



000000 00 000 00000000

Jon S. Corzine  
*Governor*

Office of the Attorney General  
Department of Law and Public Safety  
Division of Gaming Enforcement  
P.O. Box 047  
Trenton, NJ 08625-0047

Anne Milgram  
*Attorney General*

Josh Lichtblau  
*Director*

May 28, 2008

Honorable Linda M. Kassekert  
Chair  
Casino Control Commission  
Arcade Building  
Tennessee Avenue and the Boardwalk  
Atlantic City, NJ 08401

Re: In the Matter of the Plenary Qualification of Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, Co-Invest Hamlet Holdings, Series, LLC, Co-Invest Hamlet Holdings B, LLC, and Hamlet Holdings, LLC as Holding Companies of Casino Licensees Harrah's Atlantic City Operating Company, LLC (Marina OpCo), Showboat Atlantic City Operating Company, LLC (Showboat OpCo), Bally's Park Place, Inc. (BPP), and Boardwalk Regency Corporation (BRC).

Dear Chair Kassekert:

## **I. INTRODUCTION**

The Division of Gaming Enforcement (Division) submits this report to the Commission with regard to the plenary qualification of the below described holding companies, entity qualifiers and financial sources of the Harrah's casino licensees described hereinafter. This report pertains to entities and persons associated or affiliated with Apollo Global



(609) 292-9394

*New Jersey Is An Equal Opportunity Employer • Printed on Recycled Paper and Recyclable*

Management, LLC (AGM or Apollo). The Division is submitting four other reports with regard to this and related matters. A separate report will be filed regarding entities and persons associated or affiliated with Texas Pacific Group (TPG). Another report will be filed regarding the casino license renewal applications of Harrah's Atlantic City Operating Company, LLC (Marina OpCo), Showboat Atlantic City Operating Company, LLC (Showboat OpCo), Bally's Park Place, Inc. (BPP), and Boardwalk Regency Corporation (BRC). A separate report will address their casino hotel alcoholic beverage licenses. Lastly, a financial analysis report will also be submitted relating to all entities in the corporate/non-corporate chain, including the casino licensees. In addition, a number of reports will be filed with regard to the credentials of the initial individual qualifiers associated with those entities.

Apollo Hamlet Holdings, LLC (Apollo Hamlet), Apollo Hamlet Holdings B, LLC (Apollo Hamlet B), TPG Hamlet Holdings B, LLC (TPG Hamlet B), TPG Hamlet Holdings, LLC (TPG Hamlet), Co-Invest Hamlet Holdings, Series, LLC (Co-Invest Series), Co-Invest Hamlet Holdings B, LLC (Co-Invest B), Hamlet Holdings, LLC (Hamlet Holdings) and Hamlet Merger, Inc. were granted Interim Casino Authorization (ICA) as set forth in Commission Resolution No. 07-10-17-17 on October 17, 2007. As described therein, a Plan and Agreement of Merger dated as of December 19, 2006 (Merger Agreement), pursuant to which Hamlet Merger, Inc. (Hamlet Merger) would be merged with and into Harrah's Entertainment, Inc. (HEI) with HEI as the surviving entity, was consummated and closed on or about January 28, 2008. As a result, the shareholders of Hamlet Merger

became the shareholders of HEI, which previously had been a publicly traded corporation. All outstanding shares of HEI stock were redeemed for \$90 per share. The shareholders of Hamlet Merger became the sole shareholders of HEI, with each of the new shareholders holding the same type of stock and number of shares as they held in Hamlet Merger. Immediately prior to the Merger, Hamlet Merger had three classes of stock: Voting Common Stock, Non-Voting Common Stock, and Non-Voting Preferred Stock. Generally, HEI was acquired by Apollo Fund VI (described hereinafter) and TPG Fund V (which will be described in the separate report filed regarding TPG), Co-Invest Hamlet Holdings, Series, LLC, Co-Invest Hamlet Holdings B, LLC. Other investors are also described later in this report.

Hamlet Holdings, LLC became the 100% owner of all the issued and outstanding Voting Common Stock, and as such is vested with the full authority to control the business and affairs of HEI. HEI was and is a holding company of four New Jersey casino licensees namely, Marina Associates trading as Harrah's Marina Hotel and Casino (Harrah's Marina), Atlantic City Showboat, Inc. (AC Showboat) which owned and operated the Showboat Atlantic City Hotel & Casino, Bally's Park Place, Inc. (BPP) which owned and operated Bally's Atlantic City Hotel & Casino and the Claridge Casino Hotel, and Boardwalk Regency Corporation (BRC) which owned and operated Caesars Atlantic City Hotel & Casino.

As described in previous filings with the Commission, and in part as a result of certain aspects of the closing of the Merger, Marina Associates has been replaced by Marina

OpCo. Part of the financing for the Merger was a real estate credit facility which included a CMBS Restructuring, pursuant to which the real estate assets of Harrah's Marina including the Marina Casino facility but not the gaming assets, were conveyed to Harrah's Atlantic City Property Company, LLC (Marina PropCo), a Delaware limited liability company. The gaming assets of Harrah's Marina were conveyed to Marina OpCo, a newly formed New Jersey limited liability company, which operates the Harrah's Marina Casino through a lease with Marina PropCo. Also as part of the CMBS Restructuring, the real estate assets of AC Showboat, including the Showboat Casino facility but not the gaming assets, were conveyed to Showboat Atlantic City Property Company, LLC (Showboat PropCo), a Delaware limited liability company. The gaming assets of AC Showboat were conveyed to Showboat OpCo, a newly formed New Jersey limited liability company, which operates the Showboat Casino through a lease with Showboat PropCo.

