, 2006, an increase of $768.0 million or 42.6%. This change was primarily attributable to increased net gains from investment activities and dividend income from affiliates.

Net gains from investment activities were $2,279.3 million for the year ended December 31, 2007 compared to $1,620.6 million for the year ended December 31, 2006, an increase of $658.7 million or 40.6%. This change was primarily the result of increased capital deployed by our funds and increases in the fair values of our private equity investments primarily through the time of deconsolidation.

Dividend income from affiliates was $238.6 million for the year ended December 31, 2007 compared to $140.6 million for the year ended December 31, 2006, an increase of $98.0 million or 69.7%. This change was primarily due to the increase in dividend income of $116.1 million earned from portfolio company investments of Fund V. Further increases of $61.1 million of dividend income resulted from the initiation of Fund VI and increase in special dividends income from one of our capital markets funds during the year. These increases were partially offset by a $79.2 million decrease in Fund IV dividend income during 2007, as compared to 2006.

Interest income was $52.5 million for the year ended December 31, 2007 compared to $38.4 million for the year ended December 31, 2006, an increase of $14.1 million or 36.6%. This change was primarily due to the interest earned on net undistributed proceeds raised during the third quarter of 2007.

Income Tax Provision

Income taxes were $6.7 million for the year ended December 31, 2007 compared to $6.5 million for the year ended December 31, 2006, an increase of $0.2 million or 3.9%. The increase of the income tax provision is primarily due to the Reorganization of Apollo during 2007 and the creation of two intermediate holding companies, APO Corp. and APO Asset Co., LLC. The earnings of APO Corp. are taxed at a 41% marginal rate in comparison to only being subject to unincorporated business taxes in 2006. This resulted in incremental corporate taxes of $1.9 million. Additionally, foreign income tax expense increased by $2.1 million due to increase in European operations, those increases were partially offset by a decrease in the NYC UBT tax expense of $3.8 million.

Non-Controlling Interest

Non-Controlling Interest was $1,810.1 million for the year ended December 31, 2007 compared to $1,414.0 million for the year ended December 31, 2006, an increase of $396.1 million or 28.0%. For the period prior to the Reorganization, Non-Controlling Interest primarily consisted of the income or loss of consolidated funds allocated to Non-Controlling Interest holders. Subsequent to the Reorganization, Non-Controlling Interest also includes the ownership share of Apollo s earnings for Holdings as well as certain contributing partners who retained a portion of their interest in management companies.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Revenues

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Advisory and transaction fees from affiliates	$ 147,051	$ 80,926	$ 66,125	81.7%
Management fees from affiliates	101,921	33,492	68,429	204.3
Carried interest income from affiliates	97,508	69,347	28,161	40.6
Total Revenues	$ 346,480	$ 183,765	$ 162,715	88.5%

Our revenues and other income include fixed components that result from measures of capital and asset levels, and variable components that result from realized and unrealized investment performance and the value of successfully completed transactions.

Total revenues were $346.5 million for the year ended December 31, 2006 compared to $183.8 million for the year ended December 31, 2005, an increase of $162.7 million or 88.5%. This change was primarily attributable to two new private equity funds, Fund VI and AAA, which began operations in 2006, as well as the impact of consolidating certain funds.

Advisory and transaction fees from affiliates were $147.1 million for the year ended December 31, 2006 compared to $80.9 million for the year ended December 31, 2005, an increase of $66.1 million or 81.7%. The number of portfolio company acquisition and disposition transactions increased from nine in 2005 to 12 in 2006 as well as larger deal sizes. Advisory fees for ongoing services performed for portfolio companies increased while reimbursed broken deal costs remained relatively consistent year on year.

Management fees from affiliates were $101.9 million for the year ended December 31, 2006 compared to $33.5 million for the year ended December 31, 2005, for an increase of $68.4 million or 204.3%. Private equity and capital markets segments management fees increased by $79.9 million and $23.3 million, respectively, partially offset by consolidation adjustments of $34.8 million. The increase in private equity management fees was due to the increase in committed capital. The increase in management fees from Fund VI, which began operations in 2006, were partially offset by decreases in management fees from existing funds. The $23.3 million or 78.0% increase in capital markets management fees was driven by the capital markets AUM increase in both new and existing funds to $4.4 billion in 2006 as compared to $2.5 billion as of December 31, 2005.

Carried interest income from affiliates was $97.5 million for the year ended December 31, 2006 compared to $69.3 million for the year ended December 31, 2005, for an increase of $28.2 million or 40.6%. The changes in carried interest income were driven by the performance of the underlying funds.

Expenses

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Compensation and benefits	$ 266,772	$ 309,235	$ (42,463)	(13.7)%
Interest expense	8,839	1,405	7,434	529.1
Professional fees	31,738	45,687	(13,949)	(30.5)
General, administrative and other	38,782	25,955	12,827	49.4
Placement fees		47,028	(47,028)	(100.0)
Occupancy	7,646	5,993	1,653	27.6
Depreciation and amortization	3,288	2,304	984	42.7
Total Expenses	$ 357,065	$ 437,607	$ (80,542)	(18.4)%

Total expenses were $357.1 million for the year ended December 31, 2006 compared to $437.6 million for the year ended December 31, 2005, for a decrease of $80.5 million or 18.4%. This change was primarily attributable to a decrease in compensation and benefits and placement fees during 2006, as compared to 2005.

Total compensation and benefits was $266.8 million for the year ended December 31, 2006 compared to $309.2 million for the year ended December 31, 2005, for a decrease of $42.5 million or 13.7%. This decrease was attributable to a reduction in profit sharing expense related to carried interest income from affiliates of $50.1 million in 2006 and a one-time charge in 2005 of $27.0 million for severance expense, partially offset by an increase in fee waiver related compensation of $9.6 million, and an increased compensation expense of $25.0 million primarily related to capital markets management companies in 2006.

Total interest expense was $8.8 million as of December 31, 2006 and $1.4 million as of December 31, 2005, for a total increase of $7.4 million or 529.1%. The increase in interest expense is attributable to $2.6 million of interest incurred on a $75 million loan issued to AAA Holdings in June 2006 and a $4.8 million increase in interest incurred at the fund level.

Total professional fees were $31.7 million for the year ended December 31, 2006 compared to $45.7 million for the year ended December 31, 2005, for a decrease of $13.9 million or 30.5%. The change is primarily attributable to higher legal and professional fees incurred during 2005 related to Fund V and related portfolio companies, as compared to 2006, as well as legal fees related to the formation of Fund VI incurred in 2005.

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General, administrative and other expenses were $38.8 million for the year ended December 31, 2006 compared to $26.0 million for the year ended December 31, 2005, an increase of $12.8 million or 49.4%. The increase was primarily attributable to additional travel expenses associated with Fund VI during 2006.

Placement fees incurred during the year ended December 31, 2005 totaled $47.0 million. These expenses were related to the raising of capital for Fund VI during 2005.

Other Income

	Year Ended December 31, 2006	Year Ended December 31, 2005	Amount Change	Percentage Change
Net gains from investment activities	$ 1,620,554	$ 1,970,770	$ (350,216)	(17.8)%
Dividend income from affiliates	140,569	25,979	114,590	441.1
Interest income	38,423	33,578	4,845	14.4
Income from equity method investments	1,362	412	950	230.6
Other income	3,154	2,832	322	11.4
Total Other Income	$ 1,804,062	$ 2,033,571	$ (229,509)	(11.3)%

Total other income was $1,804.1 million for the year ended December 31, 2006 compared to $2,033.6 million for the year ended December 31, 2005, for a decrease of $229.5 million or 11.3%. This change was primarily attributable to a decrease in net gains from investment activities during 2006, partially offset by increased dividend income from affiliates.

Net gains from investment activities were $1,620.6 million for the year ended December 31, 2006 compared to $1,970.8 million for the year ended December 31, 2005, for a decrease of $350.2 million or 17.8%. Unrealized gains decreased $87.1 million and realized gains decreased $263.1 million during 2006, as compared to 2005. In 2005 the private equity funds delivered significant performance as compared to 2006. This result was due to a lower appreciation of investments in historical private equity funds.

Dividend income from affiliates was $140.6 million for the year ended December 31, 2006 compared to $26.0 million for the year ended December 31, 2005, for an increase of $114.6 million or 441.1%. This change was primarily due to an increase in dividend income from two existing private equity funds, Fund IV which increased by $60.1 million, and Fund V which increased by $54.5 million.

Income Tax Provision

Income taxes were $6.5 million for the year ended December 31, 2006 compared to $1.0 million for the year ended December 31, 2005, for an increase of $5.5 million or 531.2%. The increase of the income tax provision was due to $5.1 million increase in the unincorporated business tax of New York City driven by the increase in a pre-tax net income attributable to New York City and an additional $0.4 million of foreign taxes incurred for the first time in 2006.

Non-Controlling Interest

Non-Controlling Interest was $1,414.0 million for the year ended December 31, 2006 compared to $1,577.5 million for the year ended December 31, 2005, for a decrease of $163.5 million or 10.4%. Non-Controlling Interest primarily represents income (loss) of consolidated funds allocated to Non-Controlling Interest holders. The decrease was primarily due to lower net gains from investment activities, partially offset by higher dividend income, which are allocated to Non-Controlling Interest holders.

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Segment Analysis

Discussed below are our results of operations for each of our reportable segments. They represent the segment information available and utilized by our executive management, which consists of our managing partners, who operate collectively as our chief operating decision maker, to assess performance and to allocate resources. Management divides its operations into two reportable segments: Private Equity and Capital Markets. These segments were established based on the nature of investment activities in each fund including the specific type of investment made, the frequency of trading, and the level of control over the investment.

Segment results do not consider consolidation of funds, non-cash equity-based compensation, income taxes and Non-Controlling Interest.

Private Equity

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following table sets forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the years ended December 31, 2007 and 2006.

	Year Ended December 31, 2007	2006
Revenues		
Advisory and transaction fees from affiliates	$ 90,408	$ 78,335
Management fees from affiliates	149,180	150,731
Carried interest income from affiliates	656,901	345,702
Total Revenues	896,489	574,768
Expenses	(679,917)	(302,862)
Other Income		
Net loss from investment activities	(73)	
Dividend income	551	
Interest income	16,394	3,031
Income from equity method investments	10,664	5,989
Other (loss) income	(36)	3,384
Total Other Income	27,500	12,404
Economic Net Income	$ 244,072	$ 284,310

Revenues

	Year Ended December 31, 2007	2006	Amount Change	Percentage Change
Advisory and transaction fees from affiliates	$ 90,408	$ 78,335	$ 12,073	15.4%
Management fees from affiliates	149,180	150,731	(1,551)	(1.0)
Carried interest income from affiliates	656,901	345,702	311,199	90.0
Total Revenues	$ 896,489	$ 574,768	$ 321,721	56.0%

Total revenues were $896.5 million for the year ended December 31, 2007 compared to $574.8 million for the year ended December 31, 2006, for an increase of $321.7 million or 56.0%. This increase was due primarily to higher carried interest income.

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Advisory and transaction fees from affiliates were $90.4 million for the year ended December 31, 2007 compared to $78.3 million for the year ended December 31, 2006, for an increase of $12.1 million or 15.4%. The number of portfolio company acquisition and disposition transactions increased from 12 in 2006 to 14 in 2007, resulting in an approximately $5.6 million or 9.6% increase in net transaction fees earned during 2007, as compared to 2006. Advisory fees for ongoing services performed for portfolio companies increased approximately $4.5 million or 54.2% during 2007, as compared to 2006. Transaction and advisory fees are reported net of management fee rebates calculated at 65% and 68% for Funds V and VI, respectively. In addition, reimbursed broken deal costs included with these fees were $13.0 million and $11.0 million in 2007 and 2006, respectively, an increase of $2.0 million or 18.2%.

Management fees from affiliates were $149.2 million for the year ended December 31, 2007 compared to $150.7 million for the year ended December 31, 2006, for a decrease of $1.6 million or 1.0%, as compared to 2006, principally due to the winding down of Fund III, which generated no fees in 2007, partially offset by management fees earned beginning in 2007 from AAA Investments.

Carried interest income from affiliates was $656.9 million for the year ended December 31, 2007 compared to $345.7 million for the year ended December 31, 2006, for an increase of $311.2 million or 90.0%. New private equity funds generated carried interest income totaling $300.5 million in 2007, of which $275.8 million represented unrealized gains. Existing private equity funds contributed an additional net increase of $10.7 million, as compared to 2006.

Expenses

	Year Ended December 31, 2007	Year Ended December 31, 2006	Amount Change	Percentage Change
Compensation and benefits	$ 377,965	$ 242,403	$ 135,562	55.9%
Interest expense beneficial conversion feature	126,720		126,720	N/A
Interest expense	56,647	3,893	52,754	1,355.1
Professional fees	59,119	20,300	38,819	191.2
General, administrative and other	22,695	26,733	(4,038)	(15.1)
Placement fees	22,753		22,753	N/A
Occupancy	8,551	6,340	2,211	34.9
Depreciation and amortization	5,467	3,193	2,274	71.2
Total Expenses	$ 679,917	$ 302,862	$ 377,055	124.5%

Expenses were $679.9 million for the year ended December 31, 2007 compared to $302.9 million for the year ended December 31, 2006, for an increase of $377.1 million or 124.5%. The increase was primarily due to the increased compensation and benefits and the interest expense associated with the beneficial conversion feature of the convertible debt.

Total compensation and benefits other than non-cash equity-based compensation was $378.0 million for the year ended December 31, 2007 compared to $242.4 million for the year ended December 31, 2006, for an increase of $135.6 million or 55.9%. This increase was primarily due to an increase in profit sharing expense of $122.7 million as a result of increased carried interest income, along with increased compensation and benefits to existing personnel combined with growth in overall headcount to support increased investment activity during 2007, as compared to 2006.

Total interest expense beneficial conversion feature charge of $126.7 million was incurred when convertible notes with a principal amount of $1.2 billion which were issued to the Strategic Investors on July 13, 2007, were mandatorily converted to Class A shares on August 8, 2007. The allocation to this segment was based on the fair value of the entities in this segment on July 13, 2007.

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Interest expense was $56.6 million for the year ended December 31, 2007 compared to $3.9 million for the year ended December 31, 2006, for an increase of $52.8 million or 1,355.1%. This increase resulted primarily from interest expense on the convertible debt incurred prior to conversion and the amortization of deferred loan transaction costs totaling $26.8 million. Additional interest of $25.3 million was attributable to the $1.0 billion seven year credit agreement entered into by AMH during April 2007.

Professional fees were $59.1 million for the year ended December 31, 2007 compared to $20.3 million for the year ended December 31, 2006, for an increase of $38.8 million or 191.2%. Increased external accounting, audit and consulting fees were incurred during 2007 relating to various one time projects, including the preparation of U.S. GAAP financial statements and the implementation of new systems.

Placement fees increased to $22.8 million for the year ended December 31, 2007 primarily due to fundraising costs associated with Fund VII, which commenced operations in 2008.

Total depreciation and amortization expense was $5.5 million for the year ended December 31, 2007 compared to $3.2 million for the year ended December 31, 2006, for an increase of $2.3 million or 71.2%. This increase was primarily the result of $2.7 million in amortization expense from the intangible assets associated with the acquisition of the Non-Controlling Interest during 2007. This expense was slightly offset by a minimal decrease to depreciation expense during 2007, as compared to 2006 due to the distribution of the Gulfstream G-IV.

Other Income

	Year Ended 2007	Year Ended 2006	Amount Change	Percentage Change
Net loss from investment activities	$ (73)	$	$ (73)	N/A
Dividend income	551		551	N/A
Interest income	16,394	3,031	13,363	440.9%
Income from equity method investments	10,664	5,989	4,675	78.1
Other (loss) income	(36)	3,384	(3,420)	(101.1)
Total Other Income	$ 27,500	$ 12,404	$ 15,096	121.7%

Total other income was $27.5 million for the year ended December 31, 2007 compared to $12.4 million for the year ended December 31, 2006, for an increase of $15.1 million or 121.7%. This net change was primarily due to an increase in interest income.

Interest income was $16.4 million for the year ended December 31, 2007 compared to $3.0 million for the year ended December 31, 2006, for an increase of $13.4 million or 440.9%. This increase was primarily attributable to interest earned on the net undistributed proceeds raised during the third quarter of 2007.

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Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

The following table sets forth our segment statement of operations information and ENI for our private equity segment for the years ended December 31, 2006 and 2005.

	Year Ended December 31, 2006	Year Ended December 31, 2005
Revenues		
Advisory and transaction fees from affiliates	$ 78,335	$ 42,274
Management fees from affiliates	150,731	70,831
Carried interest income from affiliates	345,702	438,522
Total Revenues	574,768	551,627
Expenses	(302,862)	(399,454)
Other Income		
Interest income	3,031	730
Income from equity method investments	5,989	1,634
Other income	3,384	2,807
Total Other Income	12,404	5,171
Economic Net Income	$ 284,310	$ 157,344

Revenues

	Year Ended December 31, 2006	Year Ended December 31, 2005	Amount Change	Percentage Change
Advisory and transaction fees from affiliates	$ 78,335	$ 42,274	$ 36,061	85.3%
Management fees from affiliates	150,731	70,831	79,900	112.8
Carried interest income from affiliates	345,702	438,522	(92,820)	(21.2)
Total Revenues	$ 574,768	$ 551,627	$ 23,141	4.2%

Total revenues were $574.8 million for the year ended December 31, 2006 compared to $551.6 million for the year ended December 31, 2005, for an increase of $23.1 million or 4.2%. This change was due primarily to an increase in advisory and transaction fees as well as management fees in respect of the two new private equity funds, Fund VI and AAA. This increase was offset partially by decreases in carried interest income in Funds IV and V.

Advisory and transaction fees from affiliates were $78.3 million for the year ended December 31, 2006 compared to $42.3 million for the year ended December 31, 2005, for an increase of $36.1 million or 85.3%. The number of portfolio company acquisition and disposition transactions increased from nine in 2005 to 12 in 2006, resulting in $32.3 million or 121.0% increase in net transaction fees earned during 2006, as compared to 2005. Advisory fees for ongoing services performed for portfolio companies increased $3.9 million or 88.6% as compared to 2005. Reimbursed broken deal costs remained relatively consistent year over year.

Management fees from affiliates were $150.7 million for the year ended December 31, 2006 compared to $70.8 million for the year ended December 31, 2005, for an increase of $79.9 million or 112.8%. The increase in private equity management fees was due to the increase in committed capital. The increase in management fees from Fund VI, which began operations in 2006, was partially offset by the decrease in management fees from existing Funds III, IV, and V.

Carried interest income from affiliates was $345.7 million for the year ended December 31, 2006 compared to $438.5 million for the year ended December 31, 2005, for a decrease of $92.8 million or 21.2%. The change was primarily attributable to decreases in the performance of Funds IV and V.

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Expenses

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Compensation and benefits	$ 242,403	$ 300,644	$ (58,241)	(19.4)%
Interest expense	3,893	1,257	2,636	209.7
Professional fees	20,300	24,166	(3,866)	(16.0)
General, administrative and other	26,733	19,319	7,414	38.4
Placement fees		47,028	(47,028)	(100.0)
Occupancy	6,340	4,814	1,526	31.7
Depreciation and amortization	3,193	2,226	967	43.4
Total Expenses	$ 302,862	$ 399,454	$ (96,592)	(24.2)%

Total expenses were $302.9 million for the year ended December 31, 2006 compared to $399.5 million for the year ended December 31, 2005, for a decrease of $96.6 million or 24.2%. The net change was primarily due to a decrease in compensation and benefits and placement fees.

Total compensation and benefits was $242.4 million for the year ended December 31, 2006 compared to $300.6 million for the year ended December 31, 2005, for a decrease of $58.2 million or 19.4%. This was attributable to a reduction in profit sharing expense of $50.1 million. Additionally, there was a decrease resulting from severance charges in 2005 of $27 million. These reductions were partially offset by $9.6 million of non-cash compensation related to fee waiver compensation in 2006. The remaining increase was related to increased payments to existing employees and newly hired personnel during 2006.

Total interest expense was $3.9 million for the year ended December 31, 2006 and $1.3 million for the year ended December 31, 2005, for a total increase of $2.6 million or 209.7%. This increase is primarily the result of the interest incurred on the $75.0 million loan issued to AAA Holdings in June 2006.

Placement fees incurred during the year ended December 31, 2005 totaled $47.0 million. These expenses were related to the raising of capital for Fund VI during 2005.

Other Income

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Interest income	$ 3,031	$ 730	$ 2,301	315.2%
Income from equity method investments	5,989	1,634	4,355	266.5
Other income	3,384	2,807	577	20.6
Total Other Income	$ 12,404	$ 5,171	$ 7,233	139.9%

Total other income was $12.4 million for the year ended December 31, 2006 compared to $5.2 million for the year ended December 31, 2005, for an increase of $7.2 million or 139.9%. This change was primarily due to the increase in income from equity method investments during 2006, as compared to 2005.

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Capital Markets

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following table sets forth segment statement of operations information and ENI, for our capital markets segment for the year ended December 31, 2007 and 2006.

	Year Ended December 31, 2007	2006
Revenues		
Advisory and transaction fees from affiliates	$ 194	$
Management fees from affiliates	100,244	53,222
Carried interest income from affiliates	80,186	69,159
Total Revenues	180,624	122,381
Expenses	(276,227)	(31,863)
Other Income		
Interest income	3,027	290
Income from equity method investments	1,350	1,482
Total Other Income	4,377	1,772
Economic Net (Loss) Income	$ (91,226)	$ 92,290

Revenues

	Year Ended December 31, 2007	2006	Amount Change	Percentage Change
Advisory and transaction fees from affiliates	$ 194	$	$ 194	N/A
Management fees from affiliates	100,244	53,222	47,022	88.4%
Carried interest income from affiliates	80,186	69,159	11,027	15.9
Total Revenues	$ 180,624	$ 122,381	$ 58,243	47.6%

Total revenues for the capital markets segment were $180.6 million for the year ended December 31, 2007 compared to $122.4 million for the year ended December 31, 2006, an increase of $58.2 million or 47.6%. This change was attributable to an overall increase in AUM and gains in the market values of certain capital markets fund investments.

Management fees from affiliates were $100.2 million for the year ended December 31, 2007 compared to $53.2 million for the year ended December 31, 2006, an increase of $47.0 million or 88.4%. The $47.0 million increase in management fees earned from capital markets funds was driven by the capital markets AUM increase to $10.1 billion as of December 31, 2007 from $4.4 billion as of December 31, 2006. This increase was principally in new funds established in 2007, as well as additional assets in our existing funds.

Carried interest income from affiliates was $80.2 million for the year ended December 31, 2007 compared to $69.2 million for the year ended December 31, 2006, an increase of $11.0 million or 15.9%. The changes in carried interest income were driven by the performance of the underlying funds. Gains in net investments from AIC, AAOF, AIE and SOMA generated a net increase of $32.0 million of carried interest income, which were offset by a net decrease of $21.0 million in carried interest income from VIF and SVF.

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Expenses

	Year Ended December 31, 2007	2006	Amount Change	Percentage Change
Compensation and benefits	$ 82,516	$ 24,369	$ 58,147	238.6%
Interest expense beneficial conversion feature	113,280		113,280	N/A
Interest expense	46,579		46,579	N/A
Professional fees	12,464	3,916	8,548	218.3
General, administrative and other	10,172	2,177	7,995	367.2
Placement fees	4,500		4,500	N/A
Occupancy	4,314	1,306	3,008	230.3
Depreciation and amortization	2,402	95	2,307	2,428.4
Total Expenses	$ 276,227	$ 31,863	$ 244,364	766.9%

Total expenses at the segment level were $276.2 million for the year ended December 31, 2007 compared to $31.9 million for the year ended December 31, 2006, an increase of $244.4 million or 766.9%. This change was primarily attributable to increased compensation and benefits and interest expense associated with the beneficial conversion feature.

Compensation and benefits was $82.5 million for the year ended December 31, 2007 compared to $24.4 million for the year ended December 31, 2006, for an increase of $58.1 million or 238.6%. This change was primarily attributable to an increase of $36.2 million relating to increased income earned from two of our existing funds, the expansion of the capital markets business, along with the increased compensation to existing personnel.

The total interest expense beneficial conversion feature charge of $113.3 million was incurred when $1.2 billion of convertible notes issued to the Strategic Investors on July 13, 2007 were mandatorily converted on August 8, 2007. The allocation to this segment was based on the fair value of the entities in this segment on July 13, 2007.

Total interest expense was $46.6 million for the year ended December 31, 2007, an increase of $46.6 million from 2006. This increase resulted from interest expense on the convertible debt incurred prior to conversion and the amortization of deferred loan transaction costs totaling $24.0 million and interest of $22.6 million attributable to the $1.0 billion seven year credit agreement entered into during April of 2007.

