Apollo Global Management LLC
Form 10-Q
May 11, 2015
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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 MARCH 31, 2015 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 (State or other jurisdiction of incorporation or organization)	20-8880053 (I.R.S. Employer Identification No.)

9 West 57th Street, 43rd Floor
New York, New York 10019
(Address of principal executive offices) (Zip Code)
(212) 515-3200
(Registrant's telephone number, including area code)

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

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

As of May 8, 2015 there were 170,449,944 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, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include, but are not limited to, discussions related to Apollo’s expectations regarding the performance of its business, liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management’s beliefs, as well as assumptions made by, and information currently available to, management. When used in this quarterly report, the words “believe,” “anticipate,” “estimate,” “expect,” “intend” and similar expressions are intended to identify forward-looki 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 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "SEC") on February 27, 2015 (the "2014 Annual Report"); 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 quarterly report and in our other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this quarterly report, references to “Apollo,” “we,” “us,” “our” and the “Company” refer collectively to Apollo Global Management, LLC, a Delaware limited liability company, and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries, or as the context may otherwise require;

“AMH” refers to Apollo Management Holdings, L.P., a Delaware limited partnership, that is an indirect subsidiary of Apollo Global Management, LLC;

“Apollo funds”, “our funds” and references to the "funds" we manage, refer to the funds (including the parallel funds and alternative investment vehicles of such funds), partnerships, accounts, including strategic investment accounts or "SIAs," alternative asset companies and other entities for which subsidiaries of the Apollo Operating Group provide investment management services;

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

“Assets Under Management,” or “AUM,” refers to the assets we manage for the funds, partnerships and accounts to which we provide investment management services, including, without limitation, capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

(i) the fair value of the investments of the private equity funds, partnerships and accounts we manage plus the capital that such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;

(ii) the net asset value, or “NAV,” of the credit funds, partnerships and accounts for which we provide investment management services, other than certain collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”), which have a fee-generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;

(iii) the gross asset value or net asset value of the real estate funds, partnerships and accounts we manage, and the structured portfolio company investments of the funds, partnerships and accounts we manage, which includes the leverage used by such structured portfolio company investments;

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

(v) the fair value of any other assets that we manage for the funds, partnerships and accounts to which we provide investment management services, plus unused credit facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification before investment plus any other capital commitments to such funds, partnerships and accounts available for investment that are not otherwise included in the clauses above.

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

"Fee-Generating AUM" consists of assets we manage for the funds, partnerships and accounts for which we provide investment management services and on which we earn management fees or, monitoring fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts we manage. Management fees are normally based on “net asset value,” “gross assets,” “adjusted par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “cap contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, with respect to the structured portfolio company investments of the funds, partnerships and accounts we manage are generally based on the total value of such structured portfolio company investments, which normally includes leverage, less any portion of such total value that is already considered in Fee-Generating AUM.

"Non-Fee-Generating AUM" consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following:

(i) fair value above invested capital for those funds that earn management fees based on invested capital;
(ii) net asset values related to general partner and co-investment ownership;
(iii) unused credit facilities;
(iv) available commitments on those funds that generate management fees on invested capital;
(v) structured portfolio company investments that do not generate monitoring fees; and
(vi) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

"Carry-Eligible AUM" refers to the AUM that may eventually produce carried interest income. All funds for which we are
entitled to receive a carried interest income allocation are included in Carry-Eligible AUM, which consists of the following:

(i) "Carry-Generating AUM," which refers to funds' invested capital that is currently above its hurdle rate or preferred return, and the funds' profit is allocated to the general partner in accordance with the applicable limited partnership agreements or other governing agreements;

(ii) "AUM Not Currently Generating Carry," which refers to funds' invested capital that is currently below its hurdle rate or preferred return; and

(iii) "Uninvested Carry-Eligible AUM," which refers to available capital for investment or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements that are not currently part of the NAV or fair value of investments that may eventually produce carried interest income, which would be allocated to the general partner.

"AUM with Future Management Fee Potential" refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund.

We use Non-Fee-Generating AUM combined with Fee-Generating AUM as a performance measurement of our funds' investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-Fee-Generating AUM includes assets on which we could earn carried interest income;

“capital deployed” or “deployment” is the aggregate amount of capital that has been invested during a given period by (i) our drawdown funds, (ii) SIAs that have a defined maturity date and (iii) funds and SIAs in our real estate debt strategy;

“drawdown” refers to commitment-based funds and certain SIAs in which investors make a commitment to provide capital at the formation of such funds and deliver capital when called as investment opportunities become available. It includes Athene assets managed by Athene Asset Management, L.P. ("Athene Asset Management") that are invested in commitment-based funds;

“liquid/performing” includes CLOs and other performing credit vehicles, hedge fund style credit funds, structured credit funds and SIAs. It also includes sub-advised managed accounts owned by or related to Athene Holding Ltd. ("Athene Holding") and its subsidiaries (collectively "Athene");

“Realized Value” refers to all cash investment proceeds received by the relevant Apollo fund, including interest and dividends, but does not give effect to management fees, expenses, incentive compensation or carried interest to be paid by such Apollo fund;

“Total Invested Capital” refers to the aggregate cash invested by the relevant Apollo fund and includes capitalized costs relating to investment activities, if any, but does not give effect to cash pending investment or available for reserves;

“Total Value” represents the sum of the total Realized Value and Unrealized Value of investments;

“Unrealized Value” refers to the fair value consistent with valuations determined in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), for investments not yet realized and may include pay in kind, accrued interest and dividends receivable, if any. In addition, amounts include committed and funded amounts for certain fund investments;

“carried interest,” “carried interest income,” and “incentive income” refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees which are based on the performance of such fund or its underlying investments;

“Contributing Partners” refer to those of our partners and their related parties (other than our Managing Partners) who indirectly beneficially own (through Holdings) Apollo Operating Group units;

“gross IRR” of a private equity fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund) on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on March 31, 2015 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;

“gross IRR” of a credit fund represents the annualized return of a fund based on the actual timing of all cumulative fund cash flows before management fees, carried interest income allocated to the general partner and certain other fund expenses. Calculations may include certain investors that do not pay fees. The terminal value is the net asset value as of the reporting date. Non-U.S. dollar denominated (“USD”) fund cash flows and residual values are converted to USD using the spot rate as of the reporting date;

“gross IRR” of a real estate fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund), on the basis of the actual timing of cash inflows and outflows (for unrealized investments assuming disposition on March 31, 2015 or other date specified) starting on the date that each investment closes, 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. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date;

“gross return” of a credit or real estate fund is the monthly or quarterly time-weighted return that is equal to the percentage change in the value of a fund’s portfolio, adjusted for all contributions and withdrawals (cash flows) before the effects of management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of

Athene sub-advised portfolios and CLOs represent the gross returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period's return over time.

“Holdings” means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our Managing Partners and Contributing Partners indirectly beneficially own their interests in the Apollo Operating Group units;
“Managing Partners” refer to Messrs. Leon Black, Joshua Harris and Marc Rowan collectively and, when used in reference to holdings of interests in Apollo or Holdings, includes certain related parties of such individuals;
“net IRR” of a private equity fund means the gross IRR, including returns for related parties which may not pay fees or carried interest, net of management fees, certain fund expenses (including interest incurred by the fund itself) and realized carried interest all offset to the extent of interest income, and measures returns 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 of the fund, thereby reducing the balance attributable to fund investors. Net IRR does not represent the return to any fund investor;
“net IRR” of a credit fund represents the annualized return of a fund after management fees, carried interest income allocated to the general partner and certain other fund expenses, calculated on investors that pay such fees. The terminal value is the net asset value as of the reporting date. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date.
“net IRR” of a real estate fund represents the cumulative cash flows in the fund (and not any one investor in the fund), on the basis of the actual timing of cash inflows received from and outflows paid to investors of the fund (assuming the ending net asset value as of March 31, 2015 or other date specified is paid to investors), excluding certain non-fee and non-carry bearing parties, and the return is annualized and compounded after management fees, carried interest, and certain other expenses (including interest incurred by the fund itself) and measures the returns to investors of the fund as a whole. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date.
“net return” of a credit or real estate fund represents the gross return after management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of Athene sub-advised portfolios and CLOs represent the gross or net returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period’s return over time.
“our manager” means AGM Management, LLC, a Delaware limited liability company that is controlled by our Managing Partners;
“permanent Capital Vehicles” refers to (a) assets that are managed by Athene Asset Management, (b) assets that are owned by or related to MidCap FinCo Limited ("MidCap") and managed by Apollo Capital Management, L.P., and (c) assets of publicly traded vehicles managed by Apollo such as AP Alternative Assets, L.P. (“AAA”), Apollo Investment Corporation (“AINV”), Apollo Commercial Real Estate Finance, Inc. (“ARI”), Apollo Residential Mortgage, Inc. (“AMTG”), Apollo Tactical Income Fund Inc. (“AIF”), and Apollo Senior Floating Rate Fund Inc. (“AFT”), in each case that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law. The investment management arrangements of AINV, AIF and AFT have one year terms, are reviewed annually and remain in effect only if approved by the boards of directors of such companies or by the affirmative vote of the holders of a majority of the outstanding voting shares of such companies, including in either case, approval by a majority of the directors who are not “interested persons” as defined in the Investment Company Act of 1940. In addition, the investment management arrangements of AINV, AIF and AFT may be terminated in certain circumstances upon 60 days’ written notice. The investment management arrangements of ARI and AMTG have one year terms and are reviewed annually by each company’s board of directors and may be terminated under certain circumstances by an affirmative vote of at least two-thirds of such company’s independent directors. The investment management arrangements between MidCap and Apollo Capital Management, L.P. and Athene and Athene Asset Management may also be terminated under certain circumstances;
“private equity investments” refer to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable

of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds;
“Strategic Investors” refer to the California Public Employees’ Retirement System, or “CalPERS,” and an affiliate of the Abu Dhabi Investment Authority, or “ADIA”; and

"traditional private equity fund appreciation (depreciation)" refers to gain (loss) and income for the traditional private equity funds (i.e., Funds I-VIII) for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change

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in invested capital over the period presented, plus the realized value for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented.

