DUBLON DINA
Form 4
October 05, 2011

# FORM 4

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

OMB APPROVAL

| OMB Number: | 3235-0287 |
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
DUBLON DINA

(Last) (First) (Middle)

700 ANDERSON HILL ROAD

(Street)

PURCHASE, NY 10577

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PEPSICO INC [PEP]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2011

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

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

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

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| PepsiCo, Inc. Common Stock | 09/30/2011 | | A | | 301.9835 (1) | A | (1) | 12,583.2735 | D | |
| PepsiCo, Inc. Common Stock | 10/01/2011 | | A | | 2,487.9748 (2) | A | $ 0 | 15,071.2483 | D | |

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

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SEC 1474 (9-02)

**displays a currently valid OMB control number.**

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

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| DUBLON DINA<br>700 ANDERSON HILL ROAD<br>PURCHASE, NY 10577 | X | | | |

# Signatures

| /s/ Cynthia A. Nastanski, Atty-in-Fact | 10/05/2011 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

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

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

**(1)** This number includes the phantom stock units acquired on various dates between October 1, 2010 and September 30, 2011 through reinvestment of dividend equivalents pursuant to the PepsiCo Director Deferral Program, at prices ranging from $61.90 to $70.43, payable in shares of PepsiCo Common Stock on a one-for-one basis.

**(2)** This number represents the filing person's phantom stock units received for service as a director that are payable in shares of PepsiCo Common Stock on a one-for-one basis commencing on the first day of the calendar quarter following the first anniversary of the filing person's retirement or resignation from PepsiCo's Board of Directors.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. NOWRAP VALIGN="bottom"> 1,581 2,807 [1]

Explanation of Responses:

| Total | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| $1,473,710 | $36,691 | $1,510,401 | $1,721,778 | 99.8% | $1,637,091 | $ | $1,637,091 | $1,695,992 | 83.9% |

(1) Investments were not held by a consolidated fund or consolidated VIEs.

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**(dollars in thousands, except share data)**

**Securities**

At September 30, 2011 and December 31, 2010, the sole investment of AAA was its investment in AAA Investments, L.P. ( AAA Investments ). The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the consolidated funds and VIEs as of the aforementioned dates:

| | September 30, 2011 | | | |
|---|---|---|---|---|
| | Instrument Type | Cost | Fair Value | % of Net Assets of Consolidated Funds and VIEs |
| Apollo Life Re Ltd. | Equity | $ 301,098 | $ 372,900 | 25.3% |
| Apollo Strategic Value Offshore Fund, Ltd. | Investment Fund | 113,772 | 159,517 | 10.8 |
| Momentive Performance Materials Holdings Inc. | Equity | 76,007 | 151,232 | 10.3 |
| Charter Communications, Inc. | Equity | 44,602 | 107,319 | 7.3 |
| Apollo Asia Opportunity Offshore Fund, Ltd. | Investment Fund | 96,357 | 98,209 | 6.7 |
| Rexnord Corporation | Equity | 37,461 | 93,300 | 6.3 |
| LeverageSource, L.P. | Equity | 139,913 | 80,608 | 5.5 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Instrument Type | Cost | Fair Value | % of Net Assets of Consolidated Funds and VIEs |
| Apollo Life Re Ltd. | Equity | $ 201,098 | $ 249,900 | 12.8% |
| Apollo Strategic Value Offshore Fund, Ltd. | Investment Fund | 113,772 | 160,262 | 8.2 |
| Momentive Performance Materials Holdings Inc. | Equity | 76,007 | 137,992 | 7.1 |
| Rexnord Corporation | Equity | 37,461 | 133,700 | 6.9 |
| LeverageSource, L.P. | Equity | 140,743 | 115,677 | 5.9 |
| Apollo Asia Opportunity Offshore Fund, Ltd. | Investment Fund | 102,530 | 110,029 | 5.6 |
| Caesars Entertainment Corporation | Equity | 176,729 | 99,000 | 5.1 |

AAA Investments owns equity as a private equity co-investment in Caesars Entertainment Corporation (formerly known as Harrah s Entertainment, Inc.) and AAA Investments has an ownership interest in LeverageSource, L.P., which owns debt of Caesars Entertainment Corporation. At December 31, 2010, AAA Investments combined share of these debt and equity investments was greater than 5% of the net assets of the consolidated funds and VIEs and was valued at $102.8 million. In addition to AAA Investments private equity co-investment in Momentive Performance Materials Holdings Inc. ( Momentive ) noted above, AAA Investments has an ownership interest in the debt of Momentive. AAA Investments combined share of these debt and equity investments is greater than 5% of the net assets of consolidated funds and VIEs and is valued at $151.9 million and $138.8 million at September 30, 2011 and December 31, 2010, respectively. Furthermore, AAA Investments owns equity, as a private equity co-investment, and debt, through its investment in Autumnleaf, L.P. and Apollo Fund VI BC, L.P., in CEVA Logistics. AAA Investments combined share of these debt and equity investments was greater than 5% of the net assets of consolidated funds and VIEs and was valued at $90.8 million and $124.6 million as of September 30, 2011 and December 31, 2010,

respectively.

Apollo Strategic Value Offshore Fund, Ltd. (the Apollo Strategic Value Fund ) primarily invests in the securities of leveraged companies in North America and Europe through three core strategies: distressed investments, value-driven investments and special opportunities. In connection with the redemptions requested by AAA Investments of its investment in the Apollo Strategic Value Fund, the remainder of AAA Investments

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investment in the Apollo Strategic Value Fund, was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares are generally allocated a pro rata portion of each of Apollo Strategic Value Fund s existing investments and liabilities, and as those investments are sold, AAA Investments is allocated the proceeds from such disposition less its proportionate share of any expenses incurred by the Apollo Strategic Value Fund.

Apollo Asia Opportunity Offshore Fund, Ltd. ( Asia Opportunity Fund ) is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. In connection with a redemption requested by AAA Investments of its investment in Asia Opportunity Fund, a portion of AAA Investments investment was converted into liquidating shares issued by the Asia Opportunity Fund. The liquidating shares are generally allocated a pro rata portion of each of Asia Opportunity Fund s existing investments and liabilities, and as those investments are sold, AAA Investments is allocated the proceeds from such disposition less its proportionate share of any expenses incurred or reserves set by Asia Opportunity Fund. At September 30, 2011 and December 31, 2010, the liquidating shares of Asia Opportunity Fund had a fair value of $37.1 million and $45.0 million, respectively.

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

**HFA**

On March 7, 2011, the Company invested $52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of $50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company providing absolute return fund products to investors.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or PIK interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA s discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an as if-converted basis . The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ( A$ ) of A$8.00 (exchange rate of A$1.00 to $0.97 as of September 30, 2011) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the three and nine months ended September 30, 2011, the Company recorded an unrealized loss of approximately $33.4 million and $13.3 million, respectively, related to the convertible note and stock options within net (losses) gains from investment activities in the condensed consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments.

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**Net (Losses) Gains from Investment Activities**

Net (losses) gains from investment activities in the condensed consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized (losses) gains resulting from changes in fair value of the consolidated funds investments and realization of previously unrealized (losses) gains. Additionally net (losses) gains from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo s net (losses) gains from investment activities for the three and nine months ended September 30, 2011 and 2010:

| | Three Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Private Equity | Capital Markets | Total |
| Net unrealized losses due to changes in fair value | $ (338,277) | $ (33,370) | $ (371,647) |
| Net Losses from Investment Activities | $ (338,277) | $ (33,370) | $ (371,647) |

| | Three Months Ended September 30, 2010 | | |
|---|---|---|---|
| | Private Equity | Capital Markets | Total |
| Net unrealized gains due to changes in fair value | $ 101,210 | $ | $ 101,210 |
| Net Gains from Investment Activities | $ 101,210 | $ | $ 101,210 |

| | Nine Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Private Equity | Capital Markets | Total |
| Net unrealized losses due to changes in fair value | $ (137,098) | $ (13,309) | $ (150,407) |
| Net Losses from Investment Activities | $ (137,098) | $ (13,309) | $ (150,407) |

| | Nine Months Ended September 30, 2010 | | |
|---|---|---|---|
| | Private Equity | Capital Markets | Total |
| Net unrealized gains (losses) due to changes in fair value | $ 204,200 | $ (2,274) | $ 201,926 |
| Net Gains (Losses) from Investment Activities | $ 204,200 | $ (2,274) | $ 201,926 |

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**Other Investments**

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

Income (loss) from equity method investments for the three and nine months ended September 30, 2011 and 2010 consisted of the following:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Investments: | | | | |
| Private Equity Funds: | | | | |
| AAA Investments | $ (185) | $ 58 | $ (66) | $ 122 |
| Apollo Investment Fund IV, L.P. ( Fund IV ) | (1) | 3 | 11 | 19 |
| Apollo Investment Fund V, L.P. ( Fund V ) | (16) | 4 | 1 | 29 |
| Apollo Investment Fund VI, L.P. ( Fund VI ) | (996) | 334 | 1,900 | 93 |
| Apollo Investment Fund VII, L.P. ( Fund VII ) | (28,646) | 15,577 | (14,981) | 18,280 |
| Apollo Natural Resources Partners, L.P. ( ANRP ) | (101) | | (101) | |
| Capital Markets Funds: | | | | |
| Apollo Special Opportunities Managed Account, L.P. ( SOMA ) | (1,024) | 100 | (882) | 421 |
| Apollo Value Investment Fund, L.P. ( VIF ) | (28) | 2 | (24) | 15 |
| Apollo Strategic Value Fund, L.P. ( SVF ) | (21) | 2 | (18) | 10 |
| Apollo Credit Liquidity Fund, L.P. ( ACLF ) | (3,360) | 2,467 | (2,864) | 1,379 |
| Apollo/Artus Investors 2007-I, L.P. ( Artus ) | (535) | 1,254 | (166) | 2,445 |
| Apollo Credit Opportunity Fund I, L.P. ( COF I ) | (13,851) | 7,506 | (9,491) | 5,376 |
| Apollo Credit Opportunity Fund II, L.P. ( COF II ) | (3,574) | 1,835 | (2,636) | 2,007 |
| Apollo European Principal Finance Fund, L.P. ( EPF ) | (1,461) | (1,091) | 1,402 | 869 |
| Apollo Investment Europe II, L.P. ( AIE II ) | (1,558) | 1,251 | (148) | 1,140 |
| Apollo Palmetto Strategic Partnership, L.P. ( Palmetto ) | (962) | 268 | (441) | 401 |
| Real Estate: | | | | |
| Apollo Commercial Real Estate Finance, Inc. ( ARI ) | 212 | 164 | 524 | 284 |
| CPI Capital Partners NA Fund | 4 | | 85 | |
| CPI Capital Partners Asia Pacific Fund | 18 | | 32 | |
| Other Equity Method Investments: | | | | |
| VC Holdings, L.P. Series A ( Vantium A ) | (554) | (336) | (1,860) | (862) |
| VC Holdings, L.P. Series C ( Vantium C ) | 244 | (1,910) | 464 | 1,604 |
| VC Holdings, L.P. Series D ( Vantium D ) | (43) | (8) | 17 | 16 |
| Total (Loss) Income from Equity Method Investments | $ (56,438) | $ 27,480 | $ (29,242) | $ 33,648 |

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Other investments as of September 30, 2011 and December 31, 2010 consisted of the following:

| | Equity Held as of | | | |
|---|---|---|---|---|
| | September 30, 2011 | % of Ownership | December 31, 2010 | % of Ownership |
| Investments: | | | | |
| Private Equity Funds: | | | | |
| AAA Investments | $ 849 | 0.057% | $ 929 | 0.056% |
| Fund IV | 27 | 0.006 | 48 | 0.005 |
| Fund V | 212 | 0.014 | 231 | 0.013 |
| Fund VI | 7,587 | 0.082 | 5,860 | 0.051 |
| Fund VII | 107,384 | 1.315 | 122,384 | 1.345 |
| Apollo Natural Resources Partners, L.P | 740 | 2.575 | | |
| Capital Markets Funds: | | | | |
| Apollo Special Opportunities Managed Account, L.P. | 4,964 | 0.523 | 5,863 | 0.537 |
| Apollo Value Investment Fund, L.P. | 129 | 0.081 | 152 | 0.085 |
| Apollo Strategic Value Fund, L.P. | 126 | 0.059 | 144 | 0.055 |
| Apollo Credit Liquidity Fund, L.P. | 12,319 | 2.467 | 18,736 | 2.450 |
| Apollo/Artus Investors 2007-I, L.P. | 5,721 | 6.156 | 7,143 | 6.156 |
| Apollo Credit Opportunity Fund I, L.P. | 29,551 | 2.039 | 41,793 | 1.949 |
| Apollo Credit Opportunity Fund II, L.P | 21,707 | 1.524 | 27,415 | 1.441 |
| Apollo European Principal Finance Fund, L.P. | 16,316 | 1.363 | 15,352 | 1.363 |
| Apollo Investment Europe II, L.P. | 8,005 | 2.072 | 8,154 | 2.045 |
| Apollo Palmetto Strategic Partnership, L.P. | 6,770 | 1.186 | 6,403 | 1.186 |
| Apollo Senior Floating Rate Fund ( AFT ) | 100 | 0.034 | | |
| Apollo/JH Loan Portfolio, L.P. | 100 | 0.196 | | |
| Apollo Residential Mortgage, Inc. ( AMTG[4]) | 4,142[1] | 1.850[1] | | |
| Real Estate: | | | | |
| Apollo Commercial Real Estate Finance, Inc.[4] | 11,384[2] | 3.197[2] | 9,440[3] | 3.198[3] |
| AGRE U.S. Real Estate Fund | 5,963 | 5.892 | | |
| CPI Capital Partners NA Fund | 550 | 0.358 | | |
| CPI Capital Partners Europe Fund | 5 | 0.001 | | |
| CPI Capital Partners Asia Pacific Fund | 224 | 0.032 | | |
| Other Equity Method Investments: | | | | |
| Vantium A | 359 | 42.989 | 2,219 | 12.240 |
| Vantium C | 7,321 | 2.077 | 10,135 | 2.166 |
| Vantium D | 1,078 | 6.345 | 1,061 | 6.345 |
| Total Other Investments | $ 253,633 | | $ 283,462 | |

(1) Amounts are as of July 22, 2011, the date of AMTG s initial public offering.

(2) Amounts are as of June 30, 2011.

(3) Amounts are as of September 30, 2010.

(4) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, at which point the RSUs are converted to common stock and delivered to the Company.

As of September 30, 2011 and December 31, 2010 and for the nine months ended September 30, 2011 and September 30, 2010, no single equity method investee held by Apollo exceeded 20% of its total consolidated assets or income, respectively. As such, Apollo is not required to present summarized income statement information for any of its equity method investee.

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**Fair Value Measurements**

The following table summarizes the valuation of Apollo s investments in fair value hierarchy levels as of September 30, 2011 and December 31, 2010:

| | Level I | | Level II | | Level III | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Assets, at fair value: | | | | | | | | |
| Investment in AAA Investments, L.P. | $ | $ | $ | $ | $ 1,472,129 | $ 1,637,091 | $ 1,472,129 | $ 1,637,091 |
| Investments in HFA and Other | | | | | 38,272 | | 38,272 | |
| Total | $ | $ | $ | $ | $ 1,510,401 | $ 1,637,091 | $ 1,510,401 | $ 1,637,091 |

| | Level I | | Level II | | Level III | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Liabilities, at fair value: | | | | | | | | |
| Interest rate swap agreements | $ | $ | $ 4,893 | $ 11,531 | $ | $ | $ 4,893 | $ 11,531 |
| Total | | $ | 4,893 | $ 11,531 | $ | $ | 4,893 | $ 11,531 |

There were no transfers between Level I, II or III during the three and nine months ended September 30, 2011 relating to assets and liabilities, at fair value, noted in the tables above.

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Balance, Beginning of Period | $ 1,810,577 | $ 1,411,281 | $ 1,637,091 | $ 1,324,939 |
| Purchases | 125 | 32 | 432 | 375 |
| Distributions | (1,522) | (38,479) | (29,522) | (55,470) |
| Change in unrealized (losses) gains, net | (337,051) | 101,210 | (135,872) | 204,200 |
| Balance, End of Period | $ 1,472,129 | $ 1,474,044 | $ 1,472,129 | $ 1,474,044 |

The following table summarizes the changes in the investment in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

| | For the Three Months Ended September 30, 2011 | For the Nine Months Ended September 30, 2011 |
|---|---|---|
| Balance, Beginning of Period | $ 72,498 | $ |
| Purchases | 370 | 54,876 |
| Change in unrealized losses, net | (34,596) | (14,535) |
| Expenses incurred | | (2,069) |
| Balance, End of Period | $ 38,272 | $ 38,272 |

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

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

| | Private Equity | | | |
|---|---|---|---|---|
| | September 30, 2011 | | December 31, 2010 | |
| | | % of Investment of AAA | | % of Investment of AAA |
| Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following: | | | | |
| Comparable company and industry multiples | $ 744,400 | 42.5% | $ 782,775 | 42.6% |
| Discounted cash flow models | 594,099 | 34.0 | 490,024 | 26.6 |
| Listed quotes | 213,343 | 12.2 | 24,232 | 1.3 |
| Broker quotes | 159,640 | 9.1 | 504,917 | 27.5 |
| Other net assets[1] | 38,643 | 2.2 | 37,351 | 2.0 |
| Total Investments | 1,750,125 | 100.0% | 1,839,299 | 100.0% |
| Other net liabilities[2] | (277,996) | | (202,208) | |
| Total Net Assets | $ 1,472,129 | | $ 1,637,091 | |

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

(2) Balances include other assets, liabilities and general partner interests of AAA Investments and are primarily comprised of $400.5 million and $537.5 million in long-term debt offset by cash and cash equivalents at the September 30, 2011 and December 31, 2010 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except for debt), and, accordingly, extended valuation procedures are not required.

