Apollo Global Management LLC
Form 10-Q
November 14, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012**

OR

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

Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC

(Exact name of Registrant as specified in its charter)

Delaware	**20-8880053**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

9 West 57th Street, 43rd Floor

New York, New York 10019

(Address of principal executive offices) (Zip Code)

(212) 515-3200

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of November 9, 2012 there were 130,024,284 Class A shares and 1 Class B share outstanding.

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Forward-Looking Statements

This quarterly report may contain forward looking statements that are within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, discussions related to Apollo s expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management s beliefs, as well as assumptions made by, and information currently available to, management. When used in this quarterly report, the words believe, anticipate, estimate, expect, intend and similar expressions intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, credit or real estate funds, market conditions, generally; our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled Risk Factors in the Company s Form 10-K filed with the United States Securities and Exchange Commission (SEC) pursuant to Rule 424(b) of the Securities Act of 1933 on March 9, 2012, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

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

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

(i) the limited partnerships through which our Managing Partners currently operate our businesses; and

(ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our principal investments.

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

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

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

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

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(iv) the incremental value associated with the reinsurance investments of the portfolio company assets that we manage; and

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

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

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

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

Gross IRR of a fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on September 30, 2012 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, carried interest and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund s investors;

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

Net return represents the calculated return that is based on month-to-month changes in net assets and is calculated using the returns that have been geometrically linked based on capital contributions, distributions and dividend reinvestments, as applicable.

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Committed Capital Less unfunded capital commitments represents capital commitments from limited partners to invest in a particular fund less capital that is available for investment or reinvestment subject to the provisions of the limited partnership agreements.

Distressed debt investments in our private equity funds typically result in one of two outcomes. In both cases our original investment objective was predicated around gaining control of the company:

i) Distressed for Control : We succeed in taking control of a company through its distressed debt. By working proactively through the restructuring process, we are able to equitize our debt position, resulting in a well-financed buyout. Once we control the company, the investment team works closely with management toward an eventual exit, typically over a three- to five-year period as with a traditional buyout.

ii) Non-Control Distressed : A restructuring does not occur and we do not gain control of the company. This is typically driven by an increase in the price of the debt beyond what is considered an attractive acquisition valuation. The increase in bond prices is usually a result of market interest or a strategic investor s interest in the company at a higher valuation than we are willing to pay. In these cases, we typically sell our securities for cash and seek to realize a high short-term internal rate of return.

Portfolio Company Debt refers to debt securities such as corporate bonds and loans for existing portfolio companies in our private equity funds.

Other Credit for our private equity funds refers to portfolios of levered senior loans secured with attractive financing during the depths of the global financial crisis in 2008 and 2009.

Classic Distressed for our private equity funds refers to our investments in debt securities at distressed prices.

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

The Average Entry Multiple for a private equity fund is the average of the total enterprise value over an applicable EBITDA that captures the true economics for our purchases of portfolio companies.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS

OF FINANCIAL CONDITION (UNAUDITED)

(dollars in thousands, except share data)

	September 30, 2012	December 31, 2011
Assets:		
Cash and cash equivalents	$ 752,496	$ 738,679
Cash and cash equivalents held at Consolidated Funds	694	6,052
Restricted cash	8,931	8,289
Investments	2,025,242	1,857,465
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,584,143	173,542
Investments, at fair value	12,090,672	3,301,966
Other assets	373,445	57,855
Carried interest receivable	1,627,936	868,582
Due from affiliates	272,410	176,740
Fixed assets, net	53,916	52,683
Deferred tax assets	550,601	576,304
Other assets	28,597	26,976
Goodwill	48,894	48,894
Intangible assets, net	151,427	81,846
Total Assets	**$ 19,569,404**	**$ 7,975,873**
Liabilities and Shareholders Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 46,911	$ 33,545
Accrued compensation and benefits	93,408	45,933
Deferred revenue	272,537	232,747
Due to affiliates	658,117	578,764
Profit sharing payable	825,583	352,896
Debt	737,986	738,516
Liabilities of consolidated variable interest entities:		
Debt, at fair value	11,291,860	3,189,837
Other liabilities	600,853	122,264
Other liabilities	49,780	33,050
Total Liabilities	**14,577,035**	**5,327,552**
Commitments and Contingencies (see note 13)		
Shareholders Equity:		
Apollo Global Management, LLC shareholders equity:		
Class A shares, no par value, unlimited shares authorized, 129,874,286 shares and 123,923,042 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively		
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at September 30, 2012 and December 31, 2011		
Additional paid in capital	3,015,240	2,939,492
Accumulated deficit	(2,313,381)	(2,426,197)
Appropriated partners capital	1,894,446	213,594

Accumulated other comprehensive income (loss)	168	(488)
Total Apollo Global Management, LLC shareholders equity	2,596,473	726,401
Non-Controlling Interests in consolidated entities	1,591,946	1,444,767
Non-Controlling Interests in Apollo Operating Group	803,950	477,153
Total Shareholders Equity	**4,992,369**	**2,648,321**
Total Liabilities and Shareholders Equity	**$ 19,569,404**	**$ 7,975,873**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS

OF OPERATIONS (UNAUDITED)

(dollars in thousands, except share data)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues:				
Advisory and transaction fees from affiliates	$ 15,149	$ 16,837	$ 112,162	$ 59,809
Management fees from affiliates	147,611	122,666	418,115	362,003
Carried interest income (loss) from affiliates	549,613	(1,619,083)	1,170,467	(896,174)
Total Revenues	712,373	(1,479,580)	1,700,744	(474,362)
Expenses:				
Compensation and benefits:				
Equity-based compensation	144,407	288,208	435,387	859,173
Salary, bonus and benefits	64,647	68,433	204,666	204,788
Profit sharing expense	237,433	(563,255)	506,308	(275,437)
Incentive fee compensation	364	(3,876)	372	2,689
Total Compensation and Benefits	446,851	(210,490)	1,146,733	791,213
Interest expense	7,136	9,790	29,083	30,999
Professional fees	11,490	6,965	39,849	37,318
General, administrative and other	24,028	16,566	66,810	55,675
Placement fees	4,292	1,991	13,344	3,105
Occupancy	9,644	10,391	27,360	25,542
Depreciation and amortization	16,567	6,687	37,021	19,635
Total Expenses	520,008	(158,100)	1,360,200	963,487
Other Income:				
Net gains (losses) from investment activities	20,463	(371,647)	149,957	(150,407)
Net losses from investment activities of consolidated variable interest entities	(45,475)	(4,760)	(29,913)	(41)
Income (loss) from equity method investments	40,779	(56,438)	83,191	(29,242)
Interest and dividend income	3,277	670	7,093	1,540
Other income (loss), net	8,304	(10,135)	1,959,669	11,039
Total Other Income (Loss)	27,348	(442,310)	2,169,997	(167,111)
Income (loss) before income tax provision	219,713	(1,763,790)	2,510,541	(1,604,960)
Income tax (provision) benefit	(21,917)	19,847	(47,127)	7,477
Net Income (Loss)	197,796	(1,743,943)	2,463,414	(1,597,483)
Net (income) loss attributable to Non-Controlling Interests	(115,005)	1,277,017	(2,323,966)	1,117,724
Net Income (Loss) Attributable to Apollo Global Management, LLC	$ 82,791	$ (466,926)	$ 139,448	$ (479,759)

Distributions Declared per Class A Share	$ 0.24	$ 0.24	$ 0.95	$ 0.63
Net Income (Loss) Per Class A Share:				
Net Income (Loss) Per Class A Share Basic and Diluted	$ 0.55	$ (3.86)	$ 0.93	$ (4.33)
Weighted Average Number of Class A Shares Basic	128,980,438	122,381,069	126,909,962	113,941,869
Weighted Average Number of Class A Shares Diluted	131,635,202	122,381,069	129,309,716	113,941,869

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS

OF COMPREHENSIVE INCOME (UNAUDITED)

(dollars in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net Income (Loss)	**$ 197,796**	**$ (1,743,943)**	**$ 2,463,414**	**$ (1,597,483)**
Other Comprehensive Income, net of tax:				
Net unrealized (loss) gain on interest rate swaps (net of taxes of $172 and $260 for Apollo Global Management, LLC for the three months ended September 30, 2012 and 2011, respectively, and $410 and $605 for Apollo Global Management, LLC for the nine months ended September 30, 2012 and 2011, respectively, and $0 for Non-Controlling Interests in Apollo Operating Group for both the three and nine months ended September 30, 2012 and 2011)	(172)	1,894	2,653	5,040
Net gain (loss) on available-for-sale securities (from equity method investment)	16	(52)	13	(161)
Total Other Comprehensive (Loss) Income, net of tax	(156)	1,842	2,666	4,879
Comprehensive Income (Loss)	**197,640**	**(1,742,101)**	**2,466,080**	**(1,592,604)**
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	(174,245)	1,271,024	(452,563)	1,099,701
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	**$ 23,395**	**$ (471,077)**	**$ 2,013,517**	**$ (492,903)**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES

IN SHAREHOLDERS EQUITY (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(dollars in thousands, except share data)

	Apollo Global Management, LLC Shareholders									
	Class A Shares	**Class B Shares**	**Additional Paid in Capital**	**Accumu-lated Deficit**	**Appro-priated Partners Capital**	**Accumu-lated Other Compre-hensive (Loss) Income**	**Total Apollo Global Manage-ment, LLC Total Share-holders Equity**	**Non-Controlling Interests in Consolidated Entities**	**Non-Controlling Interests in Apollo Operating Group**	**Total Shareho-lders Equity**
Balance at January 1, 2011	97,921,232	1	$ 2,078,890	$ (1,937,818)	$ 11,359	$ (1,529)	$ 150,902	$ 1,888,224	$ 1,042,293	$ 3,081,419
Issuance of Class A shares	21,500,000		382,488				382,488			382,488
Dilution impact of issuance of Class A shares			134,720			(356)	134,364		(127,096)	7,268
Capital increase related to equity-based compensation			332,038				332,038		525,910	857,948
Cash distributions								(311,352)		(311,352)
Distributions			(85,991)				(85,991)	(27,284)	(151,200)	(264,475)
Distributions related to deliveries of Class A shares for RSUs	3,568,995		7,588	(16,980)			(9,392)			(9,392)
Non-cash distributions								(1,522)		(1,522)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities			(6,524)				(6,524)	6,524		
Satisfaction of liability related to AAA RDUs			3,845				3,845			3,845
Net loss				(479,759)	(14,197)		(493,956)	(110,808)	(992,719)	(1,597,483)
Net loss on available-for-sale securities (from equity method investment)						(161)	(161)			(161)
Net unrealized gain on interest rate swaps (net of taxes of $605 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo						1,214	1,214		3,826	5,040