However, subsequently a petition was filed (PRN 0860801) and the Commission issued Resolution No. 08-04-30-11 which approved and authorized a restructuring allowing Showboat PropCo to be removed as a borrower under the Mortgage Loan and the various Showboat mezzanine financing entities removed as borrowers under the Mezzanine Loans, both of which were part of the real estate credit facility used to effect the Merger and more particularly described in Commission Resolution Nos. 07-10-17-17, 08-01-16-7 and 08-02-20-15. They will also be referenced in the Division's separate financial analysis report of even date. As a result of the restructuring, the Showboat Casino Hotel through its various holding companies will be added as guarantors of the New Senior Notes and its assets

used to secure the Senior Secured Credit Facility, two additional financing mechanisms utilized in the Merger. The Commission is referred to the aforesaid Resolutions and is already very familiar with these credit facilities.

The Non-Voting Stock of HEI, both Common and Preferred, is now owned by six holding companies, namely Apollo Hamlet (4,188,089.90 common and 2,048,466.57 preferred), Apollo Hamlet B (4,709,799.74 common and 2,303,643.79 preferred), TPG Hamlet B (1,073,289.50 common and 524,964.29 preferred), TPG Hamlet (7,824,600.14 common and 3,827,146.07 preferred), Co-Invest Series (6,781,828.73 common and 3,317,108.69 preferred) and Co-Invest B (15,708,007.04 common and 7,683,055.54 preferred). Apollo Hamlet and Apollo Hamlet B own approximately 21.8% of those shares, TPG Hamlet B and TPG Hamlet also own approximately 21.8% of those shares, and Co-Invest Series and Co-Invest B own approximately 55% of those shares.<sup>1</sup> The Merger was financed through several transactions which met the definition of material debt transactions under *N.J.A.C. 19:43-4.1* and which, therefore, required the Commission's approval pursuant to *N.J.A.C. 19:43-4.3(a)* prior to their consummation. The Commission approved the proposed material debt transactions.

---

<sup>1</sup> These percentages are approximate since management, including directors and officers, owns a little in excess of 1% of these shares.

## **II. HOLDING COMPANIES AND OTHER ENTITY QUALIFIERS**

### **A. Hamlet Holdings, LLC**

Hamlet Holdings, LLC was formed as a Delaware Limited Liability Company on or about December 13, 2006 as a holding company to ultimately hold all of the voting common stock of HEI. The following individuals are members of Hamlet Holdings, LLC: Leon Black, David Bonderman, Jonathan Coslet, James Coulter, Joshua Harris and Marc Rowan. Each of the above members holds a 1/6th membership interest in Hamlet Holdings, LLC and each member also holds a 1/6th voting interest. All of the members have filed a Personal History Disclosure Form. The current officers of Hamlet Holdings, LLC are:

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Dates Held</u></b>
David Bonderman	Vice President Co-President	2/7/07-Present 12/19/06-2/7/07
James Coulter	Vice President	2/7/07-Present
Joshua Harris	Vice President	2/7/07-Present
Marc Rowan	Vice President	12/19/06-Present
Jeffrey Benjamin	Secretary	2/7/07-Present
Anthony Civale	Secretary Vice President	2/7/07-Present 12/19/06-2/7/07
Kelvin Davis	Secretary Vice President	2/7/07-Present 12/19/06-2/7/07
Karl Peterson	Secretary Vice President	2/7/07-Present 12/19/16-2/7/07

Eric Press	Secretary	2/7/07-Present
	Co-President	12/19/06-2/7/07

The Operating Agreement of Hamlet Holdings, LLC was executed on December 19, 2006 and was amended on February 7, 2007, October 1, 2007 and January 28, 2008. The operating agreement states the company was formed for the object and purpose of engaging in any lawful act or activity for which limited liability companies may be formed. Decisions of Hamlet Holdings, LLC will be made by simple majority vote of the members, provided that all decisions by or on behalf of the company shall require the consent of at least one Apollo Member and at least one Texas Pacific Group (TPG) Member. All actions in respect of Hamlet Holdings' ownership interest in Harrah's, which consists of 10 voting common shares of HEI, including any decision to exercise voting, transfer or economic rights in respect of the voting shares, shall require the approval of at least one Apollo member and at least one TPG Member.

#### **B. Apollo Hamlet Holdings, LLC**

Apollo Hamlet filed a Business Entity Disclosure Form (BEDF) with the Commission in February 2007. Apollo Hamlet, which was formed in February 2007, is a Delaware Series limited liability company formed to acquire Non-Voting Stock of HEI as described above. The following entities are members of Apollo Hamlet:

- Apollo Overseas Partners (Delaware 892) VI, L.P., a Delaware limited partnership (AOP 892);
- AOP Delaware VI Hamlet Blocker I, L.P., a Cayman Islands limited partnership (AOP Delaware Blocker I);
- AOP Delaware VI Hamlet Blocker II, L.P., a Cayman Islands limited partnership (AOP Delaware Blocker II);
- AOP Delaware VI Hamlet Blocker III, L.P., a Cayman Islands limited partnership (AOP Delaware Blocker III);
- AOP Delaware VI Hamlet Blocker IV, L.P., a Cayman Islands limited partnership (AOP Delaware Blocker IV);
- AOP VI Hamlet Blocker I, L.P., a Cayman Islands limited partnership (AOP Blocker I);
- AOP VI Hamlet Blocker II, L.P., a Cayman Islands limited partnership (AOP Blocker II);