Professional fees were $12.5 million for the year ended December 31, 2007 compared to $3.9 million for the year ended December 31, 2006, an increase of $8.5 million or 218.3%. This increase is primarily due to consulting and legal fees associated with new funds that commenced operations during 2007, along with legal fees incurred as a result of the deconsolidation of certain capital market funds during 2007. In addition, increased external accounting, audit and consulting fees were incurred during 2007 relating to various one time projects, including the preparation of U.S. GAAP financial statements and the implementation of a new accounting system.

Other Income

	Year Ended December 31, 2007	2006	Amount Change	Percentage Change
Interest income	$ 3,027	$ 290	$ 2,737	943.8%
Income from equity method investments	1,350	1,482	(132)	(8.9)
Total Other Income	$ 4,377	$ 1,772	$ 2,605	147.0%

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Total other income was $4.4 million for the year ended December 31, 2007 compared to $1.8 million for the year ended December 31, 2006, an increase of $2.6 million or 147.0%. This change is primarily due to interest income earned on proceeds from the Rule 144A Offering allocated to capital markets segment.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

The following table sets forth segment statement of operations information and ENI, for our capital markets segment for the years ended December 31, 2006 and 2005.

	Year Ended December 31, 2006	Year Ended December 31, 2005
Revenues		
Management fees from affiliates	$ 53,222	$ 29,895
Carried interest income from affiliates	69,159	24,701
Total Revenues	122,381	54,596
Expenses	(31,863)	(13,228)
Other Income		
Interest income	290	55
Income from equity method investments	1,482	93
Total Other Income	1,772	148
Economic Net Income	$ 92,290	$ 41,516

Revenues

	Year Ended December 31, 2006	Year Ended December 31, 2005	Amount Change	Percentage Change
Management fees from affiliates	$ 53,222	$ 29,895	$ 23,327	78.0%
Carried interest income from affiliates	69,159	24,701	44,458	180.0
Total Revenues	$ 122,381	$ 54,596	$ 67,785	124.2%

Total revenues for the capital markets segment were $122.4 million for the year ended December 31, 2006 compared to $54.6 million for the year ended December 31, 2005, an increase of $67.8 million or 124.2%. This change was primarily attributable to an increase in the underlying value of investments in the capital markets funds.

Management fees from affiliates were $53.2 million for the year ended December 31, 2006 compared to $29.9 million for the year ended December 31, 2005, for an increase of $23.3 million or 78.0%, driven by the capital markets AUM increase in both new and existing funds to $4.4 billion as of December 31, 2006 from $2.5 billion as of December 31, 2005. The majority of the growth in capital markets AUM was from AIC and VIF, along with the start up of two new funds, AIE and SVF.

Carried interest income from affiliates was $69.2 million for the year ended December 31, 2006 compared to $24.7 million for the year ended December 31, 2005, an increase of $44.5 million or 180.0%. The changes in carried interest income were driven by the performance of the underlying capital markets funds. Existing capital markets funds, VIF and AIC, contributed $33.1 million of the increase in carried interest income, and AIE and SVF, which began operations in 2006, generated an additional $11.4 million of capital markets carried interest income.

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Expenses

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Compensation and benefits	$ 24,369	$ 8,591	$ 15,778	183.7%
Professional fees	3,916	1,596	2,320	145.4
General, administrative and other	2,177	1,783	394	22.1
Occupancy	1,306	1,180	126	10.7
Depreciation and amortization	95	78	17	21.8
Total Expenses	$ 31,863	$ 13,228	$ 18,635	140.9%

Total expenses at were $31.9 million for the year ended December 31, 2006 compared to $13.2 million for the year ended December 31, 2005, an increase of $18.6 million or 140.9%. This increase was primarily attributable to an increase in compensation and benefits expense.

Compensation and benefits expense was $24.4 million for the year ended December 31, 2006 compared to $8.6 million for the year ended December 31, 2005, an increase of $15.8 million or 183.7%. This change was primarily attributable to increased headcount to support increased investment activity during 2006.

Professional fees were $3.9 million for the year ended December 31, 2006 compared to $1.6 million for the year ended December 31, 2005, an increase of $2.3 million or 145.4%. This change was primarily attributable to supporting an increased level of investing activity related to the funds in 2006.

Other Income

	Year Ended December 31, 2006	2005	Amount Change	Percentage Change
Interest income	$ 290	$ 55	$ 235	427.3%
Income from equity method investments	1,482	93	1,389	1,493.5
Total Other Income	$ 1,772	$ 148	$ 1,624	1,097.3%

Total other income was $1.8 million for the year ended December 31, 2006 compared to $0.1 million for the year ended December 31, 2005, for an increase of approximately $1.6 million or 1,097.3%. This change was primarily due to the increase in income from equity method investments attributable to investment income earned related to deferred performance fees from the Apollo Value Investment Offshore Fund Ltd. during 2006, as compared to 2005.

Liquidity and Capital Resources

Historical

Although we have managed our historical liquidity needs by looking at deconsolidated cash flows, our historical consolidated and combined statement of cash flows reflects the cash flows of Apollo, as well as those of our consolidated Apollo funds.

The primary cash flow activities of the consolidated Apollo are:

Generating cash flow from operations;

Making investments in Apollo funds;

Meeting financing needs through credit agreements; and

Distributing cash flow to equity holders.

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Primary cash flow activities of the consolidated Apollo funds are:

Raising capital from their investors, which have been reflected historically as Non-Controlling Interest of the consolidated subsidiaries in our financial statements;

Using capital to make investments;

Generating cash flow from operations through dividends, interest and the realization of investments; and

Distributing cash flow to investors.

While primarily met by cash flows generated through fee income and carried interest income received, working capital needs have also been met (to a limited extent) through borrowings as follows:

Debt Obligation	Outstanding Amount at December 31, 2007	Final Stated Maturity	Weighted Average Interest Rate
AMH credit agreement	$ 1,000,000	April 2014	6.73%
AAA Holdings credit agreement	54,810	December 2009	6.24
RACC secured loan agreements	2,951	August 2013	7.83
Total	$ 1,057,761		6.71%

We determine whether to make capital commitments to our private equity funds in excess of our minimum required amounts based on a variety of factors, including estimates regarding our liquidity resources over the estimated time period during which commitments will have to be funded, estimates regarding the amounts of capital that may be appropriate for other funds that we are in the process of raising or are considering raising, and our general working capital requirements.

We have made one or more distributions to our managing partners and contributing partners, representing all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to our offering. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to our offering or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to our offering are treated as having been earned prior our offering. We intend to distribute such undistributed earnings to the managing and contributing partners in an amount of approximately $387.0 million, which was included in our consolidated and combined statements of financial conditions as of December 31, 2007.

As described in Results of Operations, our AUM has grown significantly in recent years. This growth is a result of these funds raising and investing capital, realizing gains from investments and their unrealized asset appreciation.

Cash Flows

The consolidated funds cash flows, which are reflected in our consolidated and combined statement of cash flows, have increased substantially as a result of this growth, which is the primary cause of increases in the gross cash flows.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

	Year Ended December 31,		
	2007	2006	2005
Operating Activities	$ 855,741	$ (1,825,504)	$ 2,117,820
Investing Activities	(29,113)	(9,411)	(1,819)
Financing Activities	(272,922)	1,804,040	(2,120,549)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 553,706	$ (30,875)	$ (4,548)

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Operating Activities

Our net cash flow provided by operating activities was $855.7 million for the year ended December 31, 2007 as compared to the net cash flows used in operating activities of $1,825.5 million for the year ended December 31, 2006. These amounts primarily consisted of net proceeds of $781.8 million and net purchases of $1,885.4 million from investments by Apollo funds during the years ended December 31, 2007 and 2006, respectively. These amounts have been reflected as operating activities pursuant to the Investment Company accounting guidance.

Purchases of investments for the years ended December 31, 2007 and 2006 were $3,010.5 million and $4,216.5 million, respectively. Proceeds from dispositions were $3,792.3 million and $2,331.1 million, for the same respective periods.

- Purchases for the year ended December 31, 2007 included new investments of $1,898.6 million and $1,111.9 million in consolidated private equity funds and consolidated capital markets funds, respectively. For the year ended December 31, 2006 new investments consisted of $3,636.5 million and $580.0 million in consolidated private equity funds and consolidated capital markets funds, respectively.

- Proceeds from dispositions for the year ended December 31, 2007 included sales of investments of $2,831.6 million and $960.7 million in consolidated private equity and consolidated capital market funds, respectively. The amount for the year ended December 31, 2006 represented the proceeds from sales of investments of $1,795.5 million and $535.6 million in consolidated private equity funds and consolidated capital markets funds, respectively.

Net increase in unrealized gains and losses from investment activities for the years ended December 31, 2007 and 2006 was $1,266.0 million and $609.1 million, respectively. The increase for the year ended December 31, 2007 was driven by net unrealized gains of $1,294.1 million in consolidated private equity funds. The increase for the year ended December 31, 2006 primarily related to an increase in net unrealized gains of $589.5 million in consolidated private equity funds.

Net realized gains from investment activities for the years ended December 31, 2007 and 2006 was $1,013.2 million and $1,011.4 million, respectively. The amount during the year ended December 31, 2007 included realized gains of $948.9 million and $64.3 million in consolidated private equity funds and consolidated capital markets funds, respectively. The amount for the year ended December 31, 2006 consisted of realized gains of $985.7 million and $25.7 million in the consolidated private equity funds and consolidated capital markets funds, respectively.

Net increase in investments for the years ended December 31, 2007 and 2006 was $203.1 million and $26.3 million, respectively. The increase for the year ended December 31, 2007 was mainly due to an increase in carry income from Fund VI and AAA Investments, which began generating carry income in 2007.

Net increase in profit sharing payable was $174.8 million for the year ended December 31, 2007 as compared to $42.3 million for the year ended December 31, 2006. These amounts were mainly due to the accrual of profit sharing of $307.7 million and $185.0 million and the payment related to this payable of $132.9 million and $142.7 million for the years ended December 31, 2007 and 2006, respectively. The change was a result of higher carried interest income in the year ended December 31, 2007 compared to 2006 due to an increase in the fair market value of underlying funds and the inclusion of Fund VI in 2007.

Investing Activities

Our net cash flows used in investing activities were $29.1 million and $9.4 million for the years ended December 31, 2007 and 2006, respectively. The primary amount for December 31, 2007 was the cash relinquished related to excluded assets of $16.0 million, equity investments of $9.2 million and fixed assets of

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$6.9 million. The cash flows used for the December 31, 2006 were primarily due to the purchase of fixed assets of $7.0 million and an increase in restricted cash of $2.6 million. As described above, investment activity of Apollo funds appears in cash flows from operating activities.

Financing Activities

Our net cash flow used in financing activities was $272.9 million and net cash provided by financing activities was $1,804.0 million for the years ended December 31, 2007 and 2006, respectively. Our financing activities primarily include:

- Issuance of securities related to the Reorganization and offering of $2,018.9 million for the year ended December 31, 2007;
- Net distributions made to the partners of $1,246.2 million and $190.3 million for the years ended December 31, 2007 and 2006, respectively;
- Distribution to managing partners of $1,067.9 million for the year ended December 31, 2007;
- Purchase of interests from contributing partners of $156.4 million for the year ended December 31, 2007;
- Debt issuance, net of costs, of $986.9 million and $75.0 million for the years ended December 31, 2007 and 2006, respectively;
- The net distributions made to the Non-Controlling Interest holders of $559.1 million for the year ended December 31, 2007 and the net contributions made by the Non-Controlling Interest holders of $2,029.2 million for the year ended December 31, 2006;
- Withdrawals paid to the Non-Controlling Interest holders of $227.7 million for the year ended December 31, 2007; and
- Principal repayments on debt of $21.4 million and $1.8 million for the years ended December 31, 2007 and 2006, respectively.

Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Operating Activities

Our net cash flow used in operating activities was $1,825.5 million for the year ended December 31, 2006 as compared to the net cash flows provided by operating activities of $2,117.8 million for the year ended December 31, 2005. These amounts primarily consisted of net purchases of $1,885.4 million and net proceeds of $2,242.7 million from investments by Apollo funds for the years ended December 31, 2006 and 2005, respectively. These amounts have been reflected as operating activities pursuant to the investment company accounting guidance.

Purchases of investments for the years ended December 31, 2006 and 2005 were $4,216.5 million and $849.3 million, respectively. Proceeds from dispositions were $2,331.1 million and $3,092.1 million, for the same respective periods.

- Purchases for the year ended December 31, 2006 included new investments of $3,636.5 million and $580.0 million in consolidated private equity funds and consolidated capital markets funds, respectively. For the year ended December 31, 2005 new investments consisted of $590.6 million and $258.7 million in consolidated private equity funds and consolidated capital markets funds, respectively.

Proceeds from dispositions for the year ended December 31, 2006 included sales of investments of $1,795.5 million and $535.6 million in consolidated private equity funds and consolidated capital market funds, respectively. The amount during the year ended December 31, 2005 represented the proceeds from sales of investments of $2,865.4 million and $226.7 million in consolidated private equity funds and consolidated capital markets funds, respectively.

Net increase in unrealized gains losses from investment activities for the years ended December 31, 2006 and 2005 was $609.1 million and $696.2 million, respectively. The increase for the year ended December 31, 2006 was driven by net unrealized gains of $589.5 million in consolidated private equity funds. The increase for the year ended December 31, 2005 primarily related to net unrealized gains of $698.6 million in consolidated private equity funds.

Net realized gains from investment activities for the years ended December 31, 2006 and 2005 were $1,011.4 million and $1,274.6 million, respectively. The amount for the year ended December 31, 2006 included realized gains of $985.7 million and $25.7 million in consolidated private equity funds and consolidated capital markets funds, respectively. The amount during the year ended December 31, 2005 consisted of realized gains of $1,262.3 million and $12.3 million in the consolidated private equity funds and consolidated capital markets funds, respectively.

Net increase in profit sharing payable was $42.3 million for the year ended December 31, 2006 as compared to $35.5 million for the year ended December 31, 2005. These amounts were mainly due to the accrual of profit sharing of $185.0 million and $235.1 million and the payment related to this payable of $142.7 million and $199.6 million during those periods, respectively. The change was a result of higher carried interest income in the year ended December 31, 2006 compared to 2005 due to an increase in the fair market value of underlying funds.

Investing Activities

Our net cash flows used in investing activities were $9.4 million and $1.8 million for the years ended December 31, 2006 and 2005, respectively. The amount for year ended December 31, 2006 was primarily due to the purchase of fixed assets of $7.0 million and an increase in restricted cash of $2.6 million. The cash flows used for December 31, 2005 was primarily due to the purchase of fixed assets of $2.2 million, which was offset by cash distributions from equity investments of $0.5 million. As described above, investment activity of Apollo funds appears in cash flows from operating activities.

Financing Activities

Our net cash flow provided by financing activities was $1,804.0 million and net cash used in financing activities was $2,120.5 million for the years ended December 31, 2006 and 2005, respectively. Our financing activities primarily include:

- Net distributions made to the partners of $190.3 million and $261.1 million for the years ended December 31, 2006 and 2005, respectively;
- Debt issuance, net of costs, of $75.0 million during the year ended December 31, 2006;
- The net contributions from the Non-Controlling Interest holders was $2,029.2 million for the year ended December 31, 2006 and the net distributions made to the Non-Controlling Interest holders was $1,857.7 million for the year ended December 31, 2005; and
- Principal repayments on debt were $1.8 million and $1.7 million for the years ended December 31, 2006 and 2005, respectively.

Future

We have contributed the net proceeds of the Offering Transactions to the Apollo Operating Group, which is using the net proceeds:

- to provide capital to facilitate the growth of our existing private equity and capital markets businesses, including through funding a portion of our general partner capital commitments to our funds;

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to provide capital to facilitate our expansion into new businesses that are complementary to our existing businesses and that can benefit from being affiliated with us, including possibly through selected strategic acquisitions; and

for other general corporate purposes.

The net proceeds of the Offering Transactions, cash on hand and our cash flows from operating activities will satisfy our liquidity needs with respect to current commitments relating to investments and with respect to our debt obligations over the next 12 months. We expect to meet our long-term liquidity requirements, including the repayment of our debt obligations and any new commitments, through the generation and growth of operating income and capital raises as necessary.

Our ability to execute our business strategy, particularly our ability to increase our AUM, depends on our ability to establish new funds and to raise additional investor capital within such funds. Our liquidity will depend on a number of factors, such as our ability to project financial performance, which is highly dependent on our funds and our ability to manage our projected costs, having access to credit facilities, being in compliance with existing credit agreements, as well as, industry and market trends.

Our management companies and general partners have committed that we, or our affiliates, will invest into the funds a certain percentage of their capital. While a small percentage of these amounts are funded by us, the majority of these amounts have historically been funded by our affiliates, general partners and employees. Our original commitment amount, including amounts of unconsolidated affiliates, percentage of total fund commitments, remaining commitments, and percentage of total remaining commitments for each private equity fund and each capital markets fund as of December 31, 2007, were as follows (in millions):

Fund	Original Commitment	% of Total Fund Commitments	Remaining Commitment	% of Total Remaining Commitments
Fund VII	$ 229.9	2.43%	$ 229.9	2.43%
Fund VI	246.3	2.43	154.3	2.52
Fund V	100.0	2.67	12.0	2.41
Fund IV	100.0	2.78	3.5	4.06
Fund III	100.6	6.71	15.5	9.84
AAA	75.0	3.80	(a)	(a)
ACLF	16.6	2.44	15.2	2.22
EPF [(b)(c)]	400.0	100.00	267.7	100.00
AAOF [(c)]	400.0	(d)	182.0	(d)
SOMA	8.0	1.00	4.6	1.30
Total	$ 1,676.4			

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

(b) Subsequent to December 31, 2007, Apollo and its affiliates (including AAA) entered into an agreement requiring additional fund commitments in EPF. As of March 31, 2008, Apollo and its affiliates (including AAA) had $764.7 million in outstanding commitments.

(c) Amounts shown represents commitments of AAA, which is consolidated into these consolidated and combined financial statements. There are no direct commitments by Apollo Global Management, LLC to the vehicles.

(d)

There are unaffiliated investors in AAOF as of December 31, 2007. Based on the fund partnership agreements, the general partner is the only investor responsible for future commitments.

The AMH credit agreement, which provides for a $1.0 billion variable-rate term loan will have future impacts on our cash uses. Borrowings under the AMH credit agreement accrue interest at a rate of (i) LIBOR loans (LIBOR plus 1.50%), or (ii) base rate loans (base rate plus 0.50%).

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Although Apollo Global Management, LLC expects to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended dividends. To the extent we do not have cash on hand sufficient to pay dividends, we may have to borrow funds to pay dividends, or we may determine not to borrow funds to pay dividends.

Carried interest income from certain of the private equity funds and a managed account may be distributed to us on a current basis, generally subject to the obligation of the subsidiary of the Apollo Operating Group that acts as general partner of the fund to repay the amounts so distributed in the event that certain specified return thresholds are not ultimately achieved. The managing partners and contributing partners have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this clawback obligation. Such guarantees are several and not joint and are limited to a particular managing partner s or contributing partner s distributions. The Managing Partner Shareholders Agreement contains our agreement to indemnify each of our managing partners and contributing partners against all amounts that they pay pursuant to any of these personal guaranties in favor of our funds (including costs and expenses related to investigating the basis for or objecting to any claims made in respect of the guaranties) for all interests that our managing partners and contributing partners have contributed or sold to the Apollo Operating Group.

Accordingly, in the event that one of the subsidiaries of the Apollo Operating Group is obligated to repay amounts pursuant to a clawback obligation with respect to amounts that have been paid to our managing partners, contributing partners or certain other investment professionals, we will bear the cost of such clawback obligation even though we did not receive the prior distributions to which the clawback obligation relates. Similarly, in the future, we do not expect to require our investment professionals who receive carried interest income from our funds that have clawback obligations to repay any such amounts to the extent that the clawback obligation becomes applicable.

Application of Critical Accounting Policies

This Management s Discussion and Analysis of Financial Condition and Results of Operations is based upon the consolidated and combined financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. A summary of our significant accounting policies is presented in Note 2 to our audited consolidated and combined financial statements. The following is a summary of our accounting policies that are affected most by judgments, estimates and assumptions.

Consolidation

Our policy is to consolidate Apollo funds that are determined to be variable interest entities (VIE) where we absorb a majority of the expected losses or a majority of the expected residual returns, or both, pursuant to the requirements of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46(R)), as revised. The evaluation of whether a fund is subject to the requirements of FIN 46(R) or a VIE and the determination of whether we should consolidate such VIE requires management s judgment. In addition, we consolidate those entities we control through a majority voting interest or otherwise, including those Apollo funds in which the general partners are presumed to have control pursuant to Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). The provisions under both FIN 46(R) and EITF 04-5 have been applied retrospectively to prior periods.

Revenue Recognition

Carried Interest Income from Affiliates. We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Such investment income generally is earned based upon a fixed percentage of realized profits or net realized gains of various funds after meeting any applicable hurdle rate or threshold minimum. Carried interest income for certain capital markets funds can be subject to a clawback on a quarterly basis. Once the annual carried interest income has been determined there is no look back to prior periods for a potential clawback. Carried interest income (which is included in revenue on the consolidated and combined statement of operations) from certain of the private equity funds we manage is subject to contingent repayment (or clawback) and may be paid to us as particular investments made by the funds are realized. If, however, upon liquidation of a fund, the aggregate amount paid to us as carried interest exceeds the amount actually due to us based upon the aggregate performance of the fund, the excess (net of taxes) is required to be returned by us (i.e., clawed back) to that fund. Estimates and assumptions are required to be made by us in determining the carried interest income recognized, these estimates and assumptions consider market conditions, industry trends, as well as, judgment as to the estimation of any required clawback. We have elected to adopt Method 2 of Emerging Issues Task Force Topic D-96, *Accounting for Management Fees Based on a Formula*. Under this method, we accrue carried interest income quarterly and separately assess the likelihood of a clawback. If deemed necessary, we will record a reserve for the clawback.

Valuation of Investments

The funds are, for U.S. GAAP purposes, investment companies and therefore apply specialized accounting principles specified by the AICPA Audit and Accounting Guide, *Investment Companies*, and reflect their investments including securities sold, not yet purchased on the consolidated and combined statement of financial condition at their estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of other income in the consolidated and combined statement of income. Fair value is the amount at which the investments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Additionally, the funds do not consolidate their majority owned and controlled portfolio companies. We have retained the specialized accounting for the funds pursuant to the guidance contained in EITF Issue No. 85-12, *Retention of Specialized Accounting for Investments in Consolidation.* Significant judgment and estimation goes into the assumptions which drive these models and the actual values realized with respect to investments could be materially different from values obtained based on the use of those estimates. The valuation methodologies applied impact the reported value of investment company holdings and their underlying portfolios in our historical consolidated and combined financial statements.

Private Equity Investments. The valuation for liquid investments, where the primary market is an exchange (whether foreign or domestic) is determined by period end market prices. Such prices are generally based on the last sales price on the date of determination, or, if no sales occurred on such day, at the bid price at the close of business on such day and if sold short at the ask price or at ascertainable prices at the close of business on such day. Forwards are valued based on market rates obtained from counterparties or prices obtained from recognized financial data services providers.

When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at which the company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. A market multiple approach that considers a specific financial measure (such as earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA, cash flow, net income, revenues or net asset value) or a discounted cash flow or liquidation analysis is generally used. Consideration may also be given to such factors as the company s historical and projected financial data, valuations given to comparable companies, the size and scope of the company s operations, the company s strengths, weaknesses, expectations relating to the market s receptivity to an offering of the company s securities, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. As part of management s process surrounding valuation, the services of an independent valuation firm to perform certain agreed-upon procedures with respect to valuations that are prepared for the private equity funds were used to confirm that such valuations were not unreasonable. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

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Capital Markets Investments. The vast majority of the investments in our capital markets funds are valued based on quoted market prices. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services, market participants or other sources. The capital markets funds also enter into foreign currency exchange contracts, credit default swap contracts, and other derivative contracts which may include options, caps, collars, and floors. Foreign currency exchange contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Changes in value are recorded as income. Realized gains or losses are recognized when contracts are settled. Credit default swap contracts are recorded at fair value with realized gains or losses being recognized at the termination of the contract. The realized gain or loss is equal to the difference between the close-out price of the credit default contract and the original contract price. We anticipate having enough cash on hand at maturity of our debt, to repay these amounts as they come due.

Compensation and Benefits

Compensation and benefits include salaries, bonuses, profit sharing plans and the amortization of equity-based compensation. Bonuses are accrued over the service period. From time to time, the company may distribute profits interests as a result of waived management fees to their investment professionals, which are considered compensation. Additionally, certain employees have arrangements whereby they are entitled to receive a percentage of carried interest income based on the fund s performance. To the extent that individuals are entitled to a percentage of the carried interest income, and such entitlement is subject to potential forfeiture at inception, such arrangements are accounted for as profit sharing plans, and compensation expense is recognized as the related carried interest income is recognized.

