

Risks:

- Balance sheet and collateral concentration in fine art.
- Black is a market maker in Impressionist/Modern art. The foreclosure on collateral to repay art secured loans would most certainly have a negative effect on the market.

Mitigants:

- **Quality of the fine art collateral:** Black's portfolio includes many marquee works of art by marquee artists. While the number of individual buyers for this quality of art may be limited, it is broadened by the appeal to museum's (and even governments). Given the expected quality of Black's portfolio, we believe there would be significant interest by fine art collectors should the Borrower himself wish to sell or if DB were to exercise its rights on the Collateral.
- **LTV:** DB's proposed structure will include all our standard diversification language, including a minimum 20 of pieces, each with a FMV of ≥\$1MM, the collateral value of each specific piece would be limited to no more than 20% of the total art collateral, the collateral value from any single artist would be limited to 50% of the total art collateral, and would only include pieces domiciled in the US.

Risks:

- Balance sheet and collateral concentration in Apollo.
- The limited "float" of Apollo Class A shares with only 141MM shares issued and outstanding versus a fully diluted total of 372MM (38%).
- Transfer Limitations per the 4/4/2011 IPO.
- Conversion risks associated with the exchange of Apollo units to Class A shares.

Mitigants:

- **Historic Performance:** The Managing Partners of Apollo (Black, Rowan & Harris) have worked together for more than 22 years. They have a proven track record with \$114.3BN in AUMs, including \$39.2BN in private equity, \$63.5BN in credit and \$9.4BN in real estate. They have consistently produced long-term investment returns in their private equity funds with a 39% gross IRR and a 26% net IRR on a compound annual basis since inception. In addition, the positive trends for the firm are expected to continue and the near term forecast remains strong.
- **LTV:** DB's blended LTV at loan origination is estimated at 43% (\$500MM/\$1.16BN collateral market value.) Total Bank debt blended LTV at loan origination is estimated at only 31% (\$1.5BN/\$4.8BN collateral market value). Assuming Black maximizes the borrowing power against his art (\$1.25BN), only \$0.25BN is reliant upon the liquidation of Apollo shares. At a floor price of \$18.00/share, it would require the sale of only 13.89MM shares, which is only 9.85% of current outstanding shares, and only 3.73% of fully diluted shares.
- **Improved Liquidity:** The Transfer Limitation increases to 15% on 4/4/14, for a total of 13.91MM shares (92.7MM Black holdings*.15), which is just slightly greater than the number of shares all Banks would need to sell at our \$18.00/share floor price of 13.89MM shares. In the first year, due to the Transfer Limitation of 7.5% (6.95MM shares), at a floor price of \$18.00/share, only \$125.2MM could be liquidated, which could be done in 5 days (assuming 100% of the market). This leaves \$124.8MM in additional reliance on the art (\$250MM Apollo supported debt-\$125.2MM in Black Apollo liquidity). Adding this to the \$1.25BN in debt reliant on the art results in only a 55% advance (\$1.375BN/\$2.5BN) against a high quality art portfolio.
- **Documentation:** DB will require all necessary registration documents to be maintained and will also require Apollo consent to the pledge. These items will help to minimize any delays during conversion.

AOG / APO Details	Shares	%	Market Cap	Leon Black Yearly Max Transfer	
Current APO Class A Shares Outstanding	141,064,697	37.89%	\$ 3,526,617,425	Year 1	6,954,537
Leon Black AOG Units	92,727,166	24.91%	2,318,179,150	Year 2	13,909,075
Other AOG Units	138,503,469	37.20%	3,462,586,725	Year 3	20,863,612
Fully Diluted APO Class A Shares	372,295,332	100.00%	\$ 9,307,383,300		
	Closing Price	\$ 25.00			
	Average Daily Trading Volume (shares)	1,500,000			
	Average Daily Trading Volume (dollars)	\$ 37,500,000			
	# Days to Liquidate APO shares			<u>100% Market</u>	<u>20% Market</u>
	Total Pledged APO shares	13.33		66.67	
	APO shares to cover \$500MM	13.33		66.67	
	APO shares less Art collateral BB	4.53		22.67	

Relationship Summary:

- Apollo is a platinum relationship in our Financial Sponsors Group.
- AWM has a \$150MM participation in a \$400MM JPM led subscription finance facility to Apollo Investment Fund VII LP
- AWM Lending has asked the Banker to provide a formal business case, which is forthcoming. In general, Lending sees additional business opportunities to include a mandate under the proposed loan structure requiring liquidity held with DB in addition to investment opportunities with the Family Trust, which is on the receiving end of the \$1.5BN in loan proceeds.

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