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
MARCH 31, 2015 AND DECEMBER 31, 2014
(dollars in thousands, except share data)

	March 31, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	$929,016	$1,204,052
Cash and cash equivalents held at consolidated funds	840	1,611
Restricted cash	6,247	6,353
Investments	2,952,215	2,880,006
Assets of consolidated variable interest entities:		
Cash and cash equivalents	671,067	1,088,952
Investments, at fair value	16,360,341	15,658,653
Other assets	714,732	323,240
Carried interest receivable	896,181	911,666
Due from affiliates	277,941	268,015
Fixed assets, net	36,074	35,906
Deferred tax assets	590,239	606,717
Other assets	111,993	84,384
Goodwill	49,243	49,243
Intangible assets, net	51,672	60,039
Total Assets	$23,647,801	$23,178,837
Liabilities and Shareholders’ Equity		
Liabilities:		
Accounts payable and accrued expenses	$49,030	$44,246
Accrued compensation and benefits	53,923	59,278
Deferred revenue	220,665	199,614
Due to affiliates	559,733	565,153
Profit sharing payable	463,410	434,852
Debt	1,030,093	1,034,014
Liabilities of consolidated variable interest entities:		
Debt, at fair value	14,683,535	14,123,100
Other liabilities	744,713	728,718
Other liabilities	43,926	46,401
Total Liabilities	17,849,028	17,235,376
Commitments and Contingencies (see note 13)		
Shareholders’ Equity:		
Apollo Global Management, LLC shareholders’ equity:		
Class A shares, no par value, unlimited shares authorized, 167,912,379 and 163,046,554 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at March 31, 2015 and December 31, 2014	—	—
Additional paid in capital	2,114,747	2,254,283
Accumulated deficit	(1,369,734)	(1,400,661)
Appropriated partners’ capital	914,872	933,166
Accumulated other comprehensive loss	(2,938)	(306)
Total Apollo Global Management, LLC shareholders’ equity	1,656,947	1,786,482

Non-Controlling Interests in consolidated entities	3,351,290	3,222,195
Non-Controlling Interests in Apollo Operating Group	790,536	934,784
Total Shareholders' Equity	5,798,773	5,943,461
Total Liabilities and Shareholders' Equity	$23,647,801	$23,178,837

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(dollars in thousands, except share data)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Advisory and transaction fees from affiliates, net	$8,543	$116,065
Management fees from affiliates	209,207	209,791
Carried interest income from affiliates	59,068	165,544
Total Revenues	276,818	491,400
Expenses:		
Compensation and benefits:		
Salary, bonus and benefits	87,633	80,530
Equity-based compensation	20,103	58,978
Profit sharing expense	48,629	103,959
Total Compensation and Benefits	156,365	243,467
Interest expense	7,440	3,114
General, administrative and other	22,919	24,678
Professional fees	15,233	19,452
Occupancy	9,958	9,903
Placement fees	1,520	1,786
Depreciation and amortization	10,978	11,719
Total Expenses	224,413	314,119
Other Income:		
Net gains from investment activities	12,686	223,408
Net gains from investment activities of consolidated variable interest entities	134,703	47,735
Income (loss) from equity method investments	(1,314)	22,910
Interest income	725	3,328
Other income, net	4,874	17,531
Total Other Income	151,674	314,912
Income before income tax provision	204,079	492,193
Income tax provision	(5,514)	(32,549)
Net Income	198,565	459,644
Net income attributable to Non-controlling Interests	(167,638)	(387,475)
Net Income Attributable to Apollo Global Management, LLC	$30,927	$72,169
Distributions Declared per Class A Share	$0.86	$1.08
Net Income Per Class A Share:		
Net Income Available to Class A Share – Basic	$0.09	$0.32
Net Income Available to Class A Share –Diluted	$0.09	$0.32
Weighted Average Number of Class A Shares Outstanding – Basic	165,968,620	147,776,519
Weighted Average Number of Class A Shares Outstanding – Diluted	165,968,620	147,776,519

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2015 and 2014
(dollars in thousands, except share data)

	Three Months Ended March 31,	
	2015	2014
Net Income	$198,565	$459,644
Other Comprehensive Loss, net of tax:		
Allocation of currency translation adjustment of consolidated CLOs and fund entities	(9,066)	—
Net gain from change in fair value of cash flow hedge instruments	26	—
Net loss on available-for-sale securities (from equity method investment)	(33)	(4)
Total Other Comprehensive Loss, net of tax	(9,073)	(4)
Comprehensive Income	189,492	459,640
Comprehensive Income attributable to Non-Controlling Interests	(67,892)	(362,652)
Comprehensive Income Attributable to Apollo Global Management, LLC	$121,600	$96,988

See accompanying notes to condensed consolidated financial statements.

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(dollars in thousands, except share data)

	Apollo Global Management, LLC Shareholders								
	Class A Shares	Class B Shares	Additional Paid in Capital	Accumulated Deficit	Appropriated Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total Apollo Global Management, LLC Shareholders' Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group
Balance at January 1, 2014	146,280,784	1	$2,624,582	$(1,568,487)	$1,581,079	$95	$2,637,269	$2,669,730	$1,381,723
Dilution impact of issuance of Class A shares	—	—	658	—	—	—	658	—	—
Capital increase related to equity-based compensation	—	—	58,682	—	—	—	58,682	—	—
Capital contributions	—	—	—	—	—	—	—	131,153	—
Distributions	—	—	(186,344)	—	(90,755)	—	(277,099)	(27,803)	(247,271)
Distributions related to deliveries of Class A shares for RSUs	2,671,869	—	—	(631)	—	—	(631)	—	—
Purchase of AAA shares	—	—	—	—	—	—	—	(312)	—
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(3,423)	—	—	—	(3,423)	3,423	—
Satisfaction of liability related to AAA RDUs	—	—	1,183	—	—	—	1,183	—	—
Net income	—	—	—	72,169	24,823	—	96,992	207,552	155,100
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(4)	(4)	—	—
	148,952,653	1	$2,495,338	$(1,496,949)	$1,515,147	$91	$2,513,627	$2,983,743	$1,289,552

Balance at March 31, 2014									
Balance at January 1, 2015	163,046,554	1	$2,254,283	$(1,400,661)	$933,166	$(306)	$1,786,482	$3,222,195	$934,784
Dilution impact of issuance of Class A shares	—	—	965	—	—	—	965	—	—
Capital increase related to equity-based compensation	—	—	17,383	—	—	—	17,383	—	—
Capital contributions	—	—	—	—	—	—	—	159,777	—
Distributions	—	—	(159,658)	—	(111,599)	—	(271,257)	(53,263)	(191,311)
Distributions related to deliveries of Class A shares for RSUs	4,640,825	—	2,451	—	—	—	2,451	—	—
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(2,716)	—	—	—	(2,716)	2,716	—
Satisfaction of liability related to AAA RDUs	—	—	1,075	—	—	—	1,075	—	—
Exchange of AOG Units for Class A shares	225,000	—	964	—	—	—	964	—	(964)
Net income	—	—	—	30,927	92,164	—	123,091	27,462	48,012
Allocation of currency translation adjustment of consolidated CLOs and fund entities	—	—	—	—	1,141	(2,610)	(1,469)	(7,597)	—
Change in cash flow hedge instruments	—	—	—	—	—	11	11	—	15
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(33)	(33)	—	—
Balance at March 31, 2015	167,912,379	1	$2,114,747	$(1,369,734)	$914,872	$(2,938)	$1,656,947	$3,351,290	$790,536

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(dollars in thousands, except share data)

	2015	2014
Cash Flows from Operating Activities:		
Net income	$198,565	$459,644
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Equity-based compensation	20,103	58,978
Depreciation and amortization	10,978	11,719
Cash distributions of earnings from equity method investments	2,421	23,261
(Income) Loss from equity method investments	1,314	(22,910)
Excess tax benefits from share-based payment arrangements	(2,451)	—
Deferred taxes, net	17,260	(7,426)
Other non-cash amounts included in net income, net	(15,593)	(27,127)
Changes in assets and liabilities:		
Carried interest receivable	3,842	363,377
Due from affiliates	(12,725)	(55,709)
Other assets	(13,394)	(11,397)
Accounts payable and accrued expenses	7,235	34,262
Accrued compensation and benefits	(5,877)	9,512
Deferred revenue	21,051	57,641
Due to affiliates	(22,131)	(67,448)
Profit sharing payable	25,690	(89,120)
Other liabilities	(5,046)	5,179
Apollo Funds related:		
Net realized gains from investment activities	(11,408)	(17,129)
Net unrealized gains from investment activities	(156,596)	(204,372)
Net realized gains on debt	—	(357)
Net unrealized losses on debt	68,218	14,119
Change in cash held at consolidated variable interest entities	389,530	41,212
Purchases of investments	(2,198,905)	(2,717,322)
Proceeds from sale of investments and liquidating distributions	1,571,701	2,580,260
Change in other assets	(407,166)	(370,788)
Change in other liabilities	44,358	344,380
Net Cash (Used in) Provided by Operating Activities	$(469,026)	$412,439
Cash Flows from Investing Activities:		
Purchases of fixed assets	(2,803)	(1,520)
Proceeds from disposals of fixed assets	2	11
Cash contributions to equity method investments	(36,419)	(34,916)
Cash distributions from equity method investments	7,287	11,689
Change in restricted cash	106	(45)
Cash distributions for loans	(10,026)	—
Net Cash Used in Investing Activities	$(41,853)	$(24,781)
Cash Flows from Financing Activities:		
Satisfaction of contingent obligations	(4,929)	(14,558)
Distributions related to deliveries of Class A shares for RSUs	—	(631)
Distributions paid to Non-Controlling Interests in consolidated entities	(2,811)	(5,231)

Distributions paid	(144,394)	(167,209)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(191,311)	(247,271)
Excess tax benefits from share-based payment arrangements	2,451	—
Apollo Funds related:		
Issuance of debt	909,905	1,023,967
Principal repayment of debt	(331,565)	(918,736)
Purchase of AAA units	—	(312)
Distributions paid	(111,599)	(90,755)
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(50,452)	(12,471)
Contributions from Non-Controlling Interests in consolidated variable interest entities	159,777	96,153
Net Cash Provided by (Used in) Financing Activities	$235,072	$(337,054)
Net Increase (Decrease) in Cash and Cash Equivalents	(275,807)	50,604
Cash and Cash Equivalents, Beginning of Period	1,205,663	1,079,537
Cash and Cash Equivalents, End of Period	$929,856	$1,130,141
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$2,639	$3,494
Interest paid by consolidated variable interest entities	61,501	39,328
Income taxes paid	1,860	1,644
Supplemental Disclosure of Non-Cash Investing Activities:		
Non-cash contributions to equity method investments	$31,347	$—
Non-cash distributions from equity method investments	(1,630)	(702)
Supplemental Disclosure of Non-Cash Financing Activities:		
Declared and unpaid distributions	$(15,264)	$(19,135)
Capital increases related to equity-based compensation	17,383	58,682
Other non-cash financing	2,007	1,837
Adjustments related to exchange of Apollo Operating Group units:		
Non-Controlling Interest in Apollo Operating Group	$964	$—

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands, except share data, except where noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

- Private equity—primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;
- Credit—primarily invests in non-control corporate and structured debt instruments; and
- Real estate—primarily invests in real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

Basis of Presentation

The accompanying 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 the Quarterly Report on 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 only of 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 (“VIEs”) and for which the Company is considered the primary beneficiary, and certain entities which are not considered VIEs 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, 2014 included in the 2014 Annual Report.

Certain reclassifications, when applicable, have been made to the prior period's condensed consolidated financial statements and notes to conform to the current period's presentation and are disclosed accordingly.