**4. VARIABLE INTEREST ENTITIES**

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

**Consolidated Variable Interest Entities**

In accordance with the methodology described in note 2, Apollo consolidated four VIEs under the amended consolidation guidance during 2010 and consolidated an additional VIE during the second quarter of 2011.

One of the consolidated VIEs was formed to purchase loans and bonds in a leveraged structure for the benefit of its limited partners, which included certain Apollo funds that contributed equity to the consolidated VIE. Through its role as general partner of this VIE, it was determined that Apollo had the characteristics of the power to direct the activities that most significantly impact the VIE s economic performance. Additionally, the Apollo funds have involvement with the VIE that have the characteristics of the right to receive benefits from the VIE that could potentially be significant to the VIE. As a group, the Company and its related parties have the characteristics of a controlling financial interest. Apollo determined that it is the party within the related party group that is most closely associated with the VIE and therefore should consolidate it.

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Three of the consolidated VIEs including the VIE formed during the second quarter 2011 were formed for the sole purpose of issuing collateralized notes to investors, which include one Apollo fund. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

Additionally, one of the consolidated VIEs, which qualified as an asset-backed financing entity, was formed during the fourth quarter of 2010 and the Company determined that it was the primary beneficiary of such VIE. Based on a restructuring of this VIE which occurred later in the fourth quarter of 2010, the Company no longer possessed the power to direct the activities of such VIE resulting in deconsolidation of such VIE in the fourth quarter of 2010.

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

**Fair Value Measurements**

The following table summarizes the valuation of Apollo s consolidated VIEs in fair value hierarchy levels as of September 30, 2011 and December 31, 2010:

| | Level I | | Level II | | Level III | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Investments, at fair value[1][2] | $ | $ | $ 1,040,440 | $ 1,172,242 | $ 74,162 | $ 170,369 | $ 1,114,602 | $ 1,342,611 |

| | Level I | | Level II | | Level III | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Liabilities, at fair value[3] | $ | $ | $ | $ | $ 1,136,926 | $ 1,127,180 | $ 1,136,926 | $ 1,127,180 |

(1) During the first quarter of 2011, one of the consolidated VIEs sold all of its investments. At December 31, 2010, the cost and fair value of the investments of this VIE were $719.5 million and $684.1 million, respectively. The consolidated VIE had a net investment gain of $16.0 million relating to the sale for the nine months ended September 30, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the condensed consolidated statement of operations.

(2) During the second quarter of 2011, the Company consolidated an additional VIE which included investments and notes.

(3) At December 31, 2010, the cost and fair value of the term loans were $453.9 million and $408.7 million, respectively. The term loans were paid down in the first quarter of 2011, with payments totaling $412.1 million, resulting in a realized gain of $41.8 million. Combined with

net unrealized depreciation on the term loans of $45.2 million, as such, the consolidated VIE had a net loss on term loans of $3.4 million for the nine months ended September 30, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the condensed consolidated statement of operations.

Level III investments include corporate loan and corporate bond investments held by the consolidated VIEs, while the Level III liabilities consist of notes and loans, the valuations of which are discussed further in note 2. All Level II and III investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are recorded as of the quarterly period in which the transfer occurred.

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

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Balance, Beginning of Period | $ 272,991 | $ 1,374,367 | $ 170,369 | $ |
| Transition adjustment relating to consolidation of VIE on January 1, 2010 | | | | 1,102,114 |
| Purchases | 85,764 | 21,622 | 571,279 | 392,862 |
| Sale of investments | (18,135) | (261,413) | (98,724) | (344,385) |
| Net realized gains | 111 | 1,932 | 1,945 | 2,118 |
| Net unrealized (losses) gains | (9,443) | 33,256 | (6,753) | 18,109 |
| Elimination of equity investment attributable to consolidated VIEs | | 19 | | (1,035) |
| Transfers out of Level III | (274,795) | | (673,776) | |
| Transfers into Level III | 17,669 | | 109,822 | |
| Balance, End of Period | $ 74,162 | $ 1,169,783 | $ 74,162 | $ 1,169,783 |
| Changes in net unrealized (losses) gains included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date | $ (2,337) | $ 25,042 | $ (1,886) | $ 12,601 |

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Balance, Beginning of Period | $ 1,174,568 | $ 1,006,548 | $ 1,127,180 | $ |
| Transition adjustment relating to consolidation of VIE on January 1, 2010 | | | | 706,027 |

| | | | | |
|---|---|---|---|---|
| Elimination of equity investments attributable to consolidated VIEs | 1 | 19 | 5 | (1,035) |
| Additions | | | 454,356 | 320,154 |
| Repayments | | (118,871) | (412,057) | (136,110) |
| Net realized gains on debt | | (3,804) | (41,819) | (5,483) |
| Net unrealized (gains) losses on debt | (37,643) | 16,588 | 9,261 | 16,927 |
| Balance, End of Period | $ 1,136,926 | $ 900,480 | $ 1,136,926 | $ 900,480 |
| Changes in net unrealized (gains) losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date | $ (37,643) | $ 4,399 | $ (35,966) | $ 436 |

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**Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities**

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the three and nine months ended September 30, 2011 and 2010, respectively:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net unrealized (losses) gains from investment activities | $ (45,446) | $ 33,256 | $ (20,256) | $ 18,109 |
| Net realized gains (losses) from investment activities | 38 | 1,932 | (12,581) | 2,118 |
| Net (losses) gains from investment activities | (45,408) | 35,188 | (32,837) | 20,227 |
| Net unrealized gains (losses) from debt | 37,643 | (16,588) | (9,261) | (16,927) |
| Net realized gains from debt | | 3,804 | 41,819 | 5,483 |
| Net gains (losses) from debt | 37,643 | (12,784) | 32,558 | (11,444) |
| Interest and other income | 14,831 | 15,435 | 39,779 | 38,864 |
| Other expenses | (11,826) | (4,929) | (39,541) | (15,002) |
| Net (Losses) Gains from Investment Activities of Consolidated VIEs | $ (4,760) | $ 32,910 | $ (41) | $ 32,645 |

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**Investments of Consolidated VIEs**

The following table presents a condensed summary of investments of the consolidated VIEs that are included in the condensed consolidated statements of financial condition as of September 30, 2011 and December 31, 2010:

| | Fair Value as of September 30, 2011 | % of Net Assets of Consolidated Funds and VIEs | Fair Value as of December 31, 2010 | % of Net Assets of Consolidated Funds and VIEs |
|---|---|---|---|---|
| Corporate Loans: | | | | |
| North America | | | | |
| Chemicals | $ 24,218 | 1.6% | $ 13,950 | 0.7% |
| Communications | | | | |
| Intelsat Jackson term loan due February 1, 2014 | | | 105,659 | 5.4 |
| Other | 88,052 | 6.0 | 221,383 | 11.3 |
| Communications | 88,052 | 6.0 | 327,042 | 16.7 |
| Consumer & Retail | 151,729 | 10.3 | 114,931 | 5.9 |
| Distribution & Transportation | 8,393 | 0.6 | 7,794 | 0.4 |
| Energy | 35,240 | 2.4 | 25,026 | 1.3 |
| Financial and Business Services | 147,999 | 10.0 | 85,713 | 4.4 |
| Healthcare | 145,492 | 9.9 | 144,343 | 7.4 |
| Manufacturing & Industrial | 145,598 | 9.9 | 200,290 | 10.3 |
| Media, Cable & Leisure | 153,898 | 10.3 | 93,798 | 4.8 |
| Metals & Mining | 12,353 | 0.8 | 14,025 | 0.7 |
| Packaging & Materials | 30,231 | 2.1 | 21,066 | 1.1 |
| Technology | 99,660 | 6.8 | 34,862 | 1.8 |
| Other | 5,384 | 0.4 | 9,539 | 0.5 |
| Total Corporate Loans North America (amortized cost $1,082,073 and $1,075,287) | 1,048,247 | 71.1 | 1,092,379 | 56.0 |
| Europe | | | | |
| Chemicals | 18,256 | 1.2 | 9,909 | 0.5 |
| Consumer & Retail | | | 75,007 | 3.8 |
| Healthcare | | | | |
| Alliance Boots seniors facility B1 due July 5, 2015 | | | 143,105 | 7.3 |
| Other | 14,853 | 1.0 | | |
| Healthcare | 14,853 | 1.0 | 143,105 | 7.3 |
| Manufacturing & Industrial | 16,319 | 1.1 | 7,696 | 0.4 |
| Media, Cable & Leisure | | | 10,787 | 0.6 |
| Technology | 5,939 | 0.4 | | |

| | | | | |
|---|---|---|---|---|
| Total Corporate Loans Europe (amortized cost $58,258 and $284,760) | 55,367 | 3.7 | 246,504 | 12.6 |
| Total Corporate Loans (amortized cost $1,140,331 and $1,360,047) | 1,103,614 | 74.8 | 1,338,883 | 68.6 |
| Corporate Bonds: | | | | |
| North America | | | | |
| Communications | | | 1,564 | 0.1 |
| Distribution & Transportation | 4,721 | 0.3 | 4,160 | 0.2 |
| Energy | | | 3,640 | 0.2 |
| Manufacturing & Industrial | 770 | 0.1 | | |
| Media, Cable & Leisure | 6,242 | 0.4 | 3,550 | 0.2 |
| Total Corporate Bonds North America (amortized cost $12,472 and $12,406) | 11,733 | 0.8 | 12,914 | 0.7 |
| Europe | | | | |
| Media, Cable & Leisure | 1,370 | 0.1 | 1,599 | 0.1 |
| Total Corporate Bonds Europe (amortized cost $1,400 and $1,519) | 1,370 | 0.1 | 1,599 | 0.1 |
| Total Corporate Bonds (amortized cost $13,872 and $13,925) | 13,103 | 0.9 | 14,513 | 0.8 |
| Elimination of equity investments attributable to consolidated VIEs | (2,115) | (0.1) | (10,785) | (0.6) |
| Total Investments, at fair value, of Consolidated VIEs (amortized cost $1,154,203 and $1,373,972) | $ 1,114,602 | 75.6% | $ 1,342,611 | 68.8% |

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***Senior Secured Notes, Subordinated Note, Term Loans*** Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of September 30, 2011 and December 31, 2010:

| | As of September 30, 2011 | | | As of December 31, 2010 | | | | |
|---|---|---|---|---|---|---|---|---|
| **Description** | **Outstanding Principal Balance** | **Fair Value** | **Weighted Average Interest Rate** | **Outstanding Principal Balance** | **Fair Value** | **Weighted Average Interest Rate** | **Maturity Date** | **Interest Rate** |
| Loans: | | | | | | | | |
| Term A Loan | $ | $ | % | $ 146,502 | $ 142,601 | 0.91% | October 29, 2012 | BBA 3 mo. LIBOR (USD) plus 0.5% |
| Term B Loan | | | | 145,390 | 111,655 | 0.91% | June 13, 2013 | BBA 3 mo. LIBOR (GBP) plus 0.5% |
| Term C Loan | | | | 161,984 | 154,394 | 0.91% | October 29, 2013 | BBA 3 mo. LIBOR (USD) plus 0.5% |
| | (1) | (1) | | 453,876 | 408,650 | | | |
| Notes[1][2][3] | | | | | | | | |
| Senior secured notes A1 | 215,400 | 215,400 | 2.14% | 215,400 | 215,400 | 2.02% | May 20, 2020 | BBA 3 mo LIBOR (USD) plus 1.7% |
| Senior secured notes A2 | 11,100 | 10,434 | 2.72% | 11,100 | 10,767 | 2.48% | May 20, 2020 | BBA 3 mo LIBOR (USD) plus 2.25% |
| Senior secured notes B | 24,700 | 22,118 | 2.78% | 24,700 | 22,971 | 2.52% | May 20, 2020 | BBA 3 mo LIBOR (USD) plus 2.30% |
| Subordinated note | 70,946 | 69,134 | | 70,946 | 70,376 | N/A | May 20, 2020 | N/A [7] |
| | 322,146 | 317,086 | | 322,146 | 319,514 | | | |
| Notes[1][2][4] | | | | | | | | |
| Senior secured notes A1 | 262,000 | 256,760 | 2.05% | 262,000 | 261,371 | 2.22% | November 20, 2020 | BBA 3 mo LIBOR (USD) plus 1.7% |
| Senior secured notes A1 | 20,500 | 19,475 | 2.85% | 20,500 | 19,959 | 3.05% | November 20, 2020 | BBA 3 mo LIBOR (USD) plus 2.5% |
| Senior secured notes B | 25,750 | 22,660 | 3.35% | 25,750 | 24,426 | 3.58% | November 20, 2020 | BBA 3 mo LIBOR (USD) plus 3.0% |
| Senior secured notes C | 14,000 | 11,238 | 4.35% | 14,000 | 12,604 | 4.62% | November 20, 2020 | BBA 3 mo LIBOR (USD) plus 4.0% |
| Senior secured notes | 10,000 | 7,586 | 6.35% | 10,000 | 9,398 | 6.71% | November 20, 2020 | BBA 3 mo LIBOR (USD) plus 6.0% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| D | | | | | | | | |
| Subordinated note[5] | 71,258 | 71,348 | | 71,258 | 71,258 | N/A | November 20, 2020 | N/A [7] |
| | 403,508 | 389,067 | | 403,508 | 399,016 | | | |
| Notes[1][2][6] | | | | | | | | |
| Senior secured notes A | 274,500 | 269,696 | 1.67% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 1.24% |
| Senior secured notes B | 58,500 | 54,698 | 2.33% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 1.90% |
| Senior secured notes C | 29,812 | 25,936 | 3.18% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 2.75% |
| Senior secured notes D | 20,250 | 16,301 | 3.63% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 3.20% |
| Senior secured notes E | 23,625 | 17,719 | 4.63% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 4.20% |
| Senior secured notes F | 11,270 | 8,058 | 5.93% | | | | July 18, 2022 | BBA 3 mo LIBOR (USD) plus 5.50% |
| Subordinated note | 43,350 | 38,365 | | | | | July 18, 2022 | N/A [7] |
| | 461,307 | 430,773 | | | | | | |
| Total notes and loans | $ 1,186,961 | $ 1,136,926 | | $ 1,179,530 | $ 1,127,180 | | | |

(1) At December 31, 2010, the cost and fair value of the term loans were $453.9 million and $408.7 million, respectively. The term loans were paid down in the first quarter of 2011, with payments totaling $412.1 million, resulting in a gain of $41.8 million. Combined with net unrealized depreciation on the term loans of $45.2 million, the consolidated VIE had a net loss on term loans of $3.4 million for the nine months ended September 30, 2011, which is reflected in the net (losses) gains from investment activities of consolidated variable interest entities on the condensed consolidated statements of operations.

(2) Each class of notes will mature at par on the stated maturity, unless previously redeemed or repaid. Principal will not be payable on the notes except in certain limited circumstances. Interest on the notes is payable quarterly in arrears on the outstanding amount of the notes on scheduled payment dates. The subordinated note will be fully redeemed on the stated maturity unless previously redeemed. The subordinated note may be redeemed, in whole but not in part, on or after the redemption or repayment in full of principal and interest on the secured notes. No interest accrues or is payable on the subordinated note.

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

(4) The notes are subject to two coverage tests. These tests are primarily used to determine whether principal and interest may be paid on the secured notes and distributions may be made on the subordinated notes. The Coverage Tests consist of the Overcollateralization Ratio Test and the Interest Coverage Test; each test applies to each note. The Overcollateralization Ratio Test and Interest Coverage Test applicable to the indicated classes of secured notes will be satisfied as of any date on which such Coverage Test is applicable, if (1) the applicable Overcollateralization Ratio or Interest Coverage Ratio is at least equal to the applicable ratio or (2) the class or classes of secured notes is no longer outstanding. The applicable Interest Coverage Ratio for Class A Notes, Class B Notes, Class C Notes and Class D Notes is 110.0%, 105.0%, 102.0% and 101.0%, respectively. The applicable Overcollateralization Ratio for Class A Notes, Class B Notes, Class C Notes and Class D Notes is 135.59%, 124.76%, 120.13% and 117.39%, respectively.

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(5) The subordinated notes were issued to an affiliate of the Company. Amount is reduced by approximately $2.1 million due to elimination of equity investment attributable to consolidated VIEs as of September 30, 2011 and December 31, 2010, respectively.

(6) The notes are subject to two coverage tests. These tests are primarily used to determine whether principal and interest may be paid on the secured notes and distributions may be made on the subordinated notes or whether funds which would otherwise be used to pay interest on the Secured Notes other than the Class A Notes and the Class B Notes and to make distributions on the Subordinated Notes must instead be used to pay principal on one or more Classes of Secured Notes according to the priorities defined. The Coverage Tests consist of the Overcollateralization Ratio Test and the Interest Coverage Test; each test applies to each specified Class or Classes of Secured Notes. The Overcollateralization Ratio Test and Interest Coverage Test applicable to the indicated classes of secured notes will be satisfied as of any date of determination on which such Coverage Test is applicable, if (1) the applicable Overcollateralization Ratio or Interest Coverage Ratio is at least equal to the applicable ratio or (2) the class or classes of secured notes is no longer outstanding. The applicable Interest Coverage Ratio for Class A and B Notes, Class C Notes and Class D Notes is 100.0% in respect of the first determination date and 120% thereafter, 110.0%, and 105.0%, respectively. The applicable Overcollateralization Ratio for Class A and B Notes, Class C Notes, Class D Notes and Class E Notes is 125.1%, 118.0%, 113.5% and 107.7%, respectively.