- AOP VI Hamlet Blocker III, L.P., a Cayman Islands limited partnership (AOP Blocker III);
- AOP VI Hamlet Blocker IV, L.P., a Cayman Islands limited partnership (AOP Blocker IV);
- AOP VI Hamlet Blocker V, L.P., a Cayman Islands limited partnership (AOP Blocker V);
- AOP VI Hamlet Blocker VI, L.P., a Cayman Islands limited partnership (AOP Blocker VI);
- AOP VI Hamlet Blocker VII, L.P., a Cayman Islands limited partnership (AOP Blocker VII);
- AOP Germany VI Hamlet Blocker, L.P., a Cayman Islands limited partnership (AOP Germany);
- AAA Hamlet Blocker Corp., a Cayman Islands exempted company (AAA Hamlet Blocker);
- Apollo Advisors VI, L.P., a Delaware limited partnership (Apollo Advisors); and

- Apollo Management VI, L.P., a Delaware limited partnership (Apollo Management VI)

The managers of Apollo Hamlet are Leon Black, Joshua Harris and Marc Rowan. The officers of Apollo Hamlet are Leon Black, President; Joshua Harris, Vice President; Marc Rowan, Vice President; Eric Press, Secretary; Anthony Civale, Secretary; and Jeff Benjamin, Secretary. Each of these individuals is a qualifier and has filed appropriate disclosure forms with the Commission, and the Division is filing separate letter reports regarding their individual qualifications.

An Amended and Restated Operating Agreement of Apollo Hamlet dated October 1, 2007 provides that the managers may establish one or more Series, each of which may have separate rights, powers or duties. In general, each member entity or company will be a Series of Apollo Hamlet.

#### **1. Apollo Overseas Partners (Delaware 892) VI, L.P.**

Apollo Overseas Partners (Delaware 892) VI, L.P. (AOP Delaware 892) is a Delaware limited partnership established on August 3, 2005, at which time an Agreement of Limited Partnership was executed, and commenced operations on January 1, 2006. On August 26, 2005, an Amended and Restated Agreement of Limited Partnership was executed. AOP Delaware 892 was formed as an alternative investment vehicle to co-invest with

Apollo Investment Fund VI, L.P. (AIF VI). Other investment entities are discussed hereinafter.

The general partner of AOP Delaware 892 is Apollo Advisors VI, L.P. (Apollo Advisors), which is also a Delaware limited partnership. Apollo Advisors, in accordance with the terms of AOP Delaware 892's partnership agreement, has delegated to its affiliate, Apollo Management VI, L.P. (Apollo Management), the management, operation and control of AOP Delaware 892 pursuant to the terms of a separate management agreement. AOP Delaware 892 is required to pay to Apollo Management an annual fee, payable semi-annually, equal to approximately 1.5% per annum of the aggregate capital commitments of the limited partners up to \$5 billion and 1.0% per annum of the aggregate capital commitments in excess of \$5 billion, subject to reductions for certain expenses. Additionally, Apollo Management may elect to waive a portion of the management fee. The portion of the management fee waived is utilized to satisfy the capital commitments of certain partners of AOP Delaware 892, namely Apollo Management which is also a member of Apollo Hamlet.

The limited partners of AOP Delaware 892 are sophisticated investors and primarily include non-US governmental investors. The limited partners are passive investors in AOP Delaware 892 and, under the terms of the partnership agreement, do not have any voting rights in connection with the investment in HEI (Harrah's) held by Apollo Hamlet and have no ability to manage or influence the management of Harrah's or its operating subsidiaries.

A Series Agreement was entered into between AOP Delaware 892 and Apollo Hamlet. The Series Agreement is the mechanism by which the limited partners of AOP Delaware 892 invested in Harrah's through Apollo Hamlet.

The Commission and Division have been supplied with a detailed listing of the limited partners of the above listed entity, AOP Delaware 892 which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding the limited partners. The total amount invested was approximately \$182,811,611.

## **2. Apollo Advisors VI, L.P.**

Apollo Advisors was formed in April 2005 as a Delaware limited partnership to act as the sole or managing general partner of certain investment funds established by Apollo and as a partner of certain other entities also established by Apollo. As described in other portions of this report, Apollo Advisors is the managing general partner of Apollo Investment Fund VI, L.P. and AOP Delaware 892, as well as a member of Apollo Hamlet. However, Apollo Advisors delegated its right to manage Apollo Investment Fund VI, L.P. and AOP Delaware 892 to Apollo Management VI. The limited partners include Apollo Principal Holdings I, L.P., described later in this report, and certain other Apollo investment professionals and/or principals. The general partner of Apollo Advisors is Apollo Capital Management VI, LLC.

Apollo Capital Management VI, LLC (Apollo Capital Management) is a limited liability company formed in April 2005 in Delaware to act as the general partner of Apollo Advisors. Originally, Leon Black was the sole member of the company. However, in a July 2007 reorganization of Apollo described in some detail later in this report, Apollo Principal Holdings I, L.P. (APH I) became the sole member of Apollo Capital Management. The general partner of APH I is Apollo Principal Holdings I GP, LLC, while the limited partner is APO Asset Co., LLC (APO LLC). APO LLC is also the sole member of Apollo Principal Holdings I GP, LLC. In turn, Apollo Global Management, LLC is the sole member and manager of APO LLC. In essence, approximately 87.2% of the voting control of Apollo Global Management, LLC rests with Messrs. Black, Rowan, and Harris.