Organization of the Company

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

As of March 31, 2015, the Company owned, through four intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. federal income tax purposes, APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes and APO (FC II), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes (collectively, the “Intermediate Holding Companies”), 43.0% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and certain of the Company's other partners (the "Contributing Partners") indirectly beneficially own interests in each of the partnerships that comprise the Apollo Operating Group (“AOG Units”). As of March 31, 2015, Holdings owned the remaining 57.0% of the economic interests in the Apollo Operating Group. The Company consolidates the financial

results of the Apollo Operating Group and its consolidated subsidiaries. Holdings' ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying condensed consolidated financial statements.
Pursuant to an exchange agreement between Apollo, Holdings and the other parties thereto (as amended, the "Exchange Agreement"), the holders of the AOG Units (and certain permitted transferees thereof) may, upon notice and subject to the applicable vesting and minimum retained ownership requirements, transfer restrictions and other terms of the Exchange Agreement, exchange their AOG Units for the Company's Class A shares on a one-for-one basis a limited number of times each year, subject to customary conversion rate adjustments for splits, distributions and reclassifications. Pursuant to the Exchange Agreement, a holder of AOG Units must simultaneously exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As a holder exchanges its AOG Units, the Company's indirect interest in the Apollo Operating Group is correspondingly increased.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The types of entities with which Apollo is involved generally include subsidiaries (e.g., general partners and management companies related to the funds the Company manages), entities that have all the attributes of an investment company (e.g., funds) and securitization vehicles (e.g., collateralized loan obligations). Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.
Pursuant to its consolidation policy, the Company first considers the appropriate consolidation guidance to apply including consideration of whether the entity qualifies for certain scope exceptions and whether the entity should be evaluated under either the previous rules on consolidation of variable interest entities ("VIEs") or the amended consolidation rules depending on whether or not the entity qualifies for the deferral as further described below. The Company then performs an assessment to determine whether that entity qualifies as a VIE. An entity in which Apollo holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.
Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. Apollo does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated investors to either dissolve the fund or remove the general partner ("kick-out rights") or the granting of substantive participating rights.
As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of Apollo's funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether an entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights

and the Company is not part of the group of holders of equity investment at risk, the fund is generally determined to be a VIE, as the holders of equity investment at risk as a group lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. However, in certain cases where the Company holds a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. In these cases, the Company is part of the group of holders of equity investment at risk and therefore the holders of equity investment at risk as a group do not lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity.

If the entity is determined to be a VIE under the conditions above, the Company then assesses whether the entity should be consolidated by applying either the previous consolidation rules or the amended consolidation rules depending on whether the entity qualifies for the deferral of the amended consolidation rules as further described below.

VIEs that qualify for the deferral of the amended consolidation rules because certain conditions are met, including if the entities have all the fundamental characteristics (and a number of the typical characteristics) of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are securitization or asset-backed financing entities will apply the amended consolidation rules. Under both sets of rules, VIEs for which Apollo is determined to be the primary beneficiary are consolidated.

With respect to VIEs such as Apollo's funds that qualify for the deferral of the amended consolidation rules and therefore apply the previous consolidation rules, Apollo is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the VIE’s expected losses, receive a majority of the VIE’s expected residual returns, or both. In cases where two or more Apollo related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

For VIEs such as Apollo's CLOs that apply the amended consolidation rules, the Company is determined to be the primary beneficiary if it holds a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. With respect to such CLOs, Apollo generally possesses a controlling financial interest in, and therefore consolidates, such CLOs in accordance with the amended consolidation rules when Apollo's role as collateral manager provides the Company with the power to direct the activities that most significantly impact the CLO’s economic performance and the Company has the right to receive certain benefits from the CLO (e.g., incentive fees) that could potentially be significant to the CLO.

Under the previous and the amended consolidation rules, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective entity may affect an entity’s status as a VIE or the determination of the primary beneficiary.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both sets of rules, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether two or more parties’ equity interests should be aggregated, (iv) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive the expected residual returns from an entity, and (v) evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group is most closely associated with the VIE. Where the VIEs have qualified for the deferral, judgments are also made in estimating cash flows to evaluate which member within the equity group absorbs a majority of the expected losses or residual returns of the VIE. Where the VIEs have not qualified for the deferral, judgments are also made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIEs’ economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. The difference between the fair value of the assets and liabilities of these VIEs is presented within appropriated partners’ capital in the condensed consolidated statements of financial condition as these VIEs are funded solely with debt. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income is presented within net gains from investment activities of consolidated variable interest entities and net income attributable to Non-Controlling Interests in the condensed consolidated statements of operations. Such amounts are recorded within appropriated partners’ capital as, in each case, the VIEs' note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIEs' assets and liabilities.

Assets and liabilities of the consolidated VIEs are shown in separate sections within the condensed consolidated statements of financial condition as of March 31, 2015 and December 31, 2014.

For additional disclosures regarding VIEs, see note 4. 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 approximates fair value.

Non-Controlling Interests—For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the condensed consolidated financial statements. As of March 31, 2015, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 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 ownership interest held by limited partners in AP Alternative Assets, L.P. ("AAA"). Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

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

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

Advisory and Transaction Fees from Affiliates, Net—Advisory and transaction fees, including directors' fees, are recognized when the underlying services rendered are substantially completed in accordance with the terms of the transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to certain transactions that are not consummated ("broken deal costs"). These costs (e.g., research costs, due diligence costs, professional fees, legal fees and other related items) are determined to be broken deal costs upon management's decision to no longer pursue the transaction. In accordance with the related fund agreement, in the event the deal is deemed broken, all of the costs are reimbursed by the funds and then included as a component of the calculation of the Management Fee Offset described below. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company for all costs incurred and no offset is generated. As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's condensed consolidated statements of operations, and any receivable from the respective funds is presented in due from affiliates on the condensed consolidated statements of financial condition.

Advisory and transaction fees from affiliates, net, also includes underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the income is reasonably assured and are included in the condensed consolidated statements of operations. Underwriting fees recognized but not received are included in other assets on the condensed consolidated statements of financial condition.

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition, in certain cases, and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations and directors' fees. The amounts due from portfolio companies are included in due from affiliates, which is discussed further in note 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"). Advisory and transaction fees from affiliates are presented net of the Management Fee Offset in the condensed consolidated statements of operations.

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

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 20% of the total returns on a fund's 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 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.

Deferred Revenue—Apollo earns management fees subject to the Management Fee Offset. When advisory and transaction fees are earned by the management company, the Management Fee Offset reduces the management fee obligation of the fund. When the management company receives cash for advisory and transaction fees, a certain percentage of such advisory and/or transaction fees, as applicable, is allocated as a credit to reduce future management fees, otherwise payable by such fund. Such credit is classified as deferred revenue in the condensed consolidated statements of financial condition. A portion of any excess advisory and transaction fees may be required to be returned to the limited partners of certain funds upon such fund's liquidation. As the management fees earned by the management company are presented on a gross basis, any Management Fee Offsets calculated are presented as a reduction to Advisory and Transaction Fees from Affiliates in the condensed consolidated statements of operations. Additionally, Apollo earns advisory fees pursuant to the terms of the advisory agreements with certain of the portfolio companies that are owned by the funds. When Apollo receives a payment from a portfolio company that exceeds the advisory fees earned at that point in time, the excess payment is classified as deferred revenue in the condensed consolidated statements of financial condition. The advisory agreements with the portfolio companies vary in duration and the associated fees are received monthly, quarterly or annually. Deferred revenue is reversed and recognized as revenue over the period that the agreed upon services are performed.

Under the terms of the funds' partnership agreements, Apollo is normally required to bear organizational expenses over a set dollar amount and placement fees or costs in connection with the offering and sale of interests in the funds to investors. The placement fees are payable to placement agents, who are independent third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering and marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors, when a limited partner either commits or funds a commitment to a fund. In certain instances the placement fees are paid over a period of time. Based on the management agreements with the funds, Apollo considers placement fees and organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational costs are normally the obligation of Apollo but can be paid for by the funds. When these costs are paid by the fund, the resulting obligations are included within deferred revenue. The deferred revenue balance will also be reduced during future periods when management fees are earned but not paid.

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 VIEs, 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 partner interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. These criteria include, but are not limited to, the number and quality of the broker quotes, the standard deviations of the observed broker quotes, and the percentage deviation from independent pricing services.

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

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

On a quarterly basis, Apollo utilizes valuation committees consisting of members from senior management, to review and approve the valuation results related to the investments of the funds it manages. For certain publicly traded vehicles, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analyses. 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.

Private Equity Investments

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

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Valuation approaches used to estimate the fair value of investments that are less liquid include the market approach and the income approach. The market approach provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry. The market approach is driven more by current market conditions, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. Consideration may also be given to such factors as the Company's historical and projected financial data, valuations given to comparable companies, the size and scope of the Company's operations, the Company's strengths, weaknesses, expectations relating to the market's receptivity to an offering of the Company's securities, applicable restrictions on transfer, industry and market information and assumptions, general economic and market conditions and other factors deemed relevant. The income approach provides an indication of fair value based on the present value of cash flows that a business or security is expected to generate in the future. The most widely used methodology in the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate.

Credit Investments

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

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

Real Estate Investments

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

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Except for the Company’s debt obligations (as described in note 9), Apollo’s financial instruments are recorded at fair value or at amounts whose carrying values approximate 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. 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.

Fair Value Option—Apollo has elected the fair value option for the Company's investment in Athene Holding Ltd. ("Athene Holding" and together with its subsidiaries, "Athene") and for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by the consolidated VIEs that otherwise would not have been carried at fair value. See notes 3, 4, and 5 for further disclosure on the investments in Athene Holding and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Financial Instruments held by Consolidated VIEs

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

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligations is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available, a model based approach is used. The model based approach used to estimate the fair values of debt obligations for which market quotations are not available is the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations are discounted based on the appropriate yield curve given the loan's respective maturity and credit rating. Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of the consolidated VIEs' debt obligations.

Goodwill and Intangible Assets

Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite-life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate an impairment may have occurred. Apollo amortizes its identifiable finite-life intangible assets using a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2014, the Company performed its annual impairment testing, and, as the fair value of each of the Company's reporting units was in excess of its carrying value, there was no impairment of goodwill. Additionally, there was no impairment of goodwill or indefinite-life intangible assets as of March 31, 2015.

Compensation and Benefits

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

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

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 months ended March 31, 2015 and 2014.

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

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

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

Other Income (Loss)

Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening reporting date and the closing reporting date. The condensed consolidated financial statements include the net realized and unrealized gains (losses) of investments, at fair value. For the Company's investments held by AAA (see note 3), a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the condensed consolidated statements of operations.

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

Other Income (Loss), Net—Other income (loss), net includes the recognition of gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, reversal of a portion of the tax receivable agreement liability (see note 12), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates, gains arising from extinguishment of contingent consideration obligations and other miscellaneous non-operating 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 Class A shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Earnings or losses allocated to each class of security are then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding Class A shares and includes the number of additional Class A shares that would have been outstanding if the dilutive potential Class A shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the issuance of these potential Class A 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 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. Actual results could differ materially from those estimates.

Condensed Consolidated Statements of Cash Flows— During the second quarter of 2014, the Company identified that return on capital related to cash distributions from equity method investments had been previously reported as cash flows provided by investing activities. Cash flows received from equity method investments should have been separately identified as either return of investment or return on investment. Cash flows from the return of investment should be presented in cash flows provided by investing activities and return on investment presented within cash flows provided by operating activities. The Company restated the previously presented cash flows for these cash distributions from equity method investments and, in doing so, for the three months ended March 31, 2014, the condensed consolidated statement of cash flows was restated to increase net cash flows provided by operating activities by $23.3 million with a corresponding decrease in net cash flows provided by investing activities. The Company has evaluated the effect of the incorrect presentation both qualitatively and quantitatively, and concluded that it did not have a material impact on, nor require amendment of, any previously filed annual or quarterly consolidated financial statements.