(7) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of September 30, 2011, the notes payable are classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the term loans and notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

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

**Variable Interest Entities Which are Not Consolidated**

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

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

| | | September 30, 2011 | |
|---|---|---|---|
| | **Total Assets** | **Total Liabilities** | **Apollo Exposure** |
| Private Equity | $ 9,814,244 | $ (61,659) | $ 8,758 |
| Capital Markets | 2,728,999 | (557,064) | 10,940 |
| Real Estate | 2,252,563 | (1,795,256) | |
| Total | $ 14,795,806[1] | $ (2,413,979)[2] | $ 19,698[3] |

(1) Consists of $296,728 in cash, $14,046,259 in investments and $452,819 in receivables.

(2) Represents $2,343,762 in debt and other payables, $68,336 in securities sold, not purchased, and $1,881 in capital withdrawals payable.

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

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| | December 31, 2010 | | |
|---|---|---|---|
| | Total Assets | Total Liabilities | Apollo Exposure |
| Private Equity | $ 11,593,805 | $ (39,625) | $ 13,415 |
| Capital Markets | 3,117,013 | (824,957) | 13,302 |
| Real Estate | 1,569,147 | (1,263,354) | |
| Total | $ 16,279,965[(1)] | $ (2,127,936)[(2)] | $ 26,717[(3)] |

(1) Consists of $207,168 in cash, $15,672,604 in investments and $400,193 in receivables.
(2) Represents $2,011,194 in debt and other payables, $21,369 in securities sold, not purchased, and $95,373 in capital withdrawals payable.
(3) Apollo s exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.
At September 30, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company s unconsolidated VIEs, including LeverageSource, L.P., AutumnLeaf, L.P., and Apollo ALS Holdings, L.P. At September 30, 2011, the aggregate amount of such investments was $110.7 million. The Company s ownership interest in AAA was 2.45% at September 30, 2011.

At December 31, 2010, AAA Investments, the sole investment of AAA, invested in certain of the Company s unconsolidated VIEs, including LeverageSource, L.P., AutumnLeaf, L.P., Apollo ALS Holdings, L.P., and A.P. Charter Holdings, L.P. At December 31, 2010, the aggregate amount of such investments was $251.5 million. The Company s ownership interest in AAA was 2.81% at December 31, 2010.

**5. CARRIED INTEREST RECEIVABLE**

The table below provides a roll-forward of the carried interest receivable balance for the nine months ended September 30, 2011:

| | Private Equity | Capital Markets | Total |
|---|---|---|---|
| Carried interest receivable at January 1, 2011 | $ 1,578,135 | $ 288,938 | $ 1,867,073 |
| Carried interest loss from change in fair value of funds[(1)] | (699,950) | (76,456) | (776,406) |
| Foreign exchange loss | | (655) | (655) |
| Fund cash distributions to the Company | (330,473) | (124,839) | (455,312) |
| Carried Interest Receivable at September 30, 2011 | $ 547,712 | $ 86,988 | $ 634,700 |

(1) As of September 30, 2011, the Company recorded a general partner obligation to return previously distributed carried interest income of $78.0 million, $24.2 million and $17.6 million relating to Fund VI, COF II and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds as of September 30, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund s investments based on the contractual termination of the fund.
The timing of the payment of carried interest due to the general partner or investment manager varies depending on the terms of the applicable fund agreements. Generally, carried interest with respect to the private equity funds is payable and is distributed to the fund s general partner

upon realization of an investment if the fund s cumulative returns are in excess of the preferred return. For most capital markets funds, carried interest is payable based on realizations after the end of the relevant fund s fiscal year or fiscal quarter, subject to high watermark provisions. There is currently no carried interest receivable associated with the Company s real estate segment.

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**6. OTHER LIABILITIES**

Other liabilities consist of the following:

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Interest rate swap agreements | $ 4,893 | $ 11,531 |
| Deferred rent | 12,960 | 10,318 |
| Deferred taxes | 2,269 | 2,424 |
| Other | 2,929 | 1,422 |
| Total Other Liabilities | $ 23,051 | $ 25,695 |

***Interest Rate Swap Agreements*** The principal financial instruments used for cash flow hedging purposes are interest rate swaps. Apollo enters into interest rate swap agreements to manage its exposure to interest rate changes. The swaps effectively converted a portion of the Company s variable rate debt under the AMH Credit Agreement (discussed in note 8) to a fixed rate, without exchanging the notional principal amounts. Apollo entered into an interest rate swap agreement whereby Apollo receives floating rate payments in exchange for fixed rate payments of 5.175%, on the notional amount of $167.0 million, effectively converting a portion of its floating rate borrowings to a fixed rate. The interest rate swap agreement expires in May 2012. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of September 30, 2011 and December 31, 2010, the Company has recorded a liability of $4.9 million and $11.5 million, respectively, to recognize the fair value of this derivative.

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

**7. INCOME TAXES**

The Company is treated as a partnership for tax purposes and is therefore not subject to U.S. Federal income taxes; however, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal corporate income taxes. In addition, certain subsidiaries of the Company are subject to New York City Unincorporated Business Tax ( NYC UBT ) attributable to the Company s operations apportioned to New York City and certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate tax return, as well as filing standalone corporate state and local tax returns in California, New York and New York City. The Company s provision for income taxes is accounted for under the provisions of U.S. GAAP.

The Company s benefit (provision) for income taxes totaled $19.8 million and $(30.9) million for the three months ended September 30, 2011 and 2010, respectively and $7.5 million and $(47.6) million for the nine months ended September 30, 2011 and 2010, respectively. The Company s effective tax rate was approximately 1.1% and 18.9% for the three months ended September 30, 2011 and 2010, respectively and 0.5% and (24.4)% for the nine months ended September 30, 2011 and 2010, respectively.

Based upon the Company s review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined that no unrecognized tax benefits for uncertain tax positions were required to be recorded. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record significant amounts of unrecognized tax benefits within the next twelve months.

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The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and certain state, local, and foreign tax authorities. As of September 30, 2011 and December 31, 2010, Apollo and its predecessor entities U.S. federal, state, local and foreign income tax returns for the years 2008 through 2010 are open under the normal statute of limitations and therefore subject to examination.

**8. DEBT**

Debt consists of the following:

| | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Outstanding Balance | Annualized Weighted Average Interest Rate | Outstanding Balance | Annualized Weighted Average Interest Rate |
| AMH Credit Agreement | $ 728,273 | 5.43%[1] | $ 728,273 | 3.78%[1] |
| CIT secured loan agreement | 10,350 | 3.39 | 23,252 | 3.50 |
| Total Debt | $ 738,623 | 5.38% | $ 751,525 | 3.77% |

(1) Includes the effect of interest rate swaps.

***AMH Credit Agreement*** On April 20, 2007, Apollo Management Holdings, L.P. ( AMH ), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, entered into a $1.0 billion seven year credit agreement (the AMH Credit Agreement ). Interest payable under the AMH Credit Agreement may from time to time be based on Eurodollar ( LIBOR ) or Alternate Base Rate ( ABR ) as determined by the borrower. Through the use of interest rate swaps, AMH has irrevocably elected three-month LIBOR for $433 million of the debt for three years from the closing date of the AMH Credit Agreement and $167 million of the debt for five years from the closing date of the AMH Credit Agreement. The interest rate swap agreements related to the $433 million notional amount were comprised of two components: a $333 million portion and a $100 million portion. The interest rate swap agreement related to the $333 million portion expired in May 2010. The interest rate swap agreement related to the $100 million portion expired in November 2010. The interest rate swap agreement related to the $167 million notional amount expires in May 2012. The remaining amount of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for loans with extended maturity, as discussed below, and 1.00% for loans without the extended maturity as of September 30, 2011 and 4.25% for loans with extended maturity and 1.50% for loans without the extended maturity as of December 31, 2010). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loans from April 20, 2014 to January 3, 2017 and modified certain other terms of the credit facility. Pursuant to this amendment, AMH was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH is required to repurchase at least $50.0 million aggregate principal amount of term loans by December 31, 2014 and at least $100.0 million aggregate principal amount of term loans (inclusive of the

previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH loans (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

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The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased) of the loan at September 30, 2011 was 4.05% and the interest rate on the remaining $5.0 million portion of the loan at September 30, 2011 was 1.30%. The estimated fair value of the Company s long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $745.9 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $728.3 million carrying value of debt that is recorded on the condensed consolidated statement of financial condition at September 30, 2011 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of September 30, 2011 and December 31, 2010, the AMH Credit Agreement is guaranteed by, and collateralized by, substantially all of the assets of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH, as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which will be deposited as cash collateral to the extent necessary as set forth in the AMH Credit Agreement. As of September 30, 2011, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and its consolidated subsidiaries were $51.3 million, $43.0 million, $47.4 million, $44.8 million and $(1,025.6) million, respectively. As of December 31, 2010, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH were $123.1 million, $24.0 million, $39.0 million, $136.0 million and $(1,126.6) million, respectively.

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

If AMH s debt to EBITDA ratio (the Leverage Ratio ) as of the end of any fiscal year exceeds the level set forth in the next sentence (the Excess Sweep Leverage Ratio ), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage Ratio on a pro forma basis as of the end of such fiscal year to 0.25 to 1.00 below the Excess Sweep Leverage Ratio. The Excess Sweep Leverage Ratio will be: for 2011, 4.00 to 1.00; for 2012, 4.00 to 1.00; for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; and for 2015 and thereafter, 3.50 to 1.00.

In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

If AMH receives net cash proceeds from certain non-ordinary course asset sales, then such net cash proceeds shall be deposited in the cash collateral account to the extent necessary to reduce its Leverage Ratio on a pro forma basis as of the last day of the most recently completed fiscal quarter (after giving effect to such non-ordinary course asset sale and such deposit) to (the following specified levels for the specified years, the Sweep Leverage Ratio ) (i) for 2011, 2012 and 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00, (iii) for 2015, a Leverage Ratio of 3.00 to 1.00 and (iv) for all other years, a Leverage Ratio of 3.00 to 1.00.

The AMH Credit Agreement contains customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of AMH. As of September 30, 2011, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

***CIT Secured Loan Agreement*** During the second quarter of 2008, the Company entered into four secured loan agreements totaling $26.9 million with CIT Group/Equipment Financing Inc. ( CIT ) to finance the purchase of certain fixed assets. The loans bear interest at LIBOR plus 318 basis points per annum with interest and

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principal to be repaid monthly and a balloon payment of the remaining principal totaling $9.4 million due at the end of the terms in April 2013. At September 30, 2011, the interest rate was 3.40%. On April 28, 2011, the Company sold its ownership interest in certain assets which served as collateral to the CIT secured loan agreement for $11.3 million with $11.1 million of the proceeds going to CIT directly. As a result of the sale and an additional payment made by the Company of $1.1 million, the Company satisfied the loan associated with the related asset of $12.2 million on April 28, 2011. As of September 30, 2011, the carrying value of the remaining CIT secured loan is $10.4 million.

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

**9. NET (LOSS) INCOME PER CLASS A SHARE**

U.S. GAAP requires use of the two-class method of computing earnings per share for all periods presented for each class of common stock and participating security as if all earnings for the period had been distributed. Under the two-class method, during periods of net income, the net income is first reduced for dividends declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for dividends declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to common Class A Shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

The table below presents basic and diluted net (loss) income per Class A share using the two-class method for the three and nine months ended September 30, 2011 and 2010:

| | Basic and Diluted | | | |
|---|---|---|---|---|
| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
| | **2011** | **2010** | **2011** | **2010** |
| Numerator: | | | | |
| Net (loss) income attributable to Apollo Global Management, LLC | $ (466,926) | $ 24,140 | $ (479,759) | $ (111,666) |
| Dividends declared on Class A shares | (29,521)[1] | (6,854)[2] | (72,947)[1] | (13,598)[2] |
| Dividend equivalents on participating securities | (5,080) | (1,439) | (13,044) | (2,399) |
| Earnings allocable to participating securities[3] | | | | |
| Net (Loss) Income Attributable to Class A Shareholders | $ (501,527) | $ 15,847 | $ (565,750) | $ (127,663) |
| Denominator: | | | | |
| | 122,381,069 | 97,757,567 | 113,941,869 | 96,637,785 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Weighted average number of Class A shares outstanding | | | | | | | | |
| Net (loss) income per Class A share: Basic and Diluted[4] | | | | | | | | |
| Distributable Earnings | $ | 0.24 | $ | 0.07 | $ | 0.64 | $ | 0.14 |
| Undistributed (loss) income | | (4.10) | | 0.16 | | (4.97) | | (1.32) |
| Net (Loss) Income per Class A Share | $ | (3.86) | $ | 0.23 | $ | (4.33) | $ | (1.18) |

(1) The Company declared a $0.17 dividend on Class A shares on January 4, 2011, a $0.22 dividend on Class A shares on May 12, 2011, and a $0.24 dividend on Class A shares on August 9, 2011. As a result, there is an increase in net loss attributable to Class A shareholders presented during the three and nine months ended September 30, 2011.

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(2) The Company declared a $0.07 dividend on Class A shares in May 27, 2010 and August 2, 2010. As a result, there is an increase in net loss attributable to Class A shareholders presented during the three and nine months ended September 30, 2010.

(3) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in losses of the Company with the Class A shareholders.

(4) For the three and nine months ended September 30, 2011 and 2010, unvested RSUs, AOG Units and the share options were determined to be anti-dilutive. Therefore, basic and diluted net loss per share is presented as identical for these periods.

On October 24, 2007, the Company commenced the granting of restricted share units ( RSUs ) that provide the right to receive, upon vesting, Class A shares of Apollo Global Management, LLC, pursuant to the 2007 Omnibus Equity Incentive Plan. Certain RSU grants to Company employees during 2010 and 2011 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as Plan Grants. For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to Company employees in 2010 and 2011 (the Company refers to these as Bonus Grants ) provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a distribution is declared. As of September 30, 2011, approximately 16.3 million vested RSUs and 6.4 million unvested RSUs were eligible for participation in distribution equivalents.

Any distribution equivalent paid to an employee will not be returned to the Company upon forfeiture of the award by the employee. Vested and unvested RSUs that are entitled to non-forfeitable distribution equivalents qualify as participating securities and are included in the Company s basic and diluted earnings per share computations using the two-class method. The holder of a RSU participating security would have a contractual obligation to share in the losses of the entity if the holder is obligated to fund the losses of the issuing entity or if the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. Because the RSU participating securities do not have a mandatory redemption amount and the holders of the participating securities are not obligated to fund losses, neither the vested RSUs nor the unvested RSUs are subject to any contractual obligation to share in losses of the Company.

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may up to four times each year (subject to the terms of the exchange agreement) exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the eight Apollo Operating Group partnerships to effect an exchange for one Class A share. If fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

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

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

On July 9, 2010 and July 23, 2010, the Company issued a total of 1.6 million Class A shares in exchange for vested RSUs. This issuance caused the Company s ownership interest in the Apollo Operating Group to increase to 29.0% from 28.6%. As Holdings did not participate in this Class A share issuance, its ownership interest in the Apollo Operating Group decreased from 71.4% to 71.0%.

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On September 16, 2010, the Company repurchased 7,135 Class A shares from an employee who left the firm. This repurchase did not cause a material change to the Company s ownership interest in the Apollo Operating Group.

On September 30, 2010, the Company issued 11,405 Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company s ownership interest in the Apollo Operating Group.

On January 8, 2011, the Company issued 2,287 Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company s ownership interest in the Apollo Operating Group.

On March 15, 2011, the Company issued 1.5 million Class A shares in exchange for vested RSUs. This issuance caused the Company s ownership interest in the Apollo Operating Group to increase to 29.3% from 29.0%. As Holdings did not participate in this Class A share issuance, its ownership interest in the Apollo Operating Group decreased from 71.0% to 70.7%.

On April 4, 2011, the Company issued 21.5 million Class A shares as part of the IPO for net proceeds of $382.5 million. This issuance caused the Company s ownership interest in the Apollo Operating Group to increase to 33.5% from 29.3%. As Holdings did not participate in this IPO, its ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5%.

On April 7, 2011, the Company issued 0.75 million Class A shares in exchange for vested RSUs. This issuance caused the Company s ownership interest in the Apollo Operating Group to increase to 33.7% from 33.5%. As Holdings did not participate in this Class A share issuance, its ownership interest in the Apollo Operating Group decreased from 66.5% to 66.3%.

On July 11, 2011, the Company issued 0.1 million Class A shares in exchange for vested RSUs. This issuance did not cause a material change to the Company s ownership interest in the Apollo Operating Group.

On August 15, 2011, the Company issued 1.2 million Class A shares, in exchange for vested RSUs. This issuance caused the Company s ownership in the Apollo Operating Group to increase to 33.9% from 33.7%. As Holdings did not participate in this Class A issuance, its ownership in the Apollo Operating Group decreased from 66.3% to 66.1%.

**10. EQUITY-BASED COMPENSATION**

**AOG Units**

As a result of the service requirement, the fair value of the AOG Units of approximately $5.6 billion is being charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the nine months ended September 30, 2011 and 2010, $774.6 million and $774.7 million of compensation expense was recognized, respectively. For the three months ended September 30, 2011 and 2010, $258.2 million and $258.0 million of compensation expense was recognized, respectively. The estimated forfeiture rate was 3% for Contributing Partners and 0% for Managing Partners based on actual forfeitures as well as the Company s future forfeiture expectations. As of September 30, 2011, there was $764.2 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next two years.