### **3. AOP Delaware VI Hamlet Blocker I, II, III, and IV, L.P.s**

AOP Delaware VI Hamlet Blocker I, L.P. (AOP Delaware Hamlet Blocker I), AOP Delaware VI Hamlet Blocker II, L.P. (AOP Delaware Hamlet Blocker II), AOP Delaware VI Hamlet Blocker III, L.P. (AOP Delaware Hamlet Blocker III) and AOP Delaware VI Hamlet Blocker IV, L.P. (AOP Delaware Hamlet Blocker IV) collectively the AOP Delaware Hamlet Blockers are Cayman Islands exempted limited partnerships formed as alternative investment vehicles of Apollo Overseas Partners (Delaware) VI, L.P., (AOP Delaware) through which the limited partners of AOP Delaware directly invested their capital for the investment in Harrah's. Each of the AOP Delaware Hamlet Blockers is a member of Apollo Hamlet.

AOP Delaware Hamlet Blocker I, AOP Delaware Hamlet Blocker II, and AOP Delaware Hamlet Blocker III were formed on February 8, 2007, at which time Agreements of Limited Partnership were executed. On March 5, 2007, Amended and Restated Agreements of Limited Partnership were executed for each. As a result of the increase in the equity contribution of limited partners of Apollo, and in order to preserve their tax treatment as originally contemplated, Apollo formed an additional investment vehicle, AOP Delaware Hamlet Blocker IV. AOP Delaware Hamlet Blocker IV was formed on January 8, 2008, at which time an Agreement of Limited Partnership was executed. The initial name of the partnership was AOL IV, L.P. On January 9, 2008 the name of the partnership was changed to its current name, AOP Delaware VI Hamlet Blocker IV, L.P.

The general partner of the AOP Delaware Hamlet Blockers is Apollo Hamlet GenPar (GenPar), a Cayman Islands exempted company formed to act as the general partner of the “blocker entities” of Apollo namely, AOP Germany Hamlet Blocker, AOP VI Hamlet Blocker I, II, III, IV, V, VI, and VII, L.P.s and the AOP Delaware Hamlet Blockers. However, Apollo Management VI is the manager, pursuant to management agreements, of the all “blocker entities” namely, AOP Germany Hamlet Blocker, AOP VI Hamlet Blocker I, II, III, IV, V, VI and VII L.P.s, and AOP Delaware VI Hamlet Blocker I, II, III and IV, L.P.s.

The limited partners of the AOP Delaware Hamlet Blockers are sophisticated investors, including non-U.S. public and private pension funds and corporations. It was anticipated that each of the AOP Delaware Hamlet Blockers will hold approximately one

fourth of the limited partners' interests of AOP Delaware. The limited partners are passive investors in the AOP Delaware Hamlet Blockers and, under the terms of the partnership agreements, do not have any voting rights in connection with the investment in Harrah's and will have no ability to manage or influence the management of Harrah's or its operating subsidiaries. Series Agreements were entered into between Apollo Hamlet and each of the AOP Delaware Hamlet Blockers. The Series Agreements are the mechanism by which the limited partners of the AOP Hamlet Blockers invested in Harrah's through Apollo Hamlet.

The Commission and Division have been supplied with a detailed listing of the limited partners of the above listed entities, the AOP Delaware Hamlet Blockers which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding the limited partners. The total amount invested was approximately \$79,890,223.

**4. AOP VI Hamlet Blocker I, II, III, IV, V, VI, and VII, L.P.s**

AOP VI Hamlet Blocker I, L.P. (AOP Hamlet Blocker I), AOP VI Hamlet Blocker II, L.P. (AOP Hamlet Blocker II), AOP VI Hamlet Blocker III, L.P. (AOP Hamlet Blocker III), AOP VI Hamlet Blocker IV, L.P. (AOP Hamlet Blocker IV), AOP VI Hamlet Blocker V, L.P. (AOP Hamlet Blocker V), AOP VI Hamlet Blocker VI, L.P. (AOP Hamlet Blocker VI), and AOP VI Hamlet Blocker VII, L.P. (AOP Hamlet Blocker VII) collectively the AOP Hamlet Blockers are Cayman Islands exempted limited partnerships formed as alternative investment

vehicles of Apollo Overseas Partners VI, L.P. (AOP VI), through which the limited partners of AOP VI will directly invest their capital for the investment in Harrah's. Each of the AOP Hamlet Blockers is a member of Apollo Hamlet.

AOP Hamlet Blocker I, AOP Hamlet Blocker II, and AOP Hamlet Blocker III were formed on February 8, 2007, at which time Agreements of Limited Partnership were executed. On March 5, 2007, Amended and Restated Agreements of Limited Partnership were executed for each. As a result of the increase in the equity contribution of limited partners of Apollo, and in order to preserve their tax treatment as originally contemplated, on January 8, 2008 Apollo formed additional investment vehicles, AOP Hamlet Blocker IV, AOP Hamlet Blocker V, AOP Hamlet Blocker VI, and AOP Hamlet Blocker VII. At that time Agreements of Limited Partnership were executed. The initial name of the respective partnerships was AOL I, L.P., AOL II, L.P., AOL III, L.P., and AOL IV, L.P. On January 9, 2008, the respective names of the partnerships were changed to their current names, AOP Hamlet Blocker IV, AOP Hamlet Blocker V, AOP Hamlet Blocker VI and AOP Hamlet Blocker VII.