Recent Accounting Pronouncements

In April 2014, the FASB issued guidance to improve the definition of discontinued operations and to enhance convergence between the FASB’s and International Accounting Standard Board’s (IASB) reporting requirements for discontinued operations. The new definition of discontinued operations limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. The new guidance affects entities that have either of the following: (1) a component of an entity that either is disposed of or meets the criteria under current guidance to be classified as held for sale or (2) a business or nonprofit activity that, on acquisition, meets the criteria under current guidance to be classified as held for sale. The guidance is effective for all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity’s revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance currently is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early application is not permitted. However, in April 2015, the FASB issued for public comment proposed guidance that would defer the effective date of its new revenue recognition standard by one year. Stakeholders are to review and provide comment on the proposal by May 29, 2015. The proposed guidance would permit public organizations to apply the new revenue standard to interim and annual reporting periods in fiscal years beginning after December 15, 2017. Public entities would be permitted to adopt the new revenue standard early, but not before the original public organization effective date (i.e., for interim and annual reporting periods beginning after December 15, 2016). The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements, including the timing of the recognition of carried interest income.

In June 2014, the FASB issued guidance to resolve diversity in practice in the accounting for share-based payments where the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Accordingly, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The new guidance applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early application is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In August 2014, the FASB issued guidance to eliminate diversity in practice in the accounting for measurement differences in both the initial consolidation and subsequent measurement of the financial assets and the financial liabilities of a collateralized financing entity. A reporting entity that consolidates a collateralized financing entity within the scope of the new guidance may elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in the new guidance or the existing guidance on fair value measurement. When the measurement alternative is not elected for a consolidated collateralized financing entity within the scope of the new guidance, the new guidance clarifies that (1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of the existing guidance on fair value measurement and (2) any differences in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected in earnings and attributed to the reporting entity in the consolidated statement of income (loss). When a reporting entity elects the measurement alternative included in the new guidance for a collateralized financing entity, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the existing variable interest entity guidance when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other guidance and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The Company is in the process of evaluating the impact that this guidance will have on the recognition of appropriated partners' capital, although the impact on net income attributable to the Company is not expected to be material.

In August 2014, the FASB issued guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance requires that management evaluate each annual and interim reporting period whether conditions exist that give rise to substantial doubt about the entity's ability to continue as a going concern within one year from the financial statement issuance date, and if so, provide related disclosures. Disclosures are only required if conditions give rise to substantial doubt, whether or not the substantial doubt is alleviated by management's plans. No disclosures are required specific to going concern uncertainties if an assessment of the conditions does not give rise to substantial doubt. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. If substantial doubt is alleviated as a result of the consideration of management's plans, a company should disclose information that enables users of financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the footnotes): (1) principal conditions that initially give rise to substantial doubt, (2) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (3) management's plans that alleviated substantial doubt. If substantial doubt is not alleviated after considering management's plans, disclosures should enable investors to understand the underlying conditions, and include the following: (1) a statement indicating that there is substantial doubt about the company's ability to continue as a going concern within one year after the issuance date, (2) the principal conditions that give rise to substantial doubt, (3) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (4) management plans that are intended to mitigate the adverse conditions. The new guidance applies to all companies. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early adoption is permitted. This guidance is not expected to have an impact on the condensed consolidated financial statements of the Company.

In November 2014, the FASB issued guidance to clarify how current U.S. GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share.

Specifically, the new guidance clarifies that an entity should consider all relevant terms and features-including the embedded derivative feature being evaluated for bifurcation when evaluating the nature of the host contract. Further, the new guidance clarifies that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The new guidance applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In January 2015, the FASB issued guidance to simplify income statement presentation by eliminating the concept of extraordinary items. Existing guidance requires that an entity separately classify, present, and disclose extraordinary events and transactions. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity is also required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. The new guidance eliminates the requirement for reporting entities to consider whether an underlying event or transaction is extraordinary. However, the presentation and disclosure requirements under existing guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. Under the new guidance, items that are both unusual in nature and infrequently occurring should be presented within income from continuing operations or disclosed in the notes to the financial statements. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This guidance is not expected to have an impact on the condensed consolidated financial statements of the Company.

In February 2015, the FASB issued new guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Existing guidance includes different requirements for performing a consolidation analysis if, among other factors, the entity under evaluation is any one of the following: (1) a legal entity that qualifies for the indefinite deferral under the amended consolidation rules, (2) a legal entity that is within the scope of the amended consolidation rules, or (3) a limited partnership or similar entity that is considered a voting interest entity. Under the new guidance, all reporting entities are within the scope of the new standard, including limited partnerships and similar legal entities, unless a scope exception applies. The presumption that a general partner controls a limited partnership has been eliminated. In addition, fees paid to decision makers that meet certain conditions (e.g., are both customary and commensurate with the level of effort required for the services provided) no longer cause decision makers to consolidate VIEs in certain instances. The new guidance places more emphasis in the consolidation evaluation on variable interests other than the fee arrangements such as principal investment risk (for example, debt or equity interests), guarantees of the value of the assets or liabilities of the VIE, written put options on the assets of the VIE, or similar obligations, including some liquidity commitments or agreements (explicit or implicit). Additionally, the new guidance reduces the extent to which related party arrangements cause an entity to be considered a primary beneficiary. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period, and adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the new guidance using either a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or by applying the amendments retrospectively. As this guidance is expected to result in the deconsolidation of certain investment vehicles the Company manages, this guidance is expected to have a material impact on the condensed consolidated financial statements of the Company.

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability (i.e., versus being capitalized as an asset and amortized as required under existing guidance), consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the new guidance (i.e., debt issuance costs will continue to be amortized as an increase to interest expense). The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Company is in the process of evaluating the impact that this new guidance will have on its condensed consolidated financial statements.

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3. INVESTMENTS

The following table represents Apollo's investments:

	As of March 31, 2015	As of December 31, 2014
Investments, at fair value	$2,516,255	$2,499,128
Equity method investments	435,960	380,878
Total Investments	$2,952,215	$2,880,006

Investments, at Fair Value

Investments, at fair value, consist of financial instruments held by AAA, the Company's investment in Athene Holding, investments held by the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund"), and other investments held by the Company at fair value. As of March 31, 2015 and December 31, 2014, the net assets of the consolidated funds (excluding VIEs) were $2,184.9 million and $2,174.1 million, respectively. The following investments, except the investment in Athene Holding and other investments, are presented as a percentage of net assets of the consolidated funds:

	As of March 31, 2015					As of December 31, 2014				
	Fair Value					Fair Value				
Investments, at Fair Value – Affiliates	Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds	Private Equity	Credit	Total	Cost	% of Net Assets of Conso Funds
AAA	$2,154,663	$—	$2,154,663	$1,494,358	98.6 %	$2,144,118	$—	$2,144,118	$1,494,358	98.6
Athene Holding	28,349	301,138	329,487	327,372	N/A	25,104	299,410	324,514	324,293	N/A
Apollo Senior Loan Fund	—	31,598	31,598	30,100	1.4	—	29,896	29,896	30,100	1.4
Other Investments	360	147	507	620	N/A	486	114	600	3,318	N/A
Total Securities	$2,183,372	$332,883	$2,516,255	$1,852,450	100.0%	$2,169,708	$329,420	$2,499,128	$1,852,069	100.0

As of March 31, 2015 and December 31, 2014, 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 table represents the sole investment of AAA Investments, which constitutes more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

	As of March 31, 2015				As of December 31, 2014			
	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated

				Funds				Funds
Athene Holding	Equity	$2,254,033	$1,361,120	103.2 %	Equity	$2,244,192	$1,363,532	103.2 %

As of March 31, 2015 and December 31, 2014, AAA Investments' portfolio consisted of a single investment in the equity of Athene Holding. Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.

As of March 31, 2015 and December 31, 2014, AAA, through its investment in AAA Investments, was the largest equity holder of Athene Holding with an economic ownership stake of approximately 47.0% and 47.7%, respectively (calculated as if the commitments in the Athene Private Placement (as defined below) closed through March 31, 2015 and December 31, 2014 were fully drawn down but without giving effect to (i) restricted common shares issued under Athene's management equity plan (ii) common shares to be issued under the Amended Athene Services Agreement (as defined in note 12) subsequent to March 31, 2015 and December 31, 2014 or (iii) the common shares to be issued under the Amended AAA Services Agreement subsequent to December 31, 2014 and effectively held 45% of the voting power of Athene. AAA Investments' ownership interest in Athene is held indirectly through its subsidiaries.

At March 31, 2015 and December 31, 2014, Athene's fair value was determined using the embedded value method which was based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. For purposes of the excess capital calculation the assets are valued at fair value using our valuation methodology disclosed in note 2. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

Athene Holding

As further described in note 12, during 2014, Athene Holding raised $1.2 billion of net equity commitments (the "Athene Private Placement"), which was priced at $26 per common share of Athene Holding. In connection with the Athene Private Placement, both the Athene Services Derivative and the AAA Services Derivative (as defined in note 12) were settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivatives were terminated. Following settlement of these derivatives, future monitoring fees and management fees paid to Apollo pursuant to the Amended Athene Services Agreement and the Amended AAA Services Agreement, respectively, will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act).

The Company elected the fair value option for its investment in Athene Holding at the time of settlement of the Athene Services Derivative and AAA Services Derivative. The Company has classified this investment as a Level III asset in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The investment is valued based on the price of a common share of Athene Holding, which as of March 31, 2015 was determined using the embedded value method. See note 5 for further discussion regarding fair value leveling and note 12 for further information regarding Athene.

Apollo Senior Loan Fund

On December 31, 2011, the Company became the sole investor in the Apollo Senior Loan 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. The Company has classified the instruments associated with the Apollo Senior Loan Fund investment within the respective level in the fair value hierarchy. See note 5 for further discussion regarding fair value leveling.

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the condensed consolidated statements of operations include net realized gains (losses) from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value or reversal of realization of gains/losses of the consolidated funds' investments and realization of previously unrealized gains/losses. Additionally, net gains from investment activities include changes in the fair value of investments held at fair value. The following tables present Apollo's net gains (losses) from investment activities for the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31, 2015		
	Private Equity	Credit	Total
Realized gains on sales of investments	$—	$16	$16
Change in net unrealized gains due to changes in fair values	10,570	2,100	12,670
Net Gains from Investment Activities	$10,570	$2,116	$12,686

(dollars in thousands, except share data, except where noted)

	For the Three Months Ended March 31, 2014		
	Private Equity	Credit	Total
Realized gains on sales of investments	$—	$112	$112
Change in net unrealized gains due to changes in fair values	205,363	17,933	223,296
Net Gains from Investment Activities	$205,363	$18,045	$223,408

Equity Method Investments

Apollo's equity method investments include its investments in Apollo private equity, credit and real estate funds, which are not consolidated, but in which the Company exerts significant influence. Apollo’s share of operating income generated by these investments is recorded within income from equity method investments in the condensed consolidated statements of operations.