Apollo equity-based compensation is accounted for under the provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), which revises SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Under SFAS No. 123(R), the cost of employee services received in exchange for an award of equity instruments is generally measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are recognized over the relevant service period. Further, as required under SFAS No. 123(R), the company estimates forfeitures using industry comparables or historical trends for equity-based awards that are not expected to vest. Apollo s equity-based compensation awards consist of Apollo Operating Group units, Restricted Share Units, and Restricted Depository Units. The company s assumptions made to determine the fair value on grant date and the estimated forfeiture rate are embodied in the calculations of compensation expense.

Income Taxes

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

Following the Reorganization, Apollo Operating Group and its subsidiaries continue to operate in the U.S. as partnerships for U.S. Federal income purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases continue to be subject to New York City unincorporated business tax, or in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, APO Corp. is subject to Federal, state and local corporate income taxes at the entity level and these taxes, accounted for under the provisions of SFAS 109, *Accounting for Income Taxes*, are reflected in the consolidated and combined financial statements.

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Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized.

Fair Value Measurements

The company adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) as of January 1, 2008, which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by SFAS No. 157, the company does not adjust the quoted price for these investments, even in situations where Apollo holds a large position and a sale could reasonably impact the quoted price.

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

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

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

The following table summarizes the valuation of Apollo s investments by fair value hierarchy levels, including equity investments in U.S. GAAP fair value entities, as of December 31, 2007:

	Total	Level I	Level II	Level III
Investment in AAA Investments, L.P.	$ 2,132,847	$	$	$ 2,132,847
Carried interest receivables from private equity and capital markets funds	1,316,125			1,316,125
Other investments	31,393			31,393
Total	$ 3,480,365	$	$	$ 3,480,365

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The following table summarizes the Level III investments by valuation methodology as of December 31, 2007:

	Private Equity	Capital Markets	Total Holdings
Internally developed values, based on market comparables and broker quotes	97.9%	2.1%	100.0%

Quantitative and Qualitative Disclosures About Market Risk

Our predominant exposure to market risk is related to our role as investment manager for our funds and the sensitivity to movements in the fair value of their investments on carried interests and management fee revenues. Our investment in the funds continues to impact our net income in a similar way after the deconsolidation of most of our funds. For a discussion of the impact of market risk factors on our financial instruments refer to Application of Critical Accounting Policies Valuation of Investments.

The following table summarizes our financial assets and liabilities that may be impacted by various market risks such as equity prices, interest rates and exchange rates:

	December 31, 2007	December 31, 2006
Assets		
Investments at fair value and derivatives	$ 2,132,847	$ 10,735,745
Carried interest receivable from private equity and capital market funds	1,316,125	91,977
Equity method and other investments	31,393	20,558
	$ 3,480,365	$ 10,848,280
Liabilities		
Management Companies Debt Obligation Payable	$ 1,057,761	$ 93,738
Profit sharing payable	596,876	468,416
	$ 1,654,637	$ 562,154

The fair value of our financial assets and liabilities of our funds may fluctuate in response to changes in the value of investments, foreign exchange, commodities and interest rates. The net effect of these fair value changes impacts the gains and losses from investments in our consolidated and combined statements of operations. However, the majority of these fair value changes are absorbed by the Non-Controlling Interest holders. To the extent our funds are deconsolidated, our investment in the funds will continue to impact our net income.

Risks are analyzed across funds from the bottom up and from the top down with a particular focus on asymmetric risk. We gather and analyze data, monitor investments and markets in detail, and constantly strive to better quantify, qualify and circumscribe relevant risks.

Each segment runs its own investment and risk management process subject to our overall risk tolerance and philosophy:

- The investment process of our private equity funds involves a detailed analysis of potential acquisitions, and asset management teams assigned to oversee the strategic development, financing and capital deployment decisions of each portfolio investment;

- Our capital markets funds continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios, as well as, fund-wide risks.

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The Apollo Operating Group is sensitive to changes in market risk factors that impact management fees, advisory and transaction fees and carried interest income, which are reflected in our financial statements as an allocation of income from our funds.

Impact on Management Fees Our management fees are based on one of the following:

- capital commitments to an Apollo fund;
- capital invested in an Apollo fund; or
- the gross, net or adjusted asset value of an Apollo fund, as defined.

Management fees will generally be impacted by changes in market risk factors to the extent (i) such market risk factors cause changes in invested capital or in market values to below cost, in the case of our private equity funds, or (ii) such market risk factors cause changes in gross or net asset value, for the capital markets funds. The proportion of our management fees that are based on NAV is dependent on the number and types of our funds in existence and the current stage of each funds life cycle. As of December 31, 2007, approximately 16% of our management fees earned were based on the NAV of the applicable funds.

Impact on Advisory and Transaction Fees We earn transaction fees relating to the negotiation of private equity transactions and may obtain reimbursement for certain out-of-pocket expenses incurred. Subsequently, on a quarterly or annual basis, ongoing advisory fees, and additional transaction fees in connection with additional purchases or follow-on transactions, may be earned. Any broken deal costs are reflected as a reduction to transaction fees to derive net transaction fees. Advisory and transaction fees will only be impacted by changes in market risk factors to the extent that they limit our opportunities to engage in private equity transactions or impair our ability to consummate such transactions. The impact of changes in market risk factors on advisory and transaction fees is not readily predicted or estimated.

Impact on Carried Interest Income We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Our carried interest income will be impacted by changes in market risk factors. However, several major factors will influence the degree of impact:

- the performance criteria for each individual fund in relation to how that fund s results of operations are impacted by changes in market risk factors;
- whether such performance criteria are annual or over the life of the fund;
- to the extent applicable, the previous performance of each fund in relation to its performance criteria; and
- whether each funds carried interest income is subject to contingent repayment.

As a result, the impact of changes in market risk factors on carried interest income will vary widely from fund to fund. The impact is heavily dependent on the prior and future performance of each fund, and therefore is not readily predicted or estimated.

Market Risk We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues and expenses will be adversely affected by changes in market conditions. Market risk is inherent in each of our investments and activities including loans, short-term borrowings, long-term debt, hedging instruments, credit default swaps, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity prices, changes in the implied volatility of interest rates, foreign exchange rates, and price deterioration. For example, subsequent to the second quarter of 2007, the debt capital markets in the U.S. experienced significant dislocation severely limiting the availability of new credit to facilitate new traditional buyouts. Volatility in the debt markets can impact our pace of deployment, the timing of receipt of transaction fee revenues and the timing of realizations. These market conditions could have an impact on the value of investments. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on our results from operations and our overall financial condition. Historically, we have effectively managed market risk using certain strategies and methodologies which management evaluates periodically for appropriateness. We intend to continue to mitigate this risk going forward and are continually monitoring our exposure to all market factors.

Our funds hold investments that are reported at fair value as of the reporting date. Market risk creates changes in the value of investments due to changes in interest rates, credit spreads or other market factors, including the valuation of equity securities. Based on the balance as of December 31, 2007, we estimate that the fair value of investments on our consolidated and combined statement of financial condition would change by $0.5 billion in the event of a 10% change in fair value of the holdings and securities. We would also experience an indirect impact on our operating income including reduced management fees as a result of changes in fair value of the underlying investments in unconsolidated funds.

Interest Rate Risk Interest rate risk represents exposure we have to instruments whose values vary with the change in interest rates. These instruments include, but are not limited to, loans, borrowings and derivative instruments. We may seek to mitigate risks associated with the exposures by taking offsetting positions in derivative contracts. Hedging instruments allow us to seek to mitigate risks by reducing the effect of movements in the level of interest rates, changes in the shape of the yield curve, as well as, changes in interest rate volatility. Hedging instruments used to mitigate these risks may include related derivatives such as options, futures and swaps.

Credit Risk Certain of our funds are subject to certain inherent risks through their investments.

Various of our entities invest substantially all of their excess cash in open-end money market funds and money market demand accounts, which are included in cash and cash equivalents. The money market funds invest primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. We continually monitor the funds performance in order to manage any risk associated with these investments.

Certain of our entities hold derivatives instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

Foreign Exchange Risk Foreign exchange risk represents exposures we have to changes in the values of current holdings and future cash flows denominated in other currencies and investments in non-U.S. companies. The types of investments exposed to this risk include investments in foreign subsidiaries and portfolio companies, foreign currency-denominated loans, foreign currency-denominated transactions, and various foreign exchange derivative instruments whose values fluctuate with changes in currency exchange rates or foreign interest rates. Instruments used to mitigate this risk are foreign exchange options, currency swaps, futures and forwards. These instruments may be used, from time to time, to help insulate us against losses that may arise due to volatile movements in foreign exchange rates and/or interest rates.

Non-U.S. Operations We conduct business throughout the world and are continuing to expand into foreign markets. We have offices in London, Singapore, Frankfurt and Paris, and have been strategically growing our international presence. Our investments and revenues are primarily derived from our U.S. operations. With respect to our non-U.S. operations, we are subject to risk of loss from currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalization, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. We also invest in the securities of corporations which are located in non-U.S. jurisdictions. As we continue to expand globally, we will continue to focus on minimizing these risk factors as they relate to specific non-U.S. investments.

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Sensitivity

Our assets and unrealized gains, and our related equity and net income are sensitive to changes in the valuations of our funds underlying investments and could vary materially as a result of changes in our valuation assumptions and estimates. As described in Quantitative and Qualitative Disclosures about Market Risk, changes in fair value will have the following impacts before a reduction of profit sharing expense and on a pre-tax basis on our results of operations for the year ended December 31, 2007:

Management fees for selected funds in our capital markets business are based on the net asset value of the relevant fund, which in turn is dependent on the estimated fair values of their investments. For the remaining funds in our capital markets business, management fees are based on gross assets under management, as defined. For the capital markets funds, the impact of a change in these values would have an immediate impact on the management fees recorded in the year ended December 31, 2007. A 10% decline in the fair values of all of the investments held by such vehicles as of December 31, 2007 would decrease management fees from our capital markets business in the year ended December 31, 2007 by approximately $7.2 million.

Management fees for our private equity funds range from 0.65% to 1.5% and are charged on either (a) a fixed percentage of committed capital over a stated investment period or (b) a fixed percentage of invested capital of unrealized portfolio investments. Changes in values of investments could indirectly affect future management fees from private equity funds by, among other things, reducing the funds access to capital or liquidity and their ability to currently pay the management fees or if such change resulted in a write-down of investments below their associated invested capital.

Management fees for AAA Investments range between 1% and 1.25% of AAA Investments invested capital plus its cumulative distributable earnings at the end of each quarterly period, net of any amount AAA Investments pays for the repurchase of limited partner interests, as well as capital invested in Apollo funds and temporary investments and any distributable earnings attributable thereto. A 10% decline in the fair value of all of the investments held by AAA Investments would decrease AAA Investments management fees for the year ended December 31, 2007 by approximately $2.7 million.

Carried interest income from our capital markets funds, which are quantified above under Results of Operations Segment Analysis, are impacted directly by changes in the fair value of their investments. Carried interest income from capital markets funds generally are earned based on achieving specified performance criteria. We anticipate that a 10% decline in the fair values of investments held by all of the capital markets funds at December 31, 2007 would decrease consolidated carried interest income for the year ended December 31, 2007 by approximately $17.9 million. Additionally, the changes to carried interest income from our capital markets business assume there is no loss in the fund for the relevant period. If the fund had a loss for the period, no carried interest income would be earned by us.

Carried interest income from private equity funds generally is earned based on achieving specified performance criteria and is impacted by changes in the fair value of their fund investments. We anticipate that a 10% decline in the fair values of investments held by all of the private equity funds at December 31, 2007 would decrease consolidated carried interest income for the year ended December 31, 2007 by $262.7 million. The effects on private equity fees and income assume that a decrease in value does not cause a permanent write-down of investments below their associated invested capital.

For select capital markets funds and private equity funds, our share of investment income is derived from unrealized gains or losses on investments in funds included in the consolidated and combined financial statements. For funds in which we have an interest, but are not included in our consolidated and combined financial statements, our share of investment income is limited to our accrued compensation units and direct investments in the funds, which ranges from 0.01% to 6.16% (for capital markets funds) and from 0.002% to 0.32% (for private equity funds). A 10% decline in the fair value of investments at December 31, 2007 would result in an approximately $2.5 million decrease in investment income at the consolidated level.

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The following table summarizes the sensitivity impacts of a 10% decline in the fair value of the investments, with the assumption that such entire decline affects unrealized appreciation, held by all of our funds, on a U.S. GAAP basis:

	U.S. GAAP Basis		
	Management Fees	**Carried Interest Income(a)**	**Investment Income (Unrealized Gains and Losses)(a)**
Private Equity Funds	None, except in instances where such funds management fees are based on invested capital in which case the management fee revenue would drop by a corresponding 10%	Generally, a 10% immediate decline in carried interest income from these funds. Since the carried interest income is equal to 20% of total returns, the dollar effect would be 2% (20% of 10%) of the dollar decrease in value.	Generally, a 10% immediate decline in investment income from these funds. Since we generally have a 0.002% to 0.32% investment in these funds, the dollar effect would be 0% to 0.03% (0.002% to 0.32% of 10%) of the dollar decrease in value.
Capital Markets Funds	Up to 10% annual change in management fees from these funds	Generally, a 10% immediate decline in carried interest income from these funds. Since the carried interest income is generally equal to 20% of fund returns, the dollar effect would be 2% (20% of 10%) of the dollar decrease in value.	Generally, a 10% immediate decline in investment income from these funds. Since we generally have a 0.01% to 6.16% investment in these funds, the dollar effect would be 0.001% to 0.616% (0.01% to 6.16% of 10%) of the dollar decrease in value.

(a) After consideration of the allocations between the limited partners of the funds and our carried interest.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosure about fair value measurements. SFAS No. 157 requires companies to measure and disclose the fair value of its financial instruments according to a fair value hierarchy. Additionally, companies are required to provide enhanced disclosure regarding certain instruments, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Apollo will provide SFAS No. 157 disclosures upon adoption. Other than enhanced disclosures, the adoption of SFAS No. 157 as of January 1, 2008 did not have a material impact on Apollo s consolidated and combined financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Apollo adopted SFAS No. 159 as of January 1, 2008. The adoption of SFAS No. 159 as of January 1, 2008 did not have any impact on Apollo s consolidated and combined financial statements.

In May 2007, the FASB issued FASB Staff Position No. FIN 46(R)-7, *Application of FASB Interpretation No. 46(R) to Investment Companies* (FSP FIN 46(R)-7), which provides clarification on the applicability of FIN 46(R) to the accounting for investments by entities that apply the accounting guidance in the AICPA Audit and Accounting Guide, *Investment Companies*. FSP FIN 46(R)-7 amends FIN 46(R), to make permanent the temporary deferral of the application of FIN 46(R), to entities within the scope of the guide under AICPA Statement of Position (SOP) No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide* Investment Companies *and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1). FSP FIN 46(R)-7 is effective upon adoption of SOP 07-1. The adoption of FSP FIN 46(R)-7 is not expected to have a material impact on Apollo s consolidated and combined financial statements.

SOP 07-1, issued in June 2007, addresses whether the accounting principles of the AICPA Audit and Accounting Guide *Investment Companies* may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. SOP 07-1, as originally issued, was to be effective for fiscal years beginning on or after December 15, 2007 with earlier adoption encouraged. In February 2008, the FASB issued FSP SOP 07-1-1 *Effective Date of AICPA Statement of Position 07-1*, to indefinitely defer the effective date of SOP 07-1. Apollo intends to monitor future developments associated with this statement in order to assess the impact, if any, that may result.

In June 2007, the EITF reached consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 requires that the tax benefit related to dividend equivalents paid on restricted share units, which are expected to vest, be recorded as an increase to additional paid-in capital. EITF 06-11 is to be applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 as of January 1, 2008 is not expected to have a material impact to Apollo s consolidated and combined financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) requires that all business combinations whether full, partial or step acquisitions result in all assets and liabilities of an acquired business being recorded at their fair values, with limited exceptions. The standard further requires the companies to expense acquisition costs as incurred and to record contingencies, earn-outs and continent consideration at fair value at the acquisition date. This statement is effective for fiscal years beginning on or after December 15, 2008 and is applied prospectively. Early adoption is prohibited. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this statement shall not be adjusted upon application of this statement.

In December 2007, the FASB issued SFAS No. 160, *Non-Controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 requires reporting entities to present Non-Controlling (minority) Interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will be applied retrospectively for all periods presented. The company is currently evaluating the impact of adopting this standard.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161), SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The company is currently evaluating the impact of adopting this standard.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential clawback obligations. See Note 13, Commitments and Contingencies in the Notes to the consolidated and combined Financial Statements for a discussion of guarantees.

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Contractual Obligations

As of December 31, 2007, our material contractual obligations are our lease obligations, our contractual commitments as part of the ongoing operations of our funds and our debt obligations. In addition, on a historical basis, we had the contractual obligations of our consolidated funds while the capital commitments to these funds were substantially eliminated in consolidation (see Liquidity and Capital Resources Future for a discussion of existing contractual obligations with respect to capital commitments). Fixed and determinable payments due in connection with these obligations are as follows:

	Payments by Period For the Year Ended December 31,						
	2008	2009	2010	2011	2012	Thereafter	Total
Operating lease obligations	$ 20,177	$ 19,381	$ 17,399	$ 17,550	$ 15,514	$ 39,887	$ 129,908
AAA Holdings credit agreement (a)	3,422	58,232					61,654
RACC secured loan agreement (a)	1,634	394	428	245	211	172	3,084
AMH Credit Agreement (a)	67,307	67,307	67,307	67,307	67,307	1,089,741	1,426,276
Total Obligations as of December 31, 2007	$ 92,540	$ 145,314	$ 85,134	$ 85,102	$ 83,032	$ 1,129,800	$ 1,620,922

(a) Includes interest to be paid over the term of the related debt obligation which has been calculated assuming no prepayments are made and debt is held until its final maturity date. The future interest payments are calculated using rates in effect as of December 31, 2007, including both variable and fixed rates pursuant to the debt agreements. Amount does not include a $0.9 billion line of credit entered into by AAA s investment vehicle on June 1, 2007, under which no amounts have been drawn at December 31, 2007. However, subsequent to that date, $385 million has been utilized as of March 31, 2008.

As of December 31, 2007, Apollo Management VI, L.P., the investment manager of Fund VI, provided financial guarantees with a maximum exposure of $3.5 million to certain employees for the benefit of an unrelated third party lender in connection with their capital commitment to funds managed by the Management Companies. Historically, Apollo has not incurred any liabilities as a result of these agreements and does not expect to on a going forward basis.

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INDUSTRY

Asset Management

Overview

Asset management involves the management of investments on behalf of investors in exchange for a fee, and often cases include incentive income on the financial performance of investments. Asset managers employ a variety of investment strategies, which fall into two broad categories: traditional asset management and alternative asset management. The key differences between traditional asset managers and alternative asset managers primarily relate to investment strategies, return objectives, compensation structure and investor access to funds.

Traditional asset managers, such as mutual funds, engage in managing and trading investment portfolios of equity, fixed income, derivative securities and commodities. The investment objectives of these portfolios may include total return, capital appreciation, current income and/or replicating the performance of a particular index. Managers of such portfolios are compensated on a predetermined fee based on a percentage of the assets under management, generally substantially independent of performance. Performance measurement of traditional funds is typically against given benchmark market indices and peer groups over various time periods. Investors in traditional funds generally have unrestricted access to their funds either through market transactions in the case of closed-end mutual funds and exchange traded funds, or through withdrawals in the case of open-end mutual funds and separately managed accounts.

Alternative asset managers such as managers of hedge funds, private equity funds, venture capital funds, real estate funds, mezzanine funds and distressed funds, utilize a variety of investment strategies to achieve returns within certain stipulated risk parameters and investment criteria. These returns are evaluated on an absolute basis, rather than benchmarked in relation to an index. The compensation structure for alternative asset managers may include management fees on committed or contributed capital, transaction and advisory fees as capital is invested (typically for private equity funds) and carried interest or incentive fees tied to achieving certain absolute return hurdles. Unlike traditional asset managers, alternative asset managers may limit investors access to funds once committed or invested until the investments have been realized.

The asset management industry has experienced significant growth in worldwide assets under management in the past decade, fueled by growth in pension assets and savings globally. According to the Boston Consulting Group, as cited in their December 2007 report, The Growth Dilemma Global Asset Management 2007 (Copyright, The Boston Consulting Group 2007), the total value of assets under management globally reached an estimated record $53.4 trillion in 2006, representing a 16% compound annual growth rate since 2002. According to the 2007-2008 Russell Survey on Alternative Investing, which polled 326 large, tax exempt organizations from different geographic regions on their investments in private equity, hedge funds and real estate, average strategic allocations to alternative assets, comprised of private equity, hedge funds, and real estate, have increased on a relative basis across the world and aggregate alternative asset allocations in North America are projected to be 23% in 2009. The same source indicates that in Europe and Japan the share of allocations to private equity and hedge funds has almost doubled in recent years and is expected to represent approximately 13.9% and 14.1%, respectively, in 2009.

Private Equity

Private equity funds raise pools of capital from institutional investors, such as insurance companies and pension and endowment funds, as well as high net worth individuals. These funds typically seek to acquire significant controlling ownership interests in businesses. Private equity funds typically invest in the common equity or preferred stock of private and sometimes public companies.

Private equity funds are typically structured as unregistered limited partnership funds with terms of typically eight to ten years, and can contain provisions to extend the life of the fund under certain circumstances. Investors

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in private equity funds provide a commitment to the fund that is called by the fund as investments are made and equity capital is required. Private equity fund managers typically earn fees as follows: (i) management fees based on the amount of invested or committed capital, (ii) transaction and advisory fees as capital is invested and portfolio companies are managed and (iii) carried interest based on the performance of the fund, which is often subject to a preferred return for investors, or hurdle.

The objective of a private equity fund is to earn attractive returns on its investment commensurate with the risk being taken. The returns come either in the form of capital gains upon realization of the fund s underlying investments, or in the form of income, such as interest, dividends or fees. Private equity funds aim to realize their capital gain on an underlying business by either selling it or selling its shares in the public markets. Since time is required to implement the value growth strategy for the business, private equity investments tend to be held for three or more years, although typical hold periods vary according to market conditions.

Private equity funds seek to enhance returns through the use of financial leverage, which led to the term leveraged buyout, or LBO. In the course of acquiring a business, a private equity fund will utilize capital that it has raised from its investors to pay for a portion of the transaction value and will typically borrow the remaining proceeds. In leveraged buyouts, the borrowings typically constitute the majority of funds used to pay the transaction value, generally ranging from 65% to 80% of the purchase price. Conditions in the debt markets had been very favorable in recent years; however, the markets have recently experienced a serious dislocation in the availability of debt financing for traditional LBO transactions. The use of leverage increases both the potential risk and potential reward of investments, including assets purchased in LBOs.

International private equity activity has increased significantly in recent years, and we believe these activities remain a large opportunity for growth. According to Thomson Financial as of February 18, 2008, European LBO volume set a new record in 2006 at $262 billion however recorded lower volume in 2007 of $229 billion; additionally, with the exception of 2006 and 2007, Europe has surpassed the U.S. market in buyout activity in recent years. The same source indicates that in 2006 the Asia-Pacific region increased its LBO volume significantly to reach $53 billion, though 2007 Asia-Pacific LBO volume was down from that record high at $28 billion. In addition to increasing fund flows from foreign investors, domestic Asia-Pacific funds have gained strength as new domestic players have entered the market and existing firms in the region continue to raise larger funds. Activity internationally has been well-diversified across geography, as shown in the 2007-2008 Russell Survey on Alternative Investing. We believe that new buyout markets have emerged in places such as Spain, Greece, the Nordic region and in Israel, driven by private equity firms in search of less competition and higher returns. Additionally, we believe private equity firms are increasingly looking at emerging markets, including Eastern Europe, Turkey and South Africa. The chart below shows global LBO volume from 2000-2007.

Global LBO Volume ($ billions)

Source: Thomson Financial in February 2008

Over the past two decades, from 1987 to 2006, the upper quartile of private equity funds have, in the aggregate, outperformed the S&P 500 Index by about 9% per year net of management fees, partnership expenses

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and fund managers carried interest, according to Thomson Financial. We believe that as a result of the superior returns generated by private equity funds, the amount of money contributed to this alternative asset class continues to experience rapid growth. As displayed in the chart below, the pace of private equity fundraising has accelerated dramatically in the past few years, facilitating private equity firms ability to raise increasingly larger funds. According to the 2007-2008 Russell Survey on Alternative Investing, allocations to private equity in Europe, Australia and Japan are anticipated to reach record levels in 2009, with allocations to private equity in North America also expected to increase in 2008 and 2009.