Operating Group, respectively)										
Balance at September 30, 2011	**122,990,227**	**1**	**$ 2,847,054**	**$ (2,434,557)**	**$ (2,838)**	**$ (832)**	**$ 408,827**	**$ 1,443,782**	**$ 301,014**	**$ 2,153,623**
Balance at January 1, 2012	**123,923,042**	**1**	**$ 2,939,492**	**$ (2,426,197)**	**$ 213,594**	**$ (488)**	**$ 726,401**	**$ 1,444,767**	**$ 477,153**	**$ 2,648,321**
Capital increase related to equity-based compensation			205,370				205,370		227,973	433,343
Capital contributions								267,642		267,642
Cash distributions to Non-Controlling Interests								(394,954)		(394,954)
Distributions			(142,616)		(192,561)		(335,177)		(239,022)	(574,199)
Distributions related to deliveries of Class A shares for RSUs	5,951,244		(83)	(25,852)			(25,935)			(25,935)
Purchase of AAA units								(100,046)		(100,046)
Non-cash distributions				(780)			(780)	(2,728)		(3,508)
Non-cash contribution to Non-Controlling Interests								1,247		1,247
Capital increase related to business acquisition (note 3)			14,001				14,001			14,001
Non-Controlling Interests in consolidated entities at acquisition date								306,351		306,351
Deconsolidation								(46,148)		(46,148)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities			(1,098)				(1,098)	1,098		
Satisfaction of liability related to AAA RDUs			174				174			174
Net income				139,448	1,873,413		2,012,861	114,717	335,836	2,463,414
Net gain on available-for-sale securities (from equity method investment)						13	13			13
Net unrealized gain on interest rate swaps (net of taxes of $410 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)						643	643		2,010	2,653
Balance at September 30, 2012	**129,874,286**	**1**	**$ 3,015,240**	**$ (2,313,381)**	**$ 1,894,446**	**$ 168**	**$ 2,596,473**	**$ 1,591,946**	**$ 803,950**	**$ 4,992,369**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2012 and 2011

(dollars in thousands, except share data)

	2012	2011
Cash Flows from Operating Activities:		
Net income	$ 2,463,414	$ (1,597,483)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity-based compensation	435,387	859,173
Depreciation and amortization	7,582	8,380
Amortization of intangible assets	29,439	11,255
Amortization of debt issuance costs	383	383
Losses from investment in HFA and other investments	7,774	14,535
Non-cash interest income	(2,370)	
Income from equity awards received for directors fees	(2,469)	(2,808)
(Income) loss from equity method investment	(83,191)	29,242
Waived management fees	(18,460)	(19,490)
Non-cash compensation expense related to waived management fees	18,460	19,490
Non-cash change in profit sharing payable	16,880	
Deferred taxes, net	38,029	(6,945)
Loss on disposal of assets	911	570
Gain on business acquisitions	(1,951,133)	
Changes in assets and liabilities:		
Carried interest receivable	(723,258)	1,232,373
Due from affiliates	(95,741)	(29,332)
Other assets	(1,001)	(7,603)
Accounts payable and accrued expenses	8,168	(5,933)
Accrued compensation and benefits	45,605	45,034
Deferred revenue	35,352	3,532
Due to affiliates	63,332	67,404
Profit sharing payable	338,107	(393,598)
Other liabilities	(2,002)	3,171
Apollo Funds related:		
Net realized (gains) losses from investment activities	(23,144)	12,581
Net unrealized (gains) losses from investment activities	(340,463)	156,128
Net realized gains on debt		(41,819)
Net unrealized losses on debt	356,890	9,261
Distributions from investment activities	99,675	28,000
Change in cash held at consolidated variable interest entities	(249,585)	55,212
Purchases of investments	(4,658,417)	(991,189)
Sale of investments	4,650,584	1,185,930
Change in other assets	78,435	21,049
Change in other liabilities	(82,740)	(12,685)
Net Cash Provided by Operating Activities	**460,433**	**653,818**
Cash Flows from Investing Activities:		
Purchases of fixed assets	(8,101)	(19,931)
Acquisition of Stone Tower (net of cash assumed) (see note 3)	(99,190)	
Proceeds from disposals of fixed assets		367
Purchase of investments in HFA and other		(52,069)

Cash contributions to equity method investments		(109,076)		(40,868)
Cash distributions from equity method investments		82,027		46,872
Change in restricted cash		(642)		(1,742)
Net Cash Used in Investing Activities	**$**	**(134,982)**	**$**	**(67,371)**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONT D)

NINE MONTHS ENDED SEPTEMBER 30, 2012 and 2011

(dollars in thousands, except share data)

	2012	2011
Cash Flows from Financing Activities:		
Issuance of Class A shares	$	$ 383,990
Issuance costs		(1,502)
Principal repayments on debt	(530)	(1,832)
Distributions related to deliveries of Class A shares for RSUs	(25,852)	(16,980)
Distributions paid to Non-Controlling Interests in consolidated entities	(6,595)	(10,431)
Contributions from Non-Controlling Interests in consolidated entities	2,535	
Distributions paid	(127,614)	(76,550)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(239,022)	(151,200)
Apollo Funds related:		
Issuance of debt	929,532	454,356
Principal repayment on term loans	(433,587)	(412,057)
Purchase of AAA units	(100,046)	
Distributions paid	(192,561)	
Distributions paid to Non-Controlling Interests in consolidated entities		(27,284)
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(388,359)	(300,921)
Contributions from Non-Controlling Interests in consolidated variable interest entities	265,107	
Net Cash Used in Financing Activities	**(316,992)**	**(160,411)**
Net Increase in Cash and Cash Equivalents	8,459	426,036
Cash and Cash Equivalents, Beginning of Period	744,731	382,269
Cash and Cash Equivalents, End of Period	**$ 753,190**	**$ 808,305**
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 39,138	$ 36,974
Interest paid by consolidated variable interest entities	79,371	13,852
Income taxes paid	4,225	8,821
Supplemental Disclosure of Non-Cash Investing Activities:		
Change in accrual for purchase of fixed assets	(1,624)	967
Non-cash contributions on equity method investments	3,478	6,296
Non-cash distributions from equity method investments	(468)	(703)
Non-cash sale of assets held-for-sale for repayment of CIT loan		(11,069)
Non-cash purchases of other investments, at fair value		2,808
Non-cash distributions from investing activities	2,170	1,522
Supplemental Disclosure of Non-Cash Financing Activities:		
Non-cash distributions	(15,782)	(9,441)
Non-cash distributions to Non-Controlling Interests in consolidated entities	(2,728)	(1,522)
Non-cash contributions from Non-Controlling Interests in consolidated entities	1,247	
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	227,973	525,910
Unrealized gain on interest rate swaps attributable to Non-Controlling Interests in Apollo Operating Group, net of taxes	2,010	3,826
Satisfaction of liability related to AAA RDUs	174	3,845

Dilution impact of issuance of Class A shares		134,364
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group		(127,096)
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	1,098	6,524
Net transfers of AAA ownership from Apollo Global Management, LLC	(1,098)	(6,524)
Unrealized gain on interest rate swaps	1,053	1,819
Unrealized gain (loss) on available-for-sale securities (from equity method investment)	13	(161)
Deferred taxes related to interest rate swaps	(410)	(605)
Capital increases related to equity-based compensation	205,370	332,038
Tax benefits related to deliveries of Class A shares for RSUs	83	(7,588)
Non-cash accrued compensation related to ARI RSUs and AMTG RSUs	1,307	848
Non-cash accrued compensation related to AAA RDUs	737	377
Non-Controlling interests in consolidated entities related to acquisition	260,203	
Capital increase related to business acquisition	14,001	
Satisfaction of liability related to repayment of CIT loan		11,069

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONT D)

NINE MONTHS ENDED SEPTEMBER 30, 2012 and 2011

(dollars in thousands, except share data)

	2012	2011
Net Assets Transferred from Consolidated Variable Interest Entity:		
Cash and cash equivalents	1,161,016	
Investments, at fair value	8,581,827	
Other assets	394,026	
Debt, at fair value	(7,255,172)	
Other liabilities	(560,262)	

See accompanying notes to condensed consolidated financial statements.

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1. ORGANIZATION AND BASIS OF PRESENTATION

Apollo Global Management, LLC and its consolidated subsidiaries (the Company or Apollo), is a global alternative investment manager whose predecessor was founded in 1990. Its primary business is to raise and invest private equity, credit and real estate funds as well as managed accounts, on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees for the investments made and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

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

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the Credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company s management reporting and organizational structure as well as the manner in which resource deployment and compensation decisions are made.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and instructions to Form 10-Q. The condensed consolidated financial statements and these notes are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but which the Company controls through a majority voting interest. Intercompany accounts and transactions have been eliminated upon consolidation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2011 included in the Company s Annual Report on Form 10-K filed with the SEC.

Reorganization of the Company

The Company was formed as a Delaware limited liability company on July 3, 2007 and completed a reorganization of its predecessor businesses on July 13, 2007 (the 2007 Reorganization). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is indirectly wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the Managing Partners).

As of September 30, 2012, the Company owned, through three intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC (APO Asset), a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC (APO (FC)), an Anguilla limited liability company that is treated as a corporation for U.S Federal income tax purposes (collectively, the Intermediate Holding Companies), 35.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (Holdings), is the entity through which the Managing Partners and certain of the Company s other partners (the Contributing Partners) indirectly own (through Holdings) Apollo Operating Group units (AOG Units) that represent 64.9% of the economic interests in the Apollo Operating Group as of September 30, 2012. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying condensed consolidated financial statements.

Apollo also entered into an exchange agreement with Holdings that allows the partners in Holdings, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Apollo Operating Group, to exchange their AOG Units for the Company s Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to affect an exchange for one Class A share.

Initial Public Offering On April 4, 2011, the Company completed the initial public offering (IPO) of its Class A shares, representing limited liability company interests of the Company. AGM received net proceeds from the initial public offering of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and the Company s ownership interest increased from 29.3% to 33.5%. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in additional paid in capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds in which the general partner is presumed to have control (e.g., AP Alternative Assets, L.P., a Guernsey limited partnership that, through AAA Investments L.P., its investment partnership, generally invests alongside certain of the Company s private equity funds and directly in certain of its credit funds and in other transactions that the Company sponsors and manages (AAA) and the Apollo Credit Senior Loan Fund, L.P. (Apollo Senior Loan Fund)). Apollo also consolidates entities that are VIEs for which Apollo is the primary beneficiary. Under the amended consolidation rules, an enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity s business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

Certain of the Company s subsidiaries hold equity interests in and/or receive fees qualifying as variable interests from the funds that the Company manages. The amended consolidation rules require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) Apollo s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would give it a controlling financial interest. When the VIE has qualified for the deferral of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) Apollo s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the variability of the entity.