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Equity method investments as of March 31, 2015 and December 31, 2014 consisted of the following:

	Equity Held as of							
	March 31, 2015		% of Ownership		December 31, 2014		% of Ownership	
Private Equity Funds:								
AAA Investments	$1,300		0.057	%	$1,293		0.057	%
Apollo Investment Fund IV, L.P. ("Fund IV")	8		0.036		8		0.022	
Apollo Investment Fund V, L.P. ("Fund V")	63		0.036		68		0.031	
Apollo Investment Fund VI, L.P. ("Fund VI")	6,220		0.115		6,173		0.114	
Apollo Investment Fund VII, L.P. ("Fund VII")	82,475		1.231		78,286		1.223	
Apollo Investment Fund VIII, L.P. ("Fund VIII")	49,934		2.186		33,099		2.241	
Apollo Natural Resources Partners, L.P. ("ANRP")	5,974		0.818		5,608		0.807	
AION Capital Partners Limited ("AION")	16,777		6.029		14,707		6.113	
Apollo Asia Private Credit Fund, L.P. ("APC")	53		0.044		47		0.044	
VC Holdings, L.P. Series A ("Vantium A/B")	15		6.450		12		6.450	
VC Holdings, L.P. Series C ("Vantium C")	64		2.071		48		2.071	
VC Holdings, L.P. Series D ("Vantium D")	178		6.345		180		6.345	
Total Private Equity Funds(5)	163,061				139,529			
Credit Funds:								
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	6,733		0.812		6,997		0.841	
Apollo Value Strategic Fund, L.P. ("VIF")	141		0.076		146		0.067	
Apollo Strategic Value Fund, L.P. ("SVF")	9		0.034		10		0.033	
Apollo Credit Liquidity Fund, L.P. ("ACLF")	2,621		2.770		4,128		2.771	
Apollo Credit Opportunity Fund I, L.P. ("COF I")	2,255		1.873		2,298		1.870	
Apollo Credit Opportunity Fund II, L.P. ("COF II")	2,263		1.488		2,249		1.497	
Apollo Credit Opportunity Fund III, L.P. ("COF III")	13,349		1.059		13,102		1.061	
Apollo European Principal Finance Fund, L.P. ("EPF I")	6,470		1.467		7,647		1.449	
Apollo European Principal Finance Fund II, L.P. ("EPF II")	44,911		1.760		44,523		1.760	
Apollo Investment Europe II, L.P. ("AIE II")	3,110		3.080		3,203		1.937	
Apollo Europe Co-Investors III (D), LLC ("AIE III")	2,066		2.922		1,540		2.914	
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	14,179		1.186		14,049		1.186	
Apollo Senior Floating Rate Fund Inc. ("AFT")	92		0.034		86		0.031	
Apollo Residential Mortgage, Inc. ("AMTG") (3)	4,156	(1)	0.592	(1)	4,263	(2)	0.593	(2)
Apollo European Credit, L.P. ("AEC")	2,414		1.115		2,443		1.081	
Apollo European Strategic Investments, L.P. ("AESI")	3,268		0.990		3,834		0.990	
Apollo European Strategic Investments II, L.P. (AESI II")	420		0.990		123		0.990	
Apollo Centre Street Partnership, L.P. ("ACSP")	11,274		2.481		11,474		2.439	
Apollo Investment Corporation ("AINV") (4)	58,910	(1)	3.129	(1)	64,382	(2)	3.057	(2)

Apollo SK Strategic Investments, L.P. ("SK")	1,712		0.990		1,693		0.990	
Apollo SPN Investments I, L.P.	5,153		0.639		5,500		0.720	
CION Investment Corporation ("CION")	1,000		0.172		1,000		0.206	
Apollo Tactical Income Fund Inc. ("AIF")	85		0.032		84		0.032	
Apollo Franklin Partnership, L.P. ("Franklin Fund")	9,240		9.091		9,647		9.091	
Apollo Zeus Strategic Investments, L.P. ("Zeus")	6,666		3.394		6,404		3.392	
Apollo Lincoln Fixed Income Fund, L.P.	1,637		0.993		1,398		0.993	
Apollo Lincoln Private Credit Fund, L.P.	314		0.990		194		0.990	
Apollo Structured Credit Recovery Master Fund III, L.P.	429		0.124		315		0.126	
Apollo Total Return Fund L.P.	165		0.039		163		0.046	
Apollo Credit Short Opportunities Fund L.P.	19		0.016		19		0.027	
MidCap FinCo Limited ("MidCap")	37,874		5.580		—		—	
Total Credit Funds(5)	242,935				212,914			
Real Estate:								
ARI(3)	13,998	(1)	1.494	(1)	13,989	(2)	1.495	(2)
AGRE U.S. Real Estate Fund, L.P.	11,750		1.845		10,519		1.845	
CPI Capital Partners North America, L.P.	124		0.410		137		0.408	
CPI Capital Partners Europe, L.P.	5		0.001		5		0.001	
CPI Capital Partners Asia Pacific, L.P.	96		0.039		96		0.039	
Apollo GSS Holding (Cayman), L.P.	3,558		4.750		3,564		4.750	

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BEA/AGRE China Real Estate Fund, L.P.	90	1.031	87	1.031
Other	343	NM	38	NM
Total Real Estate Funds(5)	29,964		28,435	
Total	$435,960		$380,878	

(1) Amounts are as of December 31, 2014.
(2) Amounts are as of September 30, 2014.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested and issued to the Company, at which point the RSUs are converted to common stock and delivered to the Company.
(4) The value of the Company’s investment in AINV was $56,895 and $53,693 based on the quoted market price as of March 31, 2015 and December 31, 2014, respectively.
(5) Certain funds invest across multiple segments. The presentation in the table above is based on the classification of the majority of such funds' investments.

As of March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014, no equity method investment held by Apollo met the significance criteria as defined by the SEC. As such, Apollo is not required to present summarized income statement information for any of its equity method investments.

4. VARIABLE INTEREST ENTITIES

As described in note 2, the Company consolidates entities that are VIEs for which the Company has been designated as the primary beneficiary. The purpose of such VIEs is to provide strategy-specific investment opportunities for investors in exchange for management and performance based fees. The investment strategies of the entities that the Company manages may vary by entity; however, the fundamental risks of such entities have similar characteristics, including loss of invested capital and the return of carried interest income previously distributed to the Company by certain private equity, credit, and real estate entities. The nature of the Company’s involvement with VIEs includes direct and indirect investments and fee arrangements. The Company does not provide performance guarantees and has no other financial obligations to provide funding to VIEs other than its own capital commitments. There is no recourse to the Company for the consolidated VIEs’ liabilities.

Consolidated Variable Interest Entities

Apollo has consolidated VIEs in accordance with the policy described in note 2. The majority of the consolidated VIEs were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

The assets of these consolidated VIEs are not available to creditors of the Company. In addition, the investors in these consolidated VIEs have no recourse against the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations and contingent obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include payables for securities purchased, which represent open trades within the consolidated VIEs and primarily relate to corporate loans that are expected to settle within the next 60 days. From time to time, Apollo makes investments into certain consolidated CLOs denominated in foreign

currencies. As of March 31, 2015, the Company had invested $42.5 million in consolidated foreign currency denominated CLOs, which eliminates in consolidation.
Pursuant to the terms of certain bank loan agreements, the consolidated VIEs have unfunded contingent liabilities of $104.8 million as of March 31, 2015.
Investment in Champ L.P.
On September 30, 2014, the Company, through a wholly-owned subsidiary, acquired a 25.6% ownership interest in Champ L.P. following which a wholly-owned subsidiary of Champ L.P. then acquired a 35% ownership interest in KBC Bank Deutschland AG ("KBC Bank"), the German subsidiary of Belgian KBC Group NV (the "KBC Transaction"). Following the

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closing of the transaction, KBC Bank was renamed Bremer Kreditbank AG and the bank will operate under the name BKB Bank. As of March 31, 2015, the Company had invested $16.9 million in Champ L.P. The Company, together with other affiliated investors, in aggregate, own 100% of Champ L.P.

The Company, through its aforementioned wholly-owned subsidiary, is the general partner and primary beneficiary of Champ L.P., which meets the definition of a VIE. Accordingly, the Company has consolidated Champ L.P. in accordance with the policy described in note 2. The Company's investment in Champ L.P. is eliminated in consolidation.

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

The following table presents net gains (losses) from investment activities of the consolidated VIEs for the three months ended March 31, 2015 and 2014, respectively:

	For the Three Months Ended March 31,	
	2015	2014
Net unrealized gains (losses) from investment activities	$143,960	$(911)
Net realized gains from investment activities	11,395	17,014
Net gains from investment activities	155,355	16,103
Net unrealized losses from debt	(68,218)	(14,119)
Net realized gains from debt	—	357
Net losses from debt	(68,218)	(13,762)
Interest and other income	179,297	170,994
Interest and other expenses	(131,731)	(125,600)
Net Gains from Investment Activities of Consolidated Variable Interest Entities	$134,703	$47,735

Senior Secured Notes and Subordinated Notes—Included within debt are amounts due to third-party institutions by the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of March 31, 2015 and December 31, 2014:

	As of March 31, 2015			As of December 31, 2014		
	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)	$13,756,082	1.65 %	7.8	$13,459,387	1.60 %	7.8
Subordinated Notes(2)(3)	1,253,175	N/A (1)	8.9	1,183,834	N/A (1)	9.0
Total	$15,009,257			$14,643,221		

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

(2) The fair value of Senior Secured Notes and Subordinated Notes as of March 31, 2015 and December 31, 2014 was $14,683.5 million and $14,123.1 million, respectively.

(3)

The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another vehicle. As of March 31, 2015 and December 31, 2014, the fair value of the consolidated VIE assets was $17,746.1 million and $17,070.8 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

The consolidated VIEs’ debt obligations contain various customary loan covenants as described above. As of March 31, 2015, the Company was not aware of any instances of non-compliance with any of these covenants.

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Variable Interest Entities Which are Not Consolidated

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

The following tables present the carrying amounts of the assets and liabilities of the VIEs for which Apollo has concluded that it holds a significant variable interest, but that it is not the primary beneficiary as of March 31, 2015 and December 31, 2014. In addition, the tables present the maximum exposure to losses relating to those VIEs.

	As of March 31, 2015					
	Total Assets		Total Liabilities		Apollo Exposure	
Total	$12,941,226	(1)	$1,492,327	(2)	$67,585	(3)

(1) Consists of $893.6 million in cash, $11,728.5 million in investments and $319.2 million in receivables.

(2) Represents $318.7 million in debt and other payables, $1,170.6 million in securities sold, not purchased, and $3.0 million in capital withdrawals payable.

(3) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of future losses. The maximum amount of future reversal of carried interest income from all of Apollo's funds, including those entities in which Apollo holds a significant variable interest, is $2,879.8 million as of March 31, 2015 as discussed in note 13.

	As of December 31, 2014					
	Total Assets		Total Liabilities		Apollo Exposure	
Total	$11,676,038	(1)	$729,515	(2)	$30,752	(3)

(1) Consists of $794.5 million in cash, $10,456.0 million in investments and $425.6 million in receivables.

(2) Represents $362.0 million in debt and other payables, $359.4 million in securities sold, not purchased, and $8.2 million in capital withdrawals payable.

(3) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of future losses. The maximum amount of future reversal of carried interest income from all of Apollo's funds, including those entities in which Apollo holds a significant variable interest, was $2,892.8 million as of December 31, 2014.

5. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of March 31, 2015 and December 31, 2014, respectively:

	As of March 31, 2015			
	Level I(6)	Level II(6)	Level III	Total
Assets				
Investment in AAA Investments(1)	$—	$—	$2,154,663	$2,154,663
Investments held by Apollo Senior Loan Fund(1)	—	28,010	3,588	31,598
Other Investments(1)	—	—	507	507
Investment in Athene Holding(2)	—	—	329,487	329,487

AAA/Athene Receivable(2)	—	—	60,155	60,155
Investments of VIEs, at fair value(4)	199	14,168,449	2,191,693	16,360,341
Total Assets	$199	$14,196,459	$4,740,093	$18,936,751
Liabilities				
Liabilities of VIEs, at fair value(4)(5)	$—	$1,666,255	$13,030,554	$14,696,809
Contingent Consideration Obligations(3)	—	—	98,994	98,994
Total Liabilities	$—	$1,666,255	$13,129,548	$14,795,803

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	As of December 31, 2014			
	Level I[6]	Level II[6]	Level III	Total
Assets				
Investment in AAA Investments[1]	$—	$—	$2,144,118	$2,144,118
Investments held by Apollo Senior Loan Fund[1]	—	25,537	4,359	29,896
Other Investments[1]	—	—	600	600
Investment in Athene Holding[2]	—	—	324,514	324,514
AAA/Athene Receivable[2]	—	—	61,292	61,292
Investments of VIEs, at fair value[4]	176	13,135,564	2,522,913	15,658,653
Total Assets	$176	$13,161,101	$5,057,796	$18,219,073
Liabilities				
Liabilities of VIEs, at fair value[4][5]	$—	$1,793,353	$12,343,021	$14,136,374
Contingent Consideration Obligations[3]	—	—	96,126	96,126
Total Liabilities	$—	$1,793,353	$12,439,147	$14,232,500

(1) See note 3 for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and other investments.
(2) See note 12 for further disclosure regarding the investment in Athene Holding and the AAA/Athene Receivable.
(3) See note 13 for further disclosure regarding contingent consideration obligations.
(4) See note 4 for further disclosure regarding VIEs.
(5) As of March 31, 2015, liabilities of VIEs, at fair value includes debt and other liabilities of $14,683.5 million and $13.3 million, respectively. As of December 31, 2014, liabilities of VIEs, at fair value includes debt and other liabilities of $14,123.1 million and $13.3 million, respectively. Other liabilities include contingent obligations classified as Level III.
(6) All Level I and Level II investments and liabilities were valued using third party pricing.

There were no transfers of financial assets or liabilities between Level I and Level II for the three months ended March 31, 2015 and 2014.

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The following tables summarize the changes in fair value in financial assets measured at fair value for which Level III inputs have been used to determine fair value for the three months ended March 31, 2015 and 2014, respectively:

	For the Three Months Ended March 31, 2015						
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Other Investments	Investment in Athene Holding	AAA/Athene Receivable	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$2,144,118	$4,359	$600	$324,514	$61,292	$2,522,913	$5,057,796
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	—	21,653	21,653
Fees	—	—	—	—	1,942	—	1,942
Purchases	—	1,492	—	—	—	148,168	149,660
Sale of investments/Distributions	—	(648)	—	—	—	(28,911)	(29,559)
Net realized gains	—	4	—	—	—	21,929	21,933
Changes in net unrealized gains (losses)	10,545	(38)	(93)	1,894	—	(21,060)	(8,752)
Cumulative translation adjustment	—	—	—	—	—	(13,109)	(13,109)
Transfer into Level III[2]	—	935	—	—	—	261,144	262,079
Transfer out of Level III[2]	—	(2,516)	—	—	—	(721,034)	(723,550)
Settlement of derivatives/receivable[1]	—	—	—	3,079	(3,079)	—	—
Balance, End of Period	$2,154,663	$3,588	$507	$329,487	$60,155	$2,191,693	$4,740,093
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$10,545	$(38)	$(93)	$1,894	$—	$—	$12,308
Change in net unrealized losses included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	—	—	—	—	—	(2,730)	(2,730)

(1) See note 12 for further disclosure regarding the settlement of the Athene Services Derivative, the AAA Services Derivative and the investment in Athene Holding.
(2) Transfers between Level II and III were a result of subjecting the broker quotes on these financial assets 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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	For the Three Months Ended March 31, 2014					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Other Investments	Athene and AAA Services Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,942,051	$892	$40,373	$130,709	$1,919,537	$4,033,562
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	(14,620)	(14,620)
Fees	—	—	—	61,728	—	61,728
Purchases	—	—	871	—	265,063	265,934
Sale of investments/Distributions	—	(6)	(78)	—	(181,435)	(181,519)
Net realized losses	—	—	—	—	(954)	(954)
Changes in net unrealized gains	205,364	28	18,158	14,039	17,535	255,124
Transfer into Level III(1)	—	—	—	—	141,353	141,353
Transfer out of Level III(1)	—	(914)	—	—	(309,028)	(309,942)
Balance, End of Period	$2,147,415	$—	$59,324	$206,476	$1,837,451	$4,250,666
Change in net unrealized gains included in Net Gains from Investment Activities related to investments still held at reporting date	$205,364	$28	$18,158	$—	$—	$223,550
Change in net unrealized gains included in Net Gains from Investment Activities of Consolidated VIEs related to investments still held at reporting date	—	—	—	—	14,491	14,491
Change in net unrealized gains included in Other Income, net related to assets still held at reporting date	—	—	—	14,039	—	14,039

(1) Transfers between Level II and III were a result of subjecting the broker quotes on these financial assets 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 tables summarize the changes in fair value in financial liabilities measured at fair value for which Level III inputs have been used to determine fair value for the three months ended March 31, 2015 and 2014, respectively:

	For the Three Months Ended March 31,					
	2015			2014		
	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	$12,343,021	$ 96,126	$12,439,147	$9,994,147	$ 135,511	$10,129,658
Elimination of debt attributable to consolidation of VIEs	16,885	—	16,885	(15,394)	—	(15,394)
Additions	909,905	—	909,905	750,966	—	750,966
Payments	(209,717)	(4,929)	(214,646)	(558,608)	(14,558)	(573,166)
Net realized gains	—	—	—	(357)	—	(357)
Changes in net unrealized losses	61,496	7,797	69,293	5,633	5,520	11,153
Cumulative translation adjustment	(107,778)	—	(107,778)	—	—	—
Transfers into Level III[(1)]	67,035	—	67,035	316,252	—	316,252
Transfers out of Level III[(1)]	(50,293)	—	(50,293)	(70,319)	—	(70,319)
Balance, End of Period	$13,030,554	$ 98,994	$13,129,548	$10,422,320	$ 126,473	$10,548,793
Change in net unrealized (gains) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$61,183	$ —	$61,183	$4,996	$ —	$4,996
Change in net unrealized losses included in Profit Sharing Expense related to liabilities still held at reporting date	—	7,797	7,797	—	5,520	5,520

(1) Transfers between Level II and III were a result of subjecting the broker quotes on these financial liabilities to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes and the percentage deviation from independent pricing services.

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The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized in Level III of the fair value hierarchy as of March 31, 2015 and December 31, 2014:

	As of March 31, 2015				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments(1)	$2,154,663	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	3,588	Third Party Pricing(2)	N/A	N/A	N/A
Investments in Other	507	Other	N/A	N/A	N/A
Investment in Athene Holding	329,487	Discounted Cash Flow	Discount Rate	15.0%	15.0%
AAA/Athene Receivable	60,155	Discounted Cash Flow	Discount Rate	15.0%	15.0%
Investments of Consolidated VIEs:					
	946,153	Third Party Pricing(2)	N/A	N/A	N/A
	80,785	Discounted Cash Flow	Discount Rate	7.3% - 8.5%	8.0%
Bank Debt Term Loans	17,113	Market Comparable Companies	Comparable Multiples	6.8x	6.8x
	6,209	Transaction	Purchase Price	N/A	N/A
Corporate Loans/Bonds/CLO Notes(3)	1,063,222	Third Party Pricing(2)	N/A	N/A	N/A
	2,033	Third Party Pricing(2)	N/A	N/A	N/A
Equity Securities	55,211	Transaction	Purchase Price	N/A	N/A
	20,967	Transaction	Implied Multiple	4.6x	4.6x
Total Investments of Consolidated VIEs	2,191,693				
Total Financial Assets	$4,740,093				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$901,563	Discounted Cash Flow	Discount Rate	10.0% - 14.0%	12.1%
			Default Rate	1.0% - 2.0%	1.7%
			Recovery Rate	75.0%	75.0%
Subordinated Notes	144,885	Other	N/A	N/A	N/A
Senior Secured and Subordinated Notes	11,970,832		N/A	N/A	N/A

		Third Party Pricing[2]			
Contingent Obligation	13,274	Other	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	13,030,554				
Contingent Consideration Obligation	98,994	Discounted Cash Flow	Discount Rate	10.0% - 17.5%	14.9%
Total Financial Liabilities	$13,129,548				

(1) The net asset value of the underlying securities held by AAA Investments represents its sole investment in Athene, offset by other net liabilities. The investment in Athene was valued at $2,254.0 million as of March 31, 2015 using the embedded value method based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The unobservable inputs and respective ranges used are the same as noted for the Investment in Athene Holding and the AAA/Athene Receivable in the table above. See note 12 for discussion of the investment in Athene Holding.

(2) These securities are valued primarily using broker quotes.

(3) Balance includes investments in an affiliated fund, which primarily invests in corporate loans, bonds, and CLO notes. Balance at March 31, 2015 included investments in an affiliated fund in the amount of $953.2 million, which were valued based on NAV.

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	As of December 31, 2014				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$2,144,118	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	4,359	Third Party Pricing[2]	N/A	N/A	N/A
Other Investments	600	Third Party Pricing[2]	N/A	N/A	N/A
Investment in Athene Holding	324,514	Discounted Cash Flow	Discount Rate	15.0%	15.0%
AAA/Athene Receivable	61,292	Discounted Cash Flow	Discount Rate	15.0%	15.0%
Investments of Consolidated VIEs:					
Bank Debt Term Loans	1,340,296	Third Party Pricing[2]	N/A	N/A	N/A
	87,314	Discounted Cash Flow	Discount Rate	7.1% - 14.0%	8.4%
Corporate Loans/Bonds/CLO Notes[3]	1,009,873	Third Party Pricing[2]	N/A	N/A	N/A
Equity Securities	930	Third Party Pricing[2]	N/A	N/A	N/A
	4,610	Market Comparable Companies	Comparable Multiples	5.8x	5.8x
	58,923	Transaction	Purchase Price	N/A	N/A
	20,967	Transaction	Implied Multiple	5.2x	5.2x
Total Investments of Consolidated VIEs	2,522,913				
Total Financial Assets	$5,057,796				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$908,831	Discounted Cash Flow	Discount Rate	10.0% - 12.5%	11.5%
			Default Rate	1.0% - 2.0%	1.7%
			Recovery Rate	75.0%	75.0%
Subordinated Notes	106,090	Other	N/A	N/A	N/A
Senior Secured Notes	9,283,534	Third Party Pricing[2]	N/A	N/A	N/A
Senior Secured and Subordinated Notes	2,031,292	Discounted Cash Flow	Discount Rate	1.6% - 1.8%	1.7%
			Default Rate	2.0%	2.0%
			Recovery Rate		69.0%

				15.0% - 75.0%	
Contingent Obligation	13,274	Other	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	12,343,021				
Contingent Consideration Obligation	96,126	Discounted Cash Flow	Discount Rate	11.0% - 18.5%	15.7%
Total Financial Liabilities	$12,439,147				

(1) The net asset value of the underlying securities held by AAA Investments represents its sole investment in Athene, offset by other net liabilities. The investment in Athene was valued at $2,244.2 million as of December 31, 2014 using the embedded value method based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The unobservable inputs and respective ranges used are the same as noted for the Investment in Athene Holding and the AAA/Athene Receivable in the table above. See note 12 for discussion of the investment in Athene Holding.

(2) These securities are valued primarily using broker quotes.

(3) Balance includes investments in an affiliated fund, which primarily invests in corporate loans, bonds, and CLO notes. Balance at December 31, 2014 includes investments in an affiliated fund in the amount of $865.9 million, which were valued based on NAV.