U.S. LBO and Mezzanine Fundraising ($ billions)

Source: Thomson Financial (Buyouts Magazine, January 7, 2008)

In 2005 through 2007, U.S. buyout and mezzanine inflows experienced significant growth, with more money raised in each of these three years than the cumulative funds raised in the previous three years, according to Thomson Financial (Buyouts Magazine, January 7, 2008). According to the same source, several established fund managers with superior track records have recently closed or are in the process of raising funds in excess of $15 billion. Record fundraising, together with historically high levels of liquidity in the debt capital markets, was a key driver of large transactions. The scope of transaction size and complexity has also grown, often requiring several private equity firms to form a consortium to acquire a specific target. The above source reports that in 2007 alone, there were six LBOs with transaction values exceeding $25 billion. According to Thomson Financial as of February 18, 2008, private equity transactions increasingly comprise a larger percentage of total merger and acquisition transaction dollar volume, with financial sponsor activity reaching 24.2% of U.S. volume in 2007, particularly as large public-to-private transactions had become more prevalent.

Mezzanine Funds

Mezzanine funds are investment vehicles that invest primarily in mezzanine securities, typically high-yielding long-term subordinated loans or preferred stock that may include an equity component or feature, such as warrants or co-investment rights, to enhance returns for the lender. Mezzanine lending is related to the volume of financial sponsor-driven transactions. This form of financing is most frequently utilized in the buyout of middle-market and smaller public companies.

There are several factors that are commonly believed to have contributed to the expansion of mezzanine investing over the past decade. The broad-based consolidation of the U.S. financial services industry over the past two decades has significantly reduced the number of FDIC-insured financial institutions. In recent years, this is believed to have caused many senior lenders to de-emphasize their service and product offerings to middle market businesses in favor of lending to larger corporate clients and managing larger capital markets transactions. As a result, many middle-market firms have faced increased difficulty raising debt from commercial lenders, thus creating demand for alternative sources of financing such as mezzanine debt financing. Additionally, over the past several years, the availability of large pools of capital has increased as mutual funds, private equity funds and hedge funds have all experienced significant growth. In particular, we believe that there is a considerable amount of un-invested private equity capital that will seek mezzanine capital to support investments in middle market companies being made by the private equity capital.

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Given the fragmented nature of the mezzanine market, capital providers of mezzanine financing include a broad array of companies. Early mezzanine lenders include traditional investment management firms, investment arms of major companies and insurance companies. Growth in demand for such capital has encouraged various capital providers to enter this market over the last decade, including private equity firms, hedge funds, high-yield debt investors, business development companies and investment banks with dedicated mezzanine funds.

Hedge Funds

Hedge funds are privately held and unregistered investment vehicles managed with the primary aim of delivering positive risk-adjusted returns under various market conditions. Hedge funds differ from traditional asset managers such as mutual funds by the asset classes in which they invest and/or the investment strategies they employ. Asset classes in which hedge funds invest may include liquid and illiquid securities, asset-backed securities, pools of loans and bonds or other financial assets. Hedge funds also employ a variety of strategies that may include short selling, equity long-short convertible arbitrage, fixed income arbitrage, merger arbitrage, event-driven, global macro and other quantitative strategies. The strategies may employ use of leverage, hedges, swaps and other derivative instruments.

Hedge funds are typically structured as limited partnerships, limited liability companies or offshore corporations. Hedge fund managers earn a base management fee typically based on the net asset value of the fund and incentive fees based on a percentage of the fund s profits. Some hedge funds set a hurdle rate under which the fund manager does not earn an incentive fee until the fund s performance exceeds a benchmark rate. Another feature common to hedge funds is the high water mark under which a fund manager does not earn incentive fees until the net asset value exceeds the highest historical value on which incentive fees were last paid. Typical investors include high net worth individuals and institutions. These investors can invest and withdraw funds periodically in accordance with the terms of the funds, which may include lock-up periods on withdrawals. Hedge fund managers often commit a portion of their own capital in the funds they manage to align their interests with the investors.

According to the 2007 HFR Industry Report, as of December 31, 2007, there were 10,096 hedge funds in existence globally. The same report shows global assets under management in the hedge fund industry have grown by approximately 26% annually since 1990 to exceed $1.8 trillion at December 31, 2007, and net inflows in 2007 increased to a record high of $195 billion as compared to $126 billion in 2006. The chart below shows hedge fund assets under management from 1990-2007.

Hedge Fund Assets Under Management ($ billions)

Source: HFR Industry Report, © HFR, Inc. 2007, www.hedgefundresource.com

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The increasing demand for hedge fund products by institutional investors is one of the main drivers of the industry growth. McKinsey & Company, as cited in their report, The Asset Management Industry in 2010 (Copyright, McKinsey & Company 2006), estimates that over 50% of total hedge fund asset flows in 2007 and 2008 will come from institutional investors. Higher institutional demand is driven by several factors, including the pursuit of higher returns (compared to those found from traditional equity and fixed income assets), the desire to increase the diversification of investment portfolios by investing in assets with low correlation to traditional asset classes and a diminished risk-aversion in the current low interest-rate environment.

Distressed Funds

Distressed funds typically engage in the purchase or short sale of securities of companies where the price has been, or is expected to be, affected by a distressed situation. This may involve reorganizations, bankruptcies, distressed sales or other corporate restructurings. Investment opportunities arise in the market for distressed securities because holders of previously sound instruments find themselves in possession of creditor claims of uncertain value and, therefore, under pressure to dispose of them.

Investments are made for both the short-and long-term and are both active and passive with respect to participation in restructuring and company operations. In a distressed buyout, the investor works proactively through the restructuring process to equitize its debt position and gain control of the company with the objective of achieving a large return via a turnaround. A second strategy, more common among hedge funds, is to hold a position in a distressed debt security with the expectation that improved performance will lead to a run-up in the price of the debt instrument that will result in high short-term internal rate of return.

The chart below from the 2007 HFR Industry Report shows that the distressed investing industry experienced increased net asset flow during the recessionary periods of 2001 and 2002, during which stock market valuations were relatively depressed, there was an increase in the number of corporate distressed sellers of assets who needed to raise cash and company earnings had decreased. Financial distress, however, continues to be company- and industry-specific, and hedge funds have increased their participation in the industry in the search for high-yielding assets. Broader market acceptance of second- and third-lien transactions has also stimulated activity. The recent increase in sub-investment grade issues to finance acquisitions and the increased use of second-lien financing combined with a potential rise in corporate debt defaults are all, we believe, precursors of opportunities for risk-adjusted returns from distressed investing.

Estimated Growth of Assets/ Net Asset Flow Distressed Securities ($ billions)

Source: 2006 HFR Industry Report, © HFR, Inc. 2006, www.hedgefundresearch.com

Industry Trends

Increased Institutional Investor Allocations

In recent years, alternative asset management has been gaining relative share of institutional capital allocations from traditional asset management, as investors seek strategies that deliver diversification to improve the risk-adjusted return of their portfolios. According to the 2007 2008 Russell Survey on Alternative Investing, the percentage of strategic allocations to private equity and hedge funds by the investors in their survey described earlier is projected to grow from 10.0% to 15.9% between 2001 and 2009 in North America. Despite the rapid expansion in institutional flows, alternative asset management strategies still account for a relatively small portion of all institutional assets, which we believe signifies potential opportunity for continued growth.

Increasingly Larger Funds and Buyouts

Over the past few years, the largest private equity firms, with well-established track records have led fundraising activities and succeeded in raising increasingly large funds. Several have raised funds in excess of $10 billion in capital per fund, with our Fund VI the first to close above that threshold. The emergence of these large funds, coupled with favorable conditions in the debt capital markets through the second quarter of 2007, had facilitated buyouts of larger and more stable businesses, including through large scale public-to-private transactions. According to Standard and Poor s Q4 2007 Leveraged Buyout Review, approximately 64% of LBO volume by transaction value in 2007 was related to public-to-private transactions, as compared to only 38% in 2005. Thomson Financial s data estimates that in 2007, there were 55 deals in excess of $2 billion in transaction value and six buyouts surpassing $20 billion.

The long term impact of the recent turmoil in the debt capital markets on the trend of large public-to-private transactions is as yet unclear, but in the second half of 2007 there were only 16 buyouts in excess of $2 billion compared to 39 buyouts of that size in the first half of the year.

Growing Diversification of Investment Strategies and Product Offerings

The alternative asset management business is becoming more institutionalized, with leading alternative asset managers expanding their investment strategies to pursue a wider range of investment opportunities as they seek to attract more capital from investors. Private equity firms are broadening their product offerings to include investment in distressed securities, mezzanine and infrastructure funds, or capital deployed into new geographic regions such as India or China. Hedge funds are increasingly shifting to multi-strategy vehicles that provide additional diversification to investors. Areas of expansion include financial and non-financial markets, commodities, energy trading, middle market lending, real estate, private convertibles, second-tier bank loans, as well as emerging markets including Latin America and Asia. Hedge funds are also beginning to play a more aggressive role in shaping mergers and acquisitions, as both private equity investors and lenders.

Expanded Sources of Capital

Alternative asset managers have recently expanded their sources of assets under management through permanent capital vehicles such as AAA. Permanent capital allows asset managers to quickly target attractive investment opportunities by capitalizing new investment vehicles in advance of a lengthier third party fundraising process. In addition, permanent capital vehicles, which are typically publicly offered in at least some jurisdictions, and in some cases marketed to high net worth individuals even in jurisdictions in which the offering is private, make alternative asset management services available to many investors who might not have access to the traditional fundraising process. Alternative asset managers have also increasingly used debt both to leverage fund investments and to finance operations.

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BUSINESS

Overview

Founded in 1990, Apollo is a leading global alternative asset manager with a track record of successful private equity, distressed debt and mezzanine investing. More recently, we have also begun to invest in senior debt. We raise, invest and manage private equity and credit-oriented capital markets 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, 2007, we had AUM of $40.3 billion in our private equity and capital markets businesses. Our latest private equity fund, Fund VII has raised $12.5 billion as of the date hereof with a target of $15.0 billion, and a number of our capital markets funds are in various stages of fundraising. We have consistently produced attractive investment returns for our investors, with our private equity funds generating a 40% gross IRR and a 29% net IRR from inception through December 31, 2007.

Over our 18-year history of investing, we have grown to become one of the largest alternative asset managers in the world and attribute our historical success to the following key competitive strengths:

- our track record of generating attractive risk-adjusted returns;
- our business model which combines the strength of our private equity and credit-oriented capital markets businesses and the extensive intellectual capital base of the global Apollo franchise to create a sustainable competitive advantage;
- our expertise in distressed investing and ability to invest capital and grow AUM throughout economic cycles;
- our deep industry knowledge and expertise with complex transactions;
- our creation of an edge in investing by combining our core industry expertise, comfort with complexity and use of strategic platforms to create proprietary investment opportunities;
- our long standing investor relationships that include many of the world s most prominent alternative asset investors; and
- our strong management team, brand name and reputation.

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 more than 175 professionals as of December 31, 2007. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, London, Los Angeles, Singapore, Frankfurt and Paris. We operate two businesses in which we believe we are a market leader: private equity and credit-oriented capital markets. We generally operate these businesses in an integrated manner. Our investment professionals frequently collaborate and share information including market insight, management, consultant and banking contacts as well as potential investment opportunities, which contributes to our library of extensive industry knowledge and enables us to 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 across various asset classes throughout a range of economic cycles. For example, three of Apollo s most successful funds (in terms of net IRR), Funds I, II and V, were initiated during economic downturns. Funds I and II were initiated during the economic downturn of 1990 through 1993 and Fund V was initiated during the economic downturn of 2001 through late 2003.

Our objective is to achieve superior risk-adjusted returns for our fund investors throughout economic cycles. Commitment to the investors in our funds is a high priority. Our investment approach is value-oriented, focusing on industries in which we have considerable knowledge, and emphasizing downside protection and the preservation of capital. We are also frequently contrarian in our investment approach. This is reflected in many of the businesses in which we choose to invest, the structures we employ in some of our investments, our experience in investing during periods of uncertainty or distress in the economy or financial markets, our orientation towards sole sponsored transactions and our willingness to undertake transactions having substantial

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business, regulatory or legal complexity. We have successfully applied this investment philosophy in flexible and creative ways over our 18-year history, allowing us to consistently find attractive investment opportunities, deploy capital up and down the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

We have experienced significant growth in our businesses through the growth of our private equity funds, globalizing our credit-oriented capital markets business and adding new products. We had AUM of $40.3 billion as of December 31, 2007 consisting of $30.2 billion in our private equity business and $10.1 billion in our capital markets business. Fund VII has raised $12.5 billion as of the date hereof and has a target of $15.0 billion. See Risk Factors Risks Related to our Businesses We may not be successful in raising new private equity or capital markets funds or in raising more capital for our capital markets funds. Additionally, a number of our capital markets funds are currently in various stages of fundraising. We have grown our AUM at a 53% compound annual growth rate, or CAGR, from December 31, 2004 to December 31, 2007. We have achieved this growth raising additional capital in our private equity and credit-oriented capital markets businesses, growing AUM through appreciation and by expanding our businesses to new strategies and geographies. We have also expanded the base of investors in our funds by accessing permanent capital through AIC, AIE, and AAA. These distribution channels represent approximately 19% of our AUM as of December 31, 2007. In addition, we benefit from mandates with long-term capital commitments. As of December 31, 2007, approximately 71% of our AUM was in funds with a duration of ten years or more from inception.

We expect our growth in AUM to continue over time as we (1) raise larger private equity funds than the funds being liquidated, (2) retain profits in our capital markets funds and raise additional capital to support those vehicles and (3) launch new investment vehicles as market opportunities present themselves. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new private equity or capital markets funds or in raising more capital for our capital markets funds.

Our Businesses

We manage private equity and credit-oriented capital markets investment entities. We also manage AAA, a publicly listed vehicle, which generally invests alongside our private equity funds and directly in our capital markets funds. The diagram below summarizes our Assets Under Management.(1)

(1) All data is as of December 31, 2007 unless otherwise noted. The chart does not reflect legal entities or assets managed by former affiliates.
(2) Fund VII has a fundraising target of $15.0 billion. As of the date hereof, Fund VII has raised $12.5 billion.
(3) Two of our funds are denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.46 as of December 31, 2007.

Our revenues and other income consist principally of (i) management fees, which are based on committed or invested capital (in the case of our private equity funds), adjusted assets (in the case of AAA), and gross invested capital or fund net asset value (in the case of our capital markets funds); (ii) transaction and advisory fees received from private equity portfolio companies in respect of business and transaction consulting services, as well as advisory services provided to a capital markets fund; (iii) income based on the performance of our funds, which consists of carried interest from our private equity funds, AAA and our capital markets funds; and (iv) investment income from our investments as general partner and other direct investments.

Private Equity

Private Equity Funds

The private equity business is the cornerstone of our investment activities, with AUM of $30.2 billion as of December 31, 2007. Our private equity business grew AUM by a 46% CAGR from December 31, 2004 through December 31, 2007. From our inception in 1990 through the end of 2007, our private equity business invested (or committed to invest, subject to meeting customary conditions) approximately $22.4 billion of equity capital. Most recently, our private equity funds and AAA deployed $3.2 billion of capital in debt and equity opportunities during the fourth quarter of 2007 and the first quarter of 2008. Since inception, the returns of our private equity funds have performed in the top quartile for all U.S. buyout funds, as measured by Thomson Financial. Our private equity funds have generated a gross IRR of 40% and a net IRR of 29% from inception through December 31, 2007, as compared with a total annualized return of 9% for the S&P 500 Index over the same period. In addition, since our inception, our private equity funds have achieved a 2.4x multiple of invested capital. See The Historical Investment Performance of Our Funds for reasons why our historical private equity returns are not indicative of the future results you should expect from our current and future funds or from us.

We believe we have a demonstrated ability to quickly adapt to changing market environments and capitalize on market dislocations through our traditional and distressed investment approach. In periods of strained financial liquidity and economic recession, we have made attractive private equity investments by buying the distressed debt of quality businesses, converting that debt to equity, creating value through active management and ultimately monetizing the investment.

Beginning in July 2007, the financial markets encountered a series of events from the sub-prime contagion to the ensuing credit crunch. These events led to a significant dislocation in the capital markets and created a backlog in the debt pipeline. Much of the backlog is left over from debt raised for large private equity-led transactions which reached record levels in 2006 and 2007. This record backlog of supply in the debt markets has materially affected the ability and willingness of lenders to fund new large private equity-led transactions and has applied downward pressure on prices of outstanding debt. Due to the difficulties in financing transactions in this market, the volume and size of traditional private equity-led transactions has declined significantly. We are drawing on our long history of investing across market cycles and are deploying capital in the following ways:

- We are looking to acquire distressed securities in industries that we know well. Examples include investments in the transportation, media, financial services and packaging industries. We believe that we can find good companies with stressed balance sheets in this market at attractive prices.

- We are also looking to invest in debt securities of companies that are performing well, but are attractively priced due to the disruption in the debt markets.

- We are seeking to take advantage of creative structures to use our equity to de-leverage a company s balance sheet and take a controlling position.

- We continue to build out our strategic platforms through value added follow-on investments in current portfolio companies. In this environment where tighter financing exists around de novo buyouts, we have recently executed, and will look to continue to execute, favorable add-on acquisitions.

Our combination of traditional buyout investing with a distressed option has proven successful throughout economic cycles and has allowed us to achieve attractive rates of return in different economic and market environments. However, we cannot assure you that we will be successful in implementing this strategy in the

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

Our two more recent funds, Fund V and Fund VI, have proven successful to date despite the difficult economic conditions within which those funds have operated. Fund V, with $3.7 billion of committed capital, started investing during the economic downturn of 2001 through late 2003. This fund has generated a gross IRR of 71% and a net IRR of 54% from our first investment in April 2001 to December 31, 2007. It has already returned more than $10.2 billion to investors through March 31, 2008. At December 31, 2007, Fund V had an estimated unrealized value of $5.4 billion and a current multiple of invested capital of 3.6x. This performance was generated during an initial period of economic distress followed by substantial economic and capital markets expansion, which we believe illustrates our ability to use our flexible investment approach to generate returns across a range of economic environments. Fund V is in the top quartile of similar vintage funds according to Thomson Financial. See The Historical Investment Performance of Our Funds for a discussion of the reasons we do not believe our future IRRs will be similar to the IRRs for Fund V.

Fund VI, together with AAA through its co-investment with Fund VI, with $11.6 billion of committed capital, has invested or committed to invest approximately $9.7 billion through December 31, 2007. Fund VI has generated an unrealized gross IRR of 58% and an unrealized net IRR of 42% from the first investment in July 2006 to December 31, 2007 and has already returned more than $1.3 billion to investors. As of the date hereof, the Fund VI portfolio includes 15 portfolio companies and one portfolio company investment commitment, all but one of which are transactions where we were the sole financial sponsor, nine of which were proprietary in nature (meaning deals that arise other than from winning a competitive auction process), four of which were complex corporate carveouts and all of which were in industries well known to us. The Fund VI portfolio also includes six investments in debt investment vehicles formed by our affiliates to invest in the debt securities to take advantage of volatility in the credit markets.

The following charts summarize the breakdown of our private equity investments by type and industry from our inception through December 31, 2007.

Private Equity Investments by Type

Private Equity Investments by Industry

AP Alternative Assets (AAA)

AAA issued approximately $1.9 billion of equity capital in its initial global 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 primarily alongside our private equity funds and directly in our capital markets funds and certain other transactions that we sponsor and manage. AAA anticipates that, over time, approximately 50% or more of its capital will be invested in or alongside our private equity funds. The common units of AAA, which represent limited partnership interests, are listed on Euronext Amsterdam. On June 1, 2007, AAA s investment vehicle entered into a credit agreement that provides for a $900 million revolving line of credit, thus increasing the amount of cash that AAA has available for making investments, and funding its liquidity and working capital needs. AAA may incur additional indebtedness from time to time. As of December 31, 2007, AAA invested or committed to invest $2.9 billion.

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.

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 lengthy third party fundraising process. In particular, we have used AAA capital to seed one of our mezzanine funds and three of our global distressed and hedge funds. AAA s current portfolio also includes private equity co-investments in Fund VI portfolio companies and temporary cash investments. Subsequent to December 31, 2007, AAA also commenced co-investing in Fund VII portfolio companies and had utilized approximately $385 million of their line of credit for certain investments. Additionally, AAA may coinvest alongside ACLF.

AAA has a co-investment agreement with Fund VI pursuant to which it co-invests with Fund VI in each of Fund VI s investments, with Fund VI allocated 87.5% of each investment and AAA allocated 12.5%. This represents an aggregate co-investment opportunity expected to approximate $1.5 billion. Such co-investments are required to be made and sold (or otherwise disposed of) concurrently with Fund VI and on substantially equivalent economic terms as those applicable to Fund VI. AAA is required to bear its pro rata share of any investment expenses related to such co-investments. Subsequent to December 31, 2007, AAA entered into a co-investment agreement with Fund VII similar to its agreement with Fund VI except that the co-investment allocation to AAA as follows: AAA s initial co-investment commitment will be 5%, applicable to all investments to which Fund VII commits during the 2008 calendar year and to any follow-on investments in the relevant portfolio companies. For subsequent calendar years, the agreement provides for a variable co-investment commitment ranging from 0% to 12.5%, to be determined by the board of directors of the managing general partner of AAA, taking into account Fund VII s projected investment pace and AAA Investments estimated available capital. AAA generates management fees for us through the Apollo funds in which it invests. In addition, AAA generates management fees and incentive income on the portion of its assets that are not invested directly in or committed to Apollo funds (including amounts co-invested with Fund VI). AAA pays management and transaction fees to its managing general partner, which is 100% owned by the Apollo Operating Group, and pays incentive income to AAA Associates, L.P.

The following chart shows the breakdown of AAA Investments $2.2 billion in investments as of December 31, 2007.

AAA Investments

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In order to maximize the amount of capital that is invested by the fund at any time, we have adopted an over-commitment approach pursuant to which we may cause AAA to enter into contractual commitments to fund future capital calls by our funds as well as to make direct co-investments in investments by our funds that exceed the amount of capital that AAA then has available to it. We cannot assure you that any of such commitments will be funded.

Capital Markets

Our credit-oriented capital markets operations commenced in 1990 with the management of a $3.5 billion high-yield bond and leveraged loan portfolio. The business was spun off in the late 1990s and re-established in 2003 to complement our private equity business.

We currently manage nine capital markets funds that utilize the same disciplined, value-oriented investment philosophy that we employ with respect to private equity. These vehicles include mezzanine funds, distressed and hedge funds and senior credit opportunity funds. Our capital markets business had AUM of $10.1 billion as of December 31, 2007 and grew its AUM by an 87% CAGR from December 31, 2004 through December 31, 2007. Additionally, a number of our capital markets funds are currently in various stages of fundraising. We expect our existing funds to be regularly fundraising, as we continue to add new products, geographies and strategies.

Mezzanine Funds

The investment objective of our mezzanine funds is to generate both capital appreciation and current income through mezzanine, debt and equity investments while adhering to Apollo s industry-specialized value-oriented investment strategy.

Apollo Investment Corporation. AIC is a publicly traded, closed-end investment company that has elected to be treated as a business development company under the Investment Company Act. AIC s common stock is quoted on the NASDAQ Global Select Market under the symbol AINV and was recently added to the S&P MidCap 400 index. Shareholders who invested in the stock at inception in April 2004 have earned a total annualized return of 11.7% through December 31, 2007. See The Historical Investment Performance of Our Funds for reasons why future AIC returns might fall short of its historical performance. AIC (as a business development company under the Investment Company Act) has the ability to incur indebtedness by issuing senior securities in amounts such that its asset coverage equals at least 200% after each such issuance.

In order to maintain its status as a regulated investment company under Subchapter M of the Code, AIC 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. In addition, as a business development company, AIC 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 AIC 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 AIC 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.

In addition to the adoption of the rules described above, the SEC proposed for comment a rule that would include as eligible portfolio companies certain public companies that have listed their securities on a national securities exchange, as long as their public float and/or market capitalization are below a specified level. AIC has announced that it will continue to monitor closely any developments with respect to the definition of eligible

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portfolio company, and that it intends to adjust its investment focus as needed to comply with and/or take advantage of the new rules as well as any other regulatory, legislative, administrative or judicial actions in this area.

Set forth in the chart below are the market values and yields of the AIC portfolio since inception.

AIC Portfolio Growth and Yield Since Inception

The information above is as of December 31, 2007, is presented for illustrative purposes only and is no guarantee of the future success of AIC.

The charts below break down AIC s portfolio by investment type and industry as of December 31, 2007.

AIC Portfolio by Investment Type

AIC Portfolio Investments by Industry

AIE. AIE is an unregistered private closed-ended investment fund that was formed in July 2006 to more fully take advantage of opportunities available to Apollo in Europe due to AIC s limited ability to make investments outside of the United States. AIE intends to invest approximately 70% of its gross assets in secured and unsecured subordinated loans (also referred to as mezzanine loans), senior secured loans, high-yield debt and preference equity and approximately 70% of its gross assets in securities issued by, or loans made to, companies established or operating in Europe. Since inception in June 2006 and through December 31, 2007, AIE has generated a gross annualized return of 9.5% and a net annualized return of 5.0%. While the primary market in

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Europe remains virtually shutdown, we believe there exists investment opportunities in secondary credit markets and collateralized loan obligations in Europe. However, in light of the current economic and market environments for the kinds of investments these funds customarily make, we expect that, for as long as these market conditions continue, returns in this sector will be lower than they have been in recent history, and fundraising efforts will be challenging.