Under both the previous and amended consolidation rules, the determination of whether an entity in which Apollo holds a variable interest is a VIE requires judgments which include determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, determining whether two or more parties equity interests should be aggregated, and determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity. Under both the previous and amended consolidation rules, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion continuously. The consolidation analysis can generally be performed qualitatively. However, if it is not readily apparent whether Apollo is the primary beneficiary, a quantitative expected losses and expected residual returns calculation will be performed. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective Apollo fund may affect an entity s status as a VIE or the determination of the primary beneficiary.

Apollo assesses whether it is the primary beneficiary and will consolidate or deconsolidate the entity accordingly. Performance of that assessment requires the exercise of judgment. Where the variable interests have qualified for the deferral, judgments are made in estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the variable interests have not qualified for the deferral, judgments are made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIE s economic performance and rights to receive benefits or obligations to absorb losses that are potentially significant to the VIE. Under both guidelines, judgment is made in evaluating the nature of the relationships and activities of the parties involved in determining if there is a related-party group, and if so, which party within the related-party group is most closely associated with the VIE. The use of these judgments has a material impact to certain components of Apollo s condensed consolidated financial statements.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the condensed consolidated statements of financial condition as of September 30, 2012 and December 31, 2011.

Refer to additional disclosures regarding VIEs in note 5. Intercompany transactions and balances, if any, have been eliminated in consolidation.

Equity Method Investments For investments in entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting, whereby the Company records its share of the underlying income or loss of such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the condensed consolidated statements of operations. The carrying amounts of equity method investments are reflected in investments in the condensed consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company s equity method investments in such entities are at fair value.

Non-Controlling Interest For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interest in the condensed consolidated financial statements. The Non-Controlling Interests relating to Apollo primarily includes the 64.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximate 97% ownership interest held by limited partners in AAA as of September 30, 2012. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

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Non-Controlling Interests are presented as a separate component of shareholders equity on the Company s condensed consolidated statements of financial condition; net income (loss) includes the net income (loss) attributed to the Non-Controlling Interest holders on the Company s condensed consolidated statements of operations; the primary components of Non-Controlling Interest are separately presented in the Company s condensed consolidated statements of changes in shareholders equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities; and profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

Revenues Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and credit funds; (ii) management fees from affiliates, which are based on committed capital, invested capital, net asset value, gross assets or as otherwise defined in the respective agreements; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

Advisory and Transaction Fees from Affiliates Advisory and transaction fees, including directors fees are recognized when the underlying services rendered are substantially completed in accordance with the terms of the transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to certain transactions that are not consummated (Broken Deal Costs). These costs (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) are determined to be broken upon management s decision to no longer pursue the transaction. In accordance with the related fund agreement, in the event the deal is broken, all of the costs are reimbursed by the funds and then included in the calculation of the Management Fee Offset described below. If a deal is successfully completed, Apollo is reimbursed by the fund or fund s portfolio company of all costs incurred.

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations. The amounts due from portfolio companies are included in Due from Affiliates, which is discussed further in note 12. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs (Management Fee Offset). Such amounts are presented as a reduction to Advisory and Transaction Fees from Affiliates in the condensed consolidated statements of operations.

Management Fees from Affiliates Management fees for private equity funds, real estate funds and certain credit funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement, and are based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates Apollo is entitled to an incentive return that can normally amount to as much as 20% of the total returns on funds capital, depending upon performance. Performance-based fees are assessed as a percentage of the investment performance of the funds. The carried interest income from affiliates for any period is based upon an assumed liquidation of the fund s net assets on the reporting date, and distribution of the net proceeds in accordance with the fund s income allocation provisions. Carried interest receivable is presented separately in the condensed consolidated statements of financial condition. The carried interest income from affiliates may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund s cumulative investment returns. When applicable, the accrual for potential repayment of previously

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received carried interest income, which is a component of due to affiliates, represents all amounts previously distributed to the general partner that would need to be repaid to the Apollo funds if these funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. The actual general partner obligation, however, would not become payable or realized until the end of a fund s life.

Investments, at Fair Value The Company follows U.S. GAAP attributable to fair value measurements, which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. Investments, at fair value, represent investments of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the condensed consolidated statements of operations. In accordance with U.S. GAAP, investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives where the fair value is based on observable inputs. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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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 fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

Private Equity Investments

The value of liquid investments, where the primary market is an exchange (whether foreign or domestic) is determined using period end market prices. Such prices are generally based on the last sales price on the date of determination.

Valuation approaches used to estimate the fair value of investments that are less liquid include the income approach and the market approach. The income approach provides an indication of fair value based on the present value of cash flows that a business or security is expected to generate in the future. The most widely used methodology used in the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate. The market approach provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry. The market approach is driven more by current market conditions, actual trading levels of similar companies and actual transaction data of similar companies. Consideration may also be given to such factors as the Company s historical and projected financial data, valuations given to comparable companies, the size and scope of the Company s operations, the Company s strengths, weaknesses, expectations relating to the market s receptivity to an offering of the Company s securities, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. As part of management s process, the Company utilizes a valuation committee to review and approve the valuations. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

On a quarterly basis, Apollo utilizes a valuation committee consisting of members from senior management who review and approve the valuation results related to our private equity investments. Management also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. Management performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Credit Investments

The majority of the investments in Apollo s credit funds are valued using quoted market prices. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services, market participants or other sources. The credit funds also enter into foreign currency exchange contracts, credit default swap contracts, and other derivative contracts, which may include options, caps, collars and floors. Foreign currency exchange contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. If securities are held at the end of this period, the changes in value are recorded in income as unrealized. Realized gains or losses are recognized when contracts are settled. Credit default swap contracts are recorded at fair value as an asset or liability with changes in fair value recorded as unrealized appreciation or depreciation. Realized gains or losses are recognized at the termination of the contract based on the difference between the close-out price of the credit default contract and the original contract price.

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Forward contracts are valued based on market rates obtained from counterparties or prices obtained from recognized financial data service providers. When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation approaches used to estimate the fair value of illiquid investments included in Apollo s credit funds also may use the income approach or market approach. The valuation approaches used consider, as applicable, market risks, credit risks, counterparty risks and foreign currency risks.

On a quarterly basis, Apollo utilizes a sub-valuation committee consisting of members from senior management to review and approve the valuation results related to our credit investments. Management performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments For the CMBS portfolio of Apollo s funds, the estimated fair value is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs for certain investments. For Apollo s opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

On a quarterly basis, Apollo utilizes a sub-valuation committee consisting of members from senior management to review and approve the valuation results related to our real estate investments. Management performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Except for the Company s debt obligation related to the AMH Credit Agreement (as defined in note 9), Apollo s financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See Investments, at Fair Value above. While Apollo s valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Other financial instruments carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings. As disclosed in note 9, the Company s long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $795.5 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. However, the carrying value that is recorded on the condensed consolidated statements of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the AMH Credit Agreement would be categorized as a Level III liability in the fair-value hierarchy.

Fair Value Option Apollo has elected the fair value option for the convertible notes issued by HFA and for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. For the convertible notes issued by HFA, Apollo has elected to separately present interest income in the condensed consolidated statements of operations from other changes in the fair value of the convertible notes. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by the consolidated VIEs that otherwise would not have been carried at fair value. Refer to note 4 and note 5 for further disclosure on financial instruments of the consolidated VIEs and the investment in HFA for which the fair value option has been elected.

Financial Instruments held by Consolidated VIEs

The consolidated VIEs hold investments that are traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the bid and ask prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors.

The consolidated VIEs also have debt obligations that are recorded at fair value. The valuation approach used to estimate the fair values of debt obligations is the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations are discounted based on the appropriate yield curve given the loan s respective maturity and credit rating. Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of its debt obligations.

Compensation and Benefits

Equity-Based Compensation Equity-based compensation is measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are expensed over the relevant service period. The Company estimates forfeitures for equity-based awards that are not expected to vest. Equity-based awards granted to non-employees for services provided to the affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits Salaries, bonus and benefits includes base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are accrued over the service period.

From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying certain eligibility requirements. The Company may provide discretionary contributions from time to time. No contributions relating to this plan were made by the Company for the three and nine months ended September 30, 2012 and 2011, respectively.

Profit Sharing Expense Profit sharing expense consists of a portion of carried interest recognized in one or more funds allocated to employees and former employees. Profit sharing expense is recognized on an accrued basis as the related carried interest income is earned. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and the Contributing Partners.

Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions will be reflected in the Company s condensed consolidated statements of operations as profit sharing expense.

In June 2011, the Company adopted a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the accompanying condensed consolidated financial statements.

Incentive Fee Compensation Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our credit funds, based on performance for the period. Incentive fee compensation expense is recognized on an accrual basis as the related carried interest income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income crystallizes.

Other Income (Loss)

Net Gains (Losses) from Investment Activities Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company s investment portfolio between the opening balance sheet date and the closing balance sheet date. The condensed consolidated financial statements include the net realized and unrealized gains (losses) of investments at fair value.

Net Gains from Investment Activities of Consolidated Variable Interest Entities Changes in the fair value of the consolidated VIEs assets and liabilities and related interest, dividend and other income and expenses subsequent to consolidation are presented within net gains (losses) from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interests in the condensed consolidated statements of operations.

Other Income (Loss), Net. Other income, net includes the recognition of bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, and other miscellaneous income and expenses.

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

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

Use of Estimates The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, the disclosure of contingent assets and

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liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Apollo s most significant estimates include goodwill, intangible assets, income taxes, carried interest income from affiliates, contingent consideration obligations related to acquisitions, non-cash compensation and fair value of investments and debt in the consolidated and unconsolidated funds and VIEs. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In December 2011, the FASB issued amended guidance which will enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. This information will enable users of an entity s financial statements to evaluate the effect or potential effect of netting arrangements on an entity s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In July 2012, the FASB issued amended guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not to be less than the carrying amount, then the entity must perform the quantitative impairment test; otherwise, further testing would not be required. The amendments are effective for all entities for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance is not expected to have an impact on the Company s condensed consolidated financial statements.

3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Stone Tower

On April 2, 2012 (the Acquisition Date), the Company completed its previously announced acquisition (the Acquisition) of the membership interests of Stone Tower Capital LLC and its related management companies (Stone Tower), a leading alternative credit manager. The Acquisition was consummated by the Company for total consideration at fair value of approximately $237.2 million. The transaction added significant scale and several new credit product capabilities and increased the Assets Under Management of the credit segment.