Investment in Athene Holding and AAA/Athene Receivable

As of March 31, 2015, the significant unobservable input used in the fair value measurement of the investment in Athene Holding is the discount rate applied in the valuation model. This input in isolation can cause significant increases or decreases in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the expected required rate of return based on the risk profile of similar cash flows.

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Consolidated VIEs

Investments

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

Liabilities

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

Contingent Consideration Obligations

The significant unobservable input used in the fair value measurement of the contingent consideration obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases or decreases in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of the contingent consideration obligations; conversely a decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. The discount rate was based on the weighted average cost of capital for the Company. See note 13 for further discussion of the contingent consideration obligations.

6. CARRIED INTEREST RECEIVABLE

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

	As of March 31, 2015	As of December 31, 2014
Private Equity	$685,809	$672,119
Credit	197,781	226,430
Real Estate	12,591	13,117
Total carried interest receivable	$896,181	$911,666

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The table below provides a roll-forward of the carried interest receivable balance for the three months ended March 31, 2015:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2015	$672,119	$226,430	$13,117	$911,666
Change in fair value of funds[1]	59,132	31,507	1,505	92,144
Fund distributions to the Company	(45,442)	(60,156)	(2,031)	(107,629)
Carried interest receivable, March 31, 2015	$685,809	$197,781	$12,591	$896,181

(1) Included in unrealized carried interest income (loss) from affiliates for the three months ended March 31, 2015 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income with respect to Fund V, ACLF and certain SIAs within the credit segment of $4.2 million, $4.4 million and $27.0 million, respectively. The fair value gain on investments and income at the fund level needed to reverse the general partner obligations with respect to Fund V, ACLF and certain SIAs within the credit segment was $28.0 million, $10.6 million and $30.7 million, respectively, as of March 31, 2015. The general partner obligation is recognized based upon a hypothetical liquidation of the fund’s net assets as of the reporting date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund’s investments based on the contractual termination of the fund or as otherwise set forth in the respective limited partnership agreement of the fund.

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

7. PROFIT SHARING PAYABLE

Profit sharing payable from private equity, credit and real estate funds consisted of the following:

	As of March 31, 2015	As of December 31, 2014
Private Equity	$263,370	$240,595
Credit	191,261	186,307
Real Estate	8,779	7,950
Total profit sharing payable	$463,410	$434,852

The table below provides a roll-forward of the profit sharing payable balance for the three months ended March 31, 2015:

	Private Equity	Credit	Real Estate	Total
Profit sharing payable, January 1, 2015	$240,595	$186,307	$7,950	$434,852
Profit sharing expense [1]	30,722	19,183	1,816	51,721
Payments/other	(7,947)	(14,229)	(987)	(23,163)
Profit sharing payable, March 31, 2015	$263,370	$191,261	$8,779	$463,410

(1) Includes both of the following: (i) changes in amounts payable to employees and former employees entitled to a share of carried interest income in Apollo's funds and (ii) changes to the fair value of the contingent consideration obligations (see notes 5 and 13) recognized in connection with certain Apollo acquisitions.

8. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. federal, state and local income taxes. APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. federal, state and local corporate income taxes. Certain other subsidiaries of the Company are subject to New York City Unincorporated Business Tax (“NYC UBT”) attributable to the Company’s operations apportioned to New York City. In addition, certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions.
The Company’s provision for income taxes totaled $5.5 million and $32.5 million for the three months ended March 31, 2015 and 2014, respectively. The Company’s effective tax rate was approximately 2.7% and 6.6% for the three months ended March 31, 2015 and 2014, respectively.

Under U.S. GAAP, a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Based upon the Company’s review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined that no unrecognized tax benefits for uncertain tax positions were required to be recorded. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record significant amounts of unrecognized tax benefits within the next twelve months.

The Company's primary jurisdictions in which it operates are the United States, New York State, New York City, California and the United Kingdom. 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 March 31, 2015, the Company's U.S. federal, state, local and foreign income tax returns for the years 2011 through 2014 are open under the general statute of limitations provisions and therefore subject to examination. Currently, the Internal Revenue Service is examining the tax returns of Apollo Global Management, LLC and various subsidiaries for tax years 2010 to 2012. The City of New York is examining certain subsidiaries' tax returns for tax years 2011 and 2012, and the City of Los Angeles is examining certain subsidiaries' tax returns for the year 2011 to 2013.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. The Company recognized an additional step-up in tax basis of intangibles as a result of subsequent exchanges of AOG Units for Class A shares in 2014. As a result of these exchanges of AOG Units for Class A shares, there were increases in the deferred tax asset established from the 2007 Reorganization which was recorded in deferred tax assets in the condensed consolidated statements of financial condition for the expected tax benefit associated with these increases. A related tax receivable agreement liability was recorded in due to affiliates in the condensed consolidated statements of financial condition for the expected payments under the tax receivable agreement entered into by and among APO Corp., the Managing Partners, the Contributing Partners, and other parties thereto (as amended, the "tax receivable agreement") (see note 12). The amortization period for these tax basis intangibles is 15 years. Accordingly, the related deferred tax assets will reverse over the same period.

(dollars in thousands, except share data, except where noted)

9. DEBT

Debt consisted of the following:

	As of March 31, 2015		As of December 31, 2014	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
2013 AMH Credit Facilities - Term Facility	$500,000	1.37 %	$500,000	1.36 %
2024 Senior Notes[1]	499,083	4.00	499,058	4.00
2014 AMI Term Facility I[2]	14,375	2.24	16,204	2.34
2014 AMI Term Facility II[3]	16,635	1.93	18,752	1.93
Total Debt	$1,030,093		$1,034,014	

(1) Includes impact of any amortization of note discount.

(2) On July 3, 2014, Apollo Management International LLP (“AMI”), a subsidiary of the Company, entered into a €13.4 million five year credit agreement (the “2014 AMI Term Facility I”). Proceeds from the borrowing were used to fund the Company's investment in a European CLO it manages.

(3) On December 9, 2014, AMI entered into a €15.5 million five year credit agreement (the "2014 AMI Term Facility II"). Proceeds from the borrowing were used to fund the Company's investment in a European CLO it manages.

2013 AMH Credit Facilities—On December 18, 2013, AMH and its subsidiaries and certain other subsidiaries of the Company (collectively, the "Borrowers") entered into new credit facilities (the "2013 AMH Credit Facilities") with JPMorgan Chase Bank, N.A. The 2013 AMH Credit Facilities provide for (i) a term loan facility to AMH (the “Term Facility”) that includes $750 million of the term loan from third-party lenders and $271.7 million of the term loan held by a subsidiary of the Company and (ii) a $500 million revolving credit facility (the “Revolver Facility”), in each case, with a final maturity date of January 18, 2019.

Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus an applicable margin, and undrawn revolving commitments bear a commitment fee. Under the terms of the 2013 AMH Credit Facilities, the applicable margin ranges from 1.125% to 1.75% for LIBOR loans and 0.125% to 0.75% for alternate base rate loans, and the undrawn revolving commitment fee ranges from 0.125% to 0.25%, in each case depending on the Company’s corporate rating assigned by Standard & Poor’s Ratings Group, Inc. The 2013 AMH Credit Facilities do not require any scheduled amortization payments or other mandatory prepayments (except with respect to overadvances on the Revolver Facility) prior to the final maturity date, and the Borrowers may prepay the loans and/or terminate or reduce the revolving commitments under the 2013 AMH Credit Facilities at any time without penalty. In connection with the issuance of the 2024 Senior Notes (as defined below), $250 million of the proceeds were used to repay a portion of the Term Facility outstanding with third party lenders at par. The interest rate on the $500 million Term Facility as of March 31, 2015 was 1.37% and the commitment fee as of March 31, 2015 on the $500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was $1.9 million and $2.7 million for the three months ended March 31, 2015 and 2014, respectively. Debt issuance cost amortization expense related to the 2013 AMH Credit Facilities was $0.2 million and $0.3 million for the three months ended March 31, 2015 and 2014, respectively.

The estimated fair value of the Company’s long-term debt obligation related to the 2013 AMH Credit Facilities is approximately $501.3 million based on obtained broker quotes as of March 31, 2015. The $500.0 million carrying value of debt that is recorded on the condensed consolidated statements of financial condition at March 31, 2015 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities. The Company has determined that the long-term debt obligation related to the 2013 AMH Credit Facilities would be categorized as a Level III liability in the fair value hierarchy based on the number and quality of broker quotes obtained, the standard deviations of the observed broker quotes and the percentage deviation from independent pricing services.

The 2013 AMH Credit Facilities are guaranteed and collateralized by AMH and its subsidiaries, Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P., Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P.,

Apollo Principal Holdings IX L.P., Apollo Principal Holdings X L.P., ST Holdings GP, LLC and ST Management Holdings, LLC. The 2013 AMH Credit Facilities contain affirmative and negative covenants which limit the ability of the Borrowers, the guarantors and certain of their subsidiaries to, among other things, incur indebtedness and create liens. Additionally, the 2013 AMH Credit Facilities contain financial covenants which require the Borrowers and their subsidiaries to maintain (1) at least $40 billion of Fee-Generating Assets Under Management and (2) a maximum total net leverage ratio of not more than 4.00 to 1.00 (subject to customary equity cure rights). The 2013 AMH Credit Facilities also contain customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of the Company.
Borrowings under the Revolver Facility may be used for working capital and general corporate purposes, including, without limitation, permitted acquisitions. In addition, the Borrowers may incur incremental facilities in respect of the Revolver Facility and the Term Facility in an aggregate amount not to exceed $500 million plus additional amounts so long as the Borrowers are in compliance with a net leverage ratio not to exceed 3.75 to 1.00. As of March 31, 2015 and December 31, 2014, the Revolver Facility was undrawn.

2024 Senior Notes—On May 30, 2014, AMH issued $500 million in aggregate principal amount of its 4.000% Senior Notes due 2024 (the "2024 Senior Notes"), at an issue price of 99.722% of par. Interest on the 2024 Senior Notes is payable semi-annually in arrears on May 30 and November 30 of each year. The 2024 Senior Notes will mature on May 30, 2024. The discount will be amortized into interest expense on the condensed consolidated statements of operations over the term of the 2024 Senior Notes. Interest expense incurred by the Company related to the 2024 Senior Notes was $5.0 million for the three months ended March 31, 2015.

The Company capitalized debt issuance costs of $5.5 million incurred in connection with the issuance of the 2024 Senior Notes, which was recorded in other assets in the condensed consolidated statements of financial condition as of March 31, 2015, to be amortized over the term of the notes. Debt issuance cost amortization expense related to the issuance of the 2024 Senior Notes was $0.1 million for the three months ended March 31, 2015.

The 2024 Senior Notes are guaranteed by Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P., Apollo Principal Holdings IX, L.P., Apollo Principal Holdings X, L.P., AMH Holdings (Cayman), L.P. and any other entity that is required to become a guarantor of the notes under the terms of the indenture governing the 2024 Senior Notes (the "2024 Senior Notes Indenture"). The 2024 Senior Notes Indenture includes covenants that restrict the ability of AMH and, as applicable, the guarantors to incur indebtedness secured by liens on voting stock or profit participating equity interests of their respective subsidiaries or merge, consolidate or sell, transfer or lease assets. The 2024 Senior Notes Indenture also provides for customary events of default.

The estimated fair value of the Company's long-term debt obligation related to the 2024 Senior Notes is approximately $512.6 million based on obtained broker quotes as of March 31, 2015. The face amount of $500.0 million related to the 2024 Senior Notes is the amount for which the Company is obligated to settle the 2024 Senior Notes. The Company has determined that the long-term debt obligation related to the 2024 Senior Notes would be categorized as a Level II liability in the fair value hierarchy based on the number and quality of broker quotes obtained, the standard deviations of the observed broker quotes and the percentage deviation from independent pricing services.