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The following table summarizes the activity of the AOG Units for the nine months ended September 30, 2011:

| | Apollo Operating Group Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Balance at January 1, 2011 | 66,742,906 | $ 23.13 |
| Granted | | |
| Forfeited | | |
| Vested at September 30, 2011 | (33,112,272) | 23.39 |
| Balance at September 30, 2011 | 33,630,634 | $ 22.88 |

***Units Expected to Vest*** As of September 30, 2011, approximately 33,400,000 AOG Units are expected to vest over the next two years.

**RSUs**

On October 24, 2007, the Company commenced the granting of RSUs under the Company s 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. All grants consider the public share price of the Company. The fair value of Plan Grants made in 2011 was approximately $88.7 million, based on grant date fair value, and are discounted for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods consider transfer restrictions and timing of distributions. The total fair value will be charged to compensation expense on a straight-line basis over the vesting period, which generally can be up to 24 quarters or annual vesting over three years. The actual forfeiture rate was 1.3% and 8.4% for the nine months ended September 30, 2011 and 2010, respectively, and 0.4% and 1.8% for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, $78.6 million and $56.9 million of compensation expense was recognized, respectively. For the three months ended September 30, 2011 and 2010, $27.8 million and $21.7 million of compensation expense was recognized, respectively.

**Delivery of Class A Shares**

The delivery of RSUs does not cause a transfer of amounts in the Condensed Consolidated Statement of Changes in Shareholders Equity to the Class A Shareholders. The delivery of Class A shares for vested RSUs causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the three months ended September 30, 2011, the Company delivered 1.3 million Class A shares in settlement of vested RSUs, which caused the Company s ownership interest in the Apollo Operating Group to increase to 33.9% from 33.7%. Upon conversion of the AOG Units, there will be a transfer of amounts from Non-Controlling Interests to the Company s equity.

The following table summarizes RSU activity for the nine months ended September 30, 2011:

| | Unvested | Weighted Average Grant Date Fair Value | Vested | Total Number of RSUs Outstanding |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Balance at January 1, 2011 | 23,442,916 | $ | 10.25 | 15,642,921 | 39,085,837 |
| Granted | 5,467,855 | | 16.22 | | 5,467,855 |
| Forfeited | (380,745) | | 11.07 | | (380,745) |
| Delivered | | | 9.36 | (4,623,933) | (4,623,933) |
| Vested at September 30, 2011 | (5,298,969) | | 11.20 | 5,298,969 | |
| Balance at September 30, 2011 | 23,231,057 | $ | 11.43 | 16,317,957 | 39,549,014[1] |

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

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***Units Expected to Vest*** As of September 30, 2011, approximately 21,800,000 RSUs are expected to vest.

**Share Options**

Under the Company s 2007 Omnibus Equity Incentive Plan, 5,000,000 options were granted on December 2, 2010. These options shall vest and become exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011 and 25,000 options were granted on April 9, 2011. The options granted on January 22, 2011 shall vest and become exercisable with respect to half of the option shares on December 31, 2011 and the other half on December 31, 2012. The options granted on April 9, 2011 shall vest and become exercisable with respect to half of the options shares on December 31, 2011 and the other half in four equal quarterly installments starting on March 31, 2012 and thereafter, ending on December 31, 2012. For the three and nine months ended September 30, 2011, $1.6 million and $4.8 million of compensation expense was recognized as a result of these grants, respectively.

Apollo measures fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2011:

| **Assumptions:** | **2011**[2] |
|---|---|
| Risk-free interest rate | 2.79% |
| Weighted average expected dividend yield | 2.25% |
| Expected volatility factor | 40.22%[1] |
| Expected life in years | 5.72 |
| Fair Value of options per share | $ 8.44 |

(1) The Company determined its expected volatility based on comparable companies using daily stock prices.
(2) Represents weighted average of 2011 grants.

The following table summarizes the share option activity for the nine months ended September 30, 2011:

| | Options Outstanding | Weighted Average Exercise Price | Aggregate Fair Value | Weighted Average Remaining Contractual Term |
|---|---|---|---|---|
| Balance at January 1, 2011 | 5,000,000 | $ 8.00 | $ 28,100 | 9.92 |
| Granted | 580,556 | 9.39 | 4,896 | 9.34 |
| Exercised | | | | |
| Forfeited | | | | |
| Balance at September 30, 2011 | 5,580,556 | $ 8.14 | $ 32,996 | 9.19 |

***Units Expected to Vest*** As of September 30, 2011, approximately 5,250,000 options are expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at September 30, 2011 was $27.9 million and is expected to be recognized over a weighted average period of 4.8 years. None of the share options were vested or exercisable at September 30, 2011.

**AAA RDUs**

Incentive units that provide the right to receive AAA restricted depository units ( RDUs ) following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The RDUs subject to incentive units granted to employees generally vest over three years. In contrast, the Company s Managing Partners and Contributing Partners have received distributions of fully

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vested AAA RDUs. The fair value of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value considers the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA. During the nine months ended September 30, 2011 and 2010, the actual forfeiture rate was 0% and 1.4%, respectively. During the three months ended September 30, 2011 and 2010, the actual forfeiture rate was 0% and 0%, respectively. For the nine months ended September 30, 2011 and 2010, $0.4 million and $3.3 million of compensation expense was recognized, respectively. For the three months ended September 30, 2011 and 2010, $0.2 million and $2.0 million of compensation expense was recognized, respectively.

During the nine months ended September 30, 2011 and 2010, the Company delivered 389,785 and 389,892 RDUs, respectively, to individuals who had vested in these units. The delivery in 2011 resulted in a reduction of the accrued compensation liability of $3.8 million and the recognition of a net decrease of additional paid in capital of $2.8 million. These amounts are presented in the condensed consolidated statement of changes in shareholders equity. There was a $0.4 million liability for undelivered RDUs included in accrued compensation and benefits in the condensed consolidated statements of financial condition as of September 30, 2011. The following table summarizes RDU activity for the nine months ended September 30, 2011:

| | Unvested | Weighted Average Grant Date Fair Value | Vested | Total Number of RDUs Outstanding |
|---|---|---|---|---|
| Balance at January 1, 2011 | 166,667 | $ 7.20 | 389,785 | 556,452 |
| Granted | 82,107 | 10.50 | | 82,107 |
| Forfeited | | | | |
| Delivered | | 10.54 | (389,785) | (389,785) |
| Vested | | | | |
| Balance at September 30, 2011 | 248,774 | $ 8.29 | | 248,774 |

***Units Expected to Vest*** As of September 30, 2011, approximately 219,000 RDUs are expected to vest over the next three years.

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

| | RDUs Available For Future Grants |
|---|---|
| Balance at January 1, 2011 | 1,979,031 |
| Purchases | 59,494 |
| Granted | (82,107) |
| Forfeited | |
| Balance at September 30, 2011 | 1,956,418 |

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

On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI restricted stock units ( ARI RSUs ), respectively, were granted to certain of the Company s employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. These awards generally vest over three years or twelve calendar quarters. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statement of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company s employees. The awards granted to the Company s employees are remeasured each period to reflect the fair value of the asset and liability and any changes in these values are recorded in the condensed consolidated statements of operations.

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The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for certain restrictions. For the nine months ended September 30, 2011 and 2010, $1.5 million and $1.2 million of management fees and $0.8 million and $0.6 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. For the three months ended September 30, 2011 and 2010, $0.8 million and $0.5 million of management fees and $0.4 million and $0.2 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 0% and 0% for the three and nine months ended September 30, 2011 and 2010, respectively.

The following table summarizes activity for the ARI restricted stock awards and ARI RSUs that were granted to both the Company and certain of its employees for the nine months ended September 30, 2011:

| | ARI Restricted Stock Unvested | ARI RSUs Unvested | Weighted Average Grant Date Fair Value | ARI RSUs Vested | Total Number of RSUs Outstanding |
|---|---|---|---|---|---|
| Balance at January 1, 2011 | 65,002 | 96,250 | $ 17.57 | 22,709 | 118,959 |
| Granted to employees of the Company | | 157,750 | 14.88 | | 157,750 |
| Granted to the Company | | 156,000 | 14.85 | | 156,000 |
| Forfeited by employees of the Company | | | | | |
| Vested awards for employees of the Company | | (39,167) | 16.97 | 39,167 | |
| Vested awards of the Company | (24,375) | | 18.48 | | |
| Balance at September 30, 2011 | 40,627 | 370,833 | $ 15.51 | 61,876 | 432,709 |

***Units Expected to Vest*** As of September 30, 2011, approximately 358,000 and 40,627 shares of ARI RSUs and ARI restricted stock, respectively, are expected to vest.

**Restricted Stock Unit Awards Apollo Residential Mortgage, Inc. ( AMTG )**

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units ( AMTG RSUs ) were granted to the Company and certain of the Company s employees, respectively. The fair value of the Company and employee awards granted was $0.3 million and $0.2 million, respectively. These awards generally vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statement of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company s employees. The awards granted to the Company s employees are remeasured each period to reflect the fair value of the asset and liability and any changes in these values are recorded in the condensed consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for certain restrictions. For the three and nine months ended September 30, 2011, $0.1 million and $0.1 million of management fees and $0.0 million and $0.0 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. The actual forfeiture rate for AMTG RSUs was 0% for the three and nine months ended September 30, 2011, respectively.

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The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the nine months ended September 30, 2011:

| | AMTG RSUs Unvested | Weighted Average Grant Date Fair Value | Vested | Total Number of RSUs Outstanding |
|---|---|---|---|---|
| Balance at January 1, 2011 | | $ | | |
| Granted to employees of the Company | 11,250 | 16.69 | | 11,250 |
| Granted to the Company | 18,750 | 18.20 | | 18,750 |
| Forfeited by employees of the Company | | | | |
| Vested awards of the Company | | | | |
| Vested awards for Management Shares of the Company | | | | |
| Balance at September 30, 2011 | 30,000 | $ 17.63 | | 30,000 |

***Units Expected to Vest*** As of September 30, 2011, approximately 29,000 AMTG RSUs are expected to vest.

**Equity-Based Compensation Allocation**

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

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the three months ended September 30, 2011:

| | Total Amount | Non-Controlling Interest % in Apollo Operating Group | Allocated to Non-Controlling Interest in Apollo Operating Group[1] | Allocated to Apollo Global Management, LLC |
|---|---|---|---|---|
| AOG Units | $ 258,190 | 66.1% | $ 170,994 | $ 87,196 |
| RSUs and Share Options | 29,451 | | | 29,451 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | 414 | 66.1 | 273 | 141 |
| AAA RDUs | 153 | 66.1 | 100 | 53 |

| | | | |
|---|---|---|---|
| Total Equity-Based Compensation | $ 288,208 | 171,367 | 116,841 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | | (373) | (194) |
| Capital Increase Related to Equity-Based Compensation | | $ 170,994 | $ 116,647 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

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

| | Total Amount | Non-Controlling Interest % in Apollo Operating Group | Allocated to Non-Controlling Interest in Apollo Operating Group(1) | Allocated to Apollo Global Management, LLC |
|---|---|---|---|---|
| AOG Units | $ 258,046 | 71.0% | $ 183,356 | $ 74,690 |
| RSUs | 21,667 | | | 21,667 |
| ARI Restricted Stock Awards and ARI RSUs | 179 | 71.0% | 126 | 53 |
| AAA RDUs | 2,022 | 71.0% | 1,431 | 591 |
| Total Equity-Based Compensation | $ 281,914 | | 184,913 | 97,001 |
| Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs | | | (1,557) | (644) |
| Capital Increase Related to Equity-Based Compensation | | | $ 183,356 | $ 96,357 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the nine months ended September 30, 2011:

| | Total Amount | Non-Controlling Interest % in Apollo Operating Group | Allocated to Non-Controlling Interest in Apollo Operating Group(1) | Allocated to Apollo Global Management, LLC |
|---|---|---|---|---|
| AOG Units | $ 774,572 | 66.1% | $ 525,910 | $ 248,662 |
| RSUs and Share Options | 83,376 | | | 83,376 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | 848 | 66.1 | 561 | 287 |
| AAA RDUs | 377 | 66.1 | 249 | 128 |

| | | | |
|---|---|---|---|
| Total Equity-Based Compensation | $ 859,173 | 526,720 | 332,453 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | | (810) | (415) |
| Capital Increase Related to Equity-Based Compensation | | $ 525,910 | $ 332,038 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

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

| | Total Amount | Non-Controlling Interest % in Apollo Operating Group | Allocated to Non-Controlling Interest in Apollo Operating Group[1] | Allocated to Apollo Global Management, LLC |
|---|---|---|---|---|
| AOG Units | $ 774,718 | 71.0% | $ 552,322 | $ 222,396 |
| RSUs | 56,859 | | | 56,859 |
| ARI Restricted Stock Awards and ARI RSUs | 600 | 71.0% | 426 | 174 |
| AAA RDUs | 3,343 | 71.0% | 2,374 | 969 |
| Total Equity-Based Compensation | $ 835,520 | | 555,122 | 280,398 |
| Less AAA RDUs, ARI Restricted Stock Awards and ARI RSUs | | | (2,800) | (1,143) |
| Capital Increase Related to Equity-Based Compensation | | | $ 552,322 | $ 279,255 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

**11. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES**

The Company typically facilitates the initial payment of certain operating costs incurred by the funds that it manages as well as their affiliates. These costs are normally reimbursed by such funds and are included in due from affiliates.

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

| | As of September 30, 2011 | As of December 31, 2010 |
|---|---|---|
| **Due from Affiliates:** | | |
| Due from private equity funds | $ 25,933 | $ 52,128 |
| Due from portfolio companies | 57,804 | 42,933 |
| Management and advisory fees receivable from capital markets funds | 25,359 | 19,095 |

| | | |
|---|---|---|
| Due from capital markets funds | 11,131 | 13,612 |
| Due from Contributing Partners, employees and former employees | 38,052 | 8,496 |
| Due from real estate funds | 14,519 | 5,887 |
| Other | 1,313 | 2,212 |
| Total Due from Affiliates | $ 174,111 | $ 144,363 |
| **Due to Affiliates:** | | |
| Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement | $ 451,606 | $ 491,402 |
| Due to private equity funds | 90,433 | 20,890 |
| Due to capital markets funds | 41,785 | |
| Due to real estate funds | 1,200 | 1,200 |
| Other | 9,467 | 4,153 |
| Total Due to Affiliates | $ 594,491 | $ 517,645 |

**Tax Receivable Agreement**

Subject to certain restrictions, each of the Managing Partners and Contributing Partners has the right to exchange their vested AOG Units for the Company s Class A shares. Certain Apollo Operating Group entities have made an election under Section 754 of the U.S. Internal Revenue Code, as amended, which will result in an adjustment to the tax basis of the assets owned by Apollo Operating Group at the time of the exchange. These

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exchanges will result in increases in tax deductions that will reduce the amount of tax that APO Corp. will otherwise be required to pay in the future. Additionally, the further acquisition of AOG Units from the Managing Partners and Contributing Partners also may result in increases in tax deductions and tax basis of assets that will further reduce the amount of tax that APO Corp. will otherwise be required to pay in the future.

APO Corp. entered into a tax receivable agreement ( TRA ) with the Managing Partners and Contributing Partners that provides for the payment to the Managing Partners and Contributing Partners of 85% of the amount of cash savings, if any, in U.S. Federal, state, local and foreign income taxes that APO Corp. would realize as a result of the increases in tax basis of assets that resulted from the Reorganization. If the Company does not make the required annual payment on a timely basis as outlined in the TRA agreement, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 years.

In April 2011, Apollo made a $39.8 million cash payment against the tax receivable agreement to the Managing and Contributing Partners resulting from a realized tax benefit for the 2010 tax year. Included in the payment was $29.0 thousand and $3.0 thousand of interest paid to the Managing Partners and Contributing Partners, respectively. Additionally, the Company deferred 25% of the TRA payment intended to be paid to the Managing Partners on April 5, 2011. The deferred payment of $12.1 million is expected to be paid in 2014.

**Special Allocation**

In December 2009, the AMH partnership agreement was amended to provide for special allocations of income to APO Corp. and a reduction of income allocated to Holdings for the 2009 and 2010 calendar years. In connection with the amendment of the AMH partnership agreement in April of 2010, the tax receivable agreement was revised to reflect the Managing Partners agreement to defer 25% of required payments pursuant to the tax receivable agreement that is attributable to the 2010 fiscal year for a period of four years. The amendment allows for a maximum allocation of income from Holdings of approximately $22.1 million in 2009 and eliminates any income allocation to Holdings in 2010. There was no extension of the special allocation after December 31, 2010. Therefore as a result, the Company did not allocate any additional income from AMH to APO Corp. related to the special allocation beyond such date. The Company will continue to allocate income to APO Corp. based on the current economic sharing percentage.

**Due from Contributing Partners, Employees and Former Employees**

The Company has accrued approximately $30.1 million in receivables from the Contributing Partners and certain employees and former employees for the potential return of carried interest income that would be due if the private equity funds were liquidated at the balance sheet date. Also see Due to Private Equity Funds, and Due to Capital Markets Funds.

**Management Fee Waiver and Notional Investment Program**

Apollo has forgone a portion of management fee revenue that it would have been entitled to receive in cash and instead received profits interests and assigned these profits interests to employees and partners. The amount of management fees waived and related compensation expense amounted to $19.5 million and $19.7 million for the nine months ended September 30, 2011 and 2010, respectively, and $4.1 million and $5.1 million for the three months ended September 30, 2011 and 2010, respectively.