Consideration exchanged at closing included a payment of approximately $105.5 million, which the Company funded from its existing cash resources, and equity granted to the former owners of Stone Tower with grant date fair value of $14.0 million valued using the Company s closing stock price on April 2, 2012 of $14.40. Additionally, the Company will also make payments to the former owners of Stone Tower under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Stone Tower based on a specified percentage of carried interest income. The contingent consideration obligation has an Acquisition Date fair value of approximately $117.7 million, which was determined based on the present value of the estimated range of undiscounted carried interest income cash flows of approximately $139.4 million using a discount rate of 9.5%, and is reflected in profit sharing payable in the condensed consolidated statements of financial condition.

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As a result of the Acquisition, the Company incurred $4.6 million in acquisition costs, of which $2.8 million was incurred in the nine months ended September 30, 2012.

Tangible assets acquired in the Acquisition consisted of management and carried interest receivable and other assets. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to management fees, senior fees, subordinate fees, and carried interest from existing CLOs, funds and separately managed accounts managed by Stone Tower.

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the Acquisition Date resulting in a bargain purchase gain of approximately $1,951.1 million. The bargain purchase gain is reflected in other income, net within the condensed consolidated statements of operations with corresponding amounts reflected as components of appropriated partners capital within the condensed consolidated statements of changes in shareholders equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Cash	$ 6,310
Carried Interest Receivable	36,097
Due from Affiliates	1,642
Other Assets	2,492
Total assets of consolidated variable interest entities	10,136,869
Intangible Assets:	
Management Fees Contracts	9,658
Senior Fees Contracts	568
Subordinate Fees Contracts	2,023
Carried Interest Contracts	85,071
Non-Compete Covenants	200
Fair Value of Assets Acquired	10,280,930
Liabilities Assumed:	
Accounts payable and accrued expenses	3,570
Due to Affiliates	4,410
Other Liabilities	8,979
Total liabilities of consolidated variable interest entities	7,815,434
Fair Value of Liabilities Assumed	7,832,393
Fair Value of Net Assets Acquired	2,448,537
Less: Net assets attributable to Non-Controlling Interests in consolidated entities	260,203
Less: Fair Value of Consideration Transferred	237,201
Gain on Acquisition	$ 1,951,133

The bargain purchase gain was recorded in other income, net in the condensed consolidated statements of operations. During the one year measurement period, any changes resulting from facts and circumstances that existed as of the Acquisition Date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The Acquisition related intangible assets valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	As of September 30, 2012
Management Fees contracts	2.2	$ 9,658
Senior Fees Contracts	2.4	568
Subordinate Fees Contracts	2.5	2,023
Carried Interest Contracts	3.7	85,071
Non-Compete Covenants	2.0	200
Total Intangible Assets		97,520
Less: Accumulated amortization		(12,183)
Net Intangible Assets		$ 85,337

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The results of operations of the acquired business since the Acquisition Date included in the Company s condensed consolidated statements of operations for the period from April 2, 2012 to September 30, 2012 and for the three months ended September 30, 2012 were as follows:

	For the Three Months Ended September 30, 2012	For the Period from April 2, 2012 to September 30, 2012
Total Revenues	$ 24,176	$ 35,709
Net Income Attributable to Non-Controlling Interest	$ (49,520)	$ (1,936,240)
Net Income Attributable to Apollo Global Management, LLC	$ 7,128	$ 12,771

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the nine months ended September 30, 2012 assuming the Acquisition had occurred as of January 1, 2012 are presented below. There were no pro forma impacts during the three months ended September 30, 2012. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company s results would have been had the Acquisition been completed on January 1, 2012, nor does it purport to be indicative of any future results.

	For the Nine Months Ended September 30, 2012
Total Revenues	$ 1,715,094
Net Income Attributable to Non-Controlling Interest	$ (2,298,862)
Net Income Attributable to Apollo Global Management, LLC	$ 154,915
Net Income per Class A Share:	
Net Income per Class A Share Basic and Diluted	$ 1.05
Weighted Average Number of Class A Shares Basic	126,909,962
Weighted Average Number of Class A Shares Diluted	129,309,716

The nine months supplemental pro forma earnings include an adjustment to exclude $5.5 million of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the Acquisition.

Intangible Assets

Intangible assets, net consists of the following:

	September 30, 2012	December 31, 2011
Finite-lived intangible assets	$ 240,020	$ 141,000
Accumulated amortization	(88,593)	(59,154)
Intangible assets, net	$ 151,427	$ 81,846

Amortization expense related to intangible assets was $29.4 million and $11.3 million for the nine months ended September 30, 2012 and 2011, respectively and $13.8 million and $3.6 million for the three months ended September 30, 2012 and 2011, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	Remaining 2012	2013	2014	2015	2016	There-After	Total
Amortization of intangible assets	$ 13,571	$ 41,351	$ 36,246	$ 33,714	$ 7,881	$ 18,664	$ 151,427

4. INVESTMENTS

The following table represents Apollo s investments:

	September 30, 2012	December 31, 2011
Investments, at fair value	$ 1,604,011	$ 1,552,122
Other investments	421,231	305,343
Total Investments	$ 2,025,242	$ 1,857,465

Investments at Fair Value

Investments at fair value consist of financial instruments held by AAA, investments held by the Apollo Senior Loan Fund, the Company s investment in HFA and other investments held by the Company at fair value. As of September 30, 2012 and December 31, 2011, the net assets of the consolidated funds (excluding VIEs) were $1,559.7 million and $1,505.5 million, respectively. The following investments, except the investment in HFA and other investments, are presented as a percentage of net assets of the consolidated funds:

Investments, at Fair Value	September 30, 2012					December 31, 2011				
	Fair Value				% of Net Assets of	Fair Value				% of Net Assets of
Affiliates	Private Equity	Credit	Total	Cost	Consolidated Funds	Private Equity	Credit	Total	Cost	Consolidated Funds
Investments held by:										
AAA	$ 1,534,801	$	$ 1,534,801	$ 1,561,154	98.4%	$ 1,480,152	$	$ 1,480,152	$ 1,662,999	98.4%
Investments held by Apollo Senior Loan Fund		26,243	26,243	25,881	1.6		24,213	24,213	24,569	1.6
HFA		41,461	41,461	56,998	N/A		46,678	46,678	54,628	N/A
Other Investments	1,506		1,506	3,497	N/A	1,079		1,079	2,881	N/A
Total	$ 1,536,307	$ 67,704	$ 1,604,011	$ 1,647,530	100.0%	$ 1,481,231	$ 70,891	$ 1,552,122	$ 1,745,077	100.0%

Securities

At September 30, 2012 and December 31, 2011, the sole investment held by AAA was its investment in AAA Investments, L.P. (AAA Investments), which is measured based on AAA s share of net asset value of AAA Investments. The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

		September 30, 2012
	Instrument Type	Cost

			Fair Value	% of Net Assets of Consolidated Funds
Apollo Life Re Ltd.	Equity	$ 358,241	$ 480,500	30.8%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	93,000	150,382	9.6
Rexnord Corporation	Equity	37,461	142,467	9.1
NCL Corporation	Equity	98,906	115,600	7.4
Berry Plastics, Inc.	Equity	9,947	103,800	6.7

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	December 31, 2011			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Apollo Life Re Ltd.	Equity	$ 358,241	$ 430,800	28.6%
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	105,889	164,811	10.9
Rexnord Corporation	Equity	37,461	139,100	9.2
LeverageSource, L.P.	Equity	139,913	102,834	6.8
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	88,166	86,329	5.7
Momentive Performance Materials Holdings, Inc.	Equity	80,657	85,300	5.7

Apollo Strategic Value Offshore Fund, Ltd. (the Apollo Strategic Value Fund) has an ownership interest in a special purpose vehicle, Apollo VIF/SVF Bradco LLC, which owns interests in Bradco Supply Corporation. AAA Investments share of this investment is valued at $91.0 million and $80.9 million at September 30, 2012 and December 31, 2011, respectively. At September 30, 2012 and December 31, 2011, AAA Investments combined share of this investment was greater than 5.0% of the net assets of the consolidated funds. In addition to the AAA Investments private equity co-investment in Momentive Performance Materials Holdings Inc. (Momentive) noted above, AAA Investments had an ownership interest in the debt of Momentive. AAA Investments combined share of these debt and equity investments is greater than 5% of the net assets of the consolidated funds and is valued at $85.9 million at December 31, 2011.

The Apollo Strategic Value Fund primarily invests in the securities of leveraged companies in North America and Europe through three core strategies: distressed investments, value-driven investments and special opportunities. In connection with the redemptions requested by AAA Investments of its investment in the Apollo Strategic Value Fund, the remainder of AAA Investments investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Strategic Value Fund s existing investments and liabilities, and as those investments are sold, AAA Investments is allocated the proceeds from such disposition less its proportionate share of any current expenses incurred by the Apollo Strategic Value Fund.

During the first quarter of 2012, the general partner of the Apollo Asia Opportunity Offshore Fund, Ltd. (the Apollo Asia Opportunity Fund) determined that it was in the best interests of the limited partners in the Apollo Asia Opportunity Fund to wind down the fund and begin making distributions to investors as investments are liquidated. The remainder of the investment in the Apollo Asia Opportunity Fund is currently expected to be distributed as the less liquid investments are realized, with the final liquidation expected to occur in 2013, although the actual timing of the realizations may differ substantially from this estimate.

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

Apollo Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Senior Loan Fund. As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Apollo Senior Loan Fund s portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Apollo Senior Loan Fund s portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Apollo Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody s, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Apollo Senior Loan Fund investment as Level II and Level III investments. All Level II and Level III investments of the Apollo Senior Loan Fund were valued using broker quotes.

HFA

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

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or PIK interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or cancelled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA s discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an if-converted basis , which is based on a hypothetical exit through conversion to common equity (for which quoted price exists) as of the valuation date. The Company separately presents interest income in the condensed consolidated statements of operations from other changes in the fair value of the convertible note. For the three and nine months ended September 30, 2012, the Company recorded $0.8 million and $2.4 million, respectively, in PIK interest income included in interest income in the condensed consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars (A$) of A$8.00 (exchange rate of A$1.00 to $1.04 as of September 30, 2012) 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 nine months ended September 30, 2012 and 2011, the Company recorded an unrealized loss of approximately $(7.6) million and $(13.3) million, respectively, related to the convertible note and stock options within net gains from investment activities in the condensed consolidated statements of operations. For the three months ended September 30, 2012 and 2011, the Company recorded an unrealized gains of approximately $2.1 million and an unrealized loss of $(33.4) million, respectively, related to the convertible note and stock options within net 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.