10. NET INCOME (LOSS) PER CLASS A SHARE

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

The remaining earnings are allocated to Class A shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Earnings or losses allocated to each class of security are then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator

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includes all outstanding Class A shares and includes the number of additional Class A shares that would have been outstanding if the dilutive potential Class A shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the issuance of these potential Class A shares.
The table below presents basic and diluted net income per Class A share using the two-class method for the three months ended March 31, 2015 and 2014:

	Basic and Diluted For the Three Months Ended March 31, 2015		Basic and Diluted For the Three Months Ended March 31, 2014	
Numerator:				
Net income attributable to Apollo Global Management, LLC	$30,927		$72,169	
Distributions declared on Class A shares	(144,394	) [1]	(160,867	) [2]
Distributions on participating securities[5]	(15,264	)	(25,477	)
Earnings allocable to participating securities	—	[3]	—	[3]
Undistributed loss attributable to Class A shareholders: Basic and Diluted	(128,731	)	(114,175	)
Denominator:				
Weighted average number of Class A shares outstanding: Basic and Diluted	165,968,620		147,776,519	
Net Income per Class A share: Basic and Diluted				
Distributed Income	$0.87		$1.09	
Undistributed Loss	(0.78	)	(0.77	)
Net Income per Class A Share: Basic and Diluted[4]	$0.09		$0.32	

(1) The Company declared an $0.86 distribution on Class A shares on February 5, 2015.
(2) The Company declared a $1.08 distribution on Class A shares on February 7, 2014.
(3) No allocation of undistributed losses was made to the participating securities as the holders do not have a contractual obligation to share in the losses of the Company with Class A shareholders.
(4) For the three months ended March 31, 2015 and 2014, the Company had an undistributed loss attributable to Class A shareholders and none of the classes of securities resulted in dilution. For the three months ended March 31, 2015 and 2014, AOG Units, restricted share units ("RSUs"), share options and participating securities were anti-dilutive and were accordingly excluded from the diluted earnings per share calculation.
(5) Participating securities consist of vested and unvested RSUs that have rights to distribution equivalents.

On October 24, 2007, the Company commenced the granting of RSUs that provide the right to receive, subject to vesting, Class A shares of Apollo Global Management, LLC, pursuant to the Company's 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as "Plan Grants." For certain Plan Grants, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a distribution is declared. The Company refers to these as "Bonus Grants." For the three months ended March 31, 2015 and 2014, the weighted average vested RSUs were 14.7 million and 21.4 million, respectively. For the three months ended March 31, 2015 and 2014, the weighted average unvested RSUs that participated in distributions were 5.0 million and 3.5 million, respectively.
Any distribution equivalent paid to an employee will not be returned to the Company upon forfeiture of the award by the employee. Vested and unvested RSUs that are entitled to non-forfeitable distribution equivalents qualify as

participating securities and are included in the Company’s basic and diluted earnings per share computations using the two-class method. The holder of an RSU participating security would have a contractual obligation to share in the losses of the entity if the holder is obligated to fund the losses of the issuing entity or if the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. Because the RSU participating securities do not have a mandatory redemption amount and the holders of the participating securities are not obligated to fund losses, neither the vested RSUs nor the unvested RSUs are subject to any contractual obligation to share in losses of the Company.
In addition, certain share options were granted to employees under the Company's 2007 Omnibus Equity Incentive Plan. For the three months ended March 31, 2015 and 2014, weighted average unexercised options were 0.2 million and 1.5 million, respectively.

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may a limited number of times each year, upon notice (subject to the terms of the Exchange Agreement), exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share.

If all of the outstanding AOG Units were exchanged for Class A shares, the result would be an additional 222,455,477 and 228,954,598 Class A shares added to the basic earnings per share calculations for the three months ended March 31, 2015 and 2014. For the three months ended March 31, 2015 and 2014, the weighted average AOG Units outstanding were 222.5 million and 229.0 million, respectively.

Apollo Global Management, LLC has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. ("BRH"). The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net income (loss) per share as it does not participate in Apollo's earnings (losses) or distributions. The Class B share has no distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share represented 64.4% and 68.8% of the total voting power of the Company's shares entitled to vote as of March 31, 2015 and 2014, respectively.

The table below presents transactions in Class A shares during the three months ended March 31, 2015 and each quarter during the year ended December 31, 2014, and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of Class A Shares Transaction	Number of Shares Issued in Class A Shares Transaction (in thousands)		Apollo Global Management, LLC ownership% in Apollo Operating Group before Class A Shares Transaction	Apollo Global Management, LLC ownership% in Apollo Operating Group after Class A Shares Transaction	Holdings ownership% in Apollo Operating Group before Class A Shares Transaction	Holdings ownership% in Apollo Operating Group after Class A Shares Transaction
Quarter Ended March 31, 2014	Issuance	2,672		39.0%	39.4%	61.0%	60.6%
Quarter Ended June 30, 2014	Issuance/Exchange	7,344	(1)	39.4%	41.2%	60.6%	58.8%
Quarter Ended September 30, 2014	Issuance	3,660		41.2%	41.8%	58.8%	58.2%
Quarter Ended December 31, 2014	Issuance/Exchange	3,090	(1)	41.8%	42.3%	58.2%	57.7%
Quarter Ended March 31, 2015	Issuance/Exchange	4,866	(1)	42.3%	43.0%	57.7%	57.0%

(1) In May 2014, October 2014 and February 2015, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 6.2 million, 0.1 million and 0.2 million Class A shares, respectively, were issued by

the Company in the exchanges.

11. EQUITY-BASED COMPENSATION

RSUs

On October 24, 2007, the Company commenced the granting of RSUs under the Company’s 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. The fair value of all grants after March 29, 2011 is based on the grant date fair value, which considers the public share price of the Company. For Plan Grants, the fair value is based on grant date fair value, and is discounted primarily for transfer restrictions and lack of distributions until vested. For Bonus Grants, the fair value is discounted primarily for transfer restrictions and in certain cases timing of distributions. For Plan Grants that are not eligible for distributions on unvested shares, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 29.2% and 35.2% for the three months ended March 31, 2015 and 2014, respectively. Additionally, for Plan Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation, after considering the discount for lack of pre-vesting distributions, had a weighted average of 4.8% and 5.0% for the three months ended March 31, 2015 and 2014, respectively. For Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.3% and 3.0% for the three months ended March 31, 2015 and 2014, respectively. The estimated total fair value is charged to compensation expense on a straight-line basis over the vesting period, which for Plan Grants is generally up to six years, with the first installment vesting one year after grant and quarterly vesting thereafter, and for Bonus Grants is annual vesting over three years. The fair value of grants made during the three months ended March 31, 2015 and 2014 is $0.4 million and $33.0 million, respectively. The actual forfeiture rate was 0.1% and 8.0% for the three months ended March 31, 2015 and 2014, respectively. For the three months ended March 31, 2015 and 2014, $17.4 million and $30.6 million of compensation expense was recognized, respectively.

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In addition, during 2014, the Company entered into an agreement with an executive officer providing for the grant of RSUs when certain metrics have been achieved. In accordance with U.S. GAAP, equity-based compensation expense is recognized only when certain metrics are met or deemed probable. Accordingly, for the three months ended March 31, 2015 and 2014, no equity-based compensation expense was recognized relating to these RSUs.

The following table summarizes RSU activity for the three months ended March 31, 2015:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2015	10,717,635	$18.11	17,354,242	28,071,877
Granted	22,078	16.75	—	22,078
Forfeited	(15,983)	20.59	—	(15,983)
Delivered	—	14.47	(4,640,825)	(4,640,825)
Vested	(1,042,072)	17.87	1,042,072	—
Balance at March 31, 2015	9,681,658	$18.13	13,755,489	23,437,147 (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 March 31, 2015, approximately 9,100,000 RSUs were expected to vest over the next 3.5 years.

Share Options

The Company has granted options under the 2007 Omnibus Equity Incentive Plan. For the three months ended March 31, 2015 and 2014, $0.0 million and $28.1 million of compensation expense was recognized as a result of these grants, respectively. In connection with the departure of an employee from the Company, such employee vested in 1,250,000 share options that were previously granted to him and forfeited 1,250,000 share options that were previously granted to him. As a result of the additional vesting, the Company recorded an incremental compensation expense of $28.1 million related to the relevant option award agreement for the three months ended March 31, 2014. There were no share options granted during the three months ended March 31, 2015 or 2014. Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model.

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 March 31, 2015 was $0.4 million and is expected to be recognized over a weighted average period of 3.3 years.

Delivery of Class A Shares - RSUs and Share Options

During the three months ended March 31, 2015, the Company delivered Class A shares in settlement of vested RSUs and exercised share options. The delivery of Class A shares in settlement of vested RSUs and exercised share options 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 in settlement of vested RSUs and exercised share options causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the three months ended March

(dollars in thousands, except share data, except where noted)

31, 2015 and 2014, the Company delivered 4,640,825 and 2,671,869 Class A shares in settlement of vested RSUs and exercised share options, respectively, which caused the Company's ownership interest in the Apollo Operating Group to increase to 43.0% from 42.3%. The gross value of the settlement of these shares was $110.7 million and $87.3 million, respectively, based on Apollo's share price at the time of the delivery.

Restricted Share Awards—Athene Holding

Athene Holding has granted restricted share awards ("AHL Awards") to certain employees of Apollo. Certain of the awards granted are subject to time-based vesting conditions that generally vest over five years and certain of the awards vest once certain metrics have been achieved. During 2014, the vesting terms of some of the AHL Awards were modified such that the portion of AHL Awards related to services provided from the date of grant were deemed vested.

The AHL Awards granted to employees of Athene Asset Management, L.P. ("Athene Asset Management"), a consolidated subsidiary of Apollo, are accounted for as a prepaid compensation asset within other assets and deferred revenue in the condensed consolidated statements of financial condition. From the date of grant, the deferred revenue is recognized as management fees and the prepaid compensation asset is recognized as compensation expense over the vesting period. The fair value of the awards to employees is based on the grant date fair value, which utilizes the share price of Athene Holding, less discounts for transfer restrictions. Shares granted as part of the AHL Awards were valued using a multiple-scenario model, which considers the price volatility of the underlying stock price of Athene Holding, time to expiration and the risk-free rate. The awards granted are recognized as liability awards remeasured each period to reflect the fair value of the prepaid compensation asset and deferred revenue. Any changes in fair value are recorded in management fees and equity-based compensation expense in the condensed consolidated statements of operations. There were no material grants of AHL Awards during the three months ended March 31, 2015.

For the three months ended March 31, 2015 and 2014, $1.7 million and $0.0 million of management fees and equity-based compensation expense was recognized in the condensed consolidated statements of operations related to AHL Awards granted to employees of Athene Asset Management.

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 March 31, 2015:

	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
RSUs and Share Options	$17,035	—%	$—	$17,035
AHL Awards	1,721	57.0	981	740
Other equity-based compensation awards	1,347	57.0	767	580
Total Equity-Based Compensation	$20,103		1,748	18,355
Less other equity-based compensation awards [2]			(1,748)	(972)
Capital Increase Related to Equity-Based Compensation			$—	$17,383

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.
(2) Includes equity-based compensation reimbursable by certain funds.