The investment objective of AIE is to generate both capital appreciation and current income through mezzanine debt and equity investments. Within a flexible overall investment approach, AIE utilizes a disciplined 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 invests either directly or indirectly through special purpose vehicles, derivative contracts or swap arrangements, primarily in European investments, with a primary focus in Western European companies. AIE also invests in other investments, including private or public equity investments worldwide and non-control distressed loans.

As of December 31, 2007, AIE had an investment portfolio of approximately $1,174 million, based on an exchange rate of 1.00 to $1.46 as of such date. See The Historical Investment Performance of Our Funds for reasons why AIE s returns might decrease from its historical performance and the historical performances of our other funds.

The charts below break down AIE s portfolio by investment type and industry as of December 31, 2007.

AIE Portfolio by Investment Type

AIE Portfolio Investments by Industry

Global Distressed and Hedge Funds

We currently manage five distressed and hedge funds that primarily invest in North America, Europe and Asia. These funds had a total of $3.3 billion in AUM as of December 31, 2007. Investors can invest in several of our distressed and hedge funds as frequently as monthly. Our global distressed and hedge funds utilize similar value-oriented investment philosophies as our private equity business and are focused on capitalizing on our substantial industry knowledge.

Value Funds. We are the investment managers for the Value Funds, which utilize similar investment strategies. The Value Funds seek to identify and capitalize on absolute-value driven investment opportunities by investing primarily in the securities of leveraged companies through special situations, distressed investments and privately negotiated investments. VIF began investing capital in October 2003 and is currently closed to new investors. 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 $1.6 billion as of December 31, 2007. In the 12 months preceding December 31, 2007, the Value Funds collectively generated a gross return of 8.2%, a net return of 4.6%. See The Historical Investment Performance of Our Funds for reasons why future performance by the Value Funds might fall short of their historical performance. The flexible investment strategy is intended to enable the

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Value Funds to capture investment opportunities as they arise across the capital structure through the purchase or sale of senior secured bank debt, second lien debt, high yield debt, trade claims, credit derivatives, preferred stock and equity. The strategy focuses on companies trading off their intrinsic value, such as undervalued securities and near-term catalysts. As of December 31, 2007, the Value Funds investments were primarily located in North America and comprised approximately 85% of the portfolio, with the remaining 15% of the total portfolio being investments in Western Europe. There are no investment restrictions with respect to the amount that may be invested in North America versus outside North America or on the location of their investments outside North America.

The following charts break down the Value Funds portfolio by investment type and industry as of December 31, 2007:

Value Funds Portfolio by Investment Type

Value Funds Portfolio Investments by Industry

SOMA. SOMA is a private investment fund we formed to manage for one of our Strategic Investors and that seeks to generate attractive risk-adjusted returns through investment in distressed securities, primarily in North America and Europe. SOMA began investing capital in March 2007 and represents a commitment by one of our Strategic Investors of at least $800 million, with an option for such Strategic Investor to increase its commitment to $1.2 billion. This account has a very similar investment strategy to our Value Funds and is currently managed by the same investment professionals.

We manage two distressed and hedge funds with non-U.S. investment focuses: AAOF and EPF. These funds had an aggregate AUM of $933 million as of December 31, 2007. We currently expect our global distressed and hedge fund activities will increase in scale and scope as we continue our global expansion.

AAOF. 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. It began investing capital in February 2007. We believe our experienced Asia team has great access to private deals throughout Asia. The fund primarily invests in the securities of public and private companies in need of capital for acquisitions, refinancing, monetization of assets and distressed financings and other special situations. AAOF primarily focuses on two core strategies, event driven investments and strategic opportunity investments. The fund s flexible investment strategy as a provider of capital is intended to enable it to take advantage of opportunities in the Asian capital markets. We believe that the fund s investment team has the ability to source unique investment opportunities through their local relationships with entrepreneurs, management teams and regional financial institutions. We believe this local expertise is complemented by Apollo s global reach across its core industry verticals. The fund s first investment was made in February 2007. Since inception, AAOF has generated a gross return of 25.4% and a net return of 18.1%.

EPF. EPF is an investment vehicle formed in May 2007 that seeks to invest primarily in non-performing loans, or NPLs, in Europe. Currently the fund has investments in Germany, Spain, Portugal and the United

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Kingdom. The fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their NPLs. We believe the team s global experience and local network of relationships complements Apollo s background in distressed and private equity investing. As of March 31, 2008, EPF had $764.7 million in total committed capital.

Senior Credit Opportunity Funds

We established two new senior credit opportunity funds in late 2007 in order to take advantage of the supply-demand imbalances in the leveraged finance market. We were able to establish these funds with some of our largest and most loyal investors in a rapid fashion to capitalize on the time sensitive nature of the dislocation in the capital markets which began in July 2007.

Artus. Artus closed on October 19, 2007 with aggregate capital commitments of $106.5 million, including a commitment from one of our Strategic Investors. In November 2007, Artus purchased certain of the notes issued by the CLO. The notes issued by the CLO are secured by a diversified pool of approximately $1.0 billion in aggregate principal amount of United States dollar denominated commercial loans and cash as of December 31, 2007, or the Portfolio Collateral. The notes purchased by Artus are divided into five classes based on their risk and subordination characteristics. Babson Capital Management LLC, as collateral manager to the CLO, performs certain advisory and administrative functions with respect to the Portfolio Collateral. We, as global investment advisor to the CLO, perform certain advisory functions with respect to the management of the Portfolio Collateral. The collateral manager has the obligation to consult with us in respect of any sale of an item of Portfolio Collateral with principal or face amount greater than $5 million. In addition, we have the right to appoint three of the five members of the investment committee that is responsible for approving any material purchase, which includes, among other things, the purchase of an item of Portfolio Collateral with a principal amount greater than $5 million. Decisions with respect to material purchases must be approved by a majority of the members of the investment committee.

ACLF. ACLF held its final closing on November 13, 2007 with aggregate capital commitments of $681.6 million and began investing capital in October 2007. ACLF invests principally in newly issued senior secured bank debt and debt related securities in the United States, Canada 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 second lien 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. No more than 20% of ACLF s aggregate capital commitments may be invested in companies organized and operating primarily outside of the United States, Canada and Western Europe without the consent of the ACLF s limited partner advisory board.

We may in our sole discretion allocate up to 10% of each investment opportunity made available to ACLF to AAA by establishing prior to the first day of each calendar quarter a fixed AAA co-investment percentage with respect to such calendar quarter, the Designated Quarterly Percentage. AAA will co-invest alongside ACLF (and any limited partner who has been offered co-investment rights) in the Designated Quarterly Percentage of each investment made by ACLF during the applicable calendar quarter. In addition, 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.

Our capital commitment to ACLF is equal to 2.5% of the aggregate capital commitments of ACLF s limited partners (without regard to any co-investment commitments). ACLF is closed to additional investors. As of December 31, 2007, ACLF had $277.4 million of investments in senior debt across, either directly or indirectly, nine issuers.

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Competitive Strengths

Over our 18-year history, we have grown to be one of the largest alternative asset managers in the world. We attribute our success, and our confidence in our future plans, to the following competitive strengths.

Our Investment Track Record. Our cornerstone private equity funds have generated a 40% gross IRR and a 29% net IRR from inception through December 31, 2007. Our track record of generating attractive risk-adjusted returns is a key differentiating factor for our fund investors and, we believe, will allow us to continue to expand our AUM and capitalize new investment vehicles. See The Historical Investment Performance of Our Funds for reasons why our historical returns are not indicative of the future results you should expect from our current or future funds or from us.

Our Integrated Business Model. Generally, we operate our global franchise as an integrated investment platform with a free flow of information across our businesses. See Risk Factors Risks Related to Our Businesses Possession of material non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers. Our investment professionals interact frequently across our businesses on a formal and informal basis. Each of our private equity and credit-oriented capital markets businesses contributes to and draws from what we refer to as our library of information and experience. This library includes market insight, management, industry consultant and banking contacts, as well as potential investment opportunities. For example, in the course of reviewing a large buyout, a partner from the private equity business might discover an opportunity to invest in an attractive non-control debt investment and convey the opportunity to one of our capital markets partners. See Risk Factors Risks Related to Our Businesses Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers. In addition, members of the private equity investment committee currently serve on the investment committees of each of our capital markets funds.

Our Flexible Approach to Investing Across Market Cycles. We have consistently invested capital and grown AUM throughout economic cycles by focusing on opportunities that we believe are often

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overlooked by other investors. Our expertise in capital markets, focus on core industry sectors and investment experience allow us to respond quickly to changing environments. In our private equity business, we have had success investing in buyouts during both expansionary and recessionary economic periods. During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, we invested or committed to invest approximately $13.2 billion primarily in traditional and corporate partner buyouts. In the recessionary periods of 1990 through 1993, 2001 through late 2003 and the slowdown period of the third quarter of 2007 through the first quarter of 2008, we invested approximately $9.5 billion, the majority of which was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts. We believe distressed buyouts represent a highly attractive risk/reward profile and allow our funds to invest at below-market multiples when historically our peer private equity firms have largely been inactive. We believe our ability to invest capital through market cycles will allow us to grow our AUM consistently and generate attractive investment opportunities in various market environments. Our capital markets funds follow the same disciplined approach to investing throughout economic cycles. We pay close attention to the cycles that our core industry sectors are experiencing and are opportunistic in entering and exiting investments when the risk/reward profile is in our favor.

The table below summarizes our view of how our investment strategy has differed from that of a typical private equity firm during the U.S. economic cycles since our inception in 1990 and our view of certain market conditions during these cycles.

	Recession 1990-1993	Recovery 1994-1997	Expansion 1998-2000	Recession 2001-2003 3Q	Recovery 2003 4Q-2005	Expansion 2006-2007 2Q	Slowdown 2007 3Q-2008 1Q
Liquidity	Low	High	High	Low	High	High	Low
Valuation	Low	Low-Medium	High	Low	Medium	Medium-High	Medium
Typical private equity firm	Inactive	Active	Inactive or paid high prices	Inactive	Active and paid high prices	Active and paid high prices	Reduced activity
Apollo	Focus on distressed buyout option	Traditional buyouts	Seeks to reduce acquisition price through complex buyouts and corporate partnerships	Focus on distressed buyout option	Traditional buyouts using industry expertise to reduce acquisition price	Seeks to reduce acquisition price through complex buyouts and corporate partnerships	Focus on distressed investments and strategic acquisitions
Apollo s traditional and corporate partner buyouts (1)	$547	$1,454	$3,216	$521	$2,469	$5,830	$2,669
Apollo s distressed buyouts and debt investments (1)	$3,010	$60	$0	$1,445	$134	$58	$1,298

(1) Dollars in millions. Amounts set forth above represent capital invested by our private equity business.

Note: Characterization of economic cycles is based on our management s views.

Our Deep Industry Expertise and Focus on Complex Transactions. We have substantial expertise in eight core industry sectors and have invested in over 150 companies since inception. Our core industry sectors are chemicals; consumer and retail; distribution and transportation; financial and business services; manufacturing and industrial; media, cable and leisure; packaging and materials; and satellite and wireless. Our deep experience in these industry sectors has allowed us to develop an extensive network of strategic relationships with CEOs, CFOs and board members of current and former portfolio companies, as well as consultants, investment bankers and other industry-focused intermediaries. We believe that situational and structural complexity often hides compelling value that competitors may lack the inclination or ability to uncover. For example, carveouts of divisions of larger corporations are complex transactions that often provide compelling investment opportunities. We

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believe that we are known in the market for having substantial corporate carveout experience, having consummated 15 buy-side carveouts since 2000, and that our industry expertise and comfort with complexity help drive our performance.

The table below lists and briefly describes the background of some of our more recent proprietary deals.

Selected Proprietary Deals

Company	Seller	Background	Date of Initial Investment	Date of Final Exit	Multiple of Invested Capital
Momentive Performance Materials	General Electric	Knowledge of chemicals and strong relationship with GE	December 2006	N/A	N/A
United Agri Products	ConAgra Foods	Complex corporate carveout	November 2003	November 2006	7.7x
Compass Minerals	IMC Global	Strong relationship with CEO, a former CEO of Apollo portfolio company	November 2001	November 2004	5.0x
Hexion Specialty Chemicals	Shell	Complex corporate carveout that took 18 months to negotiate	November 2000	N/A	4.3x(1)

(1) Based on realized proceeds as of December 31, 2007, as well as the unrealized fair market value based on a recently executed sales contract for the sale of the company by Funds IV and V to Fund VI. Such sales contract is subject to various contingencies.

Our Investment Edge Creates Proprietary Investment Opportunities. We seek to create an investment edge, which allows us to deploy capital up and down the balance sheet of franchise businesses, make investments at attractive valuations and maximize returns. We believe our industry expertise allows us to create strategic platforms and approach new investments as a strategic buyer with synergies, cross-selling opportunities and economies of scale advantages over other purely financial sponsors. Recent examples include the creation of Hexion Specialty Chemicals, Inc., a $5 billion chemical company and Berry Plastics, a $3 billion plastic packaging company, both of which we have built through multiple acquisitions in our core industry verticals. Additionally, our expertise in complex corporate carveouts allows us to source investment opportunities in a private to private negotiation, oftentimes exclusively, which facilitates deployment of capital at attractive valuations. Examples include the purchase of United Agri Products from ConAgra Foods (where we realized 7.7x invested capital) and the purchase of Compass Minerals from IMC Global (where we realized 5.0x invested capital). Since our inception, we believe over 75% of our private equity buyouts have been proprietary in nature. We have also avoided the market trend of consortium transactions (defined as including more than one main financial sponsor), being the sole financial sponsor in 15 of our last 16 private equity portfolio company transactions. We believe that our proprietary investment opportunities provide an opportunity to consistently invest capital and generate market leading returns. We believe these competitive advantages often result in our buyouts being effected at a lower multiple of adjusted EBITDA than many of our peers. For example, of our last 16 buyouts since the beginning of 2006, the average transaction multiple of adjusted EBITDA was 7.7x. Since the beginning of 2006, the average purchase price multiple of all financial sponsor transactions, as tracked by Thomson Financial as of February 25, 2008, was 11.8x for deals with values over $500 million.

Our Strong, Longstanding Investor Relationships. We manage capital for hundreds of investors in our private equity funds, which include many of the world s most prominent pension funds, university endowments and financial institutions, as well as individuals. Most of our private equity investors are invested in multiple Apollo private equity funds, and many have invested in one or more of our capital markets funds, including as seed investors in new strategies. We believe that our deep investor relationships, founded on our consistent performance, disciplined and prudent management of our fund investors capital and our frequently contrarian investment approach, have facilitated the growth of our existing businesses and will assist us with the launch of new businesses.

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Investor Base of Apollo Private Equity

Represents Investor Base of Fund VI only. Data as of December 31, 2007.

The Continuity of Our Strong Management Team and Reputation. Our managing partners actively participate in the oversight of the investment activities of our funds, have worked together for more than 20 years and lead a team of more than 175 professionals who possess a broad range of transaction, financial, managerial and investment skills. Our investment team includes our contributing partners, who have worked together for an average of 13 years, as well as exclusive relationships with operating executives who are former CEOs with significant experience in our core industries. We have developed a strong reputation in the market as an investor and partner who can make significant contributions to a business or investing decision, and we believe the longevity of our management team is a key competitive advantage.

Alignment of Interests with Investors in Our Funds. Fundamental to our business model is the alignment of interests of our professionals with those of the investors in our funds. From our inception through December 31, 2007, our professionals have committed or invested an estimated $944 million of their own capital to our funds (including Fund VII). In addition, our practice is to allocate a portion of the management fees and incentive income payable by our funds to our professionals, which serves to incentivize those employees to generate superior investment returns. We believe that this alignment of interests with our fund investors helps us to raise new funds and execute our growth strategy

Long-Term Capital Base. A significant portion of our $40.3 billion of AUM as of December 31, 2007 was long-term in nature. Our permanent capital vehicles, AIC, AIE and AAA, represented approximately 19% of our AUM. As of December 31, 2007, approximately 71% of our AUM would have been in funds with a duration of ten years or more from inception. Our long-lived capital base allows us to invest assets with a long-term focus that we believe drives attractive returns. We believe that our increasing use of permanent capital vehicles also facilitates the efficient raising of capital, as demonstrated by the three follow-on equity offerings of AIC that we have successfully completed since AIC s inception in April 2004. These three offerings generated a total of $1.0 billion in net proceeds for AIC, which AIC was able to leverage with increases to its committed credit facility. These permanent capital vehicles are able to grow organically through the continuous investment and reinvestment of capital, which we believe provides us with stability and with a valuable potential source of long-term income.

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Growth Strategy

Our growth and investment returns have been supported by an institutionalized and strategic organizational structure designed to promote teamwork, industry specialization, permanence of capital, compliance and regulatory excellence and internal systems and processes. Our ability to grow our revenues depends on our performance and on our ability to attract new capital and fund investors, which we have done successfully over the last 18 years.

The following are key elements of our growth strategy.

Continue to Achieve Superior Returns in Our Funds. Continued achievement of superior returns will support growth in AUM. We believe our experienced investment team, value-oriented investment strategy and flexible investment approach will continue to drive superior returns. We will emphasize creating long-term value for our shareholders with less focus on our quarter-to-quarter or year-to-year earnings volatility.

Continued Commitment to Our Fund Investors. Commitment to our fund investors is a high priority. We intend to continue managing our businesses with a strong focus on developing and maintaining long-term relationships with our fund investors. Our fund investors include many of the world s most prominent pension and endowment funds as well as other institutional and individual investors. Most of our private equity investors are invested in multiple Apollo private equity funds, and many invested in one or more of our capital markets funds. We believe that our strong investor relationships facilitate the growth of our existing businesses and the successful launch of new businesses.

Raise Additional Investment Capital for our Current Businesses. We will continue to utilize our firm s reputation and track record to grow our AUM. Our funds capital raising activities benefit from our 18-year investment track record, the reputation of our firm and investment professionals, our access to public markets through AIC and AAA and our strong relationships with our investors.

Expand Into New Investment Strategies, Markets and Businesses. We intend to grow our businesses through the targeted development of new investment strategies that we believe are complementary to our existing businesses. In addition, we expect to continue expanding into new businesses, possibly through strategic acquisitions of other investment management companies or other strategic initiatives.

Take Advantage of the Benefits of Being a Public Company. We believe that being a public company will help us grow our AUM and revenues. We believe that fund investors will increasingly prefer to trust their capital to publicly traded asset managers because of the corporate-governance and disclosure requirements that apply to such managers, as well as the more efficient succession-planning and reduced key man risk that we believe result from becoming a public company. We also believe that we can utilize our currency as a public company to broaden our industry verticals and capital markets products and expand into new product offerings and strategies.

Fundraising and Investor Relations

Commitment to our fund investors is a high priority, and 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 and credit-oriented capital markets 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 comprises investors from prior funds as well as 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 90% of Fund V s capital committed to the new fund. The single largest unaffiliated investor represents only 6% of Fund VI 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 provide quarterly reports to our fund investors detailing recent performance by investment, and we organize an annual meeting for our private equity investors that consists of detailed presentations by the senior management teams of many of our current investments. From time to time, we also hold meetings for the advisory board members of our private equity funds.

AAA is an important component of our business strategy, as it has allowed us to quickly target attractive investment opportunities by capitalizing new investment vehicles formed by Apollo in advance of a lengthier third party fundraising process. In particular, we have used AAA capital to seed AIE, SVF, AAOF and EPF. The common units of AAA are listed on Euronext Amsterdam, and AAA complies with the reporting requirements of that exchange. AAA has provided monthly information and quarterly reports to, and hosted conference calls with, our AAA investors.

In our credit-oriented capital markets business, we have raised capital from prominent institutional investors, similar to our private equity business, and have also raised capital from public market investors, as in the case of AIC. AIC provides quarterly reports to, and hosts conference calls with, investors that highlight investment activities. AIC is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that market.

Private Equity Investments

Apollo has a demonstrated ability to quickly adapt to changing market environments and to take advantage of market dislocations through its traditional and distressed buyout approach. In periods of strained financial liquidity and economic recession, we have made attractive private equity investments by buying distressed debt of quality franchise businesses, converting that debt to equity, growing value and ultimately monetizing the investment. We pay close attention to the cycles that industries experience and are opportunistic in making and exiting investments when the risk/reward profile is in our favor. We have successfully executed our industry-focused buyout strategy over time through three different types of buyouts: traditional, distressed and corporate partner buyouts.

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. Some of our recent widely recognized traditional buyout investments include Compass Minerals International in 2001, Nalco Investment Holdings and United Agri Products in 2003, Intelsat in 2004, Berry Plastics in 2006, Realogy and Claire s in 2007.

Distressed Buyouts

Over our 18-year history, approximately 30% of our private equity investments have involved distressed buyouts and debt. 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. Our investment professionals generate these distressed buyout opportunities based on their many years of experience in the debt markets, and as such they are generally proprietary in nature.

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We believe distressed buyouts 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. Some of our distressed buyout investments include Vail Resorts in 1991, Telemundo in 1992, SpectraSite in 2003 and Cablecom in 2003.

Corporate Partner Buyouts

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

Corporate partner buyouts typically have lower purchase multiples and a significant amount of downside protection, when compared with traditional buyouts. Downside protection can come in the form of seniority in the capital structure, a guaranteed minimum return from a creditworthy partner, or extensive governance provisions. Importantly, Apollo has often been able to use its position as a preferred security holder in several buyouts to weather difficult times in a portfolio company s lifecycle and to create significant value in investments that otherwise would have been impaired. Some of our recent corporate partner buyouts include Sirius Satellite Radio in 1998, Educate in 2000, AMC Entertainment in 2001 and Oceania Cruises in 2007.

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Our Recent Buyouts

The following table presents the 16 most recent buyouts made by our private equity funds as of December 31, 2007, except as otherwise indicated. All of the buyouts listed below were traditional buyouts, except for Oceania Cruises and Norwegian Cruise Lines.

Company	Year of Initial Investment	Industry	Region	Equity Invested (1)	Transaction Value (2)	Sole Financial Sponsor
Harrah s Entertainment (3)	2008	Gaming & Leisure	North America	1,325	29,900	No
Norwegian Cruise Line (3)	2008	Cruise	North America	791	3,880	Yes
Smart & Final	2007	Food Retail	North America	263	895	Yes
Noranda Aluminum	2007	Materials	North America	214	1,224	Yes
Countrywide	2007	Real Estate Services	Western Europe	292	1,877	Yes
Claire s	2007	Specialty Retail	North America	499	2,980	Yes
Prestige Cruise Holdings (4)	2007	Cruise	North America	830	1,833	Yes
Realogy	2007	Real Estate Services	North America	1,050	8,337	Yes
Jacuzzi Brands	2007	Building Products	North America	109	435	Yes
Verso Paper	2006	Paper Products	North America	261	1,475	Yes
Berry Plastics (5)	2006	Packaging	North America	346	2,369	Yes
Momentive Performance Materials	2006	Chemicals	North America	454	3,928	Yes
CEVA Logistics (6)	2006	Logistics	Western Europe	421	4,181	Yes
Rexnord (7)	2006	Diversified Industrial	North America	714	2,842	Yes
Hughes Telematics	2006	Satellite & Wireless	North America	75	75	Yes
SOURCECORP	2006	Business Services	North America	145	475	Yes
Totals				$ 7,789	$ 66,706	

(1) Fund VI investments include AAA co-investments.
(2) Combined debt and equity values plus transaction fees and expenses.
(3) Reflects investments made after December 31, 2007 based on their transaction equity amounts.
(4) In connection with its acquisition of Regent Seven Seas Cruises, Oceania Cruise Holdings, Inc. changed its name to Prestige Cruise Holdings, Inc. Prestige now owns both Oceania Cruises and Regent Seven Seas Cruises, which operate as independent brands under Prestige Cruise Holdings, Inc.
(5) Prior to the merger with Covalence.
(6) Includes add-on investment in EGL, Inc.
(7) Includes add-on investment in Zurn.

Building Value in Portfolio Companies

We are a hands-on investor and remain actively involved with the operations of each portfolio company for the duration of each investment. As a result of our organization around core industries, and our extensive network of executives and other industry participants, we are able to actively participate in building value. Following an investment, the deal team that executed the transaction focuses its role on functioning as a catalyst for business-transforming events and participates in all significant decisions to develop and support management in the execution of each portfolio company s business strategy. 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.

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 recognized exchange or through the private sale of the companies in which we have invested. 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 easily maximize value. We rigorously review the ongoing business plan for each portfolio company and determine if we believe we can continue to compound increases in equity value at acceptable rates of return. Generally, if we believe we can, we continue to hold and manage the investment and if we do not, we seek to exit. We also monitor the debt capital

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markets closely, which often times provides windows of opportunity to reduce risk in an investment by recouping a large portion of our investment through a leveraged recapitalization. We sponsored the IPOs of 12 of our portfolio companies from January 1, 2002 through December 31, 2007. We believe that a track record of successful IPOs facilitates access to the public markets in exiting fund investments.