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the condensed consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized gains resulting from changes in fair value of the consolidated funds investments and realization of previously unrealized gains. Additionally net 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 gains from investment activities for the three and nine months ended September 30, 2012 and 2011:

	For the Three Months Ended September 30, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$	$ 106	$ 106
Change in net unrealized gains due to changes in fair values	17,951	2,406	20,357
Net gains from Investment Activities	$ 17,951	$ 2,512	$ 20,463

	For the Three Months Ended September 30, 2011		
	Private Equity	Credit	Total
Change in 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)

	For the Nine Months Ended September 30, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$	$ 242	$ 242
Change in net unrealized gains (losses) due to changes in fair values	156,494	(6,779)	149,715
Net Gains (Losses) from Investment Activities	$ 156,494	$ (6,537)	$ 149,957

	For the Nine Months Ended September 30, 2011		
	Private Equity	Credit	Total
Change in 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)

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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.

The following table presents income (loss) from equity method investments for the three and nine months ended September 30, 2012 and 2011:

	For the Three Months Ended September 30, 2012	For the Three Months Ended September 30, 2011	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
Investments:				
Private Equity Funds:				
AAA Investments	$ 14	$ (185)	$ 97	$ (66)
Apollo Investment Fund IV, L.P. (Fund IV)		(1)	(2)	11
Apollo Investment Fund V, L.P. (Fund V)	(13)	(16)	16	1
Apollo Investment Fund VI, L.P. (Fund VI)	(63)	(996)	2,485	1,900
Apollo Investment Fund VII, L.P. (Fund VII)	24,243	(28,646)	47,466	(14,981)
Apollo Natural Resources Partners, L.P. (ANRP)	153	(101)	327	(101)
Credit Funds:				
Apollo Special Opportunities Managed Account, L.P. (SOMA)	233	(1,024)	899	(882)
Apollo Value Investment Fund, L.P. (VIF)	5	(28)	20	(24)
Apollo Strategic Value Fund, L.P. (SVF)	3	(21)	15	(18)
Apollo Credit Liquidity Fund, L.P. (ACLF)	1,659	(3,360)	3,625	(2,864)
Apollo/Artus Investors 2007-I, L.P. (Artus)	318	(535)	609	(166)
Apollo Credit Opportunity Fund I, L.P. (COF I)	8,633	(13,851)	15,801	(9,491)
Apollo Credit Opportunity Fund II, L.P. (COF II)	1,455	(3,574)	4,410	(2,636)
Apollo European Principal Finance Fund, L.P. (EPF I)	1,795	(1,461)	2,589	1,402
Apollo Investment Europe II, L.P. (AIE II)	804	(1,558)	1,307	(148)
Apollo Palmetto Strategic Partnership, L.P. (Palmetto)	553	(962)	1,102	(441)
Apollo Senior Floating Rate Fund, Inc. (AFT)	9		20	
Apollo Residential Mortgage, Inc. (AMTG)	(103)(1)		452(1)	
Apollo European Credit, L.P. (AEC)	90		117	
Apollo European Strategic Investment L.P. (AESI)	242		404	
Apollo Centre Street Partnership, L.P. (ACSP)	386		319	
Apollo Investment Corporation (AINV)	(336)		(336)	
Apollo European Principal Finance Fund II, L.P. (EPF II)	241		557	
Apollo SK Strategic Investments, L.P.	5		5	
Real Estate:				
Apollo Commercial Real Estate Finance, Inc. (ARI)	299(1)	212(2)	815(1)	524(2)
AGRE U.S. Real Estate Fund, L.P.	(38)		(124)	
CPI Capital Partners NA Fund	2	4	(29)	85
CPI Capital Partners Asia Pacific Fund	13	18	50	32
Apollo GSS Holding (Cayman), L.P.	(36)		(36)	
Other Equity Method Investments:				
VC Holdings, L.P. Series A (Vantium A/B)		(554)	(306)	(1,860)
VC Holdings, L.P. Series C (Vantium C)	270	244	137	464
VC Holdings, L.P. Series D (Vantium D)	(57)	(43)	375	17
Other			5	
Total Income (Loss) from Equity Method Investments	$ 40,779	$ (56,438)	$ 83,191	$ (29,242)

(1) Amounts are as of June 30, 2012.
(2) Amounts are as of June 30, 2011.

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Other investments as of September 30, 2012 and December 31, 2011 consisted of the following:

	Equity Held as of			
	September 30, 2012	% of Ownership	December 31, 2011	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 901	0.058%	$ 859	0.057%
Fund IV	9	0.014	15	0.010
Fund V	169	0.014	202	0.014
Fund VI	10,010	0.095	7,752	0.082
Fund VII	179,646	1.311	139,765	1.318
ANRP	2,517	1.291	1,982	2.544
Credit Funds:				
SOMA	5,945	0.585	5,051	0.525
VIF	142	0.085	122	0.081
SVF	138	0.061	123	0.059
ACLF	14,390	2.473	14,449	2.465
Artus	5,780	6.156	6,009	6.156
COF I	46,839	1.930	37,806	1.977
COF II	21,475	1.440	22,979	1.472
EPF I	19,388	1.363	14,423	1.363
AIE II	9,076	2.186	7,845	2.076
Palmetto	12,677	1.186	10,739	1.186
AFT	103	0.034	84	0.034
Apollo/JH Loan Portfolio, L.P.			100	0.189
AMTG[3]	4,052[1]	0.805[1]	4,000[2]	1.850[2]
AEC	1,301	0.975	542	1.053
AESI	2,825	1.041	1,704	1.035
ACSP	4,956	2.458		
AINV	49,664	2.895		
EPF II	3,736	2.178		
Apollo SK Strategic Investments, L.P.	511	0.989		
APC	30	0.062		
Real Estate:				
ARI[3]	11,750[1]	2.729[1]	11,288[2]	2.730[2]
AGRE U.S. Real Estate Fund, L.P.	3,206	1.845	5,884	2.065
CPI Capital Partners NA Fund	442	0.334	564	0.344
CPI Capital Partners Europe Fund	5	0.001	5	0.001
CPI Capital Partners Asia Pacific Fund	164	0.039	256	0.039
Apollo GSS Holding (Cayman), L.P.	2,134	5.409		
Other Equity Method Investments:				
Vantium A/B	54	6.450	359	6.450
Vantium C	5,437	2.071	6,944	2.300
Vantium D	1,720	6.345	1,345	6.300
Portfolio Company Holdings		N/A[4]	2,147	N/A[4]
Other	39			
Total Other Investments	$ 421,231		$ 305,343	

(1) Amounts are as of June 30, 2012.
(2) Amounts are as of September 30, 2011.
(3)

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

(4) Ownership percentages are not presented for these equity method investments in our portfolio companies as we only present ownership percentages for the funds in which we are the general partner. All equity method investments were sold during the three months ended September 30, 2012.

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As of September 30, 2012 and December 31, 2011 and for the nine months ended September 30, 2012 and 2011, no single equity method investee held by Apollo exceeded 20% of its total consolidated assets or income. As such, Apollo is not required to present summarized income statement information for any of its equity method investees.

Fair Value Measurements

The following table summarizes the valuation of Apollo s investments in fair value hierarchy levels as of September 30, 2012 and December 31, 2011:

	Level I		Level II		Level III		Totals	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Assets, at fair value:								
Investment in AAA Investments, L.P.	$	$	$	$	$ 1,534,801	$ 1,480,152	$ 1,534,801	$ 1,480,152
Investments held by Apollo Senior Loan Fund			24,387	23,757	1,856	456	26,243	24,213
Investments in HFA and Other					42,967	47,757	42,967	47,757
Total	$	$	$ 24,387	$ 23,757	$ 1,579,624	$ 1,528,365	$ 1,604,011	$ 1,552,122

	Level I		Level II		Level III		Totals	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Liabilities, at fair value:								
Interest rate swap agreements	$	$	$	$ 3,843	$	$	$	$ 3,843
Total	$	$	$	3,843	$	$	$	3,843

There was a transfer of investments from Level III into Level II as well as a transfer from Level II into Level III relating to investments held by the Apollo Senior Loan Fund during the three and nine months ended September 30, 2012, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. There were no transfers between Level I, II or III during the 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,	
	2012	2011	2012	2011
Balance, Beginning of Period	$ 1,516,899	$ 1,810,577	$ 1,480,152	$ 1,637,091
Purchases		125		432
Distributions	(50)	(1,522)	(101,845)	(29,522)
Change in unrealized gains (losses), net	17,952	(337,051)	156,494	(135,872)
Balance, End of Period	$ 1,534,801	$ 1,472,129	$ 1,534,801	$ 1,472,129

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

	For the Three Months Ended September 30, 2012	For the Three Months Ended September 30, 2011	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
Balance, Beginning of Period	$ 87,839	$ 72,498	$ 47,757	$
Acquisition of consolidated fund			46,148	
Purchases	915	370	4,873	54,876
Deconsolidation[1]	(48,037)		(48,037)	
Change in unrealized gains (losses), net	2,250	(34,596)	(7,774)	(14,535)
Expenses incurred				(2,069)
Balance, End of Period	$ 42,967	$ 38,272	$ 42,967	$ 38,272

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

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

The following table summarizes the changes in the Apollo Senior Loan Fund, which is measured at fair value and characterized as a Level III investment:

	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2012
Balance, Beginning of Period	$	$ 456
Purchases of investments	496	496
Sale of investments		(461)
Realized gains	7	16
Change in unrealized losses		(6)
Transfers out of Level III		(481)
Transfers into Level III	1,353	1,836
Balance, End of Period	$ 1,856	$ 1,856

The change in unrealized losses and realized gains have been recorded within the caption Net gains (losses) from investment activities in the condensed consolidated statements of operations.

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

	Private Equity	
	September 30, 2012	December 31, 2011
	% of Investment of AAA	% of Investment of AAA
Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the		

following:				
Comparable company and industry multiples	$ 529,288	32.7%	$ 749,374	44.6%
Discounted cash flow models	674,891	41.7	643,031	38.4
Listed quotes	199,290	12.3	139,833	8.3
Broker quotes	237,629	14.7	179,621	10.7
Other net liabilities[1]	(22,569)	(1.4)	(33,330)	(2.0)
Total Investments	1,618,529	100.0%	1,678,529	100.0%
Other net liabilities[2]	(83,728)		(198,377)	
Total Net Assets	$ 1,534,801		$ 1,480,152	

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(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 $305.3 million and $402.5 million in long-term debt offset by cash and cash equivalents at the September 30, 2012 and December 31, 2011 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities and, accordingly, extended valuation procedures are not required.

The significant unobservable inputs used in the fair value measurement of the Level III investments are the comparable multiples and weighed average cost of capital rates applied in the valuation models for each investment. These inputs in isolation can cause significant increases or decreases in fair value. Specifically, the comparable multiples are generally multiplied by the underlying companies EBITDA to establish the total enterprise value of our portfolio company investments. The comparable multiple is determined based on the implied trading multiple of public industry peers. Similarly, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the weighted average cost of capital calculation that weights the cost of equity and the cost of debt based on comparable debt to equity ratios.