The general partner of the AOP Hamlet Blockers is Apollo Hamlet GenPar (GenPar), a Cayman Islands exempted company formed to act as the general partner of the "blocker entities" of Apollo (AOP Germany Hamlet Blocker, AOP Delaware Hamlet Blocker I, II, III, and IV and the AOP Hamlet Blockers). Pursuant to the terms of a separate management agreement, Apollo Management was delegated the management, operation and control of

the AOP Hamlet Blockers. The limited partners of the AOP Hamlet Blockers are sophisticated investors, including non-U.S. public and private pension funds and corporations. It is anticipated that each of the AOP Hamlet Blockers will hold approximately one seventh of the limited partners' interests of Apollo Overseas Partners VI, L.P. The limited partners are passive investors in the AOP Hamlet Blockers and, under the terms of the partnership agreements, do not have any voting rights in connection with the investment in Harrah's and will have no ability to manage or influence the management of Harrah's or its operating subsidiaries. A Series Agreement was entered into between Apollo Hamlet and each of the AOP Hamlet Blockers. The Series Agreements are the mechanism by which the limited partners of the AOP Hamlet Blockers invested in Harrah's through Apollo Hamlet.

The Commission and Division have been supplied with a detailed listing of the limited partners of the above listed entities, the AOP Hamlet Blockers, which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding the limited partners. The total amount invested was approximately \$192,885,368.

#### **5. AOP Germany VI Hamlet Blocker, L.P.**

AOP Germany VI Hamlet Blocker, L.P. (AOP Germany Hamlet Blocker) is a Cayman Islands exempted limited partnership formed as an alternative investment vehicle of Apollo

Overseas Partners (Germany) VI, L.P. (AOP Germany), through which all of the limited partners of AOP Germany directly invested their capital for the investment in Harrah's. AOP Germany Hamlet Blocker was formed on February 8, 2007, at which time an Agreement of Limited Partnership was executed. On March 5, 2007, an Amended and Restated Agreement of Limited Partnership was executed.

The general partner of AOP Germany Hamlet Blocker is Apollo Hamlet GenPar (GenPar), a Cayman Islands exempted company formed to act as the general partner of the 12 "blocker entities" of Apollo namely, AOP Germany Hamlet Blocker, AOP Delaware VI Hamlet Blocker I, II, III, and IV, and AOP VI Hamlet Blocker I, II, III, IV, V, VI, and VII. Pursuant to the terms of a separate management agreement, Apollo Management has been delegated the management, operation and control of AOP Germany Hamlet Blocker. The limited partners of AOP Germany Hamlet Blocker are sophisticated investors, including non-U.S. public and private pension funds and corporations. The limited partners are passive investors and, under the terms of the partnership agreement, do not have any voting rights in connection with their investment in Harrah's. They will have no ability to manage or influence the management of Harrah's or its operating subsidiaries. A Series Agreement was entered into between Apollo Hamlet and AOP Germany Hamlet Blocker which is the mechanism by which the limited partners of AOP Germany Hamlet Blocker invested in Harrah's.

The Commission and Division have been supplied with a detailed listing of the limited partners of the above listed entity, AOP Germany Hamlet Blocker, which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding the limited partners. The total amount invested was approximately \$2,443,447.

**C. AAA Hamlet Blocker Corp.**

AAA Hamlet Blocker Corp. (AAA Hamlet Blocker) filed a Business Entity Disclosure Form as a company formed to acquire Non-Voting Stock of HEI. AAA Hamlet Blocker is a Cayman Islands exempted company that was formed in or around February 2007 as a special purpose investment vehicle for AAA Investment, L.P. (AAA), a Guernsey limited partnership. The sole shareholder of AAA Hamlet Blocker is AAA Guarantor Co-Invest VI, L.P., a Guernsey limited partnership formed in May 2007. The general partner of AAA Guarantor Co-Invest VI, L.P. is AAA MIP, Limited, a Guernsey corporation; the sole limited partner of AAA Guarantor Co-Invest VI, L.P. is AAA.

AAA is the investment vehicle for AP Alternative Assets, L.P. (AP Alternative Assets). AP Alternative Assets was established by Apollo and is a closed-end limited partnership established under the laws of Guernsey. Its partnership units are listed on Eurolist by Euronext, the regulated market of Euronext Amsterdam, N.V.

AP Alternative Assets is the sole limited partner of AAA and AAA Associates, L.P. is the sole general partner of AAA. The sole general partner of AAA Associates, L.P. is AAA MIP Limited, a Guernsey corporation, which as noted above is the general partner of AAA Guarantor Co-Invest VI, L.P. Pursuant to the Limited Partnership Agreement of AAA, AAA is controlled by its general partner, AAA Associates L.P., which in turn is controlled by its general partner, AAA MIP Limited. AAA MIP Limited is owned by, and its board of directors consists of, Leon Black, Joshua Harris, Marc Rowan and Brooks Newmark. Messrs. Black, Harris and Rowan are qualifiers of Apollo; Mr. Newmark is not.

A Series Agreement was executed between Apollo Hamlet and AAA through which the limited partners of AAA invested in the Harrah's acquisition. AAA invested approximately \$165,625,000 in the acquisition of HEI, approximately 2.77% of the equity investment in Harrah's, and will have no rights with respect to its management or to the management of any other portfolio company.

#### **D. Apollo Hamlet Holdings B, LLC**

Apollo Hamlet B filed a Business Entity Disclosure Form (BEDF) with the Commission in February 2007. Apollo Hamlet B, which was formed in February 2007, is a Delaware limited liability company formed to acquire Non-Voting Stock of HEI as described above.

Apollo Hamlet B is wholly owned by its sole member Apollo Investment Fund VI, L.P. (AIF VI), a Delaware limited partnership. The managers of Apollo Hamlet B are Leon Black, Joshua Harris and Marc Rowan. The officers of Apollo Hamlet B are Leon Black, President; Joshua Harris, Vice President; Marc Rowan, Vice President; Eric Press, Secretary; Anthony Civale, Secretary; and Jeff Benjamin, Secretary.