Investment Process

We maintain a rigorous investment process and a comprehensive due diligence approach across all of our funds. We have developed polices 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. Each of our private equity and credit-oriented capital markets businesses contributes to and draws from what we refer to as our library of information and experience. This library includes market insight, management, industry consultant and banking contacts, as well as potential investment opportunities. 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 primary investment mandates, which are carefully considered in the allocation process.

Private Equity

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

- on-site visits;
- interviews with management, employees, customers and vendors of the potential portfolio company;
- research relating to the company s management, industry, markets, products and services, and competitors; and
- background checks.

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

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

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

AAA. Investment decisions on behalf of AAA are subject to investment policies and procedures that have been adopted by the board of directors of the managing general partner of AAA. Those policies and procedures provide that all AAA investments (except for temporary investments) must be reviewed and approved by the AAA investment committee. In addition, they provide that over time AAA will invest approximately 90% or more of its capital in Apollo funds and 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 investments do not need to be exited within fixed periods of time or in any specified manner. AAA is, however, required to exit any 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

Each of our capital markets funds maintains an investment process similar to that described above under Private Equity. Our capital markets investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments for our capital markets funds. 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, 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 accord 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 fund investment decision. The investment committee of each of our capital markets funds generally reviews the investment activity and performance of the relevant capital markets funds on a weekly basis.

The Historical Investment Performance of Our Funds

Below and elsewhere in this prospectus, we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments, and the general partners of which are not being contributed to us. The data for these funds are presented from the date indicated through July 13, 2007 and have not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

When considering the data presented in this prospectus, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares.

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

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

- our funds returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly or that favorable market conditions will continue; in recent months, for example, there have been several instances in which LBOs, including some of Apollo s, encountered difficulties in the financing process;

- the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of Funds VI and VII, which have little or no investment track record;

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

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

- our track record with respect to our capital markets funds is relatively short as compared to our private equity funds and six out of nine of our capital markets funds have commenced operations in the last eighteen months;

- 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 capital markets funds may generate lower returns during the period that they take to deploy their capital;

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated a 13% gross IRR and 10% net IRR since inception, while Fund V has generated a 71% gross IRR and 54% net IRR since inception. 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 applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests. See Risk Factors Risks Related to Our Businesses The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

Independent Valuation Firm

We are ultimately responsible for determining the fair value of our private equity fund portfolio investments on a quarterly basis in good faith. We have retained Duff & Phelps, LLC, an independent valuation firm, to provide third party valuation consulting services to the company which consist of certain limited procedures that the company identifies and requests them to perform. Upon completion of the limited procedures, Duff & Phelps, LLC assesses whether the fair value of those investments subjected to the limited procedures do not appear to be unreasonable. The limited procedures do not involve an audit, review compilation or any other form of examination or attestation under generally accepted auditing standards. In accordance with U.S. GAAP, an investment for which a market quotation is readily available will be valued using a market price for the investment as of the end of the applicable reporting period and an investment for which a market quotation is not readily available will be valued at the investment s fair value as of the end of the applicable reporting period as determined in good faith. While there is no single standard for determining fair value in good faith, the methodologies described below will generally be followed when fair value pricing is applied.

Historical Returns of Our Private Equity Funds

We calculate the aggregate realized value of a private equity fund s portfolio company investments based on the historical amount of the net cash and marketable securities actually distributed to fund investors from all of the fund s investments made from the date of the fund s formation through the valuation date. Such amounts do not give effect to the allocation of any realized returns to the fund s general partner pursuant to carried interest or the payment of any applicable management fees to the fund s investment advisor. Where the value of an investment is only partially realized, we classify the actual cash and other consideration distributed to fund investors as realized value, and we classify the balance of the value of the investment as unrealized and valued using the methodology described below.

We calculate the aggregate estimated unrealized value of a private equity fund by adding the individual estimated unrealized values of the fund s portfolio companies. We determine individual investment valuations using market prices where a market quotation is available for the investment or fair value pricing where a market quotation is not available for the investment. Fair value pricing represents an investment s fair value as determined by us in good faith. Market value represents a valuation of an investment derived from the last available closing sales price as of the valuation date. Market values that we derive from market quotations do not take into account various factors which may affect the value that may ultimately be realized in the future, such as the possible illiquidity associated with a large ownership position or a control premium.

There is no single standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. We determine the fair values of investments for which market quotations are not readily available based on the enterprise values at which we believe the portfolio companies could be sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale. These estimated unrealized values may not be realized for the amount provided.

Historical Returns of Our Capital Markets Funds

AIE and Distressed and Hedge Funds. In calculating the historical returns of our distressed and hedge funds, we generally value securities that are listed on a recognized exchange or a computerized quotation system and that are freely transferable at their last sales price on the relevant exchange or computerized quotation system on the date of determination or, if no sales occurred on such day, at the bid price (and if sold short at the asked price) on the consolidated tape at the close of business on such day. For AIE, the mid price is used. We value all other assets of the fund at fair value in a manner that we determine. We may change the foregoing valuation methods if we determine in good faith that such change is advisable to better reflect market conditions or activities. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the value of investments by AIE or our distressed and hedge funds may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

AIC. Since AIC is a public company, returns are derived by changes in the value of its stock and typically assumes reinvested dividends. That said, in calculating NAVs for AIC, investments for which market quotations are readily available are valued at such market quotations; debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by or under

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the direction of AIC s Board of Directors. Subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days are valued by an independent pricing service or at the mean between the bid and ask prices from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). With respect to certain private equity securities, each investment is valued by independent third party valuation firms using methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, AIC considers the pricing indicated by the external event to corroborate its private equity valuation. Because AIC expects that there is no readily available market value for many of the investments in AIC s portfolio, AIC expects to value such investments at fair value as determined in good faith by or under the direction of its Board of Directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of AIC s investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Investment Record

The following table summarizes the investment record for our private equity funds apart from AAA. All dollar amounts are in millions as of December 31, 2007, unless otherwise noted. See Terms Used in This Prospectus for the definitions of the terms multiple of invested capital, gross IRR and net IRR used in the table below.

			Value of Investments				Multiple of		
	Vintage Year	Committed Capital	Invested (1)	Realized (2)	Unrealized (3)	Total	Invested Capital	Gross IRR	Net IRR
Fund VI (4)	2006	$ 10,136	$ 4,653	$ 1,251	$ 4,849	$ 6,100	1.3	58%	42%
Fund V	2001	3,742	5,121	8,032	5,400	13,432	3.6	71	54
Fund IV	1998	3,600	3,480	4,794	2,078	6,872	2.0	13	10
Fund III	1995	1,500	1,499	2,591	46	2,637	1.8	18	11
Fund I, II & MAI (5)	1990/92	2,220	3,772	7,923		7,923	3.6	47	37
Total		$ 21,198	$ 18,525	$ 24,591	$ 12,373	$ 36,964	2.4(6)	40	29

(1) In respect of Fund V, Fund I and Fund II, includes capital representing the cost basis of disposed assets permitted under the applicable fund documents to be reinvested or recalled for investment rather than returned to the fund investors.
(2) Figures do not include estimated realizations or expected proceeds of $3.3 billion from sales of investments subsequent to December 31, 2007 for which there is an executed sales contract.
(3) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See Risk Factors Risks Related to Our Businesses Many of our funds invest in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities and Our funds may be forced to dispose of investments at a disadvantageous time for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.
(4) Fund VI had invested or committed to invest $8.5 billion.
(5) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. We do not differentiate between Fund I and Fund II investments for purposes of performance figures because they are not meaningful on a separate basis and do not demonstrate the progression of returns over time. In addition, MAI represents a mirrored investment account established to mirror Funds I and II for investments in debt securities.
(6) This figure represents an average of the multiples of invested capital for the funds included in the table.

Fees, Carried Interest, Redemption and Termination

Our revenues from the management of our funds consist primarily of our pro rata share, based on our equity interest in the Apollo Operating Group, of:

management fees, which are based on committed or invested capital (in the case of our private equity funds) and gross invested capital or fund net asset value (in the case of our capital markets funds);

carried interest based on the performance of our funds; and

transaction and advisory fees relating to the investments our private equity funds make.

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In addition, we earn management fees based on the adjusted assets (as defined below) of AAA and are entitled to a carried interest based on the realized gains on each co-investment made by AAA pursuant to a committed co-investment facility. We also earn incentive income from the underlying investments of AAA in our capital markets funds, calculated per the terms of the applicable funds. In addition, in respect of Artus we earn an investment advisory fee based on the sum of the average principal amount of the Portfolio Collateral and certain cash and cash equivalents held by the CLO.

We also receive investment income from the direct investment of capital in our funds in our capacity as general partner, which is described below under General Partner and Professionals Investments and Co-Investments General Partner Investments. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations for a more detailed description of our revenues.

A significant portion of our $40.3 billion AUM as of December 31, 2007 were long-term in nature. Our permanent capital vehicles (AAA, AIC and AIE) represented approximately 19.0% of our AUM.

We present our AUM as of December 31, 2007, throughout this prospectus. 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. Our AUM measure includes assets under management for which we charge either no or nominal fees. Some of the categories of assets on which we charge no or nominal management fees include: (i) the amount of unused credit facilities until such capital is drawn and invested, at which time management fees are charged and we are eligible to earn incentive income, (ii) capital commitments to our capital markets funds until such capital is called and invested, at which time management fees are charged and we are eligible to earn incentive income, and (iii) our principal investments in funds as well as investments in funds by our managing partners and employees on which we charge no or nominal fees throughout the investment.

At year end 2007, approximately $14.0 billion and $8.5 billion of private equity and capital markets AUM, respectively, represent fee generating assets. Fee generating assets are those on which we earn management fees. A significant portion of our private equity non-fee generating AUM at December 31, 2007 was related to our latest fund, Fund VII. We began receiving management fees effective January 1, 2008 on those assets and will record corresponding revenues beginning in the first quarter of 2008. The table below displays fee generating and non-fee generating AUM by segments as of December 31, 2007, 2006 and 2005.

Assets Under Management

Fee Generating/Non-Fee Generating

	December 31,		
	2007	**2006**	**2005**
		(dollars in million)	
Private equity	$ 30,237	$ 20,186	$ 18,734
Fee generating	14,039	13,502	3,223
Non-fee generating	16,198	6,684	15,511
Capital markets	10,118	4,392	2,463
Fee generating	8,502	3,941	1,958
Non-fee generating	1,616	451	505
Total assets under management	40,355	24,578	21,197
Fee generating	22,541	17,443	5,181
Non-fee generating	17,814	7,135	16,016

The estimated amount of principal investments in funds and investments in funds by our employees and certain individuals included in our AUM as of December 31, 2007 is approximately $972 million. In addition,

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with respect to our private equity funds we also charge no management fees on the fair value of our funds investments above the invested capital for such investments, although we generally are entitled to carried interest on these amounts when the investments are disposed of.

Overview of Fund Operations

Investors in our private 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. 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 certain 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, as described below under Redemption and Termination. Ownership interests in our private equity funds are not, however, subject to redemption prior to termination of the funds.

The processes by which our capital markets funds receive and invest capital vary by type of fund. AIC, for instance, raises capital by selling shares in the public markets. Our distressed and hedge funds sell shares, subscriptions for which are payable in full upon a fund s acceptance of an investor s subscription, via private placements. The investors in SOMA and EPF made a commitment to provide capital at the formation of such funds and deliver capital when called by us as investment opportunities become available. 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 and capital markets funds primarily through a partnership structure, in which limited partnerships organized by us accept commitments and/or funds for investment from investors. Funds are generally organized as limited partnerships with respect to private equity funds and other U.S. domiciled vehicles and limited partnership and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. Typically, each fund has an investment advisor affiliated with an advisor registered under the Advisers Act. Responsibility for the day-to-day operations of the funds is typically delegated to the funds respective investment advisors pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment advisor to the applicable funds, certain rights of termination in respect of our investment advisory agreements and, 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 do not register as investment companies under the Investment Company Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the Investment Company Act excepts from its registration requirements funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers or knowledgeable employees for purposes of the Investment Company Act. Section 3(c)(1) of the Investment Company Act excepts from its registration requirements privately placed funds whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the Investment Company Act exempts from registration any non-U.S. fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

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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. All decisions concerning the making, monitoring and disposing of investments are made by the general partner. 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 supermajority vote. In connection with the Offering Transactions, we have 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 will have the right to accelerate the dissolution date of the fund. In addition, the governing agreements of our private equity 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 in the event certain of our managing partners or partners do not devote the requisite time to managing the fund or in connection with certain Triggering Events (as defined below).

Management Fees

During the investment period, we earn semi-annual management fees from our private equity funds ranging from 1.0% to 1.5% per annum of the capital commitments of limited partners, other than designated management investors and certain other investors. Upon the earlier of the termination of the investment period for the relevant fund and the date as of which management fees begin to accrue with respect to a successor fund (the Management Fee Step Down Date), the percentage rates of the management fees are reduced to between 0.65% and 0.75% of the cost of unrealized portfolio investments. Private equity management fees are reduced by a percentage of any monitoring, consulting, investment banking, advisory, transaction, directors or break-up or similar fees paid to the fund s general partner, management company, principal partners (*i.e.*, those of our named partners who are principally responsible for the management of the fund) or any of their affiliates (Fund Special Fees). In the case of Funds IV, V, and VI this reduction applies only after deducting from Fund Special Fees the costs of unconsummated transactions borne by us. In Fund VII, such unconsummated transaction costs will be borne by Fund VII, but reimbursed to Fund VII by an offset against the management fee of Fund Special Fees in an amount up to the amount of such costs, and thereafter the management fee will be offset by the applicable percentage of Fund Special Fees. In the case of Funds VI and VII, management fees are also reduced by an amount equal to any organizational expenses (to the extent they exceed those that the fund is required to bear) and placement fees paid by the fund.

The Management Fee Step Down Date has already occurred with respect to Funds IV, V and VI and the percentage rates of their management fees have been reduced. Fund VII will transition from the investment period rate to the post Management Fee Step Down Date rate upon the earliest of (i) August 30, 2013, (ii) the permanent termination, pursuant to certain provisions of the Fund VII partnership agreement, of the Fund VII investment period, and (iii) the date as of which management fees begin to accrue that are payable by another pooled investment vehicle with investment objectives and policies substantially similar to those of Fund VII and formed by us or by Fund VII s principal partners.

Management fees for AAA range between 1.0% and 1.25% of AAA s invested capital plus its cumulative distributable earnings at the end of each quarterly period (taking into account actual distributions but without taking into account the management period fee relating to the period or any non-cash equity compensation expense), net of any amount AAA pays for the repurchase of limited partner interests, as well as capital invested in Apollo funds and temporary investments and any distributable earnings attributable thereto. There are no reductions to the AAA management fees.

Management fees for our capital markets funds generally range between 1.5% and 2.0% per annum of the applicable fund s average gross assets under management or net asset value and are paid on a monthly or quarterly basis, depending on the fund. Unlike our private equity funds, which have fixed, limited lives, our capital markets funds have unlimited lives, so there is no investment period or mandatory reduction in the percentage charged over time. There are also no reductions for financial consulting, advisory, transactions, directors or break-up fees, although such fees are not typically charged in respect of our capital markets investments.

Transaction Fees

We receive transaction fees in connection with many of the acquisitions and dispositions made by our private equity funds and by AAA in its co-investments alongside our private equity funds. These fees are generally calculated as a percentage of the total enterprise value of the entity acquired or sold. Except in the case of AAA, discussed above, a specified percentage of these fees reduce our management fees.

We generally do not receive transaction fees in connection with the investments of our capital markets funds.

Advisory Fees

We receive advisory fees for consulting services that we perform for our private equity funds portfolio companies. The fees vary between portfolio companies and for certain portfolio companies, the fees are dependent on EBITDA.

Except as related to Artus for which we receive advisory fees, we generally do not receive advisory fees in connection with investments of our capital markets funds.

Carried Interest

Carried interest for our private equity and capital markets funds entitles us to an allocation of a portion of the income and gains from that fund and is as much as 20% of the cash received from the disposition of a portfolio investment or dividends, interest income or other items of ordinary income received from a portfolio investment or the value of securities distributed in kind, after deducting the capital contributions, organizational expenses, operating expense and management fees in respect of any realized investments. In the case of each of our private equity funds, the carried interest is subject to annual preferred return for limited partners of 8%, subject to a catch-up allocation to us thereafter. Carried interest is distributed upon the disposition of a portfolio investment. With respect to dividends, interest income and ordinary income received from a portfolio investment, carried interest is distributed no later than a specified period after the end of a fiscal year of the relevant fund.

Carried interest for our capital markets funds is as much as 20% of either the fund s income and gain or the yearly appreciation of the fund s net asset value. The general partners of our capital markets funds accrue incentive income on both realized and unrealized gains, subject to any applicable hurdles and high-water marks. Currently, only our mezzanine funds are subject to a preferred return. Most of our capital markets funds do not have clawback provisions.

If, upon the final distribution of any of our private equity funds, 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, the general partner will return the excess amount of incentive income it received to the limited partners up to the amount of carried interest it has received less taxes on that carried interest. We refer to such provisions as clawback provisions. An escrow account is required to be maintained, such that upon each distribution, if the fair value of unrealized investments (plus any amounts already in the escrow accounts) is not equal to 115% of the cost of the unrealized investments plus allocable expenses and management fees, the general partner will place the portion of its carried interest into such escrow account as is necessary for the value of the account, together with the fair value of the unrealized investments, to equal 115% of the cost of the unrealized

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investments plus allocable expenses and management fees. As of December 31, 2007, based on the performance of Funds IV, V and VI, none of the general partners of those funds had a clawback obligation. In Funds IV, V, VI and VII, the clawback obligation is guaranteed by the partners of the fund s general partners. In addition, the Managing Partner Shareholders Agreement contains our agreement to indemnify each of our managing partners and contributing partners against all amounts that they pay pursuant to current and future personal guarantees of general partner clawback obligations.

Our carried interest from AAA entitles us to 20% of the realized gains from each co-investment made by AAA pursuant to a committed co-investment facility (such as its agreement with Fund VI) after its capital contributions in respect of realized investments made pursuant to that committed co-investment facility have been recovered, subject (in the case of AAA s co-investment with Fund VI) to a preferred return of 8%, with a catch-up allocation to us thereafter. It is anticipated that there will be no similar preferred return requirement in respect of AAA s co-investment with Fund VII, subject to the approval of AAA s investment committee. Distributions in respect of our carried interest in investments made pursuant to AAA co-investment facilities are made as investments are realized. We are also allocated 20% of the realized gains on AAA s opportunistic investments (meaning ones that are not temporary, a co-investment with a private equity fund or a direct investment in an Apollo fund), with no preferred return and no netting for costs.

Redemption and Termination

Our mezzanine funds, AIC and AIE (including AAA s investments in AIE), with a combined total of $5.1 billion of AUM as of December 31, 2007, are not subject to mandatory termination and do not permit investors to withdraw capital through redemptions. We refer to AIC, AIE and AAA as our permanent capital vehicles. Our other funds are subject to termination or redemption as described below.

Private Equity Funds. Our private equity funds, with a combined total of $30.2 billion of AUM as of December 31, 2007 (including a portion of the AAA co-investment with Fund VI), generally terminate 10 years after the last date on which a limited partner purchased an interest in the fund, subject to extension for up to two years if certain consents of the limited partners or the fund s advisory board are obtained. However, termination can be accelerated:

- six years after the applicable fund s general partner or advisory board gives written notice to the fund s limited partners that the requisite number of key persons have failed to devote the requisite time to the management of the fund, if at a specified number of days after such notice the limited partners holding a specified percentage of the limited partner interests entitled to vote fail to elect to continue the investment period, subject to extension for up to two years with the same consents as are required to extend the fund at the end of its scheduled 10-year term;

- upon a disabling event (as defined below), unless within 90 days after such disabling event, a majority of the limited partner interests entitled to vote agree in writing to continue the business of the fund and to the appointment of another general partner;

- upon the affirmative vote of a simple majority in interest of the total limited partner interests entitled to vote (without giving effect to the anticipated amendments to these provisions in connection with our deconsolidation of certain funds);

- except in the case of Fund VII, upon the affirmative vote of 50% to 66.6% of the total limited partner interests entitled to vote, upon the occurrence of a triggering event (as defined below) with respect to the fund s general partner or management company, or some specified number of the fund s key persons;

- after the commitment period, upon a good faith determination by the general partner of the applicable fund that the fund has disposed of substantially all of its portfolio investments;

- in the discretion of the general partner of the applicable fund to address certain circumstances where the continued participation in the fund by certain limited partners would violate law or have certain adverse consequences for such limited partner or the fund;

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the entry of a decree of judicial dissolution under Delaware partnership law; or

any time there are no limited partners, unless the business of the applicable fund is continued in accordance with Delaware partnership law.

Disabling event means (i) the occurrence of an event set forth in Section 17-402 of the Delaware Revised Uniform Limited Partnership Act, which include the withdrawal of the applicable fund s general partner, the assignment of the general partner s interest, the general partner s removal under the applicable fund s limited partnership agreement and certain events of bankruptcy, reorganization or dissolution relating to the general partner, and (ii) in the case of one of our private equity funds, the termination of the investment period by the limited partner in connection with a Triggering Event. With respect to the general partner or management company of the fund, a Triggering Event generally means with respect to any person, the criminal conviction of, or admission by consent (including a plea of no contest or, in the case of certain of our private equity funds, consent to a permanent injunction prohibiting future violations of the federal securities laws) of such person to a material violation of federal securities law, or any rule or regulation promulgated thereunder or any other criminal statute involving a material breach of fiduciary duty; or the conviction of such person of a felony under any federal or state statute; or the commission by such person of an action, or the omission by such person to take an action, if such commission or omission constitutes bad faith, gross negligence, willful misconduct, fraud or willful or reckless disregard for such person s duties to the applicable fund or its limited partners; or the obtaining by such person of any material improper personal benefit as a result of its breach of any covenant, agreement or representation and warranty contained in the applicable partnership agreement or the subscription agreement between the applicable fund and its limited partners.

Capital Markets Funds. Equity interests issued by SVF, VIF and AAOF may be redeemed at the option of the holder on a quarterly or annual basis after satisfying the applicable minimum holding period requirement (ranging from 12 months to 60 months depending on the particular fund and class of interest). Certain classes of interests in certain funds provide for the imposition of redemption charges at declining rates for interests redeemed on any of the first four quarterly redemption dates from the expiration of the minimum holding period requirement (ranging from 1% to 6% of gross redemption proceeds, depending on the terms of the applicable fund and class). Aggregate redemptions on any redemption date may be limited by a gating restriction to a maximum of 25% of net assets. An investor s allocable share of certain investments designated as special investments generally is not eligible for redemption until the occurrence of a realization or liquidity event with respect to the underlying investment. Holders of a majority of the outstanding equity interests in each fund also have the right to accelerate the liquidation date of the fund.

The investor in SOMA may elect to withdraw its capital as of January 31 of each year, commencing January 31, 2010. We have the right to terminate SOMA at any time. In addition, SOMA will dissolve automatically upon the occurrence of certain events that result in the general partner ceasing to serve or to be able to serve in that capacity (such as bankruptcy, insolvency or withdrawal) unless the investor elects to continue SOMA and to appoint a new general partner.

Under the terms of its current partnership agreement, EPF can be terminated upon the determination of a majority in interest of the unaffiliated limited partners. Under the terms of their respective partnership agreements, each of Artus and ACLF can be terminated only upon the determination of its general partner; however, a majority in interest of its unaffiliated investors may remove the general partner at any time with or without cause.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies and general partners of the private equity and capital markets funds, are committed to contribute to those funds. As of December 31, 2007, we have unfunded capital commitments of $20.5 million to the funds.

Under the services agreement between AAA and one of our subsidiaries, we are obligated to reinvest into common units (which may be in the form of restricted depositary units) or other equity interests of AAA, on a quarterly basis, 25% of the aggregate after tax distributions, if any, that the Apollo Operating Group entity receives in respect of carried interests allocable to investments made by AAA, including co-investments with Fund VI and Fund VII. Accordingly, we expect to periodically acquire newly issued common units of AAA (which may be in the form of restricted depositary units) in connection with AAA s investments in our funds. Such common units will be subject to a three-year lockup period.

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. We have not historically charged management fees on capital invested by our managing partners and other professionals directly in our private equity and certain of our capital markets funds or management fees and incentive income with respect to capital invested in certain of our capital markets funds. In Fund VII, such investments by our partners and other professionals will not be subject to management fees or carried interest. Our managing partners and other professionals are not contributing the investments made in their personal capacity in our funds, or as co-investments.