5. VARIABLE INTEREST ENTITIES

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

The assets and liabilities of the consolidated VIEs are comprised primarily of investments and debt, at fair value, and are included within assets and liabilities of consolidated variable interest entities, respectively, in the condensed consolidated statements of financial condition.

Consolidated Variable Interest Entities

In accordance with the methodology described in note 2, Apollo has twenty-nine consolidated VIEs as of September 30, 2012, of which six were consolidated in connection with the Company s October 2011 acquisition of Gulf Stream Asset Management, LLC (Gulf Stream) and fifteen were consolidated in connection with the Company s April 2012 acquisition of Stone Tower. Refer to note 3 for further discussion of the Stone Tower acquisition.

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

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

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

Fair Value Measurements

The following table summarizes the valuation of Apollo s consolidated VIEs in fair value hierarchy levels as of September 30, 2012 and December 31, 2011:

	Level I		Level II		Level III		Totals	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Investments, at fair value	$ 194	$	$ 11,002,938	$ 3,055,357	$ 1,087,540	$ 246,609	$ 12,090,672	$ 3,301,966

	Level I		Level II		Level III		Totals	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Liabilities, at fair value	$	$	$	$	$ 11,291,860	$ 3,189,837	$ 11,291,860	$ 3,189,837

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

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

The following table summarizes the fair value transfers between Level I and Level II:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Transfers from Level II into Level I(1)	$	$ 164

(1) Transfers into Level I represents those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

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The following table summarizes the quantitative inputs and assumptions used for Investments, at fair value categorized as Level III in the fair value hierarchy as of September 30, 2012. The disclosure below excludes Level III Investments, at fair value as of September 30, 2012, for which the determination of fair value is based on broker quotes:

	Fair Value at September 30, 2012	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets:					
Bank Debt Term Loans	49,127	Discounted Cash Flow Comparable Yields	Discount Rates	9.0%-15.4%	13.1%
Stocks	11,506	Market Comparable Companies	Comparable Multiples	6.5x-6.5x	6.5x
Total	**60,633**				

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. When a comparable multiple model is used to determine fair value, the comparable multiples are generally multiplied by the underlying companies EBITDA to establish the total enterprise value of the company. The comparable multiple is determined based on the implied trading multiple of public industry peers.

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

	For the Three Months Ended September 30, 2012	For the Three Months Ended September 30, 2011	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
Balance, Beginning of Period	$ 997,966	$ 272,991	$ 246,609	$ 170,369
Acquisition of VIEs			1,482,057	
Elimination of investments attributable to consolidated VIEs	(7,360)		(67,124)	
Purchases of investments	375,165	85,764	812,831	571,279
Sale of investments	(313,650)	(18,135)	(1,288,663)	(98,724)
Net realized (losses) gains	(20,342)	111	(19,150)	1,945
Net unrealized gains (losses)	1,224	(9,443)	3,439	(6,753)
Transfers out of Level III and into Level II	(309,843)	(274,795)	(656,273)	(673,776)
Transfers into Level III and out of Level II	364,380	17,669	573,814	109,822
Balance, End of Period	$ 1,087,540	$ 74,162	$ 1,087,540	$ 74,162
Changes in net unrealized gains (losses) included in Net Losses from Investment Activities of consolidated VIEs related to investments still held at reporting date	$ 5,305	$ (2,337)	$ 3,083	$ (1,886)

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

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

	For the Three Months Ended September 30, 2012	2011	For the Nine Months Ended September 30, 2012	2011
Balance, Beginning of Period	$ 11,232,660	$ 1,174,568	$ 3,189,837	$ 1,127,180
Acquisition of VIEs (see note 3)			7,317,144	
Elimination of equity investments attributable to consolidated VIEs	(7,412)	1	(67,956)	5
Additions			929,532	454,356
Repayments	(187,453)		(433,587)	(412,057)
Net realized gains on debt				(41,819)
Net unrealized losses (gains) on debt	254,065	(37,643)	356,890	9,261
Balance, End of Period	$ 11,291,860	$ 1,136,926	$ 11,291,860	$ 1,136,926
Changes in net unrealized losses (gains) included in Net Losses from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$ 250,255	$ (37,643)	$ 340,278	$ (35,966)

Net Losses from Investment Activities of Consolidated Variable Interest Entities

The following table presents losses from investment activities of the consolidated VIEs for the three and nine months ended September 30, 2012 and 2011, respectively:

	For the Three Months Ended September 30, 2012	2011	For the Nine Months Ended September 30, 2012	2011
Net unrealized gains (losses) from investment activities	$ 130,921	$ (45,446)	$ 182,919	$ (20,256)
Net realized gains (losses) from investment activities	8,268	38	22,902	(12,581)
Net gains (losses) from investment activities	139,189	(45,408)	205,821	(32,837)
Net unrealized (losses) gains from debt	(254,065)	37,643	(356,890)	(9,261)
Net realized gains from debt				41,819
Net (losses) gains from debt	(254,065)	37,643	(356,890)	32,558
Interest and other income	178,528	14,831	395,388	39,779
Other expenses	(109,127)	(11,826)	(274,232)	(39,541)
Net Losses from Investment Activities of Consolidated VIEs	$ (45,475)	$ (4,760)	$ (29,913)	$ (41)

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Senior Secured Notes and Subordinated Notes Included within liabilities of consolidated VIEs debt, at fair value are amounts due to third-party institutions with respect to the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of September 30, 2012 and December 31, 2011:

	September 30, 2012			December 31, 2011		
	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes[2][3]	$ 11,048,698	1.27%	7.3	$ 3,121,126	1.35%	8.9
Subordinated Notes[2][3]	1,022,404	N/A[1]	7.8	416,275	N/A[1]	8.8
	$ 12,071,102			$ 3,537,401		

(1) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.
(2) The fair value of Senior Secured and Subordinated Notes as of September 30, 2012 and December 31, 2011 was $11,292 million and $3,190 million, respectively.
(3) The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another. As of September 30, 2012 and December 31, 2011, the fair value of the consolidated VIE assets was $14,048 million and $3,533 million, respectively. This collateral consisted of cash and cash equivalents, investments as fair value and other assets.

The following table summarizes the quantitative inputs and assumptions used for Liabilities, at fair value categorized as Level III in the fair value hierarchy as of September 30, 2012. The disclosure below excludes Level III Liabilities, at fair value as of September 30, 2012, for which the determination of fair value is based on broker quotes:

	As of September 30, 2012			
	Fair Value	Valuation Technique	Unobservable Input	Ranges
Subordinated Notes	**$ 196,024**	**Discounted Cash Flow**	Discount Rate	17.0% 17.0%
			Default Rate	1.5% 4.0%
			Recovery Rate	80.0% 80.0%
Senior Secured Notes	**$ 2,036,344**	**Discounted Cash Flow**	Discount Rate	2.26% 2.66%
			Default Rate	2.0% 2.0%
			Recovery Rate	64.0% 64.0%

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of subordinated and senior secured notes; conversely decrease in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for a similar subordinated and senior secured notes with similar risks.

The consolidated VIEs have elected the fair value option to value the term loans and notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of September 30, 2012, the debt, at fair value is classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the debt, at fair value, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

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The consolidated VIEs debt obligations contain various customary loan covenants. As of September 30, 2012, the Company was not aware of any instances of noncompliance with any of the 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, 2012		
	Total Assets	**Total Liabilities**	**Apollo Exposure**
Private Equity	$ 14,029,504	$ (39,870)	$ 7,211
Credit	3,078,633	(192,459)	16,643
Real Estate	1,697,262	(1,263,823)	
Total	$ 18,805,399(1)	$ (1,496,152)(2)	$ 23,854(3)

(1) Consists of $229,025 in cash, $18,158,473 in investments and $417,901 in receivables.
(2) Represents $1,489,543 in debt and other payables, $3,815 in securities sold, not purchased, and $2,794 in capital withdrawals payable.
(3) Apollo s exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

	December 31, 2011		
	Total Assets	**Total Liabilities**	**Apollo Exposure**
Private Equity	$ 11,879,948	$ (146,374)	$ 8,753
Credit	3,274,288	(1,095,266)	11,305
Real Estate	2,216,870	(1,751,280)	
Total	$ 17,371,106(1)	$ (2,992,920)(2)	$ 20,058(3)

(1) Consists of $383,017 in cash, $16,507,142 in investments and $480,947 in receivables.
(2) Represents $2,874,394 in debt and other payables, $86,102 in securities sold, not purchased, and $32,424 in capital withdrawals payable.
(3) Apollo s exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

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At September 30, 2012, AAA Investments, the sole investment of AAA, invested in certain of the Company s unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At September 30, 2012, the aggregate amount of such investments was $60.5 million. The Company s ownership interest in AAA was 2.63% at September 30, 2012.

At December 31, 2011, AAA Investments, the sole investment of AAA, invested in certain of the Company s unconsolidated VIEs, including LeverageSource, L.P. and AutumnLeaf, L.P. At December 31, 2011, the aggregate amount of such investments was $131.8 million. The Company s ownership interest in AAA was 2.45% at December 31, 2011.

6. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit and real estate funds consists of the following:

	September 30, 2012	December 31, 2011
Private equity	$ 1,169,295	$ 672,952
Credit	452,181	195,630
Real estate	6,460	
Total Carried Interest Receivable	$ 1,627,936	$ 868,582

The table below provides a roll-forward of the carried interest receivable balance for the nine months ended September 30, 2012:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2012	$ 672,952	$ 195,630	$	$ 868,582
Change in fair value of funds/subadvisory income(1)	889,214	351,235	10,738	1,251,187
Stone Tower acquisition (see note 3)		36,097		36,097
Fund cash distributions to the Company	(392,871)	(130,781)	(4,278)	(527,930)
Carried Interest Receivable, September 30, 2012(2)	$ 1,169,295	$ 452,181	$ 6,460	$ 1,627,936

(1) During the nine months ended September 30, 2012, the Company recorded a $94.9 million increase in the general partner obligation to return previously distributed carried interest income or fees relating to Fund VI and reversal of $14.2 million of the general partner obligation to return previously distributed carried interest income with respect to SOMA. Additionally, with respect to the Company s real estate business, the Company receives carried interest income from a subadvisory agreement.

(2) As of September 30, 2012, the Company had a general partner obligation to return previously distributed carried interest income of $170.2 million and $3.9 million relating to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the fund as of September 30, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of the fund s investments based on contractual termination of the fund.

The timing of the payment of carried interest due to the general partner or investment manager varies depending on the terms of the applicable fund agreements. Generally, carried interest with respect to the private equity funds is payable and is distributed to the fund s general partner upon realization of an investment if the fund s cumulative returns are in excess of the preferred return. For most credit funds, carried interest is payable based on realizations after the end of the relevant fund s fiscal year or fiscal quarter, subject to high watermark provisions.