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**Distributions**

The table below presents the determination, declaration, and payment of the amount of quarterly distributions which are at the sole discretion of the Company (in millions, except per share amounts):

| Distributions Declaration Date | Distributions per Class A Share Amount | Distributions Payment Date | Distributions to AGM Class A Shareholders | Distributions to Non-Controlling Interest Holders in the Apollo Operating Group | Total Distributions from Apollo Operating Group | Distribution Equivalents on Participating Securities |
|---|---|---|---|---|---|---|
| May 27, 2010 | $ 0.07 | June 15, 2010 | $ 6.7 | $ 16.8 | $ 23.5 | $ 1.0 |
| August 2, 2010 | $ 0.07 | August 25, 2010 | $ 6.9 | $ 16.8 | $ 23.7 | $ 1.4 |
| January 4, 2011 | $ 0.17 | January 14, 2011 | $ 16.6 | $ 40.8 | $ 57.4 | $ 3.3 |
| May 12, 2011 | $ 0.22 | June 1, 2011 | $ 26.8 | $ 52.8 | $ 79.6 | $ 4.7 |
| August 9, 2011 | $ 0.24 | August 29, 2011 | $ 29.5 | $ 57.6 | $ 87.1 | $ 5.1 |

**Indemnity**

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

Accordingly, in the event that the Company s Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions, we will be obligated to reimburse the Company s Managing Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though we did not receive the certain distribution to which that general partner obligation related. During the three and nine months ended September 30, 2011, the Company recorded an indemnification expense of $0.8 million.

**Due to Private Equity Funds**

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which Fund VI advanced $18.9 million of carried interest income to the limited partners of Apollo Advisors VI, L.P., who are also employees of the Company. The loan obligation accrues interest at an annual fixed rate of 3.45% and terminates on the earlier of June 30, 2017 or the termination of Fund VI. At December 31, 2010, the total outstanding loan aggregated $20.5 million, including accrued interest of $1.6 million, which approximated fair value, of which approximately $6.5 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of $10.9 million, which is offset in carried interest receivable on the condensed consolidated

statement of financial condition. As of September 30, 2011, the total outstanding loan aggregated $9.0 million, including accrued interest of $0.9 million which approximated fair value, of which approximately $6.4 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

In addition, assuming Fund VI is liquidated on the balance sheet date, the Company has also accrued a liability to Fund VI of $78.0 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $22.9 million is receivable from Contributing Partners, employees and former employees.

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**Due to Capital Markets Funds**

Similar to the private equity funds, certain capital markets funds allocate carried interest income to the Company. Assuming COF II is liquidated on the balance sheet date, the Company has also accrued a liability to COF II of $24.2 million, in connection with the potential general partner obligation to return carried interest income that was previously distributed from COF II. Of this amount, approximately $7.2 million is receivable from Contributing Partners, employees and former employees. Additionally, assuming SOMA liquidated on the balance sheet date, the Company has accrued a liability to SOMA of $17.6 million, in connection with the potential general partner obligation for carried interest income that was previously distributed from SOMA.

See Contingent Obligations section for further discussion of potential future maximum reversal of carried interest income.

**Broker Dealer**

During 2011, the Company formed Apollo Global Securities, LLC, which acts as a broker dealer. From time to time, this entity is involved in transactions with affiliates of Apollo whereby Apollo Global Securities, LLC will earn transaction and advisory fees.

**Due to Strategic Investor/Strategic Relationship Agreement**

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

**Underwriting Fee Paid for ARI**

The Company incurred $8.0 million in underwriting expenses for the benefit of ARI, which may be repaid to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ARI s initial public offering on September 29, 2009, ARI s core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate. During the second quarter of 2011, the core earnings had exceeded the hurdle rate and the Company recorded $8.0 million of other income in the condensed consolidated statement of operations.

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**Interests in Consolidated Entities**

These amounts relate to equity interests in Apollo s consolidated, but not wholly-owned, subsidiaries and funds.

Net loss (income) attributable to Non-Controlling Interests consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | (in thousands) | | | |
| AAA[1] | $ 329,649 | $ (96,723) | $ 134,347 | $ (194,619) |
| Consolidated VIEs[2] | 4,760 | (32,910) | 41 | (32,645) |
| Former employees[3] | (4,149) | (3,433) | (9,383) | (13,200) |
| Net loss (income) attributable to Non-Controlling Interests in consolidated entities | 330,260 | (133,066) | 125,005 | (240,464) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | 946,757 | 24,874 | 992,719 | 371,787 |
| Net loss (income) attributable to Non-Controlling Interests | $ 1,277,017 | $ (108,192) | $ 1,117,724 | $ 131,323 |

(1) Reflects the Non-Controlling Interests in the net loss (income) of AAA and is calculated based on the Non-Controlling Interests ownership percentage in AAA, which was approximately 98% and 97% during the three and nine months ended September 30, 2011 and 2010, respectively.

(2) Reflects the Non-Controlling Interests in the net loss (income) of the consolidated VIEs and includes $4.6 million and $14.2 million of losses recorded within appropriated partners deficit related to consolidated VIEs during the three and nine months ended September 30, 2011, respectively, and $3.2 million of gains and $0.4 million of losses recorded within appropriated partners deficit related to consolidated VIEs during the three and nine months ended September 30, 2010, respectively.

(3) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies.

**12. COMMITMENTS AND CONTINGENCIES**

***Financial Guarantees*** Apollo has provided financial guarantees on behalf of certain employees for the benefit of unrelated third-party lenders, in connection with their capital commitment to certain funds managed by the Company. As of September 30, 2011, the maximum exposure relating to these financial guarantees approximated $5.0 million. Apollo has historically not incurred any liabilities as a result of these agreements and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying condensed consolidated financial statements.

As the general partner of Apollo/Artus Investor 2007-I, L.P. ( Artus ), the Company may be obligated for certain losses in excess of those allocable to the limited partners to the extent that there is negative equity in that fund. As of September 30, 2011, the Company has no current obligations to Artus.

***Investment Commitments*** As a limited partner, general partner and manager of the Apollo private equity funds, capital markets and real estate funds, Apollo has unfunded capital commitments as of September 30, 2011 and December 31, 2010 of $147.0 million and $140.6 million, respectively.

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

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

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***Litigation and Contingencies*** The Company is from time to time, party to various legal actions arising in the ordinary course of business, including claims and litigation, reviews, investigations and proceedings by governmental and self-regulatory agencies regarding the Company s business.

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

Apollo believes that this action is without merit and intends to defend itself vigorously.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo s funds, seeking information regarding the use of placement agents. CalPERS, one of Apollo s strategic investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS s purchase of securities in various funds managed by Apollo and another investment manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner.

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

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

As of September 30, 2011, the approximate aggregate minimum future payments required for operating leases were as follows:

| | Remaining 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Aggregate minimum future payments | $ 7,667 | $ 29,870 | $ 29,317 | $ 29,047 | $ 21,332 | $ 114,204 | $ 231,437 |

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $11.3 million and $7.2 million for the three months ended September 30, 2011 and 2010, respectively, and $28.8 million and $21.2 million for the nine months ended September 30, 2011 and 2010, respectively.

***Other Long-term Obligations*** These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting, LLC. A significant portion of these costs are reimbursable by funds or portfolio companies. As of September 30, 2011, fixed and determinable payments due in connection with these obligations are as follows:

| | Remaining 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Other long-term obligations | $ 5,543 | $ 8,492 | $ 630 | $ | $ | $ | $ 14,665 |

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***Contingent Obligations*** Carried interest income in both private equity funds and certain capital markets funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments became worthless, the amount of cumulative revenues that has been recognized by Apollo through September 30, 2011 and that would be reversed approximates $1.0 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income is affected by changes in the fair values of the underlying investments in the funds that Apollo manages. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors including, but not limited to, bond yields and industry trading multiples. Movements in these items can affect valuations quarter to quarter even if the underlying business fundamentals remain stable. The table below indicates the potential future reversal of carried interest income:

| | As of September 30, 2011 |
|---|---|
| Fund VII | $ 351,096 |
| Fund V | 264,906 |
| Fund IV | 253,262 |
| COF I | 72,547 |
| COF II | 32,733 |
| EPF | 24,261 |
| AIE II | 21,169 |
| AAA | 17,213 |
| SVF | 3,956 |
| VIF | 2,949 |
| FCI I | 481 |
| Total | $ 1,044,573 |

Additionally, at the end of the life of certain funds that the Company manages, there could be a payment due to a fund by the Company if the Company as general partner has received more carried interest income than was ultimately earned. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 11, the Company has recorded a general partner obligation to return previously distributed carried interest income of $78.0 million, $24.2 million and $17.6 million relating to Fund VI, COF II and SOMA as of September 30, 2011, respectively.

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

**13. MARKET AND CREDIT RISK**

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

The Company is subject to a concentration risk related to the investors in its funds. As of September 30, 2011, there were more than approximately 1,000 limited partner investors in Apollo s active private equity, capital markets and real estate funds, and no individual investor

accounted for more than 10% of the total committed capital to Apollo s active funds.

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

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

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

Additionally, Apollo is exposed to interest rate risk. Apollo has debt obligations that have variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. At September 30, 2011 and December 31, 2010, $738.6 million and $751.5 million of Apollo s debt balance (excluding debt of the consolidated VIEs) had a variable interest, respectively. However, as of September 30, 2011 and December 31, 2010, $167.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 8.

**14. SEGMENT REPORTING**

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

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

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

***Real estate*** primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

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

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

The following tables present the financial data for Apollo s reportable segments further separated between the management and incentive business as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010, respectively, which management believes is useful to the reader. The Company s management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company s business. The financial results of the management entities, as reflected in the management business section of the segment tables that follow, generally include management fee revenues, advisory and transaction fees and expenses exclusive of

profit sharing expense. The

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financial results of the advisory entities, as reflected in the incentive business sections of the segment tables that follow, generally include carried interest income, investment income, profit sharing expense and incentive fee based compensation.

**Economic Net Income (Loss)**

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

- Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires;
- Decisions related to capital deployment such as providing capital to facilitate growth for the business and/or to facilitate expansion into new businesses; and
- Decisions related to compensation expense, such as determining annual discretionary bonuses to its employees. As it relates to compensation, management seeks to align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest income earned in relation to the funds, with those of the investors in such funds and those of the Company s shareholders. To achieve that objective, a certain amount of compensation is based on the Company s performance and growth for the year.

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

The following table presents the financial data for Apollo s reportable segments as of and for the three months ended September 30, 2011:

| | As of and for the Three Months Ended September 30, 2011 | | | |
|---|---|---|---|---|
| | **Private Equity Segment** | **Capital Markets Segment** | **Real Estate Segment** | **Total Reportable Segments** |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | $ 14,891 | $ 1,831 | $ 472 | $ 17,194 |
| Management fees from affiliates | 65,173 | 47,250 | 10,596 | 123,019 |
| Carried interest loss from affiliates | (1,358,616) | (260,467) | | (1,619,083) |
| Total Revenues | (1,278,552) | (211,386) | 11,068 | (1,478,870) |

| | | | | |
|---|---|---|---|---|
| Expenses | (437,846) | (22,839) | 13,792 | (446,893) |
| Other (Loss) Income | (40,492) | (68,036) | 42 | (108,486) |
| Economic Net Loss | $ (881,198) | $ (256,583) | $ (2,682) | $ (1,140,463) |
| Total Assets | $ 1,579,798 | $ 1,045,139 | $ 89,645 | $ 2,714,582 |

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The following table reconciles the total segments to Apollo Global Management, LLC s condensed consolidated financial statements for the three months ended September 30, 2011:

| | As of and for the Three Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Total Reportable Segments | Consolidation Adjustments and Other | Condensed Consolidated |
| Revenues | $ (1,478,870) | $ (710)[1] | $ (1,479,580) |
| Expenses | (446,893) | 288,793 [2] | (158,100) |
| Other loss | (108,486) | (333,824)[3] | (442,310) |
| Economic Net Loss | $ (1,140,463)[4] | N/A | N/A |
| Total Assets | $ 2,714,582 | $ 2,616,189[5] | $ 5,330,771 |

(1) Represents advisory and management fees earned from a consolidated VIE which is eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to equity-based compensation.
(3) Results from the following:

| | For the Three Months Ended September 30, 2011 |
|---|---|
| Net losses from investment activities | $ (337,051) |
| Net losses from investment activities of consolidated variable interest entities | (4,760) |
| Gain from equity method investments | 7,987 |
| Total Consolidation Adjustments | $ (333,824) |

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Three Months Ended |
|---|---|

| | September 30, 2011 |
|---|---|
| Economic Net Loss | $ (1,140,463) |
| Income tax benefit | 19,847 |
| Net income attributable to Non-Controlling Interests in consolidated entities[6] | (4,149) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | 946,757 |
| Non-cash charges related to equity-based compensation[7] | (288,208) |
| Income from a consolidated VIE | (710) |
| Net Loss Attributable to Apollo Global Management, LLC | $ (466,926) |

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

(6) Excludes Non-Controlling Interests attributable to AAA and the consolidated VIEs.

(7) Includes impact of non-cash charges related to amortization of AOG Units of $258.2 million, RSUs and share options of $29.4 million (Plan Grants made in connection with the 2007 private placement of $11.4 million, other Plan Grants made to new hires on a merit basis of $6.3 million, Bonus Grants of $9.9 million and share options of $1.8 million), ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs of $0.4 million and AAA RDUs of $0.2 million as discussed in note 10 to our condensed consolidated financial statements.

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The following tables present additional financial data for Apollo s reportable segments for the three months ended September 30, 2011:

| | For the Three Months Ended September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Private Equity | | | Capital Markets | | |
| | Management | Incentive | Total | Management | Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | $ 14,891 | $ | $ 14,891 | $ 1,831 | $ | $ 1,831 |
| Management fees from affiliates | 65,173 | | 65,173 | 47,250 | | 47,250 |
| Carried interest (loss) income from affiliates: | | | | | | |
| Unrealized losses(1) | | (1,399,141) | (1,399,141) | | (284,120) | (284,120) |
| Realized gains | | 40,525 | 40,525 | 11,300 | 12,353 | 23,653 |
| Total Revenues | 80,064 | (1,358,616) | (1,278,552) | 60,381 | (271,767) | (211,386) |
| Compensation and benefits | 32,415 | (497,161) | (464,746) | 29,053 | (69,970) | (40,917) |
| Other expenses | 26,900 | | 26,900 | 18,078 | | 18,078 |
| Total Expenses | 59,315 | (497,161) | (437,846) | 47,131 | (69,970) | (22,839) |
| Other Loss | (981) | (39,511) | (40,492) | (8,292) | (59,744) | (68,036) |
| Economic Net Income (Loss) | $ 19,768 | $ (900,966) | $ (881,198) | $ 4,958 | $ (261,541) | $ (256,583) |

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $(77,984), $(24,208), and $(17,576) with respect to Fund VI, COF II and SOMA, respectively, for the three months ended September 30, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds net assets as of September 30, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund s investments based on the contractual termination of the fund.

| | For the Three Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Real Estate | | |
| | Management | Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | $ 472 | $ | $ 472 |
| Management fees from affiliates | 10,596 | | 10,596 |
| Carried interest income from affiliates | | | |
| Total Revenues | 11,068 | | 11,068 |

| | | | |
|---|---|---|---|
| Compensation and benefits | 6,965 | | 6,965 |
| Other expenses | 6,827 | | 6,827 |
| Total Expenses | 13,792 | | 13,792 |
| Other (Loss) Income | (192) | 234 | 42 |
| Economic Net (Loss) Income | $ (2,916) | $ 234 | $ (2,682) |

| | For the Three Months Ended September 30, 2010 | | | |
|---|---|---|---|---|
| | Private Equity Segment | Capital Markets Segment | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | $ 16,964 | $ 2,541 | $ | $ 19,505 |
| Management fees from affiliates | 64,489 | 40,419 | 1,812 | 106,720 |
| Carried interest loss from affiliates | 228,125 | 104,301 | | 332,426 |
| Total Revenues | 309,578 | 147,261 | 1,812 | 458,651 |
| Expenses | 155,958 | 57,481 | 10,487 | 223,926 |
| Other Income | 60,093 | 20,335 | 123 | 80,551 |
| Economic Net Income (Loss) | $ 213,713 | $ 110,115 | $ (8,552) | $ 315,276 |

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The following table reconciles the total reportable segments to Apollo Global Management, LLC s condensed consolidated financial statements for the three months ended September 30, 2010:

| | For the Three Months Ended September 30, 2010 | | |
|---|---|---|---|
| | Total Reportable Segments | Consolidation Adjustments and Other | Condensed Consolidated |
| Revenues | $ 458,651 | $ | $ 458,651 |
| Expenses | 223,926 | 282,077[(1)] | 506,003 |
| Other income | 80,551 | 129,989[(2)] | 210,540 |
| Economic Net Income | $ 315,276[(3)] | N/A | N/A |

(1) Represents the addition of expenses of AAA and expenses related to equity-based compensation.
(2) Results from the following:

| | For the Three Months Ended September 30, 2010 |
|---|---|
| Net gains from investment activities | $ 101,210 |
| Net gains from investment activities of consolidated variable interest entities | 32,910 |
| Loss from equity method investments | (3,926) |
| Interest income | 18 |
| Other loss | (223) |
| Total Consolidation Adjustments | $ 129,989 |

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

For the Three Months Ended

| | September 30, 2010 |
|---|---|
| Economic Net Income | $ 315,276 |
| Income tax provision | (30,856) |
| Net income attributable to Non-Controlling Interests in consolidated entities[4] | (3,433) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | 24,874 |
| Non-cash charges related to equity-based compensation[5] | (281,914) |
| Net income of Commodities Trading Fund | 193 |
| Net Income Attributable to Apollo Global Management, LLC | $ 24,140 |

(4) Excludes Non-Controlling Interests attributable to AAA and the consolidated VIEs.