### **1. Apollo Investment Fund VI, L.P.**

Apollo Investment Fund VI, L.P. (AIF VI) is an investment fund which was formed as a Delaware limited partnership on May 11, 2005 and commenced operations on January 1, 2006. Apollo Advisors, a Delaware limited partnership, is the general partner of AIF VI. Apollo Advisors delegated its right to manage AIF VI to Apollo Management VI, L.P. (Apollo Management VI), a Delaware limited partnership formed on April 11, 2005, as set forth in a management agreement between AIF VI and Apollo Management VI. Apollo Management VI is also the manager, pursuant to management agreements, of AOP Delaware 892, and the “blocker series” AOP Germany Hamlet Blocker, AOP VI Hamlet Blocker I, II, III, IV, V, VI and VII L.P.s, and AOP Delaware VI Hamlet Blocker I, II, III and IV, L.P.s.

AIF VI is required to pay to Apollo Management VI an annual fee, payable semi-annually, equal to approximately 1.5% per annum of the aggregate capital commitments of the limited partners up to \$5 billion and 1.0% per annum of the aggregate capital

commitments in excess of \$5 billion, subject to reductions for certain expenses of AIF VI. Additionally, Apollo Management may elect to waive a portion of the management fee. The portion of the management fee waived is utilized to satisfy the capital commitments of certain limited partners of AIF VI, namely Apollo Co-Investors VI (A), LLC, Apollo Co-Investors VI (B), LLC and Apollo Management VI. Apollo Co-Investors VI (A) L.P. is the entity through which certain Apollo partners invest in Apollo Investment Fund VI, L.P. while Apollo Co-Investors (B) L.P. is comprised of “family and friends” of Apollo, who are family members and executives from other portfolio companies owned by Apollo.

AIF VI filed a Limited Partnership Agreement with the State of Delaware on May 11, 2005 which was amended and restated on August 26, 2005. Pursuant to Section 5.3 of the AIF VI Limited Partnership Agreement, AIF VI Euro Holdings, L.P. (AIF VI Euro), a Cayman Islands exempted limited partnership, was formed and commenced operations on January 18, 2006 as an alternative investment vehicle for portfolio investments of AIF VI. Other investment entities formed to co-invest with AIF VI are Apollo Overseas Partners VI, L.P., Apollo Overseas Partners(Delaware) VI, L.P., Apollo Overseas Partners(Delaware 892) VI, L.P., and Apollo Overseas Partners (Germany) VI, L.P. (collectively the AIF VI Offshore Funds). However, the AIF VI Offshore Funds and the limited partners of AIF VI make up the limited partners of AIF VI Euro.

As noted above, AIF VI Euro is an alternative investment vehicle for the limited partners of AIF VI that was formed to make investments in certain non-US portfolio

companies. That is, rather than invest in such non-US companies through AIF VI, such AIF VI limited partners have instead made such investments through AIF VI Euro. However, AIF VI Euro is also a special purpose investment vehicle for each of the other four AIF VI Offshore Funds which are also direct limited partners of AIF VI Euro. Therefore, each of the AIF VI Offshore Funds also made their investment in such non-US companies through AIF VI Euro rather than directly.

The limited partners of AIF VI are sophisticated investors, including public and private pension funds, endowments, charitable institutions, corporations and wealthy individuals. Each of the limited partners will hold less than a 5% non-voting interest in Harrah's. The limited partners are passive investors in AIF VI and, under the terms of the partnership agreement, do not have any voting rights with respect to the shares of any of AIF VI's portfolio company investments and will have no ability to manage or influence the management of Harrah's or its operating subsidiaries. The Commission and Division have been supplied with a detailed listing of the limited partners of the above listed entity, AIF VI, which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding the limited partners. The total amount invested was approximately \$701,344,353.

**E. Co-Invest Hamlet Holdings, Series, LLC**

Co-Invest Hamlet Holdings, Series, LLC (Co-Invest Series) is a Delaware limited liability company formed to acquire an interest in Harrah's. Co-Invest Series is a parallel entity with Co-Invest Hamlet Holdings B, LLC (Co-Invest B), with each having the same rights and obligations. Co-Invest Series was designed for investors with certain tax concerns. The co-investors in Co-Invest Series will have the opportunity to invest indirectly into Co-Invest Series through a "blocker" entity (either through a Cayman Islands limited partnership that elects to be treated as a corporation for U.S. tax purposes or through a Cayman corporation), the economics of which are wholly-owned by such co-investor. Each such blocker entity will be issued a separate series of interests in Co-Invest Series. The co-investors will own non-voting common stock (with economic rights) and non-voting perpetual preferred stock of HEI.

A Limited Liability Company Operating Agreement for Co-Invest Series was executed on February 5, 2007. The managing members of Co-Invest Series, with no economic interest, are Apollo Management VI, L.P. and TPG GenPar V, L.P. Each company initially made a capital contribution of \$10, with Apollo Management VI, L.P. designated as Series A and TPG GenPar V, L.P. designated as Series B.

The Commission and Division have been supplied with a detailed listing of the entities of Co-Invest Series which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that

list for any further particulars regarding those investors. The total amount invested by Co-Invest Series was approximately \$1 billion in the acquisition of HEI.

The current officers of Co-Invest Series are as follows:

<b><u>Name</u></b>	<b><u>Title</u></b>
David Bonderman	Vice President
James Coulter	Vice President
Joshua Harris	Vice President
Marc Rowan	Vice President
Jeffrey Benjamin	Secretary
Anthony Civale	Secretary
Kelvin Davis	Secretary
Karl Peterson	Secretary
Eric Press	Secretary

All these officers are members of either Apollo or TPG and have filed Personal History Disclosure Forms.