Co-Investments

Investors in many of our funds as well as other investors may receive 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 acquired by the applicable fund.

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. 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.

In addition, AIC has elected to be treated as a business development company under the Investment Company Act. AIC and the entity that serves as AIC s investment advisor is subject to the Investment Advisers Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment advisor and prohibit or severely restrict principal transactions and joint transactions.

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.

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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 and Administrative Officer supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, 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.

As an element of our platform, 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 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. We could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event our ability to operate as an integrated platform will be restricted.

Competition

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

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

- investment performance;
- investor perception of investment managers drive, focus and alignment of interest;
- quality of service provided to and duration of relationship with investors;
- business reputation; and
- the level of fees and expenses charged for services.

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

In addition, private equity and capital markets 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

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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 Risk Factors Risks Related to Our Businesses The investment management business is intensely competitive, which could materially adversely impact us.

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

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, London, Los Angeles, Singapore, Frankfurt and Paris. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our employees. As of December 31, 2007, we employed 276 people, including our 47 partners and 229 other employees. We strive to attract and retain the best talent in the industry.

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Our Partners

Set forth below are the names, ages, numbers of years with Apollo, number of years in the financial services industry and area of operation of each of our partners.

Name	Age	Years with Apollo	Years in Industry
Executive Officers			
Leon Black	56	18	30
Joshua Harris	43	18	21
Marc Rowan	45	18	23
Kenneth Vecchione	53	<1	30
Barry Giarraputo	44	1	22
John Suydam	48	2	23
Private Equity			
Andrew Africk	41	15	16
Jean-Luc Allavena	44	1	11
Marc Becker	35	11	14
Dan Bellissimo	34	1	10
Laurence Berg	41	15	20
Mintoo Bhandari	42	1	16
Michael Block	38	6	14
Anthony Civale	33	9	12
Michael Cohen	31	7	10
Peter Copses	49	17	21
Stephanie Drescher	34	3	13
Robert Falk	69	15	35
Damian Giangiacomo	31	7	10
Andrew Jhawar	36	8	13
Scott Kleinman	35	12	14
Lukas Kolff	34	1	11
Gernot Lohr	38	<1	14
Michael Lu	33	1	9
Steve Martinez	39	7	13
Lance Milken	32	9	10
Stan Parker	32	7	9
Eric Press	42	9	17
Ali Rashid	31	3	8
Robert Seminara	36	5	14
Aaron Stone	35	10	13
Gareth Turner	44	2	20
Jordan Zaken	33	8	11
Eric Zinterhofer	36	9	13
Capital Markets			
David Abrams	41	<1	18
José Briones	37	1	15
Robert Burdick	45	<1	20
Matthew Constantino	35	5	10
Patrick Dalton	39	3	18
John Fitzgerald	41	1	19
John Hannan	55	17	29
Abraham Katz	36	3	14
Narayanan Girish Kumar	41	1	18
Justin Sendak	39	<1	18

Edward Tam	38	3	15
Chin Hwee Tan	36	1	12
James Zelter	45	1	22

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MANAGEMENT

Our Manager

Our operating agreement provides that so long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. Pursuant to a delegation of authority from our manager, which may be revoked, our board of directors will establish and maintain audit and conflicts committees of the board of directors that has the responsibilities described below under Committees of the Board of Directors Audit Committee and Conflicts Committee.

Decisions by our manager are made by its executive committee, which is composed of our three managing partners. Each managing partner will remain on the executive committee for so long as he is employed by us, provided that Mr. Black, upon his retirement, may at his option remain on the executive committee until his death or disability or any commission of an act that would constitute cause if Mr. Black had still been employed by us. Actions by the executive committee are determined by majority vote of its members, except as to the following matters, as to which Mr. Black will have the right of veto: (i) the designations of directors to our board, or (ii) a sale or other disposition of the Apollo Operating Group and/or its subsidiaries or any portion thereof, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party (other than through an exchange of Apollo Operating Group units and interests in our Class B share for Class A shares, transfers by a founder or a permitted transferee to another permitted transferee, or the issuance of bona fide equity incentives to any of our non-founder employees) that constitutes (x) a direct or indirect sale of a ratable interest (or substantially ratable interest) in each entity that constitutes the Apollo Operating Group or (y) a sale of all or substantially all of the assets of Apollo. Exchanges of Apollo Operating Group units for Class A shares that are not pro rata among our managing partners or in which each managing partner has the option not to participate are not subject to Mr. Black s right of veto.

Subject to limited exceptions described in our operating agreement, our manager may not sell, exchange or otherwise dispose of all or substantially all of our assets and those of our subsidiaries, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the aggregate number of voting shares outstanding; provided, however, that this does not preclude or limit our manager s ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets and those of our subsidiaries (including for the benefit of persons other than us or our subsidiaries, including affiliates of our manager).

We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. This agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Directors and Executive Officers

The following table sets forth certain information about our directors and executive officers. Each of our executive officers serves at the pleasure of our manager, subject to rights under any employment agreement. See Employment, Non-Competition and Non-Solicitation Agreements with Managing Partners. Under our operating agreement, our board of directors has authority to act only when such authority is delegated to it by our manager or the Apollo control condition is not satisfied. See Description of Shares Operating Agreement for a more detailed description of the terms of our operating agreement.

For so long as the Apollo control condition is satisfied, our manager shall (i) nominate and elect all directors to our board of directors, (ii) set the number of directors of our board of directors and (iii) fill any vacancies on our board of directors. Our manager has nominated and elected our initial board of directors. After the Apollo condition is no longer satisfied, each of our directors will be elected by the vote of a plurality of our shares entitled to vote, voting as a single class, to serve until his or her successor is duly elected or appointed and qualified or until his or her earlier death, retirement, disqualification, resignation or removal. Our board currently consists of three members.

For so long as the Apollo control condition is satisfied, our manager may remove any director, with or without cause, at anytime. After such condition is no longer satisfied, a director or the entire board of directors may be removed by the affirmative vote of holders of 50% or more of the total voting power of our shares.

Upon listing of our Class A shares on the NYSE, our manager will appoint at least two additional directors who are independent within the criteria established by the NYSE for independent board members. Following these appointments, we expect that our board of directors will consist of at least five directors. Prior to the listing of our Class A shares on the NYSE, our manager is not required by the terms of our operating agreement or otherwise to appoint any independent directors or use the criteria established by the NYSE for independent board members. After such listing, if completed, our manager will be required to establish an audit committee comprised of independent directors using the NYSE criteria, as described below under Committee of the Board of Directors Audit Committee.

Name	Age	Position(s)
Leon Black	56	Chairman, Chief Executive Officer and Director
Joshua Harris	43	President and Director
Marc Rowan	45	Senior Managing Director and Director
Kenneth Vecchione	53	Chief Financial Officer
Barry Giarraputo	44	Chief Accounting Officer
John Suydam	48	Chief Legal and Administrative Officer

Leon Black. In 1990, Mr. Black founded Apollo Management, L.P. and Lion Advisors, L.P. to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts, and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as managing director, head of the Mergers & Acquisitions Group and co-head of the Corporate Finance Department. Mr. Black serves on the boards of directors of United Rentals, Inc., Sirius Satellite Radio, Inc. and the general partner of AAA. Mr. Black is a trustee of Dartmouth College, The Museum of Modern Art, Mount Sinai Hospital, The Metropolitan Museum of Art, Prep for Prep, and The Asia Society. He is also a member of The Council on Foreign Relations, The Partnership for New York City and the National Advisory Board of JPMorganChase. He is also a member of the boards of directors of FasterCures and the Port Authority Task Force. Mr. Black graduated summa cum laude from Dartmouth College in 1973 with a major in Philosophy and History and received an MBA from Harvard Business School in 1975.

Joshua Harris. Mr. Harris co-founded Apollo Management, L.P. in 1990. Prior to that time, Mr. Harris was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated. Mr. Harris currently serves on the boards of directors of the general partner of AAA, Berry Plastics Corporation, CEVA Logistics, Hexion Specialty Chemicals, Inc., Metals USA, Momentive Corporation, Noranda Corporation, and Verso Paper Holdings. Mr. Harris has previously served on the boards of directors of Nalco Company, Allied Waste Industries, Inc., Pacer International, Inc., General Nutrition Centers, Inc., Furniture Brands International, Compass Minerals Group, Inc., Alliance Imaging, Inc., NRT Inc., Covalence Specialty Materials Corp., United Agri Products, Inc., Quality Distribution, Inc. and Whitmire Distribution Corp. Mr. Harris is actively involved in charitable and political organizations. He is a member and serves on the Corporate Affairs Committee of the Council on Foreign Relations. Mr. Harris serves as a member of the Department of Medicine Advisory Board for The Mount Sinai Medical Center and is a member of the University of Pennsylvania s Wharton Undergraduate Executive Board. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania s Wharton School of Business with a BS in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

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Marc Rowan. Mr. Rowan co-founded Apollo Management, L.P. in 1990. Prior to that time, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of directors of the general partner of AAA, Harrah s Entertainment, Inc., Norwegian Cruise Lines and Mobile Satellite Ventures. He has previously served on the boards of directors of AMC Entertainment, Inc., Culligan Water Technologies, Inc., Furniture Brands International, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc. Mr. Rowan is also active in charitable activities. He is a founding member and serves on the executive committee of the Youth Renewal Fund and is a member of the boards of directors of the National Jewish Outreach Program, Riverdale Country School and the Undergraduate Executive Board of the University of Pennsylvania s Wharton School of Business. Mr. Rowan graduated summa cum laude from the University of Pennsylvania s Wharton School of Business with a BS and an MBA in Finance.

Kenneth Vecchione. Mr. Vecchione joined Apollo in 2007. From 2004 to 2006, Mr. Vecchione was Vice-Chairman and Chief Financial Officer of MBNA Corporation. Mr. Vecchione joined MBNA America Bank in 1998 as Division Head of Finance and in 2000, he became Chief Financial Officer and Director of MBNA America Bank N.A., and served on both the Executive and Management Committees. From 1997 to 1998, Mr. Vecchione served as Chief Financial Officer of AT&T Universal Card Services. From 1994 to 1997, Mr. Vecchione served as Chief Financial Officer and Group President of First Data Corporation s Electronic Funds Management business. Prior to joining First Data, Mr. Vecchione worked at Citigroup for 17 years, where he was Chief Financial Officer of their credit card business. Mr. Vecchione is a board member and Chairman of the Audit Committee for Affinion Group. Mr. Vecchione is also a board member and Chairman of the Finance and Audit Committee of International Securities Exchange. He is also a board member and Chairman of the Finance and Investment Committee of Western Alliance Bancorporation (NYSE: WAL). He holds a B.S. in Accounting from the University of New York at Albany.

Barry Giarraputo. Mr. Giarraputo joined Apollo in 2006. Prior to that time, Mr. Giarraputo was a Senior Managing Director at Bear Stearns & Co. where he served in a variety of finance roles over nine years. Previous to that, Mr. Giarraputo was with the accounting and auditing firm of PricewaterhouseCoopers LLP for 12 years where he was a member of the firm s Audit and Business Services Group and was responsible for a number of capital markets clients including broker-dealers, money-center banks, domestic investment companies and offshore hedge funds and related service providers. Mr. Giarraputo has also served as an Adjunct Professor of Accounting at Baruch College where he graduated cum laude in 1985 with a BBA in Accountancy.

John Suydam. Mr. Suydam joined Apollo in 2006. From 2002 through 2006, Mr. Suydam was a partner at O Melveny & Myers LLP, where he served as head of Mergers & Acquisitions and co-head of the Corporate Department. Prior to that, Mr. Suydam served as chairman of the law firm O Sullivan, LLP which specialized in representing private equity investors. Mr. Suydam serves on the boards of directors of the Big Apple Circus and Quality Distribution. Mr. Suydam received his JD from New York University and graduated magna cum laude with a BA in History from the State University of New York at Albany.

Management Approach

Throughout our history as a privately owned firm, we have had a management structure involving strong central control by our three managing partners, Messrs. Black, Harris and Rowan. We believe that this management structure has been a meaningful reason why we have achieved significant growth and successful performance in all of our businesses.

Moreover, as a privately owned firm, Apollo has always been managed with a perspective of achieving successful growth over the long term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our funds, our management has consistently sought to focus on the best way to grow our businesses and investments over a period of many years and has paid little regard to their short-term impact on revenue, net income or cash flow.

We intend to continue to employ our current management structure with strong central control by our managing partners and to maintain our focus on achieving successful growth over the long term. This desire to preserve our existing management structure is one of the principal reasons why upon the listing of our Class A shares on the NYSE, if achieved, we have decided to avail ourselves of the controlled company exception from certain of the NYSE governance rules, which eliminates the requirements that we have a majority of independent directors on our board of directors and that we have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. It is also the reason that the managing partners chose to have a manager that manages all our operations and activities, with only limited powers retained by the board of directors, so long as the Apollo control condition is satisfied.

Limited Powers of Our Board of Directors

As noted, so long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities, and our board of directors will have no authority other than that which our manager chooses to delegate to it. Our manager has delegated to an audit committee of our board of directors the functions described below under Committees of the Board of Directors Audit Committee and to a conflicts committee the functions described below under Committees of the Board of Directors Conflicts Committee. In the event that the Apollo control condition is not satisfied, our board of directors will manage all of our operations and activities.

Pursuant to a delegation of authority from our manager, which may be revoked, our board of directors has established and at all times will maintain audit and conflicts committees of the board of directors that have the responsibilities described below under Committees of the Board of Directors Audit Committee and Conflicts Committee.

Where action is required or permitted to be taken by our board of directors or a committee thereof, a majority of the directors or committee members present at any meeting of our board of directors or any committee thereof at which there is a quorum shall be the act of our board or such committee, as the case may be. Our board of directors or any committee thereof may also act by unanimous written consent.

Under the Agreement Among Managing Partners, the vote of a majority of the independent members of our board will decide the following: (i) in the event that a vacancy exists on the executive committee of our managers and the remaining members of the executive committee cannot agree on a replacement, the independent members of our board shall select one of the two nominees to the executive committee of our manager presented to them by the remaining members of such executive committee to fill the vacancy on such executive committee and (ii) in the event that at any time after December 31, 2009, Mr. Black wishes to exercise his ability to cause (x) the direct or indirect sale of a ratable interest (or substantially ratable interest) in each Apollo Operating Group entity, or (y) a sale of all or substantially all of our assets, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party. We are not a party to the Agreement Among Managing Partners, and neither we nor our shareholders (other than our Strategic Investors, as set forth under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Shareholders Restrictions) have any right to enforce the provisions described above. Such provisions can be amended or waived upon agreement of our managing partners at any time.

Committees of the Board of Directors

We have established an audit committee as well as a conflicts committee. Our audit committee has adopted a charter that complies with current federal and NYSE rules relating to corporate governance matters. Our board of directors may from time to time establish other committees of our board of directors.

Audit Committee

The purpose of the audit committee is to assist our manager in overseeing and monitoring (i) the quality and integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our

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independent registered public accounting firm s qualifications and independence and (iv) the performance of our independent registered public accounting firm. Our manager intends, on or prior to the planned listing of our Class A shares on the NYSE, to cause the members of the audit committee to meet the independence standards for service on an audit committee of a board of directors pursuant to federal securities regulations and NYSE rules relating to corporate governance matters. These rules require that we have one independent member of the audit committee at the time our Class A shares are listed on the NYSE, a majority of independent members within 90 days of listing and a fully independent committee within one year. Pending appointment of independent directors to our audit committee, it comprises Messrs. Black and Harris.

Conflicts Committee

The purpose of the conflicts committee is to review specific matters that our manager believes may involve conflicts of interest. The conflicts committee will determine whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties that we may owe to our shareholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under Certain Relationships and Related Party Transactions Statement of Policy Regarding Transactions with Related Persons, and may establish guidelines or rules to cover specific categories of transactions.

Lack of Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee. Our managing partners have historically made all final determinations regarding executive officer compensation. Our manager has determined that maintaining our existing compensation practices as closely as possible is desirable and intends that these practices will continue. Accordingly, our manager does not intend to establish a compensation committee of our board of directors. For a description of certain transactions between us and our managing partners see Certain Relationships and Related Party Transactions.

Executive Compensation

Compensation Discussion and Analysis

Overview of Compensation Philosophy

Historically, our principal compensation philosophy has been to align the interests of our managing partners, contributing partners, and other senior professionals with those of our fund investors. That alignment has been principally achieved by our managing partners direct ownership of the Apollo Operating Group, our contributing partners ownership of rights to receive a portion of the management fees and incentive income earned for management of our funds, and the direct investment by both our managing partners and our contributing partners in our funds.

We believe that this philosophy of seeking to align the interests of our managing partners, contributing partners and other senior professionals with those of our fund investors has been a key contributor to our growth and successful performance. Accordingly, we seek to retain the culture we have developed as a privately owned firm by having primarily performance-based compensation for our managing partners, contributing partners, and other professionals. Our managing partners and contributing partners retain personal investments in our funds (as more fully described under Certain Relationships and Related Party Transactions), directly or indirectly, and we continue to encourage our managing partners, contributing partners and other professionals to invest their own capital in and alongside our funds. Our partners (other than our managing partners) retain a portion of their points in our funds and, in regard to future funds, will generally continue to receive allocations of points.

Following the Reorganization, our compensation practices reflect the complementary goal of aligning the interests of our managing partners, contributing partners, executive officers, and other senior professionals and other personnel with those of our Class A shareholders. We believe ownership by our managing partners and contributing partners of significant amounts of equity in our businesses in the form of their Apollo Operating Group units affords significant alignment with our Class A shareholders. In addition, our investment professionals have been issued rights to receive Class A shares. In connection with the Reorganization, each of the managing partners exchanged existing interests in our funds (excluding certain of his investments in our funds) for pecuniary interests in Apollo Operating Group units, which interests are subject to a five- or six-year vesting schedule from and after January 1, 2007. Ownership of Apollo Operating Group units by our managing partners and contributing partners, and of Class A shares by our professionals, further aligns their interests with our fund investors and shareholders because of their substantial dependence on performance-based incentive income tied to the performance of our funds. Consistent with this philosophy, compensation elements tied to the profitability of our different businesses and that of the investment funds that we manage are the primary means of compensating our six executive officers listed in the tables below (named executive officers).

Compensation Elements for Named Executive Officers

The key elements of the compensation of our named executive officers following the Reorganization are as follows. Apart from base salary, compensation of our named executive officers continues to be based primarily on the performance of our underlying funds and fee-generating businesses.

Annual Salary. Each of our named executive officers receives an annual salary. Prior to the Reorganization, our managing partners did not receive an annual salary. Pursuant to their employment, non-competition and non-solicitation agreements entered into in connection with the Reorganization (discussed below), each managing partner now receives a base salary of $100,000 per year. After the expiration of the terms of their employment agreements, compensation for our managing partners will be determined by our manager, if the Apollo control condition is then satisfied, or otherwise by our board of directors. We expect to re-examine the $100,000 salary as we approach the end of the five-year terms of the employment agreements. We believe that having our managing partners compensation (other than their salary) solely based on their ownership of a significant amount of our equity in the form of Apollo Operating Group Units beneficially aligns their interests with those of our shareholders and the investors in our funds. The base salaries of our named executive officers other than our managing partners are set forth in the Summary Compensation Table below, and those base salaries were determined after considering those officers historic compensation, their level of responsibility, their contributions to our overall success, and discussions between the officers and our managing partners.

Distributions on Apollo Operating Group units. None of our managing partners receives a cash bonus. Instead, their earnings above their base salaries are based solely on the distributions they receive on the Apollo Operating Group units that they beneficially own, in the same amount per unit as distributions are made to us in respect of the Apollo Operating Group units we hold, creating an alignment of interest with our Class A shareholders that is consistent with our fundamental philosophy.

Annual Bonus. Each of our named executive officers (other than our managing partners) is eligible to receive an annual bonus at the discretion of our managing partners, except that Barry J. Giarraputo and Kenneth A. Vecchione are entitled to minimum annual bonuses for 2007 and 2008 pursuant to their employment, non-competition and non-solicitation agreements (discussed below). For services performed in 2007, the annual bonuses were paid in cash except for Mr. Suydam, for whom a portion of his 2007 bonus was paid in the form of AAA incentive units, described below. The cash portion of the annual bonuses is customarily paid in December of the year with respect to which it is earned. From time to time we may also pay special discretionary bonuses due to contributions on a particular project or for outstanding performance.

Carried Interest. Our managing partners participate in the carried interests of the general partners of our underlying private equity investment funds indirectly, through their ownership of Apollo Operating Group units. Mr. Suydam has been allocated carry points directly in the general partner of two of our private equity funds. We believe this fosters an alignment of interests with the investors in those funds and therefore benefits our shareholders. Following the Reorganization, for purposes of our financial statements, we are treating as compensation the income allocated to Mr. Suydam due to his ownership interests in the general partners of certain of our funds. Accordingly, we are reflecting such income as compensation in the summary compensation table below in accordance with applicable SEC rules. For our funds, subject to vesting as described below, carried interest distributions are generally made to the executive officer following the realization of the investment. Such distributions are subject to a clawback obligation related to the fund. The actual gross amount of carried interest allocations available is a function of the performance of our funds. Participation in carried interest generated by our funds for Mr. Suydam is subject to vesting. Mr. Suydam vests in the carried interest related to a fund in monthly installments over five years (unless an investment by such fund is realized prior to the expiration of such five-year period, in which case he is deemed 100% vested in the proceeds of such realizations). We believe that vesting of carried interest promotes stability and encourages sustained contributions to the success of our firm.

Determination of Compensation

Our managing partners have historically made all final determinations regarding named executive officer compensation based, in part, on recommendations from senior management. Our manager has determined that maintaining as closely as possible our historical compensation practices following the Reorganization is desirable and is continuing these practices. Decisions about a named executive officer s cash bonus, grant of equity awards, and percentage of his participation in carried interest are based primarily on our managing partners assessment of such named executive officer s individual performance, operational performance for the division in which the officer serves, and the officer s impact on our overall operating performance and potential to contribute to the returns of investors in our funds and to long-term shareholder value. In evaluating these factors, our managing partners do not utilize quantitative performance targets but rather rely upon their judgment about each named executive officer s performance to determine an appropriate reward for the current year s performance. Key factors that our managing partners consider in making such determinations include the officer s nature, scope and level of responsibility and overall contribution to our success. Our managing partners also consider each named executive officer s prior-year compensation, the appropriate balance between incentives for long-term and short-term performance, and the compensation paid to the named executive officer s peers within the company.

Employment, Non-Competition and Non-Solicitation Agreements with Managing Partners

In connection with the Reorganization, we entered into an employment, non-competition and non-solicitation agreement with each of our managing partners. The term of each agreement is the five years concluding July 13, 2012. Each managing partner has the right to terminate his employment voluntarily at any time, but we may terminate a managing partner s employment only for cause or by reason of disability.

Each managing partner is entitled during his employment to an annual salary of $100,000 and to participate in our employee benefit plans, as in effect from time to time. The employment agreements require our managing partners to protect the confidential information of Apollo both during and after employment, and, both during and for a one or two year period after employment, to refrain from soliciting employees under the circumstances specified therein or interfering with our relationships with investors and to refrain from competing with us in a business that involves primarily (*i.e.*, more than 50%) third party capital, whether or not the termination occurs during the term of the agreement or thereafter. However, the non-competition restrictions allow our managing partners significant opportunities to effectively compete with us by setting up businesses with less than 50% of capital from third parties.

Under their respective employment agreements, each of the managing partners has these obligations to us through the earlier of December 31, 2013 or one or two years after his employment termination. The restricted period for each of the managing partners lasts during his employment and for a specified period thereafter. In the case of Mr. Black, his restricted period lasts until the first anniversary of his termination of employment with us. In the case of each of Messrs. Harris and Rowan, it lasts until the second anniversary of his employment termination (or, if the managing partner s employment termination is after January 1, 2012 and on or before December 31, 2012, until December 31, 2013, and if the employment termination is after December 31, 2012, for one year thereafter).

For all three managing partners, the sum of the years from and after January 1, 2007 that their Apollo Operating Group units are subject to vesting and the period of time that their post-employment covenants generally survive is equal to seven. These post-termination covenants survive any termination or expiration of the Agreement Among Managing Partners.

We may terminate a managing partner s employment during the term of the employment agreement solely for cause or by reason of his disability. Each employment agreement defines cause as a final, non-appealable conviction of or plea of no contest to a felony that prohibits the managing partner from continuing to provide his services as an investment professional due to legal restriction or physical confinement or the occurrence of a final, non-appealable legal restriction that precludes him from serving as an investment professional. Disability is defined in each employment agreement as any physical or mental incapacity that prevents the managing partner from carrying out all or substantially all of his duties for any period of 180 consecutive days or any aggregate period of eight months in any 12-month period as determined by the executive committee of our manager. If a managing partner becomes subject to a potential termination for cause or by reason of disability, our manager may appoint an investment professional to perform the functional responsibilities and duties of the managing partner until cause or disability definitively results in the managing partner s termination or is determined not to have occurred, but the manager may so appoint an investment professional only if the managing partner is unable to perform his responsibilities and duties or, as a matter of fiduciary duty, should be prohibited from doing so. During any such period, the managing partner shall continue to serve on the executive committee of our board of directors unless otherwise prohibited from doing so pursuant to the Agreement Among Managing Partners.