(5) Includes impact of non-cash charges related to amortization of AOG Units of $258.0 million, RSUs of $21.7 million (Plan Grants made in connection with the 2007 private placement of $11.9 million, other Plan Grants made to new hires on a merit basis of $4.0 million and Bonus Grants of $5.8 million), ARI Restricted Stock Awards and ARI RSUs of $0.2 million and AAA RDUs of $2.0 million as discussed in note 10 to the condensed consolidated financial statements.

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

| | For the Three Months Ended September 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Private Equity | | | Capital Markets | | |
| | Management | Incentive | Total | Management | Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | $ 16,964 | $ | $ 16,964 | $ 2,541 | $ | $ 2,541 |
| Management fees from affiliates | 64,489 | | 64,489 | 40,419 | | 40,419 |
| Carried interest income from affiliates: | | | | | | |
| Unrealized gains | | 228,125 | 228,125 | | 83,696 | 83,696 |
| Realized gains | | | | 11,500 | 9,105 | 20,605 |
| Total Revenues | 81,453 | 228,125 | 309,578 | 54,460 | 92,801 | 147,261 |
| Compensation and benefits | 34,201 | 97,203 | 131,404 | 21,325 | 24,290 | 45,615 |
| Other expenses | 24,554 | | 24,554 | 11,866 | | 11,866 |
| Total Expenses | 58,755 | 97,203 | 155,958 | 33,191 | 24,290 | 57,481 |
| Other Income | 42,445 | 17,648 | 60,093 | 6,741 | 13,594 | 20,335 |
| Economic Net Income | $ 65,143 | $ 148,570 | $ 213,713 | $ 28,010 | $ 82,105 | $ 110,115 |

| | For the Three Months Ended September 30, 2010 | | |
|---|---|---|---|
| | Real Estate | | |
| | Management | Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | $ | $ | $ |
| Management fees from affiliates | 1,812 | | 1,812 |
| Carried interest income from affiliates | | | |
| Total Revenues | 1,812 | | 1,812 |
| Compensation and benefits | 4,920 | | 4,920 |
| Other expenses | 5,567 | | 5,567 |
| Total Expenses | 10,487 | | 10,487 |

| | | | |
|---|---|---|---|
| Other (Loss) Income | (41) | 164 | 123 |
| Economic Net (Loss) Income | $ (8,716) | $ 164 | $ (8,552) |

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The following table presents the financial data for Apollo s reportable segments as of and for the nine months ended September 30, 2011:

| | As of and for the Nine Months Ended September 30, 2011 | | | |
|---|---|---|---|---|
| | Private Equity Segment | Capital Markets Segment | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | $ 51,533 | $ 8,161 | $ 472 | $ 60,166 |
| Management fees from affiliates | 196,154 | 136,677 | 29,525 | 362,356 |
| Carried interest loss from affiliates | (777,935) | (118,239) | | (896,174) |
| Total Revenues | (530,248) | 26,599 | 29,997 | (473,652) |
| Expenses | (65,349) | 123,619 | 44,242 | 102,512 |
| Other (Loss) Income | (11,344) | (33,664) | 10,483 | (34,525) |
| Economic Net Loss | $ (476,243) | $ (130,684) | $ (3,762) | $ (610,689) |
| Total Assets | $ 1,579,798 | $ 1,045,139 | $ 89,645 | $ 2,714,582 |

The following table reconciles the total reportable segments to Apollo Global Management, LLC s condensed consolidated financial statements for the nine months ended September 30, 2011:

| | As of and for the Nine Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Total Reportable Segments | Consolidation Adjustments and Other | Condensed Consolidated |
| Revenues | $ (473,652) | $ (710)(1) | $ (474,362) |
| Expenses | 102,512 | 860,975 (2) | 963,487 |
| Other loss | (34,525) | (132,586)(3) | (167,111) |
| Economic Net Loss | $ (610,689)(4) | N/A | N/A |
| Total Assets | $ 2,714,582 | $ 2,616,189(5) | $ 5,330,771 |

(1) Represents advisory and management fees earned from a consolidated VIE which is eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to equity-based compensation.

(3) Results from the following:

| | For the Nine Months Ended September 30, 2011 |
|---|---|
| Net losses from investment activities | $ (135,872) |
| Net losses from investment activities of consolidated VIEs | (41) |
| Gain from equity method investments | 3,327 |
| Total Consolidation Adjustments | $ (132,586) |

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**(dollars in thousands, except share data)**

(4) The reconciliation of Economic Net Loss to Net Loss attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Nine Months Ended September 30, 2011 |
|---|---|
| Economic Net Loss | $ (610,689) |
| Income tax benefit | 7,477 |
| Net income attributable to Non-Controlling Interests in consolidated entities[6] | (9,383) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | 992,719 |
| Non-cash charges related to equity-based compensation[7] | (859,173) |
| Income from a consolidated VIE | (710) |
| Net Loss Attributable to Apollo Global Management, LLC | $ (479,759) |

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

(6) Excludes Non-Controlling Interests attributable to AAA and the consolidated VIEs.

(7) Includes impact of non-cash charges related to amortization of AOG Units of $774.6 million, RSUs and share options of $83.4 million (Plan Grants made in connection with the 2007 private placement of $35.2 million, other Plan Grants made to new hires on a merit basis of $19.5 million, Bonus Grants of $23.7 million and share options of $5.0 million), ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs of $0.8 million and AAA RDUs of $0.4 million as discussed in note 10 to the condensed consolidated financial statements.

The following tables present additional financial data for Apollo s reportable segments for the nine months ended September 30, 2011:

| | For the Nine Months Ended September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Private Equity | | | Capital Markets | | |
| | Management | Incentive | Total | Management | Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | $ 51,533 | $ | $ 51,533 | $ 8,161 | $ | $ 8,161 |
| Management fees from affiliates | 196,154 | | 196,154 | 136,677 | | 136,677 |
| Carried interest (loss) income from affiliates: | | | | | | |
| Unrealized losses[1] | | (1,108,408) | (1,108,408) | | (189,208) | (189,208) |
| Realized gains | | 330,473 | 330,473 | 35,040 | 35,929 | 70,969 |
| Total Revenues | 247,687 | (777,935) | (530,248) | 179,878 | (153,279) | 26,599 |
| Compensation and benefits | 98,011 | (245,130) | (147,119) | 82,177 | (27,618) | 54,559 |
| Other expenses | 81,770 | | 81,770 | 69,060 | | 69,060 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Expenses | 179,781 | (245,130) | (65,349) | 151,237 | (27,618) | 123,619 |
| Other Income (Loss) | 7,824 | (19,168) | (11,344) | (5,087) | (28,577) | (33,664) |
| Economic Net Income (Loss) | $ 75,730 | $ (551,973) | $ (476,243) | $ 23,554 | $ (154,238) | $ (130,684) |

(1) Included in unrealized carried interest (loss) income from affiliates is reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $(77,984), $(24,208), and $(17,576) with respect to Fund VI, COF II and SOMA, respectively, for the nine months ended September 30, 2011. The general partner obligation is recognized based upon a hypothetical liquidation of the funds net assets as of September 30, 2011. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund s investments based on the contractual termination of the fund.

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**APOLLO GLOBAL MANAGEMENT, LLC**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED)**

**(dollars in thousands, except share data)**

| | For the Nine Months Ended September 30, 2011 | | |
|---|---|---|---|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | $ 472 | $ | $ 472 |
| Management fees from affiliates | 29,525 | | 29,525 |
| Carried interest income from affiliates | | | |
| Total Revenues | 29,997 | | 29,997 |
| Compensation and benefits | 24,600 | | 24,600 |
| Other expenses | 19,642 | | 19,642 |
| Total Expenses | 44,242 | | 44,242 |
| Other Income | 9,842 | 641 | 10,483 |
| Economic Net (Loss) Income | $ (4,403) | $ 641 | $ (3,762) |

| | For the Nine Months Ended September 30, 2010 | | | |
|---|---|---|---|---|
| | Private Equity Segment | Capital Markets Segment | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | $ 49,063 | $ 8,355 | $ | $ 57,418 |
| Management fees from affiliates | 193,939 | 117,670 | 5,027 | 316,636 |
| Carried interest income from affiliates | 258,441 | 129,030 | | 387,471 |
| Total Revenues | 501,443 | 255,055 | 5,027 | 761,525 |
| Expenses | 295,360 | 139,897 | 23,776 | 459,033 |
| Other Income | 96,356 | 16,120 | 317 | 112,793 |
| Economic Net Income (Loss) | $ 302,439 | $ 131,278 | $ (18,432) | $ 415,285 |

The following table reconciles the total reportable segments to Apollo Global Management, LLC s condensed consolidated financial statements for the nine months ended September 30, 2010:

**For the Nine Months Ended September 30, 2010**

| | Total Reportable Segments | Consolidation Adjustments and Other | Condensed Consolidated |
|---|---|---|---|
| Revenues | $ 761,525 | $ | $ 761,525 |
| Expenses | 459,033 | 837,570[1] | 1,296,603 |
| Other income | 112,793 | 226,934[2] | 339,727 |
| Economic Net Income | $ 415,285[3] | N/A | N/A |

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

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**APOLLO GLOBAL MANAGEMENT, LLC**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED)**

**(dollars in thousands, except share data)**

(2) Results from the following:

| | For the Nine Months Ended September 30, 2010 |
|---|---|
| Net gains from investment activities | $ 201,926 |
| Net gains from investment activities of consolidated variable interest entities | 32,645 |
| Loss from equity method investments | (7,434) |
| Interest income | 20 |
| Other loss | (223) |
| Total Consolidation Adjustments | $ 226,934 |

(3) The reconciliation of Economic Net Income to Net Loss Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Nine Months Ended September 30, 2010 |
|---|---|
| Economic Net Income | $ 415,285 |
| Income tax provision | (47,638) |
| Net income attributable to Non-Controlling Interests in consolidated entities[4] | (13,200) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | 371,787 |
| Non-cash charges related to equity-based compensation[5] | (835,520) |
| Net losses of Commodities Trading Fund | (2,380) |
| Net Loss Attributable to Apollo Global Management, LLC | $ (111,666) |

(4) Excludes Non-Controlling Interests attributable to AAA and the consolidated VIEs.

(5) Includes impact of non-cash charges related to amortization of AOG Units of $774.7 million, RSUs of $56.9 million (Plan Grants made in connection with the 2007 private placement of $36.8 million, other Plan Grants made to new hires on a merit basis of $9.7 million and Bonus Grants of $10.4 million), ARI Restricted Stock Awards and ARI RSUs of $0.6 million and AAA RDUs of $3.3 million as discussed in note 10 to the condensed consolidated financial statements.

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

| | For the Nine Months Ended September 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Private Equity | | | Capital Markets | | |
| | Management | Incentive | Total | Management | Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | $ 49,063 | $ | $ 49,063 | $ 8,355 | $ | $ 8,355 |
| Management fees from affiliates | 193,939 | | 193,939 | 117,670 | | 117,670 |
| Carried interest income from affiliates: | | | | | | |
| Unrealized gains | | 201,938 | 201,938 | | 37,885 | 37,885 |
| Realized gains | | 56,503 | 56,503 | 33,840 | 57,305 | 91,145 |
| Total Revenues | 243,002 | 258,441 | 501,443 | 159,865 | 95,190 | 255,055 |
| Compensation and benefits | 97,696 | 118,218 | 215,914 | 68,086 | 18,484 | 86,570 |
| Other expenses | 79,446 | | 79,446 | 53,327 | | 53,327 |
| Total Expenses | 177,142 | 118,218 | 295,360 | 121,413 | 18,484 | 139,897 |
| Other Income | 69,621 | 26,735 | 96,356 | 2,057 | 14,063 | 16,120 |
| Economic Net Income | $ 135,481 | $ 166,958 | $ 302,439 | $ 40,509 | $ 90,769 | $ 131,278 |

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

| | For the Nine Months Ended September 30, 2010 | | |
|---|---|---|---|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | $ | $ | $ |
| Management fees from affiliates | 5,027 | | 5,027 |
| Carried interest income from affiliates | | | |
| Total Revenues | 5,027 | | 5,027 |
| Compensation and benefits | 14,723 | | 14,723 |
| Other expenses | 9,053 | | 9,053 |
| Total Expenses | 23,776 | | 23,776 |
| Other Income | 33 | 284 | 317 |
| Economic Net (Loss) Income | $ (18,716) | $ 284 | $ (18,432) |

The following table presents total assets for Apollo s reportable segments, and reconciles the segments to Apollo Global Management, LLC s condensed consolidated financial statements as of December 31, 2010:

| | As of December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Private Equity Segment | Capital Markets Segment | Real Estate Segment | Total Reportable Segments | Consolidation Adjustments | Consolidated |
| Total Assets | $ 2,271,564 | $ 1,152,389 | $ 46,415 | $ 3,470,368 | $ 3,082,004[(1)] | $ 6,552,372 |

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

**15. SUBSEQUENT EVENTS**

On October 24, 2011, (the Closing Date ), Apollo completed its previously announced acquisition (the Acquisition ) of 100% of the membership interests of Gulf Stream Asset Management, LLC, ( Gulf Stream ) a manager of collateralized loan obligations. The Acquisition was consummated by Apollo for total consideration of approximately $33.6 million.

The transaction broadens Apollo s existing traditional fixed income business and increases the Assets Under Management of Apollo s capital markets and senior loan businesses.

In accordance with U.S. GAAP, the Acquisition will be accounted for as a business combination under the acquisition method which requires that the consideration exchanged and net assets acquired be recorded at their respective fair values at the date of acquisition. Intangible assets acquired in the Acquisition consists primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and

incentive fees to existing CLOs managed by Gulf Stream.

The Company is currently in the process of determining the purchase accounting impact of the Acquisition including the amounts recognized as of the Closing Date for each major class of assets acquired and liabilities assumed.

On November 3, 2011, the Company declared a cash distribution of $0.20 per Class A share, which will be paid on December 2, 2011 to holders of record on November 25, 2011.

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**MANAGEMENT S DISCUSSION AND ANALYSIS**

**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with Apollo Global Management, LLC s condensed consolidated financial statements and the related notes included within this Quarterly Report on Form 10-Q.*

*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 in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011. The highlights listed below have had significant effects on many items within our condensed consolidated financial statements and affect the comparison of the current period s activity with those of prior periods.*

**General**

***Our Businesses***

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate with significant distressed expertise and a flexible mandate in the majority of our funds that enables our funds to invest opportunistically across a company s capital structure. We raise and invest funds and managed accounts on behalf of some of the world s most prominent pension and endowment funds as well as other institutional and individual investors. Apollo 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 540 employees, including 188 investment professionals, as of September 30, 2011. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Hong Kong and Mumbai.

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

(i) ***Private equity*** primarily invests in control equity and related debt instruments, convertible securities and distressed debt instruments;

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

(iii) ***Real estate*** primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

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

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

As of September 30, 2011, we had AUM of $65.1 billion in our private equity, capital markets and real estate businesses. Our latest private equity fund, Fund VII, held a final closing in December 2008, raising a total of

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$14.7 billion. Fund VII began investing in January 2008 and has deployed $9.5 billion of capital through September 30, 2011, generating gross and net internal rate of returns ( IRR ) of 23% and 15%, respectively, during this period. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 25% net IRR on a compound annual basis from inception through September 30, 2011. A number of our capital markets funds have also performed well since their inception through September 30, 2011.

As of September 30, 2011, approximately 91% of our AUM was in funds with a contractual life at inception of seven years or more, and 11% of our AUM was in permanent capital vehicles with unlimited duration, as highlighted in the chart below:

***Business Environment***

Global equity markets remained volatile during the third quarter of 2011. The debate over the United States debt ceiling and continued concerns over European sovereign debt resulted in considerable volatility and declines in financial markets around the world. The S&P 500 and Dow Jones Industrial Average were down approximately 14% and 12%, respectively, during the third quarter, while the VIX (a measure of market volatility) surged over 160% during the same period. The credit markets in which Apollo is most active also suffered losses, and financing activity in those markets slowed. During the volatile economic environment, which we believe began in the third quarter of 2007, we have been relying on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy a significant amount of new capital. As examples of this, from the beginning of the third quarter of 2007 and through September 30, 2011, we have deployed approximately $26.2 billion of gross invested capital across our private equity and certain capital markets funds, focused on control distressed and buyout investments, leveraged loan portfolios and mezzanine, non-control distressed and non-performing loans. In addition, from the beginning of the fourth quarter of 2007 through September 30, 2011, the funds managed by Apollo have acquired approximately $14.7 billion in face value of distressed debt at discounts to par value and purchased approximately $36.5 billion in face value of leveraged senior loans at discounts to par value from financial institutions. Since we purchased these leveraged loan portfolios from highly motivated sellers, we were able to secure, in certain cases, attractive long-term, low cost financing.

In addition to deploying capital in new investments, we have been depending on our over 20 years of experience to enhance value in the current investment portfolio of the funds to which we serve as an investment manager. We have been relying on our restructuring and capital markets experience to work proactively with our funds portfolio company management teams to generate cost and working capital savings, reduce capital expenditures, and optimize capital structures through several means such as debt exchange offers and the purchase of portfolio company debt at discounts to par value. For example, as of September 30, 2011, Fund VI and its underlying portfolio companies purchased or retired approximately $19.2 billion in face value of debt and captured approximately $9.6 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Caesars Entertainment, Realogy and Momentive Performance Materials. In certain situations, such as CEVA Logistics, funds managed by Apollo are the largest owner of the total outstanding debt of the portfolio company. In addition to the attractive return profile associated with these portfolio company debt purchases, we believe that building positions as senior creditors within the existing portfolio companies is strategic to the existing equity ownership positions. Additionally, the portfolio companies of Fund VI have implemented approximately $3.1 billion of cost savings programs on an aggregate basis from the date Fund VI invested in them through September 30, 2011, which we believe will positively impact their operating profitability.