**F. Co-Invest Hamlet Holdings B, LLC**

Co-Invest Hamlet Holdings B, LLC (Co-Invest B) is a Delaware limited liability company formed to acquire an interest in Harrah's. Co-Invest B is a parallel entity with Co-Invest Hamlet Holdings, Series, LLC (Co-Invest Series), with each having the same rights and obligations. Each domestic and foreign governmental co-investor will invest directly into Co-Invest B, while Co-Invest Series is designed for investors with certain tax concerns. The co-investors will own non-voting common stock (with economic rights) and non-voting perpetual preferred stock of HEI.

A Limited Liability Company Operating Agreement for Co-Invest B was executed on February 5, 2007. The managing members of Co-Invest B, with no economic interest, are Apollo Management VI, L.P. and TPG GenPar V, L.P. Each company initially made a capital contribution of \$10 and received a 50% membership interest.

The Commission and Division have been supplied with a detailed listing of the entities of Co-Invest B which delineates their respective individual capital investment and actual contribution to the Harrah's acquisition. The Division refers the Commission to that list for any further particulars regarding those investors. The total amount invested by Co-Invest B was approximately \$2.34 billion in the acquisition of HEI.

The current officers of Co-Invest B are as follows:

**Name**

**Title**

David Bonderman	Vice President
James Coulter	Vice President
Joshua Harris	Vice President
Marc Rowan	Vice President
Jeffrey Benjamin	Secretary
Anthony Civale	Secretary
Kelvin Davis	Secretary
Karl Peterson	Secretary
Eric Press	Secretary

All officers are members of either Apollo or TPG and have filed Personal History Disclosure Forms.

#### **G. Equity Investors/Financial Sources**

The Commission and Division have been supplied with a listing of equity limited partners and/or co-investors whose investment and actual contribution to the Harrah's acquisition equals or exceeds 2% of the total equity invested. Pursuant to a previous ruling by the Commission, such persons would be required to qualify as financial sources. The Division refers the Commission to that list for particulars regarding those investors. The Division would note that three entities listed are state pension funds/programs, two from California and one from New York. The two from California, teachers and public

employees, and New York's, would normally clearly fit the definition of institutional investor as set forth in *N.J.S.A. 5:12-27.1* namely, any retirement fund administered by a public agency for the exclusive benefit of federal, state or local public employees and thus waivable under *N.J.S.A. 5:12-85f*. Some other entities on the list may also be waivable as institutional investors on other grounds, *i.e.* investment advisor. As the Commission is well aware, another pertinent section of the Casino Control Act, *N.J.S.A. 5:12-85d*, was amended deleting the term 'publicly traded' from its language but inadvertently not removing that same terminology from *N.J.S.A. 5:12-85f*. Based in part on their status as retirement funds operated by a public agency for the benefit of state or local public employees and the Division's review of same, the Division interposes no objection to their qualification as financial sources. Based on an appropriate review, the Division also interposes no objection to the qualification as financial sources of the other entities listed.

### **III. APOLLO FUND VI**

Apollo Fund VI was established in May 2005 and has committed capital of approximately \$10.1 billion. Apollo Fund VI consists of the following investment entities, with their approximate pro-rata share of invested capital:

Apollo Investment Fund VI, L.P.	48.71%
Apollo Overseas Partners VI, L.P.	16.64%
Apollo Overseas Partners (Delaware) VI, L.P.	8.59%

Apollo Overseas Partners (Delaware 892) VI, L.P.	10.78%
Apollo Overseas Partners (Germany) VI, L.P.	0.17%
AIF VI Euro Holdings, L.P.	<u>18.11%</u> <sup>2</sup>
	<u>100.00%</u>

However, AIF VI Euro is not directly involved in the acquisition of HEI by Apollo Fund VI. It should also be noted that AIF VI raised or has capital commitments to Apollo Fund VI of approximately \$6.1 billion. The remaining \$4 billion of Apollo Fund VI capital commitments were raised or committed by the other entities listed above.

In addition to the investment entities which comprise Apollo Fund VI, AAA Investment, L.P. (AAA), described previously in this report, is party to a co-investment agreement with Apollo Fund VI (Apollo Investment Fund VI, L.P., Apollo Overseas Partners VI, L.P., Apollo Overseas Partners(Delaware) VI, L.P., Apollo Overseas Partners(Delaware 892) VI, L.P., Apollo Overseas Partners (Germany) VI, L.P., and Apollo Advisors VI, L.P. in its capacity

---

<sup>2</sup>The total amount of each Apollo Fund VI fund's invested capital includes the 18.11% of invested capital attributable to AIF VI Euro. That is, for example, approx 60% of 18.11% (or approx 10.86%) of AIF VI Euro's invested capital would be attributable to AIF VI limited partners (and approx 10.86% plus the 48.71% set forth for AIF VI would equal approximately 60% of all of Apollo Fund VI funds; the other 40% of 18.11% (or approximately 7.25%) would be attributable to the AIF VI Offshore Funds).

as general partner) pursuant to which AAA co-invests 12.5% of the aggregate investment made by Apollo Fund VI in each portfolio investment. As noted previously in this report, AAA is a Guernsey limited partnership and the investment vehicle for AP Alternative Assets, L.P. (AP Alternative Assets). AP Alternative Assets was established by Apollo and is a closed-end limited partnership established under the laws of Guernsey. Its partnership units are listed on Eurolist by Euronext, the regulated market of Euronext Amsterdam, N.V.