Under the employment agreements, if we terminate a managing partner s employment with cause or the managing partner s employment is terminated by reason of death or disability, or if a managing partner terminates his employment voluntarily, the managing partner (or his estate) will be paid only his accrued but unpaid salary and accrued but unused vacation pay through the date of termination.

Employment, Non-Competition and Non-Solicitation Agreement with Chief Financial Officer

We also entered into an employment, non-competition and non-solicitation agreement with our chief financial officer Kenneth A. Vecchione, effective October 29, 2007. Under his employment agreement, Mr. Vecchione is entitled to an annual salary of $ and has an annual bonus target of 100% of his annual salary. The actual amount of Mr. Vecchione s bonus is determined by us in our discretion. In addition, he is entitled to participate in our employee benefit plans as in effect from time to time. In establishing compensation for Mr. Vecchione, we have taken into account his historic compensation and his overall contribution to our business.

The employment agreement requires Mr. Vecchione to protect the confidential information of Apollo both during and after employment, and, both during and for a two year period after employment, to refrain from soliciting employees under the circumstances specified therein or interfering with our relationships with investors and to refrain from competing with us in a business that manages or invests in assets substantially similar to Apollo or its affiliates, whether or not the termination occurs during the term of the agreement or thereafter.

We may terminate Mr. Vecchione s employment during the term of the employment agreement with or without cause. Mr. Vecchione has the right to terminate his employment voluntarily at any time. If Mr. Vecchione s employment terminates by the company without cause or by him for good reason (as such terms are defined in the employment agreement), then, subject to his timely execution of a release of claims against the company, he will be entitled to receive severance payments equal to 12 months base salary. If a termination without cause or for good reason occurs in 2008, Mr. Vecchione will also be entitled to a prorated bonus based on a target equal to 50% of his base salary, with such payment also subject to execution of the release of claims.

Awards of Restricted Share Units Under the Equity Plan

On October 23, 2007 we adopted our 2007 Omnibus Equity Incentive Plan (described below under 2007 Omnibus Equity Incentive Plan). To date, the only awards made under the 2007 Omnibus Equity Incentive Plan have been grants of RSUs we made in the fourth quarter of 2007 and the beginning of 2008 (Plan Grants). The Plan Grants were made to a broad range of employees under our 2007 Omnibus Equity Incentive Plan, including three of our named executive officers, Kenneth A. Vecchione, our chief financial officer, Barry J. Giarraputo, our chief accounting officer and controller and John J. Suydam, our chief legal and administrative officer. The Plan Grants generally vest over six years, with the first installment becoming vested on December 31, 2008 and the balance vesting thereafter in equal quarterly installments, with additional vesting upon death, disability or a termination without cause. As we pay ordinary distributions on our outstanding Class A Shares, recipients of Plan Grants will be paid distribution equivalents on their vested RSUs, which payments shall accumulate over the course of a calendar year and be paid in the beginning of the following calendar year. Once vested, the Class A shares underlying the RSUs generally are issued on fixed dates as follows: 7.5% of the interests are issued on each of the second, third, fourth and fifth anniversaries of the grant date, with the remaining 70% issued in seven equal installments over the seven calendar quarters beginning on the fifth anniversary of the grant date. The administrator of the 2007 Omnibus Equity Incentive Plan determines when shares issued pursuant to the Plan Grants may be disposed of, except that a participant will be permitted to sell shares if necessary to cover taxes. Pursuant to the RSU award agreements provided to them in connection with their Plan Grants, Mr. Vecchione, Mr. Giarraputo and Mr. Suydam are subject to non-competition restrictions during employment and for up to two years after employment termination. During the restricted period set forth in a participant s award agreement evidencing his Plan Grant, the participant will not (i) engage in any business activity that the company operates in, (ii) render any services to any competitive business or (iii) acquire a financial interest in, or become actively involved with, any competitive business (other than as a passive holding of less than a specified percentage of publicly traded companies). In addition, the grant recipient will be subject to non-solicitation, non-hire and non-interference covenants during employment and for up to two years thereafter. Each grant recipient is also bound to a non-disparagement covenant with respect to us and the managing partners and to confidentiality restrictions. Any resignation by a grant recipient shall generally require at least 90 days notice. Any restricted period applicable to the grant recipient will commence after the notice of termination period.

The RSUs advance several goals of our compensation program. The Plan Grants align employee interests with those of shareholders by making them, upon delivery of the underlying Class A Shares, shareholders themselves. Because they vest over time, the Plan Grants reward employees for sustained contributions to the company and foster retention. The size of the Plan Grants is determined by the Plan administrator based on level of responsibility and contributions to the company. The restrictive covenants contained in the RSU agreements reinforce our culture of fiduciary protection of our investors by requiring RSU holders to abide by the provisions regarding non-competition, confidentiality and other limitations on behavior described in the immediately preceding paragraph.

AAA Unit Awards

In addition to the Plan Grants, a portion of the compensation paid to certain of their investment professionals and officers is in the form of incentive units that provide the right to receive shares of restricted depositary units of AAA. These awards are intended to align the interests of their recipients with those of our investors, and therefore our shareholders, and to bolster retention of our management team because they are generally subject to a vesting schedule. These awards are granted pursuant to the Apollo Management Companies AAA Unit Plan, which is described below in the section entitled, Apollo Management Companies

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AAA Unit Plan. Mr. Giarraputo and Mr. Suydam are the only named executive officers to have received grants of AAA incentive units under the plan, although the managing partners received fully vested AAA restricted depositary units as a non-cash distribution in respect of their Reorganization ownership interests on March 15, 2007 and March 14, 2008 (such grants are set forth below on the Grant of Plan Based Awards, Option Exercises and Vested Stock, and Outstanding Equity Awards at Fiscal Year-End tables).

Summary Compensation Table

The following summary compensation table sets forth information concerning the compensation earned by, awarded to or paid to our principal executive officer, our principal financial officers (two individuals served in that capacity at different times in 2007) and our three other most highly compensated executive officers for services rendered in 2007. Messrs. Black, Harris and Rowan contributed all of their interests in our underlying funds (excluding certain of their investments in our funds) to Holdings on July 13, 2007. The officers named in the table are referred to as the named executive officers, and the named executive officers other than our chief financial officers and chief legal and administrative officer are referred to elsewhere in this prospectus as our managing partners.

Name and Principal Position	Year	Salary ($)	Bonus ($) (2)	Stock Awards ($) (3)	All Other Compensation ($)	Total ($)
Leon D. Black, Chairman and Chief Executive Officer (1)	2007					
Kenneth A. Vecchione, Chief Financial Officer and Vice President, *October 29, 2007-present*	2007					
Barry J. Giarraputo, Chief Financial Officer and Vice President, *August 3, 2007-October 29, 2007 (currently Chief Accounting Officer and Controller)*	2007					
Joshua J. Harris, President (1)	2007					
Marc J. Rowan, Senior Managing Director (1)	2007					
John J. Suydam, Chief Legal and Administrative Officer	2007					

(1) Represents the portion of the officer s salary received from July 13, 2007 (the day that these officers became entitled to base salary at the annual rate of $) to December 31, 2007.
(2) Represents cash bonuses paid in 2007 and 2008 in respect of services provided in 2007. For Mr. Suydam, also includes a special one-time bonus he received in January of 2008 in the amount of $, which bonus is subject to repayment in full if his employment terminates due to his resignation for any reason or his termination for cause prior on or before December 31, 2008.
(3) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007 for awards of stock in accordance with FAS 123(R). See Note 11 to our consolidated and combined financial statements included in this prospectus for further information concerning the shares underlying such expense. For Messrs. Black, Harris, and Rowan, the reference to stock in this table is to Apollo Operating Group units that they received in exchange for their contribution to Holdings of interests in entities comprising our business as part of the Reorganization. The amounts shown do not reflect compensation actually received by the named executive officers but instead represent the expense recognized for financial statement reporting purposes in 2007 by the company pursuant to Financial Accounting Standards Board Statement on Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (FAS 123(R)), excluding the effect of estimated forfeitures, for unvested Class A shares, Apollo Operating Group Units, or AAA restricted depositary units, as applicable.
(4) Includes $ in director fees received for service on the Boards of Directors of our portfolio companies.
(5) Includes $ in director fees received for service on the Boards of Directors of our portfolio companies.
(6) Includes $ in director fees received for service on the Boards of Directors of our portfolio companies, including such service prior to Mr. Vecchione s commencement of employment with the company. Also includes $ for housing and amounts for ground transportation.

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Grants of Plan-Based Awards

The following table presents information regarding the equity incentive awards granted to the named executive officers under a plan in 2007:

Name	Plan	Grant Date	Manager Action Date	Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($) [5]
Leon D. Black [1] [2]	Apollo Operating Group Units AAA Restricted Depositary Units				
Kenneth A. Vecchione [3]	Apollo Global Management 2007 Omnibus Equity Plan				
Barry J. Giarraputo [4]	Apollo Management Companies AAA Unit Plan				
Joshua J. Harris [1] [2]	Apollo Operating Group Units AAA Restricted Depositary Units				
Marc J. Rowan [1] [2]	Apollo Operating Group Units AAA Restricted Depositary Units				
John J. Suydam [4]	Apollo Management Companies AAA Unit Plan				

(1) Represents the aggregate number of Apollo Operating Group units beneficially owned by each managing partner that were received in exchange for the contribution to Holdings of his interests in entities comprising our business as part of the Reorganization. The Apollo Operating Group units vest on a monthly basis beginning on January 1, 2007 and are fully vested after six years (in the case of Mr. Black) or five years (in the case of Messrs. Harris and Rowan).

(2) Represents the aggregate number of RDUs of AAA received by the named executive officer. These units were fully vested at grant.

(3) Represents the aggregate number of RSUs (all of which are unvested) covering our Class A shares received by Mr. Vecchione. For a discussion of these grants, please see the discussion Awards of Restricted Share Units Under the Equity Plan in the Compensation Discussion and Analysis section above.

(4) Represents the aggregate number of incentive units covering restricted depositary units of AAA received by the named executive officer. One third of the AAA incentive units granted under the AAA Plan that were held by Mr. Suydam on December 31, 2007 vest on each of December 31, 2007, December 31, 2008 and December 31, 2009. Those incentive units that vested on December 31, 2007 were delivered to Mr. Suydam in the form of restricted depositary units on March 13, 2008. Mr. Giarraputo s AAA incentive units were granted on March 15, 2007, with approximately 20% vested on the grant date and the balance vesting in 19 equal monthly installments thereafter. Those incentive units that vested in 2007 were delivered to Mr. Giarraputo in the form of restricted depositary units as they vested in 2007. Please see the discussion entitled Apollo Management Companies AAA Unit Plan below for more information on the design and incentives intended to be created by the AAA Plan grants.

(5) Represents the amount accounted for as a compensation expense in accordance with FAS 123(R).

Please see the discussion in the Compensation Discussion and Analysis section above for more information on the design and incentives intended to be created by the grants made under the Apollo Global Management 2007 Omnibus Equity Incentive Plan and the Apollo Management Companies AAA Unit Plan, as indicated. The Apollo Operating Group units are discussed in this prospectus in the section entitled Our Structure.

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Outstanding Equity at Fiscal Year-End

The following table presents information regarding the outstanding unvested equity awards made to each of our named executive officers as of December 31, 2007.

	Source of Award	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Leon D. Black	Apollo Operating Group Units		
Kenneth A. Vecchione	Apollo Global Management 2007 Omnibus Equity Plan		
Barry J. Giarraputo	Apollo Management Companies AAA Unit Plan		
Joshua J. Harris	Apollo Operating Group Units		
Marc J. Rowan	Apollo Operating Group Units		
John J. Suydam	Apollo Management Companies AAA Unit Plan		

(1) Amounts calculated by multiplying the number of unvested Apollo Operating Group units held by the named executive officer by the closing market price of $ per Class A share of Apollo Global Management, LLC on December 31, 2007.
(2) Amount calculated by multiplying the number of unvested RSUs held by Mr. Vecchione by the closing market price of $ per Class A share of Apollo Global Management, LLC on December 31, 2007. Mr. Vecchione s RSUs vest as follows: Approximately 20% vest on December 31, 2008, with the remainder vesting in 20 equal annual installments concluding on December 31, 2013.
(3) Amounts calculated by multiplying the number of unvested AAA incentive units held by the named executive officer by the closing market price of $ per common unit of AAA on December 31, 2007. One third of the AAA incentive units granted under the AAA Plan that were held by Mr. Suydam on December 31, 2007 vest on each of December 31, 2007, December 31, 2008 and December 31, 2009. Those AAA incentive units that vested on December 31, 2007 were delivered to Mr. Suydam in the form of RDUs on March 13, 2008. Mr. Giarraputo s AAA incentive units were granted on March 15, 2007, with approximately 20% vested on the grant date and the balance vesting in 19 equal monthly installments thereafter. Those incentive units that vested in 2007 were delivered to Mr. Giarraputo in the form of RDUs as they vested in 2007. Please see Apollo Management Companies AAA Unit Plan below for more information on the design and incentives intended to be created by the AAA Plan grants.

Option Exercises and Stock Vested

The following table presents information regarding the number of outstanding initially unvested equity awards made to our named executive officers that vested during 2007. No options have been granted to our named executive officers. This table depicts three types of equity-based awards:

Apollo Operating Group units received by Messrs. Black, Harris and Rowan in exchange for the contribution to Holdings of their interests in the entities comprising our business as part of the reorganization we effected in connection with the Reorganization, which units vest on a monthly basis over six years (in the case of Mr. Black) or five years (in the case of Messrs. Harris and Rowan);

Restricted depositary units of AAA, which were fully vested at grant; and

Incentive units that provide the right to receive restricted depositary units of AAA, which incentive units, in the case of Mr. Suydam, vest in equal annual installments on December 31 of 2007, 2008 and 2009, and in the case of Mr. Giarraputo, were vested with respect to approximately 20% of the units upon grant and vest in 19 equal monthly installments thereafter until they are fully vested on October 15, 2008.

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Name	Type of Equity	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Leon D. Black	Apollo Operating Group Units		
	AAA Restricted Depositary Units		
Kenneth A. Vecchione	N/A		
Barry J. Giarraputo	AAA Restricted Depositary Units		
Joshua J. Harris	Apollo Operating Group Units		
	AAA Restricted Depositary Units		
Marc J. Rowan	Apollo Operating Group Units		
	AAA Restricted Depositary Units		
John J. Suydam	AAA Restricted Depositary Units		

(1) Amounts calculated by multiplying the number of vested Apollo Operating Group units beneficially held by the named executive officer as of each month-end vesting date by the closing market price per Class A Share on the vesting date.
(2) Amounts calculated by multiplying the number of restricted depositary units held by the named executive officer that vested and were awarded on March 15, 2007 by the closing market price of $ per common unit of AAA on March 15, 2007.
(3) Amounts calculated by multiplying the number of restricted depositary units covered by AAA incentive units and held by the named executive officer that vested on each vesting date by the closing market price per common unit of AAA on the vesting date. The restricted depositary units underlying such awards were delivered to the named executive officers on March 13, 2008.

Potential Payments upon Termination or Change in Control

Our managing partners employment agreements do not provide for severance or other payments or benefits in connection with a termination or a change in control.

Mr. Vecchione s employment agreement provides for 12 months of base salary if he is terminated by the company without cause or he resigns for good reason. Had his employment terminated on December 31, 2007 without cause (and other than due to his death or disability) or for good reason, he would have also been entitled to a bonus equal to 100% of base salary. The payment of these severance benefits is contingent upon the effective execution of a general release of claims in our favor. The payment of base salary is over a period of 12 months from the date of termination and the payment of annual bonus is payable in a lump sum. Mr. Vecchione s employment agreement subjects him to a confidentiality covenant and a non-disparagement covenant during and after his employment. In addition, he is bound by non-competition and non-solicitation restrictions during his employment and for two years thereafter.

Mr. Suydam s Plan Grant of RSUs pursuant to our 2007 Omnibus Equity Incentive Plan provides that the vesting of his award partially accelerates in the event of his death, disability, termination without cause or resignation for good reason. Upon such a termination, 50% of those RSUs that remain subject to the award will vest as of his termination date. Similarly, Mr. Giarraputo s Plan Grant provides for partial accelerated vesting upon Mr. Giarraputo s termination due to his death or disability and upon his termination by us without cause. In the event of his death or disability, Mr. Giarraputo will vest in those RSUs in which he would have vested during the year following his termination date. If he is terminated without cause, he will vest in the greater of (i) those RSUs that he would have vested in during the year following his termination or (ii) those RSUs that will vest through December 31, 2009. Mr. Vecchione s Plan Grant provides that upon Mr. Vecchione s termination due to his death or disability, by us without cause or by his resignation for good reason, he will vest in the lesser of (i) 50% of those RSUs that remain subject to the award and (ii) those RSUs that would have vested during the 24

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months following the date of termination. The administrator of the 2007 Omnibus Equity Plan also may accelerate the vesting of any Plan Grants. The Plan Grant agreements with Mr. Suydam, Mr. Giarraputo and Mr. Vecchione contain covenants not to disclose or use our confidential information and not to disparage us following termination. In addition, each of their Plan Grant agreements provides that during a protected period he may not compete with us or solicit our employees. For Mr. Suydam, the protected period is until one year after his termination of service if Mr. Suydam is still providing services as a partner on November 28, 2012; if he is no longer providing services as a partner on that date, his protected period will last until the earlier to occur of two years after his termination or November 28, 2013. For Mr. Giarraputo, the protected period is six months after his resignation (three months if his resignation is within 90 days of the completion of our Form 10K for 2008) or, in the case of his termination for any other reason, three months. For Mr. Vecchione, the protected period is two years after his resignation and one year following his termination for any other reason.

The following table lists the estimated amounts payable to each of our named executive officers in connection with a termination. When listing the potential payments to named executive officers under the plans and agreements described above, we have assumed that the applicable triggering event occurred on December 31, 2007 and that the price per share of our common stock was $, which is equal to the closing price on such date. For purposes of this table, RSU acceleration values are based on the $ closing price.

Name	Estimated Total Value of Cash Payments (Base Salary and Annual Bonus Amounts) ($)	Estimated Total Value of Equity Acceleration (1) ($)
Leon D. Black		
Kenneth A. Vecchione		
Barry J. Giarraputo		
Joshua J. Harris		
Marc J. Rowan		
John J. Suydam		

(1) Please see our Outstanding Equity Awards at Fiscal Year-End table for information regarding the unvested equity holdings of each of our named executive officers as of December 31, 2007.
(2) This amount represents the additional equity vesting the named executive officer would have received had his employment been terminated by the company without cause, by reason of his death or disability, or by him for good reason.
(3) This amount represents the additional equity vesting Mr. Giarraputo would have received had his employment terminated by reason of death or disability.
(4) This amount represents the additional equity vesting Mr. Giarraputo would have received had his employment been terminated by the company without cause.

Director Compensation

We currently do not have any non-employee directors. None of our directors receives compensation for his service on our Board. Our directors are the managing partners and their compensation is set forth above on the Summary Compensation Table.

2007 Omnibus Equity Incentive Plan

A new equity incentive plan for our employees, the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan, or the Equity Plan, was adopted on October 23, 2007. The purposes of the Equity Plan are to provide additional incentive to selected employees and directors of, and consultants to, us or our subsidiaries or affiliates, to strengthen their commitment, motivate them to faithfully and diligently perform their responsibilities and to attract and retain competent and dedicated individuals who are essential to the success of our businesses and whose efforts will result in our long-term growth and profitability. To accomplish such purposes, the Equity

Plan permits us to make grants of share options, share appreciation rights, restricted shares, restricted share units, deferred shares, performance shares, distribution equivalent rights, unrestricted shares and other share-based awards, or any combination of the foregoing.

As of the date of this prospectus we granted our employees, subject to vesting, RSUs covering approximately 28 million Class A shares. While we may issue restricted shares and other share-based awards in the future to professionals and other employees as a recruiting and retention tool, we have not established specific parameters regarding future grants. Our Board of Directors will determine the specific criteria surrounding other equity issuances under the Equity Plan. A total of 52,950,000 Class A shares was initially reserved for issuance under the Equity Plan. Beginning in 2008, the Class A shares reserved under the Equity Plan are increased on the first day of each fiscal year during the Equity Plan s term by the lesser of (i) the excess of (a) 15% of the number of outstanding Class A shares and Apollo Operating Group units exchangeable for Class A shares on the last day of the immediately preceding fiscal year over (b) the number of shares reserved and available for issuance under the Equity Plan as of such date or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. After such adjustment, as of the date of this prospectus approximately shares were available for new grants under the Equity Plan. The number of shares reserved under the Equity Plan is also subject to adjustment in the event of a share split, share dividend, or other change in our capitalization. Generally, employee shares that are forfeited or canceled from awards under the Equity Plan will be available for future awards.

Administration

The Equity Plan is currently administered by our manager, although it may be administered by either our manager or any committee appointed by our manager (the manager or committee being sometimes referred to as the plan administrator). The plan administrator may interpret the Equity Plan and may prescribe, amend and rescind rules and make all other determinations necessary or desirable for the administration of the Equity Plan. The Equity Plan permits the plan administrator to select the directors, employees and consultants who will receive awards, to determine the terms and conditions of those awards, including but not limited to the exercise price, the number of shares subject to awards, the term of the awards, the performance goals and the vesting schedule applicable to awards, to determine the restrictions applicable to awards of restricted shares or deferred shares and the conditions under which such restrictions will lapse, and to amend the terms and conditions of outstanding awards (except that certain amendments require the approval of the Company s shareholders). All partners, employees, directors or consultants of Apollo Global Management, LLC or its subsidiaries or affiliates are eligible to participate in our share incentive plan.

Options

We may issue share options under the Equity Plan. No such options have been granted to date. The option exercise price of any share options granted under the Equity Plan will be determined by the plan administrator. The term of any share options granted under the Equity Plan will be determined by the plan administrator, but may not exceed ten years. Each share option will be exercisable at such time and pursuant to such terms and conditions as are determined by the plan administrator in the applicable share option agreement. Unless the applicable share option agreement provides otherwise, in the event of an optionee s termination of employment or service for any reason other than cause, retirement, disability or death, such optionee s share options (to the extent exercisable at the time of such termination) generally will remain exercisable until 90 days after such termination, and then expire. Unless the applicable share option agreement provides otherwise, in the event of an optionee s termination of employment or service due to retirement, disability or death, such optionee s share options (to the extent exercisable at the time of such termination) generally will remain exercisable until one year after such termination and will then expire. Share options that were not exercisable on the date of termination will expire at the close of business on the date of such termination. In the event of an optionee s termination of employment or service for cause, such optionee s outstanding share options will expire at the commencement of business on the date of such termination.

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Restricted Shares and Other Awards

Restricted shares, deferred shares or performance shares and other share-based awards may be granted under the Equity Plan. The plan administrator will determine the purchase price and performance objectives, if any, with respect to the grant of restricted shares, deferred shares and performance shares. Participants with restricted shares and performance shares that have vested generally have all of the rights of a shareholder; participants generally will not have any rights of a shareholder with respect to deferred shares. Subject to the provisions of the Equity Plan and applicable award agreement, the plan administrator has sole discretion to provide for the lapse of restrictions in installments or the acceleration or waiver of restrictions (in whole or in part) under certain circumstances, including, but not limited to, the attainment of certain performance goals, a participant s termination of employment or service or a participant s death or disability.

Share Appreciation Rights

Share appreciation rights may also be granted under the Equity Plan. These rights may be granted either alone or in conjunction with all or part of any options granted under the Equity Plan, so long as the shares underlying the share appreciation rights are traded on an established securities market within the meaning of Section 409A of the Code. The plan administrator will determine the number of shares to be awarded, the price per share and all other conditions of share appreciation rights. The provisions of share appreciation rights need not be the same with respect to each participant. The prospective recipients of share appreciation rights will not have any rights with respect to such awards unless and until such recipient has executed an award agreement. The plan administrator has sole discretion to determine the times at which share appreciation rights are exercisable, and the term of such rights.

Share-Based Awards

Other share-based awards under the Equity Plan include awards that may be denominated in or payable in, or valued in whole or in part by reference to, our Class A shares, including but not limited to RSUs, distribution equivalents, Long Term Incentive Plan, or LTIP, units or performance units, each of which may be subject to the attainment of performance goals, a period of continued employment, or other terms or conditions as permitted under the Equity Plan. LTIP units may be issued pursuant to a separate series of Apollo Operating Group units. LTIP units, which can be granted as free-standing awards or in tandem with other awards under the Equity Plan, will be valued by reference to the value of our Class A shares, and will be subject to such conditions and restrictions as the plan administrator may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives. If