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Regardless of the market or economic environment at any given time, we rely on our contrarian, value-oriented approach to consistently invest capital on behalf of our investors throughout economic cycles by focusing on opportunities that we believe are often overlooked by other investors. We believe that our expertise in capital markets, focus on nine core industry sectors and investment experience allow us to respond quickly to changing environments. For example, in our private equity business, our private equity funds have had success investing in buyouts and credit opportunities during both expansionary and recessionary economic periods. During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, our private equity funds invested or committed to invest approximately $13.7 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the current recessionary period, our private equity funds have invested $23.0 billion, of which $15.4 billion was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts to par value.

**Managing Business Performance**

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

***Economic Net Income (Loss)***

ENI represents segment income (loss), excluding the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo consolidated funds and consolidated VIEs that are included in the condensed consolidated financial statements. Adjustments relating to income tax expense and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of non-cash charges related to equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

ENI is a key performance measure used for understanding the performance of our operations from period to period and although not every company in our industry defines these metrics in precisely the same way that we do, we believe that this metric, as we use it, facilitates comparisons with other companies in our industry. We use ENI to evaluate the performance of our private equity, capital markets and real estate segments as management believes the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company s performance. Management also uses ENI in making key operating decisions such as the following:

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

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

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

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. The following items, which are significant to our business, are excluded when calculating ENI: (i) non-cash charges related to equity-based compensation, although these costs are expected to be recurring components of our costs we may be able to incur lower cash compensation costs with the granting of equity based compensation; (ii) income tax expense, which represents a necessary element of our costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense; and (iii) Non-Controlling Interests, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company. In light of the foregoing limitations, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results.

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

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

Inclusion of the impact of non-cash charges such as equity-based compensation to our Managing Partners, Contributing Partners and employees related to AOG Units, RSUs, Share Options, AAA RDUs, ARI RSUs, ARI Restricted Stock Awards and AMTG RSUs that vested during the period. Management assesses our performance based on management fees, advisory and transaction fees, and carried interest income generated by the business and excludes the impact of non-cash charges related to equity-based compensation because this non-cash charge is not viewed as part of our core operations.

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

Carried interest income, management fees and other revenues from Apollo funds are reflected on an unconsolidated basis. As such, ENI excludes the Non-Controlling Interests in consolidated funds, which remain consolidated in our condensed consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds.

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

**Operating Metrics**

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

***Assets Under Management***

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

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

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

(iii) the gross asset values or net asset value of our real estate entities and the structured portfolio vehicle investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;

(iv) the incremental value associated with the reinsurance investments of the funds we manage; and

(v) the fair value of any other investments that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

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

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AUM as of September 30, 2011 and 2010 and December 31, 2010 was as follows:

| | Total Assets Under Management | | |
|---|---|---|---|
| | As of September 30, | | As of December 31, |
| | 2011 | 2010 | 2010 |
| | (in millions) | | |
| AUM: | | | |
| Private equity | $ 34,779 | $ 35,269 | $ 38,799 |
| Capital markets | 22,406 | 19,910 | 22,283 |
| Real estate | 7,900 | 2,597 | 6,469 |
| Total | $ 65,085 | $ 57,776 | $ 67,551 |

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

| | Total Assets Under Management | | |
|---|---|---|---|
| | As of September 30, | | As of December 31, |
| | 2011 | 2010 | 2010 |
| | (in millions) | | |
| Traditional Private Equity Funds | $ 33,446 | $ 33,983 | $ 37,341 |
| AAA | 1,333 | 1,286 | 1,458 |
| Total | $ 34,779 | $ 35,269 | $ 38,799 |

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

| | Total Assets Under Management | | |
|---|---|---|---|
| | As of September 30, | | As of December 31, |
| | 2011 | 2010 | 2010 |
| | (in millions) | | |
| Distressed and Event-Driven Hedge Funds | $ 2,055 | $ 2,544 | $ 2,759 |
| Mezzanine Funds | 3,909 | 4,338 | 4,503 |
| Senior Credit Funds | 11,414 | 9,860 | 11,210 |
| Non-Performing Loan Fund | 1,746 | 1,841 | 1,908 |
| Other[(1)] | 3,282 | 1,327 | 1,903 |
| Total | $ 22,406 | $ 19,910 | $ 22,283 |

(1) Includes strategic investment accounts.

The following table presents total Assets Under Management amounts for our real estate segment by strategy:

| | Total Assets Under Management | | |
|---|---|---|---|
| | As of September 30, | | As of December 31, |
| | 2011 | 2010 | 2010 |
| | (in millions) | | |
| Fixed Income | $ 3,908 | $ 2,597 | $ 2,827 |
| Equity | 3,992 | | 3,642 |
| Total | $ 7,900 | $ 2,597 | $ 6,469 |

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The following tables summarize changes in total AUM and AUM for each of our segments for the three and nine months ended September 30, 2011 and 2010:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in millions) | | | |
| **Change in Total AUM:** | | | | |
| Beginning of Period | $ 71,714 | $ 54,533 | $ 67,551 | $ 53,609 |
| (Loss) income | (8,264) | 3,117 | (3,831) | 3,740 |
| Subscriptions[1] | 2,345[2] | 143 | 4,163[2] | 896 |
| Distributions/Redemptions[1] | (827)[3] | (559) | (4,169)[3] | (2,682) |
| Change in leverage | 117 | 542 | 1,371 | 2,213 |
| End of Period | $ 65,085 | $ 57,776 | $ 65,085 | $ 57,776 |
| **Change in Private Equity AUM:** | | | | |
| Beginning of Period | $ 40,430 | $ 33,466 | $ 38,799 | $ 34,002 |
| (Loss) income | (5,804) | 1,927 | (2,970) | 2,856 |
| Subscriptions | 308 | | 308 | |
| Distributions/Redemptions | (314) | (218) | (2,523) | (1,548) |
| Change in leverage | 159 | 94 | 1,165 | (41) |
| End of Period | $ 34,779 | $ 35,269 | $ 34,779 | $ 35,269 |
| **Change in Capital Markets AUM:** | | | | |
| Beginning of Period | $ 23,684 | $ 18,964 | $ 22,283 | $ 19,112 |
| (Loss) income | (2,348) | 1,157 | (1,132) | 792 |
| Subscriptions | 2,237[2] | 38 | 3,381[2] | 432 |
| Distributions/Redemptions | (1,175) | (330) | (2,001) | (940) |
| Change in leverage | 8 | 81 | (125) | 514 |
| End of Period | $ 22,406 | $ 19,910 | $ 22,406 | $ 19,910 |
| **Change in Real Estate AUM:** | | | | |
| Beginning of Period | $ 7,600 | $ 2,103 | $ 6,469 | $ 495 |
| (Loss) income | (112) | 33 | 271 | 92 |
| Subscriptions | 561 | 105 | 1,235 | 464 |
| Distributions/Redemptions | (99) | (11) | (406) | (194) |
| Change in leverage | (50) | 367 | 331 | 1,740 |
| End of Period | $ 7,900 | $ 2,597 | $ 7,900 | $ 2,597 |

(1) Consolidated amounts for total change in AUM reflect transfers among segments on a net basis. Such amounts are presented on a gross basis in the segment tables below.
(2) Includes $1,396 related to the acquisition of management agreements at Athene.
(3) Distributions were $(671) and $(3,850) for the three and nine months ended September 30, 2011, respectively. Redemptions were $(156) and $(319) for the three and nine months ended September 30, 2011, respectively.

*Private Equity*

During the three months ended September 30, 2011, the AUM in our private equity segment decreased by $5.7 billion, or 14.0%. This decrease was a result of $5.8 billion of losses that was primarily attributable to unrealized losses in our private equity funds, including $3.1 billion and

$2.2 billion in Fund VI and Fund VII, respectively. Also contributing to the decrease was an additional $0.3 billion in distributions/redemptions, primarily from Fund VI and VII. Offsetting these decreases was $0.3 billion in subscriptions. See Segment Analysis, which includes a detailed discussion of the impact that significant changes in our AUM within our private equity, capital markets and real estate segments had on our revenues by segment.

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During the nine months ended September 30, 2011, the AUM in our private equity segment decreased by $4.0 billion, or 10.4%. This decrease was a result of $3.0 billion of losses that were primarily attributable to unrealized losses in our private equity funds, including $1.9 billion in Fund VI and $1.2 billion in Fund VII. In addition, there were distributions of $2.5 billion, including $0.8 billion from Fund VII and $0.7 billion each in Fund IV and Fund VI, respectively. Offsetting these decreases was $1.2 billion in leverage, primarily from Fund VII with $0.9 billion and subscriptions of $0.3 billion.

During the three months ended September 30, 2010, the AUM in our private equity segment increased by $1.8 billion, or 5.4%. This increase was primarily attributable to $1.9 billion of improved investment valuations, primarily in Fund VI and Fund VII, offset by $0.2 billion in distributions from Fund VI and Fund VII.

During the nine months ended September 30, 2010, the AUM in our private equity segment increased by $1.3 billion, or 3.7%. This increase was primarily impacted by $1.3 billion and $1.1 billion of investment income for Fund VI and Fund VII, respectively. Offsetting this increase was primarily $1.0 billion of distributions from Fund V. See Segment Analysis, which includes a detailed discussion of the impact that significant changes in our AUM within our private equity, capital markets and real estate segments had on our revenues by segment.

*Capital Markets*

During the three months ended September 30, 2011, AUM in our capital markets segment decreased by $1.3 billion, or 5.4%. This decrease was primarily attributable to $2.3 billion in unrealized losses in our capital markets funds, primarily attributable to lower investment valuations, including $0.8 billion in COF I, and $0.3 billion each in COF II and AINV. The decrease was also due to $1.2 billion in distributions and redemptions, primarily due to reallocation of capital to other Apollo funds. This decrease is offset by $2.2 billion in subscriptions, primarily by the acquisition of management agreements for Athene and a new managed account.

During the nine months ended September 30, 2011, AUM in our capital markets segment decreased by $0.1 billion, or 0.6%. This decrease was attributable to $1.1 billion of losses that were primarily attributable to unrealized losses in our capital markets funds, including $0.6 billion, $0.3 billion and $0.2 billion in COF I, COF II and AINV, respectively, and distributions and redemptions of $2.0 billion, including $0.3 billion and $0.2 billion to EPF and COF II, respectively, and $0.1 billion each for AINV, AIE I, CLF and COF I. These decreases were offset by $3.4 billion of subscriptions, primarily the acquisition of management agreements for Athene and managed accounts.

During the three months ended September 30, 2010, the AUM in our capital markets segment increased by $0.9 billion, or 5.0%. This increase was primarily attributable to $1.2 billion of improved investment valuations, primarily in COF I and COF II of $0.4 billion and $0.2 billion, respectively, and $0.3 billion of favorable foreign exchange translation in our euro denominated funds. These increases were offset by $0.3 billion in distributions.

During the nine months ended September 30, 2010, AUM in our capital markets segment increased by $0.8 billion, or 4.2%. This increase was primarily attributable to $0.8 billion in improved valuations, primarily in COF I and COF II with $0.3 billion and $0.1 billion, respectively, $0.5 billion in increased leverage primarily from COF I and COF II, and $0.4 billion in additional subscriptions primarily in AINV. These increases were offset by $0.9 billion in distributions.

*Real Estate*

During the three months ended September 30, 2011, AUM in our real estate segment increased by $0.3 billion, or 3.9%. This increase was primarily attributable to an additional $0.6 billion in subscriptions, including $0.2 billion in the AGRE CMBS Fund L.P. and 2011 A4 Fund, L.P. (the CMBS Funds ) and $0.2 billion in managed accounts. Offsetting this increase was $0.1 billion of losses that were primarily attributable to unrealized losses in our real estate funds and $0.1 billion of distributions.

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During the nine months ended September 30, 2011, AUM in our real estate segment increased by $1.4 billion, or 22.1%. This increase was primarily attributable to an additional $1.2 billion in subscriptions, including $0.4 billion in the AGRE U.S Real Estate Fund L.P and $0.4 billion in managed accounts. Also impacting this change was an increase in leverage of $0.3 billion, primarily for the CMBS Funds. In addition, there was $0.3 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by $0.4 billion of distributions.

During the three months ended September 30, 2010, the AUM in our real estate segment increased by $0.5 billion, or 23.5%. The increase was primarily the result of additional equity raised, along with additional leverage used by ARI for the acquisition of additional investments.

During the nine months ended September 30, 2010, AUM in our real estate segment increased by $2.1 billion, or 424.6%, which was primarily the result of additional leverage of $1.7 billion, primarily used by the AGRE CMBS Account for the acquisition of additional CMBS investments. In addition, there were $0.5 billion of new subscriptions, primarily in one of the CMBS Funds.

***Assets Under Management Fee-Generating/Non-Fee Generating***

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

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

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The table below displays fee-generating and non-fee-generating AUM by segment as of September 30, 2011 and 2010 and December 31, 2010. The changes in market conditions and additional funds raised have had significant impacts to our AUM:

| | As of September 30, | | As of December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | | (in millions) | |
| **AUM-Fee-Generating/Non-Fee-Generating:** | | | |
| Private Equity | $ 34,779 | $ 35,269 | $ 38,799 |
| Fee-generating | 27,786 | 27,664 | 27,874 |
| Non-fee-generating | 6,993 | 7,605 | 10,925 |
| Capital Markets | 22,406 | 19,910 | 22,283 |
| Fee-generating | 18,507 | 15,930 | 16,484 |
| Non-fee-generating | 3,899 | 3,980 | 5,799 |
| Real Estate | 7,900 | 2,597 | 6,469 |
| Fee-generating | 3,358 | 558 | 2,679 |
| Non-fee-generating | 4,542 | 2,039 | 3,790 |
| Total Assets Under Management | 65,085 | 57,776 | 67,551 |
| Fee-generating | 49,651 | 44,152 | 47,037 |
| Non-fee-generating | 15,434 | 13,624 | 20,514 |

During the nine months ended September 30, 2011, our total fee-generating AUM increased as a result of increased capital commitments in both our capital markets and real estate segments. During the year ended December 31, 2010, the fee-generating AUM of our private equity funds decreased due to the dispositions of investments during the period, which resulted in lower invested capital. The fee-generating AUM of our capital markets funds increased due to increases in fair value of investments due to improved market conditions during 2010, which resulted in higher NAV, gross assets and adjusted assets. The fee-generating AUM of our real estate funds increased due to new subscriptions, the acquisition of Citi Property Investors ( CPI Funds ) and an increase in the fair value of investments.

During the nine months ended September 30, 2010, the fee-generating AUM of our private equity funds decreased due to the dispositions of investments during the period, which resulted in lower invested capital. The fee-generating AUM of our capital markets funds increased due to increases in the fair value of investments resulting from improved market conditions during 2010, which in turn resulted in higher NAV, gross assets and adjusted assets. The fee-generating AUM of our real estate funds increased due to new subscriptions and an increase in the fair value of investments.

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

With respect to our private equity funds and certain of our capital markets and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to carried interest on the realized gains on the investments that are disposed of. Certain funds may have current fair values below invested capital, however, the management fee would still be computed on the invested capital for such funds. With respect to ARI, we receive management fees on stockholders equity as defined in its management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees on value in excess of fund commitments. As of September 30, 2011, our total fee-generating AUM is comprised of approximately 85% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

See The Historical Investment Performance of Our Funds Investment Record for additional discussion of our funds investment performance.

The Company s entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM by segment as of September 30, 2011 and 2010 are presented below:

| | As of September 30, 2011 | | | |
|---|---|---|---|---|
| | Private Equity | Capital Markets | Real Estate | Total |
| | (in millions) | | | |
| Fee-generating AUM based on capital commitments | $ 14,589 | $ 2,501 | $ 281 | $ 17,371 |
| Fee-generating AUM based on invested capital | 8,516 | 2,898 | 1,845 | 13,259 |
| Fee-generating AUM based on gross/adjusted assets | 941 | 7,573 | 1,005[4] | 9,519 |
| Fee-generating AUM based on leverage[1] | 3,740 | 3,544 | | 7,284 |
| Fee-generating AUM based on NAV | | 1,991 | 227 | 2,218 |
| **Total Fee-Generating AUM** | $ 27,786[2] | $ 18,507[3] | $ 3,358 | $ 49,651 |

(1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
(2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at September 30, 2011 is 66 months.
(3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.
(4) The fee-generating AUM for our real estate entities is based on an adjusted equity amount as specified by the respective management agreements.

| | As of September 30, 2010 | | | |
|---|---|---|---|---|
| | Private Equity | Capital Markets | Real Estate | Total |
| | (in millions) | | | |
| Fee-generating AUM based on capital commitments | $ 14,289 | $ 1,720 | $ | $ 16,009 |
| Fee-generating AUM based on invested capital | 8,815 | 3,195 | | 12,010 |
| Fee-generating AUM based on gross/adjusted assets | 972 | 5,138 | 558[4] | 6,668 |
| Fee-generating AUM based on leverage[1] | 3,588 | 3,499 | | 7,087 |
| Fee-generating AUM based on NAV | | 2,378 | | 2,378 |
| **Total Fee-Generating AUM** | $ 27,664[2] | $ 15,930[3] | $ 558 | $ 44,152 |

(1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
(2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at September 30, 2010 is 79 months.
(3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.
(4) The fee-generating AUM for our real estate entities is based on an adjusted equity amount as specified by the respective management agreements.