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7. OTHER LIABILITIES

Other liabilities consist of the following:

	September 30, 2012	December 31, 2011
Deferred taxes	$ 15,592	$ 2,774
Deferred rent	15,020	14,798
Deferred payment related to acquisition	6,914	3,858
Unsettled trades and redemption payable	3,984	2,902
Interest rate swap agreements		3,843
Other	8,270	4,875
Total Other Liabilities	$ 49,780	$ 33,050

Interest Rate Swap Agreements The principal financial instruments used for cash flow hedging purposes are interest rate swaps. Apollo entered 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 9) to a fixed rate, without exchanging the notional principal amounts. Apollo entered into an interest rate swap agreement whereby Apollo received floating rate payments in exchange for fixed rate payments based on 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 expired in May 2012. Apollo had hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2011, the Company has recorded a liability of $3.8 million 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.

8. INCOME TAXES

The Company is treated as a partnership for tax purposes and is therefore not subject to U.S. Federal and state 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 in accordance with U.S. GAAP.

The Company s (provision) benefit for income taxes totaled $(21.9) million and $19.8 million for the three months ended September 30, 2012 and 2011, respectively and $(47.1) million and $7.5 million for the nine months ended September 30, 2012 and 2011, respectively. The Company s effective tax rate was approximately 10.0% and 1.1% for the three months ended September 30, 2012 and 2011, respectively and 1.9% and 0.5% for the nine months ended September 30, 2012 and 2011, respectively.

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

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The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax authorities. With a few exceptions, as of September 30, 2012, Apollo and its predecessor entities U.S. federal, state, local and foreign income tax returns for the years 2009 through 2011 are open under the normal statute of limitations and therefore subject to examination.

9. DEBT

Debt consists of the following:

	September 30, 2012		December 31, 2011	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH Credit Agreement	$ 728,273	5.20%[(1)]	$ 728,273	5.39%[(1)]
CIT secured loan agreement	9,713	3.48%	10,243	3.39%
Total Debt	$ 737,986	5.17%	$ 738,516	5.35%

(1) Includes the effect of interest rate swaps.

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

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loans from April 20, 2014 to January 3, 2017 and modified certain other terms of the credit facility. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least $50.0 million aggregate principal amount of term loans by December 31, 2014 and at least $100.0 million aggregate principal amount of term loans (inclusive of the previously purchased $50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately $180.8 million of term loans in connection with the extension of the maturity date of such loans and thus the AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at September 30, 2012 was 4.19% and the interest rate on the remaining $5.0 million

portion of the loan at September 30, 2012 was 1.44%. The estimated fair value of the Company s long-term debt obligation related to the AMH Credit Agreement is believed to be approximately $795.5 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 statements of financial condition at September 30, 2012 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of September 30, 2012 and December 31, 2011, the AMH Credit Agreement was guaranteed by, and collateralized by, substantially all of the assets of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH, as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which will be deposited as cash collateral to the extent necessary as set forth in the AMH Credit Agreement. As of September 30, 2012, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their respective subsidiaries were $112.8 million, $78.9 million, $59.6 million, $226.4 million and $(872.2) million, respectively. As of December 31, 2011, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their respective subsidiaries were $56.6 million, $46.2 million, $50.1 million, $131.9 million and $(1,014.3) million, respectively.

In accordance with the AMH Credit Agreement as of September 30, 2012, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their respective subsidiaries were subject to certain negative and affirmative covenants. Among other things, the AMH Credit Agreement includes an excess cash flow covenant and an asset sales covenant. The AMH Credit Agreement does not contain any financial maintenance covenants.

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

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

If AMH receives net cash proceeds from certain non-ordinary course asset sales, then such net cash proceeds shall be deposited in the cash collateral account as necessary to reduce its Leverage Ratio on a pro forma basis as of the last day of the most recently completed fiscal quarter (after giving effect to such non-ordinary course asset sale and such deposit) to (the following specified levels for the specified years, the Sweep Leverage Ratio) (i) for 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 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, 2012, 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 3.18% per annum with interest and principal to be repaid monthly and a balloon payment of the remaining principal totaling $9.4

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million due at the end of the terms in April 2013. At September 30, 2012, the interest rate was 3.41%. 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, 2012, the carrying value of the remaining CIT secured loan is $9.7 million.

Apollo has determined that the carrying value of this debt approximates fair value as the loans are primarily variable rate in nature and would be categorized as a Level III liability in the fair value hierarchy.

10. NET INCOME PER CLASS A SHARE

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

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.

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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, 2012 and 2011:

	Basic and Diluted			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator:				
Net income (loss) attributable to Apollo Global Management, LLC	$ 82,791	$ (466,926)	$ 139,448	$ (479,759)
Distributions declared on Class A shares	(31,170)(1)	(29,521)(2)	(120,865)(1)	(72,947)(2)
Distributions on participating securities	(5,316)	(5,080)	(21,814)	(13,044)
Earnings allocable to participating securities	(7,096)	(3)	(3)	(3)
Undistributed income (loss) Attributable to Class A Shareholders	$ 39,209	$ (501,527)	$ (3,231)	$ (565,750)
Denominator:				
Weighted average number of Class A shares outstanding	$ 128,980,438	$ 122,381,069	$ 126,909,962	$ 113,941,869
Net income per Class A share: Basic and Diluted(4)				
Distributable Earnings	$ 0.25	$ 0.24	$ 0.95	$ 0.64
Undistributed income (loss)	0.30	(4.10)	(0.02)	(4.97)
Net income (loss) per Class A share	$ 0.55	$ (3.86)	$ 0.93	$ (4.33)

(1) The Company declared a $0.46 distribution on Class A shares on February 10, 2012, a $0.25 distribution on May 8, 2012 and a $0.24 distribution on Class A shares on August 2, 2012.

(2) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on Class A shares on May 12, 2011 and a $0.24 dividend on Class A shares on August 9, 2011.

(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, 2012, AOG Units were determined to be anti-dilutive and unvested RSUs and share options were determined to be dilutive and were accordingly included in the diluted earnings per share calculation. The resulting diluted earnings per share amounts did not differ from the basic earnings per share calculation and therefore, basic and diluted net income per share is identical for all periods presented. For the three and nine months ended September 30, 2011, unvested RSUs, AOG Units and the share options were determined to be anti-dilutive. Therefore basic and diluted net loss per share is identical for all periods presented.

On October 24, 2007, the Company commenced the granting of restricted share units (RSUs) that provide the right to receive, upon vesting, Class A shares of Apollo Global Management, LLC, pursuant to the Company s 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees during 2010 and 2011 provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as Plan Grants. For certain Plan Grants made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees in 2010 and 2011 (the Company refers to these as Bonus Grants) provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a distribution is declared. As of September 30, 2012, approximately 18.4 million vested RSUs and 5.3 million unvested RSUs were eligible for participation in distribution equivalents.

Any distribution equivalent paid to an employee will not be returned to the Company upon forfeiture of the award by the employee. Vested and unvested RSUs that are entitled to non-forfeitable distribution equivalents qualify as participating securities and are included in the Company s basic and diluted earnings per share computations using the two-class method. The holder of an RSU participating security would have a contractual obligation to share in the losses of the entity if the holder is obligated to fund the losses of the issuing entity or if the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. Because the RSU

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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 ten Apollo Operating Group partnerships to affect an exchange for one Class A share. If fully converted, the result would be an additional 240,000,000 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net (loss) income per share as it does not participate in Apollo s (losses) earnings 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.

The table below presents transactions in Class A shares during the nine months ended September 30, 2012 and the year ended December 31, 2011, and the resulting impact on the Company s and Holdings ownership interests in the Apollo Operating Group:

Date	Type of AGM Class A Shares Transaction	Number of Shares Issued (Repurchased/Cancelled) in AGM Class A Shares Transaction (in thousands)	AGM ownership% in AOG before AGM Class A Shares Transaction	AGM ownership% in AOG after AGM Class A Shares Transaction	Holdings ownership% in AOG before AGM Class A Shares Transaction	Holdings ownership% in AOG after AGM Class A Shares Transaction
January 8, 2011	Issuance	2	N/A(1)	N/A(1)	N/A(1)	N/A(1)
March 15, 2011	Issuance	1,548	29.0%	29.3%	71.0%	70.7%
April 4, 2011	Issuance	21,500	29.3%	33.5%	70.7%	66.5%
April 7, 2011	Issuance	750	33.5%	33.7%	66.5%	66.3%
July 11, 2011	Issuance	77	N/A(1)	N/A(1)	N/A(1)	N/A(1)
August 15, 2011	Issuance	1,191	33.7%	33.9%	66.3%	66.1%
October 10, 2011	Issuance	52	N/A(1)	N/A(1)	N/A(1)	N/A(1)
November 10, 2011	Issuance	1,011	33.9%	34.1%	66.1%	65.9%
November 22, 2011	Net Settlement	(130)	N/A(1)	N/A(1)	N/A(1)	N/A(1)
January 18, 2012	Issuance	394	34.1%	34.1%	65.9%	65.9%
February 13, 2012	Issuance	1,994	34.1%	34.5%	65.9%	65.5%
March 5, 2012	Issuance	50	N/A(1)	N/A(1)	N/A(1)	N/A(1)
April 3, 2012	Issuance	150	N/A(1)	N/A(1)	N/A(1)	N/A(1)
July 9, 2012	Issuance	1,452	34.5%	34.7%	65.5%	65.3%
August 6, 2012	Issuance	1,962	34.7%	35.1%	65.3%	64.9%

(1) Transaction did not have a material impact on ownership.

11. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the three and nine months ended September 30, 2012, $116.2 million and $348.5 million of compensation expense was recognized, respectively. For the three and nine months ended September 30, 2011, $258.2 million and $774.6 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, 2012, there was $160.8 million of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next 12 months.

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The following table summarizes the activity of the AOG Units for the nine months ended September 30, 2012:

	Apollo Operating Group Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2012	22,593,210	$ 22.64
Granted		
Forfeited		
Vested at September 30, 2012	(15,190,668)	22.94
Balance at September 30, 2012	7,402,542	$ 22.01

Units Expected to Vest As of September 30, 2012, approximately 7,297,000 AOG Units are expected to vest.