***Private Equity Dollars Invested and Uncalled Private Equity Commitments***

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

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in millions) | | | |
| Private equity dollars invested | $ 757 | $ 1,266 | $ 2,124 | $ 3,529 |

The following table summarizes the uncalled private equity commitments as of September 30, 2011 and December 31, 2010:

| | As of September 30, 2011 | As of December 31, 2010 |
|---|---|---|
| | (in millions) | |
| Uncalled private equity commitments | $ 9,376 | $ 10,345 |

**The Historical Investment Performance of Our Funds**

Below we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments, and in respect of which the general partner interest has not been contributed to us.

***When considering the data presented below, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares.*** An investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. As a result of the deconsolidation of most of our funds, we will not be consolidating those funds in our financial statements for periods after either August 1, 2007 or November 30, 2007. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares. There can be no assurance that any Apollo fund will continue to achieve the same results in the future.

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

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

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

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

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

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

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

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

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

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

our newly established funds may generate lower returns during the period that they take to deploy their capital; consequently, we do not provide return information for any funds which have not been actively investing capital for at least 36 months prior to the valuation date as we believe this information is not meaningful.

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated a 12% gross IRR and a 9% net IRR since its inception through September 30, 2011, while Fund V has generated a 61% gross IRR and a 45% net IRR since its inception through September 30, 2011. Accordingly, the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the applicable risks, including risks of the industries and businesses in which a particular fund invests. See 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 in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011.

***Investment Record***

*Private Equity*

The following table summarizes the investment record for our private equity fund portfolios except for AAA. All amounts are as of September 30, 2011, unless otherwise noted:

| | | | | | | | As of September 30, 2011 | | As of December 31, 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Vintage Year | Committed Capital | Total Invested Capital | Realized | Unrealized[1] | Total Value | Gross IRR | Net IRR | Gross IRR | Net IRR |
| | | | (in millions) | | | | | | | |
| Fund VII | 2008 | 14,676 | 9,493 | 4,412 | 7,956 | 12,368 | 23% | 15% | 46% | 32% |
| Fund VI | 2006 | 10,136 | 11,704 | 4,391 | 9,098 | 13,489 | 5.4 | 4.7 | 13 | 10 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fund V | 2001 | 3,742 | 5,192 | 11,153 | 1,539 | 12,692 | 61 | 45 | 62 | 45 |
| Fund IV | 1998 | 3,600 | 3,481 | 6,457 | 471 | 6,928 | 12 | 9 | 11 | 9 |
| Fund III | 1995 | 1,500 | 1,499 | 2,615 | 70 | 2,685 | 18 | 11 | 18 | 12 |
| Fund I, II & MIA[(2)] | 1990/92 | 2,220 | 3,773 | 7,924 | | 7,924 | 47 | 37 | 47 | 37 |
| Total | | $ 35,874 | $ 35,142 | $ 36,952 | $ 19,134 | $ 56,086 | 39%[(3)] | 25%[(3)] | 39%[(3)] | 26%[(3)] |

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(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See Risk Factors Risks Related to Our Businesses Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities and Our funds may be forced to dispose of investments at a disadvantageous time, in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011 for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.
(2) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. We do not differentiate between Fund I and Fund II investments for purposes of performance figures because they are not meaningful on a separate basis and do not demonstrate the progression of returns over time.
(3) Total IRR is calculated based on total cash flows for all funds presented.

*Capital Markets*

The following table summarizes the investment record for certain funds with a defined maturity date, and internal rate of return since inception, or IRR , which is computed based on the actual dates of capital contributions, distributions and ending limited partners capital as of the specified date above. All amounts are as of September 30, 2011, unless otherwise noted:

| | | | | | | | As of September 30, 2011 | | As of December 31, 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year of Inception | Committed Capital | Total Invested Capital | Realized | Unrealized[1] | Total Value | Gross IRR | Net IRR | Gross IRR | Net IRR |
| | | | | (in millions) | | | | | | |
| FCI I[2] | 2011 | $ 290.3 | $ 232.1 | $ 26.8 | $ 238.1 | $ 264.9 | N/A | N/A | N/A | N/A |
| AIE II[3] | 2008 | 276.5 | 609.0 | 524.3 | 243.8 | 768.1 | 19.3% | 15.2% | 27.5% | 21.8% |
| COF I | 2008 | 1,484.9 | 1,613.2 | 831.7 | 1,447.0 | 2,278.7 | 15.5 | 13.9 | 32.5 | 29.0 |
| COF II | 2008 | 1,583.0 | 2,191.4 | 1,034.4 | 1,397.2 | 2,431.6 | 7.0 | 6.0 | 17.4 | 14.9 |
| ACLF | 2007 | 984.0 | 1,448.5 | 736.0 | 657.0 | 1,393.0 | 6.7 | 5.7 | 12.1 | 11.2 |
| Artus | 2007 | 106.6 | 190.1 | 27.4 | 166.3 | 193.7 | 1.9 | 1.6 | 3.0 | 2.8 |
| EPF[3] | 2007 | 1,734.1 | 1,564.6 | 835.0 | 1,080.8 | 1,915.8 | 15.1 | 8.4 | 14.8 | 7.9 |
| Totals | | $ 6,459.4 | $ 7,848.9 | $ 4,015.6 | $ 5,230.2 | $ 9,245.8 | | | | |

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See Risk Factors Risks Related to Our Businesses Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities and Our funds may be forced to dispose of investments at a disadvantageous time, in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011 for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.
(2) Financial Credit Investment I, L.P. ( FCI I ) was formed during the first quarter of 2011. Apollo does not intend to disclose returns for funds that have not been investing for at least 24 months as we do not believe such return information is meaningful.
(3) Funds denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.34 as of September 30, 2011.

The following table summarizes the investment record for certain funds with no maturity date, except AIE I which is winding down. All amounts are as of September 30, 2011, unless otherwise noted:

| | Year of Inception | Net Asset Value as of September 30, 2011 | Since Inception to September 30, 2011 | For the Nine Months Ended September 30, 2011 | Net Return For the Nine Months Ended September 30, 2010 | Since Inception to December 31, 2010 | For the Year Ended December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | | (in millions) | | | | | |
| AMTG[1] | 2011 | N/A | N/A | N/A | N/A | N/A | N/A |
| AFT[2] | 2011 | $ 265.8 | N/A | N/A | N/A | N/A | N/A |
| AAOF | 2007 | 276.3 | 10.3% | (4.8)% | 7.1% | 15.8% | 12.5% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| SOMA[3] | 2007 | 949.2 | 25.1 | (11.1) | 7.0 | 40.7 | 16.9 |
| AIE I[4] | 2006 | 49.8 | (45.9) | 3.5 | 24.9 | (47.7) | 32.4 |
| AINV | 2004 | 1,594.0 | 29.0 | (8.7) | 0.3 | 41.3 | 4.8 |
| Value Funds[5] | 2003/2006 | 794.4 | 48.2 | (10.7) | 5.3 | 65.9 | 12.2 |

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(1) In July 2011, AMTG completed its initial public offering and a concurrent private placement raising approximately $203.0 million in net proceeds. Apollo does not intend to disclose returns for funds that have not been investing for at least 24 months as we do not believe such return information is meaningful. See www.apolloresidentialmortgage.com for most recent published information.
(2) AFT was formed during the first quarter of 2011. Apollo does not intend to disclose returns for funds that have not been investing for at least 24 months as we do not believe such return information is meaningful.
(3) SOMA returns for primary mandate, which follows similar strategies as the Value Funds and excludes SOMA s investments in other Apollo funds.
(4) Fund denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.34 as of September 30, 2011.
(5) Value Funds consists of SVF and VIF.

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The Company also manages Palmetto, which has committed capital and current invested capital of $1,518.0 million and $494.2 million, respectively, as of September 30, 2011.

*Real Estate*

The following table summarizes the investment record for our real estate funds. Each fund included in the table below did not begin investing the majority of its capital, or was not the manager for, at least 24 months prior to the valuation date of September 30, 2011. Due to the limited investment period for these funds, return information is not provided since we do not believe such information is meaningful. All amounts are as of September 30, 2011, unless otherwise noted:

| | Year of Inception | Raised Capital(6) | Gross Assets | Current Net Asset Value |
|---|---|---|---|---|
| ARI | 2009 | $ 353.7 | $ 909.7 | $ 336.0 |
| CMBS Funds(1) | Various | 718.4 | 2,195.3 | 448.3 |
| AGRE Debt Fund I, LP(1) | 2011 | 105.0 | 105.8 | 105.3 |
| AGRE U.S. Real Estate Fund, L.P(1)(2) | 2011 | 384.9 | 43.3 | 10.6 |
| CPI Capital Partners North America | 2006 | 600.0 | 154.7 | 153.8 |
| CPI Capital Partners Asia Pacific(3) | 2006 | 1,291.6 | 697.5 | 690.2 |
| CPI Capital Partners Europe(4) | 2006 | 1,556.0 | 425.2 | 424.3 |
| CPI Other(5) | Various | 4,859.1 | N/A | 1,307.6 |

(1) Apollo does not intend to disclose returns for funds that have not been investing for at least 24 months as we do not believe such return information is meaningful.
(2) AGRE U.S. Real Estate Fund, L.P., a newly formed closed-end private investment fund that intends to make real estate-related investments principally located in the United States, held closings in January 2011 and June 2011 for a total of $134.9 million in base capital commitments and $250 million in additional commitments.
(3) CPI Capital Partners Asia Pacific fund is U.S. dollar denominated.
(4) Funds denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.34 as of September 30, 2011.
(5) CPI Other consists of funds or individual investments of which we are not the general partner or manager and only receive fees pursuant to either a sub-advisory agreement or an investment management and administrative agreement. CPI Other fund performance is a result of invested capital prior to Apollo s management of these funds. Gross assets and return data is therefore not considered meaningful as we perform primarily an administrative role.
(6) Reflects initial gross raised capital and does not include distributions subsequent to capital raise.

Note: As part of the CPI acquisition, the Company acquired general partner interests in fully invested funds. The net IRRs from the inception of the respective fund to September 30, 2011 were (12.4)%, 4.0% and (19.4)% for CPI Capital Partners North America, Asia Pacific and Europe, respectively. These net IRRs were primarily achieved during a period in which Apollo did not make the initial investment decisions and Apollo has only become the general partner or manager of these funds since completing the acquisition on November 12, 2010.

For a description of each fund s investments and overall investment strategy, please refer to Our Business Segments in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011.

Performance information for our funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. An investment in our Class A shares is not an investment in any of our funds. The performance information reflected in this discussion and analysis is not

indicative of the possible performance of our Class A shares and is also not necessarily indicative of the future results of any particular fund. There can be no assurance that our funds will continue to achieve, or that our future funds will achieve, comparable results.

The following table provides a summary of the cost and fair value of our funds investments by segment. The cost and fair values of our private equity investments represent the current invested capital and unrealized values, respectively, in Fund VII, Fund VI, Fund V and Fund IV:

| | As of September 30, 2011 | As of December 31, 2010 |
|---|---|---|
| | (in millions) | |
| **Private Equity:** | | |
| Cost | $ 15,141 | $ 14,322 |
| Fair Value | 19,093 | 22,485 |
| **Capital Markets:** | | |
| Cost | 10,272 | 10,226 |
| Fair Value | 10,004 | 11,476 |
| **Real Estate[1]:** | | |
| Cost | 4,798[2] | 4,028[3] |
| Fair Value | 4,279[2] | 3,368[3] |

(1) The cost and fair value of the real estate investments represent the cost and fair value, respectively, of the current unrealized invested capital for the ARI, CMBS Funds, AGRE U.S. Real Estate Fund L.P., CPI Capital Partners NA, AGRE Debt Fund I L.P., CPI Capital Partners Asia Pacific, and CPI Capital Partners Europe funds.

(2) Includes CPI Funds with investment cost and fair value of $1.6 billion and $1.1 billion, respectively, as of September 30, 2011. Additionally, ARI includes loans at amortized cost.

(3) All amounts as of September 30, 2010 and include CPI Funds investment cost of $1.8 billion and fair value of $1.1 billion. Additionally, ARI includes loans at amortized cost.

***Redemption***

Our distressed and event-driven hedge funds and our Palmetto fund generally permit investors to withdraw capital through redemptions, although our Palmetto fund is not permitted to withdraw capital from our private equity funds, capital markets funds, real estate funds or other co-investments that do not permit investors to redeem capital. Under the terms of their respective partnership agreements, investors in such funds are required to provide advance written notice prior to redemption. The timing of the required notice ranges from 5 days to 90 days prior to the redemption date or in the case of certain offshore feeder funds, such number of days as directors of the fund may from time to time determine. To date, none of the Apollo funds have suspended redemption requests. However, in December 2008 and March 2009, respectively, SVF and AAOF notified their investors of their intention to satisfy redemption requests partially in cash and partially in-kind. In respect of the in-kind portion of redemption payments, investors may choose between an actual in-kind distribution of securities having a net asset value equal to the remaining redemption proceeds due and the conversion of a portion of their interests in SVF or AAOF, as applicable, into a new liquidating class of interests. As investments are sold or monetized, the net proceeds attributable to liquidating interests are not reinvested but instead are held in cash or cash equivalents for distribution to the holders of liquidating interests. In the case of SVF, an investor holding a liquidating interest has a limited ability to direct SVF to sell assets for its benefit. In the case of AAOF, holders of liquidating interests may choose between two classes, one of which provides the holder with the additional limited ability to direct AAOF to sell assets for its benefit. SVF is no longer distributing liquidating interests.

Our private equity funds and certain of our capital markets funds and real estate funds do not permit investors to withdraw capital through redemptions.

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Significant redemption activity, if any, is discussed under the tables that summarize changes in total AUM and AUM for each of our segments. See Operating Metrics Assets Under Management for these tables.

**Overview of Results of Operations**

***Revenues***

***Advisory and Transaction Fees from Affiliates.*** As a result of providing advisory services with respect to actual and potential private equity and capital markets investments, we are entitled to receive fees for transactions related to the acquisition and, in certain instances, disposition of portfolio companies as well as fees for ongoing monitoring of portfolio company operations and directors fees. We also receive an advisory fee for advisory services provided to a capital markets fund. In addition, monitoring fees are generated on certain special purpose vehicle investments. Under the terms of the limited partnership agreements for certain of our private equity and capital markets funds, the advisory and transaction fees earned are subject to a reduction of a percentage of such advisory and transaction fees (the Management Fee Offsets ).

The Management Fee Offsets are calculated for each fund as follows:

65%-68% for private equity funds gross advisory, transaction and other special fees;

65%-80% for certain capital markets funds gross advisory, transaction and other special fees; and

100% for certain other capital markets funds gross advisory, transaction and other special fees.

These offsets are reflected as a decrease in advisory and transaction fees from affiliates on our condensed consolidated statements of operations.

Additionally, in the normal course of business, the management companies incur certain costs related to private equity funds (and certain capital markets funds) transactions that are not consummated, or broken deal costs. A portion of broken deal costs related to certain of our private equity funds, up to the total amount of advisory and transaction fees, are reimbursed by the unconsolidated funds (through reductions of the Management Fee Offsets described above), except for Fund VII and certain of our capital markets funds which initially bear all broken deal costs and these costs are factored into the Management Fee Offsets.

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

***Carried Interest Income from Affiliates.*** The general partners of our funds, in general, are entitled to an incentive return that can amount to as much as 20% of the total returns on fund capital, depending upon performance of the underlying funds and subject to preferred returns and high water marks, as applicable. The carried interest income from affiliates is recognized in accordance with U.S. GAAP guidance applicable to accounting for arrangement fees based on a formula. In applying the U.S. GAAP guidance, the carried interest from affiliates for any period is based upon an assumed liquidation of the funds assets at the reporting date, and distribution of the net proceeds in accordance with the funds allocation provisions.

At September 30, 2011, approximately 41% of the fair value of our fund investments was determined using market based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 59% was determined primarily by comparable company and industry multiples or discounted cash flow models. For our private equity, capital markets and real estate segments, the percentage determined using market based valuation methods was 36%, 48% and 44%, respectively. See Risk Factors Risks Related to Our Business Our private

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equity funds performance, and our performance, may be adversely affected by the financial performance of our portfolio companies in our Prospectus dated March 29, 2011, filed with the SEC on March 30, 2011, for discussion regarding certain industry-specific risks that could affect the fair value of our private equity funds portfolio company investments.

Carried interest income fee rates can be as much as 20% for our private equity funds. In our private equity funds, the Company does not earn carried interest income until the investors in the fund have achieved cumulative investment returns on invested capital (including management fees and expenses) in excess of an 8% hurdle rate. Additionally, certain of our capital markets funds have various carried interest rates and hurdle rates. Certain capital markets funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain capital markets and certain real estate funds so long as the investors achieve their priority returns, there is a catch-up formula whereby the Company earns a priority return for a portion of the return until the Company s carried interest income equates to its incentive fee rate for that fund; thereafter, the Company participates in returns from the fund at the carried interest income rate. Carried interest income is subject to reversal to the extent that the carried interest income distributed exceeds the amount due to the general partner based on a fund s cumulative investment returns. The accrual for potential repayment of previously received carried interest income represents all amounts previously distributed to the general partner that would need to be repaid to the Apollo funds if these funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. The actual general partner obligation, however, would not become payable or realized until the end of a fund s life.

The table below presents an analysis of our (i) carried interest receivable and (ii) realized and unrealized carried interest (loss) income as of and for the three and nine months ended September 30, 2011:

| | As of September 30, 2011 | For the Three Months Ended September 30, 2011 | | For the Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| | Carried Interest Receivable | Unrealized Carried Interest (Loss) Income | Realized Carried Interest Income (Loss) | |