RSUs

On October 24, 2007, the Company commenced the granting of RSUs under the Company s 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. All grants after March 29, 2011 consider the public share price of the Company. For Plan Grants the fair value is based on grant date fair value, and are discounted for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods consider transfer restrictions and timing of distributions. The total fair value is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). During the nine months ended September 30, 2012, 2,564,351 RSUs were granted with a fair value of $30.3 million. Of these awards, 972,266 RSUs relate to awards granted as part of the Stone Tower acquisition that vested as of the acquisition date. The fair value of these granted awards is $14.0 million and was included in the fair value of consideration transferred for the Stone Tower acquisition. The fair value of these awards was not charged to compensation expense, but charged to additional paid in capital in the condensed consolidated statements of changes in shareholders equity. Refer to note 3 for further discussion of the Stone Tower acquisition. The actual forfeiture rate was 0.7% and 2.6% for the three and nine months ended September 30, 2012, respectively. For the nine months ended September 30, 2012 and 2011, $81.3 million and $78.6 million of compensation expense were recognized, respectively. For the three months ended September 30, 2012 and 2011, $26.3 million and $27.8 million of compensation expense was recognized, respectively.

Delivery of Class A Shares

During 2012 and 2011, the Company delivered Class A Shares for vested RSUs. The Company generally allows RSU participants to settle their tax liabilities with a reduction of their Class A share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment for the nine months ended September 30, 2012 and 2011 was $26.0 million and $17.0 million, respectively, and is disclosed in the condensed consolidated statement of equity.

The delivery of RSUs does not cause a transfer of amounts in the condensed consolidated statements 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 nine months ended September 30, 2012, the Company delivered 5,901,399 Class A Shares in settlement of vested RSUs, which caused the Company s ownership interest in the Apollo Operating Group to increase to 35.1% from 34.1%.

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The following table summarizes RSU activity for the nine months ended September 30, 2012:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2012	20,480,773	$ 11.38	20,240,008	40,720,781
Granted	2,564,351	11.82		2,564,351
Forfeited	(573,750)	12.82		(573,750)
Delivered		11.69	(7,705,225)	(7,705,225)
Vested	(5,819,691)	12.01	5,819,691	
Balance at September 30, 2012	16,651,683	$ 11.18	18,354,474	35,006,157[(1)]

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

Units Expected to Vest As of September 30, 2012, approximately 15,653,000 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 vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. In addition, 555,556 options were granted on January 22, 2011, 25,000 options were granted on April 9, 2011 and 50,000 options were granted on July 9, 2012. Of the options granted on January 22, 2011, half of such options that vested and became exercisable on December 31, 2011 were exercised on March 5, 2012 and the other half that were due to vest and become exercisable on December 31, 2012 were forfeited during the quarter ended March 31, 2012. The options granted on April 9, 2011 vested and became exercisable with respect to half of the options on December 31, 2011 and the other half vests in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012. The options granted on July 9, 2012 will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2012 and the remainder will vest in equal installments over each of the remaining 20 calendar quarters, with full vesting on June 30, 2018. For the three and nine months ended September 30, 2012, $1.2 million and $3.6 million of compensation expense was recognized as a result of option grants, respectively. For the three and nine months ended September 30, 2011, $1.6 million and $4.8 million of compensation was recognized as a result of these grants, respectively.

Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2012 and 2011:

Assumptions:	2012	2011[(2)]
Risk-free interest rate	0.99%	2.79%
Weighted average expected dividend yield	9.29%	2.25%
Expected volatility factor[(1)]	45.00%	40.22%
Expected life in years	6.25	5.72
Fair value of options per share	$ 1.99	$ 8.44

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

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The following table summarizes the share option activity for the nine months ended September 30, 2012:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2012	5,580,556	$ 8.14	$ 32,996	8.93
Granted	50,000	12.38	100	9.75
Exercised	(277,778)	9.00	(2,364)	
Forfeited	(277,778)	9.00	(2,364)	
Balance at September 30, 2012	5,075,000	8.09	$ 28,368	8.18
Exercisable at September 30, 2012	1,480,207	$ 8.15	$ 8,343	8.17

Units Expected to Vest As of September 30, 2012, approximately 3,379,000 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, 2012 was $18.8 million and is expected to be recognized over a weighted average period of 4.2 years.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depositary units (RDUs) following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The incentive units granted to employees generally vest over three years. In contrast, the Company s Managing Partners and Contributing Partners have received distributions of fully-vested AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value considers the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the three and nine months ended September 30, 2012 and 2011, the actual forfeiture rate was 0%. For the nine months ended September 30, 2012 and 2011, $0.7 million and $0.4 million of compensation expense was recognized, respectively. For the three months ended September 30, 2012 and 2011, $0.3 million and $0.2 million of compensation expense was recognized, respectively.

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During the three and nine months ended September 30, 2012 and 2011, the Company delivered 60,702 and 389,785 RDUs, respectively, to individuals who had vested in these units. The deliveries in 2012 and 2011 resulted in a reduction of the accrued compensation liability of $0.5 million and $3.8 million, respectively, and the recognition of a net decrease of additional paid in capital in 2012 of $1.3 million and a net decrease in 2011 of $2.8 million, respectively. These amounts are presented in the condensed consolidated statements of changes in shareholders equity. There was $0.7 million and $0.5 million of liability for undelivered RDUs included in accrued compensation and benefits in the condensed consolidated statements of financial condition as of September 30, 2012 and December 31, 2011, respectively. The following table summarizes RDU activity for the nine months ended September 30, 2012:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2012	196,653	$ 8.17	60,702	257,355
Granted	256,673	9.45		256,673
Forfeited				
Delivered		8.69	(60,702)	(60,702)
Vested				
Balance at September 30, 2012	453,326	$ 8.89		453,326

Units Expected to Vest As of September 30, 2012, approximately 426,000 RDUs are expected to vest.

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

	RDUs Available For Future Grants
Balance at January 1, 2012	1,947,837
Purchases	159,635
Granted	(449,753)(1)
Forfeited	
Balance at September 30, 2012	1,657,719

(1) During 2012, the Company delivered 193,080 RDUs to certain employees as part of AAA s carry reinvestment program. This resulted in a decrease in profit sharing payable of $1.2 million in the condensed consolidated statements of financial condition. No additional compensation expense was recognized.

Restricted Stock and Restricted Stock Unit Awards ARI

On September 29, 2009, 97,500 and 145,000 shares of ARI restricted stock were granted to the Company and certain of the Company s employees, respectively. Additionally, on December 31, 2009, 5,000 shares of ARI restricted stock were granted to an employee of the Company. The fair value of the Company and employee awards granted was $1.8 million and $2.7 million, respectively. These awards generally vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. On March 23, 2010, July 1, 2010 and July 21, 2010, 102,084, 5,000 and 16,875 shares of ARI restricted stock units (ARI RSUs), respectively, were granted to certain of the Company s employees. Pursuant to the March 23, 2010 and July 21, 2010 issuances, 102,084 and 16,875 shares of ARI restricted stock, respectively, were forfeited by the Company s employees. As the fair value of ARI RSUs was not greater than the forfeiture of the restricted stock, no additional value will be amortized. On April 1, 2011 and August 4, 2011, 5,000 and 152,750 ARI RSUs, respectively, were granted to certain of the Company s employees. On August 4, 2011, 156,000 ARI RSUs were granted to the Company. On December 28, 2011, the Company issued 45,587 ARI RSUs to certain of the Company s employees. On March 15, 2012, 20,000 ARI RSUs were granted to an employee of the Company. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statements of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is

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accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company s employees. The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for certain restrictions. The awards granted to the Company s employees are remeasured each period to reflect the fair value of the asset and liability and any changes in these values are recorded in the condensed consolidated statements of operations. For the nine months ended September 30, 2012 and 2011, $2.0 million and $1.5 million of management fees and $1.2 million and $0.8 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. For the three months ended September 30, 2012 and 2011, $0.8 million and $0.8 million of management fees and $0.5 million and $0.4 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 2% for the three and nine months ended September 30, 2012, respectively, and 0% for three and nine months ended September 30, 2011.

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, 2012:

	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, 2012	32,502	374,754	$ 15.12	73,542	448,296
Granted to employees of the Company		20,000	15.17		20,000
Granted to the Company					
Forfeited by employees of the Company		(5,522)	14.09		(5,522)
Vested awards of the employees of the Company		(74,667)	15.77	74,667	
Vested awards of the Company	(24,377)	(52,000)	16.01	52,000	
Balance at September 30, 2012	8,125	262,565	$ 14.71	200,209	462,774

Units Expected to Vest As of September 30, 2012, approximately 253,000 and 8,125 shares of ARI RSUs and ARI restricted stock, respectively, are expected to vest.

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

On July 27, 2011, 18,750 and 11,250 AMTG restricted stock units (AMTG RSUs) were granted to the Company and certain of the Company s employees, respectively. On September 26, 2011, 875 AMTG RSUs were granted to certain employees of the Company. On June 30, 2012, 5,000 AMTG RSUs were granted to an employee of the Company with a fair value of $0.1 million. These awards vest over three years or twelve calendar quarters, with the first quarter vesting on October 1, 2011. On September 30, 2012, 5,000 AMTG RSUs were granted to an employee of the Company with the fair value of $0.1 million. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statements of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company s employees. The 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

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September 30, 2012, $0.0 million and $0.1 million of management fees and $0.0 million and $0.1 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. 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 statement of operations, respectively. The actual forfeiture rate for AMTG RSUs was 0% for the three and nine months ended September 30, 2012. The actual forfeiture rate for AMTG RSUs was 0% for the three and nine months ended September 30, 2011, respectively.

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, 2012:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2012	28,305	$ 17.56	2,570	30,875
Granted to employees of the Company	10,000	20.33		10,000
Vested awards of the employees of the Company	(3,033)	16.57	3,033	
Vested awards of the Company	(4,688)	18.20	4,688	
Balance at September 30, 2012	30,584	$ 18.47	10,291	40,875

Units Expected to Vest As of September 30, 2012, approximately 29,500 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, 2012:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group(1)	Allocated to Apollo Global Management, LLC
AOG Units	$ 116,170	64.9%	$ 75,561	$ 40,609
RSUs and Share Options	27,456			27,456
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	481	64.9	313	168
AAA RDUs	300	64.9	195	105
Total Equity-Based Compensation	$ 144,407		76,069	68,338
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(508)	(273)
Capital Increase Related to Equity-Based Compensation			$ 75,561	$ 68,065

(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, 2012:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group(1)	Allocated to Apollo Global Management, LLC
AOG Units	$ 348,512	64.9%	$ 227,973	$ 120,539
RSUs and Share Options	84,831			84,831
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,307	64.9	855	452
AAA RDUs	737	64.9	482	255
Total Equity-Based Compensation	$ 435,387		229,310	206,077
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,337)	(707)
Capital Increase Related to Equity-Based Compensation			$ 227,973	$ 205,370

(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 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 and ARI RSUs	414	66.1	273	141
AAA RDUs	153	66.1	100	53
Total Equity-Based Compensation	$ 288,208		171,367	116,841
Less AAA RDUs, ARI Restricted Stock Awards and ARI 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 issuance 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			