AP Alternative Assets is the sole limited partner of AAA, and AAA Associates, L.P. is the sole general partner of AAA. The sole general partner of AAA Associates, L.P. is AAA MIP Limited, a Guernsey corporation. Pursuant to the Limited Partnership Agreement of AAA, AAA is controlled by its general partner, AAA Associates L.P., which in turn is controlled by its general partner, AAA MIP Limited. AAA MIP Limited is owned by, and its board of directors consists of, Leon Black, Joshua Harris, Marc Rowan and Brooks Newmark. Messrs. Black, Harris and Rowan are qualifiers of Apollo, Mr. Newmark is not.

AAA invested approximately \$165,625,000 in the acquisition of HEI, approximately 2.77% of the equity investment in Harrah's, and has no rights with respect to its management or to the management of any other portfolio company. As of September 30, 2007, AAA had made co-investments totaling \$721.6 million in Apollo Fund VI investment portfolio companies.

Apollo Fund VI has invested in the following entities as of June 30, 2007:

<u>Investments</u>	<u>Date</u>	<u>Invested Capital</u> <u>(in millions)</u>
Realogy	4/07	\$919.0
Rexnord	7/06	\$624.6
CEVA Logistics	11/06	\$288.8
Berry Plastics Group	9/06	\$303.1
Claire's Stores	12/06	\$436.7
Momentive Performance Materials	12/06	\$396.7
Noranda Aluminum	5/07	\$187.4
Oceania Cruises	5/07	\$284.4
Verso Paper	5/07	\$228.6
Countrywide	5/07	\$251.8
Smart & Final	5/07	\$229.6
Jacuzzi Brands	2/07	<u>\$95.1</u>
<b>Total</b>		\$4,245.8

Subsequent to June 30, 2007, Apollo Fund VI closed on an additional investment of \$78.8 million in CEVA Logistics. Apollo Fund VI has also since invested in NCL Corporation, HEI and Hexion Specialty Chemicals.

Audited financial statements have been prepared by Deloitte & Touche, the outside independent certified public accountant firm of the Apollo entities, on investment entities that comprise Apollo Fund VI, namely; Apollo Investment Fund VI, L.P., Apollo Overseas

Partners VI, L.P., Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P., Apollo Overseas Partners (Germany) VI, L.P., and AIF VI Euro Holdings, L.P. for the year ended December 31, 2006. The financial statements are all prepared on the income tax basis of accounting. Financial statements for the entities which make up Apollo Funds III, IV, and V were also obtained. According to a representative of Deloitte & Touche who was the lead partner for the audits conducted, the audits of the companies basically follow the cash in from the investors, out to the investments, and then trace funds paid to the partners from management fees, dividends, and profits from the disposition of the portfolio companies. Nothing derogatory was noted during the review.

#### **IV. HISTORY OF APOLLO**

Apollo was founded by Leon Black, Joshua Harris and Marc Rowan in 1990 for the purpose of achieving long term capital appreciation through investments in equity and debt securities. It is a global alternative asset manager with more than \$27 billion in assets under management (as of June 30, 2007) invested across a wide range of industries. Messrs. Black, Harris, and Rowan manage Apollo's investment decisions and own a controlling interest. Apollo invests in companies (portfolio companies) through six families of investment funds, and as referenced below a seventh formed in 2007. Messrs Black, Harris and Rowan own several management partnerships that have the sole authority to make investment decisions on behalf of these investment funds. While the investment funds hold the economic ownership interests in Apollo portfolio companies, investment and

management decisions for the portfolio companies are made by the management partnerships controlled by Messrs. Black, Harris and Rowan.

Prior investment partnerships of Apollo include Apollo Investment Fund V, L.P. (together with its parallel co-investment entities, Apollo Fund V), which was established in April 2001 with \$3.75 billion of investor capital, Apollo Investment Fund IV, L.P. (together with its parallel co-investment entities, Apollo Fund IV), which was established in August 1998 with \$3.6 billion of investor capital, Apollo Investment Fund III, L.P. (together with its parallel co-investment entities, Apollo Fund III), which was established in March 1995 with \$1.5 billion of investor capital, Apollo Investment Fund, L.P. (Apollo Fund I) and AIF II, L.P., (Apollo Fund II), established in August 1990 and March 1992, respectively, along with an investment account managed by Apollo's affiliate, Lion Advisors, L.P. (Lion Advisor), with an aggregate of \$3.9 billion of investor capital. In addition, Apollo Investment Fund VII, L.P. was recently formed in 2007, with a projected capital commitment of \$15 billion.

#### **A. Management Fees**

As a general proposition, the limited partners are assessed a management fee payable to an Apollo management entity e.g., Apollo Management VI, L.P., initially at the rate of 1.5% per year for commitments up to \$5 billion and 1% per year for commitments over \$5 billion. This fee is reduced to 0.75% and 0.50% after the commitment period (six

years from the initial funding) or the first fund closing of a competing fund. The management fee is offset by approximately 65% of all closing fees, advisory fees, transaction fees and breakup fees received.

### **B. Carried Interest**

The carried interest (carry) may be paid to a general partner (e.g. Apollo Advisors VI, LP), when an investment is partially or fully realized. Generally, once the limited partners in the funds have received a return of their entire capital in a specific investment, then 20% of any additional funds realized from a specific investment are distributed to the general partner, with the remaining 80% distributed to the limited partners in the fund. The specific mechanics and timing of the distributions ensure that the limited partners will receive a guaranteed profit, generally 8%, before the general partner begins to receive the carry. The specific mechanics and timing of the distributions also provide for the refund of certain portions of the management fee, organizational and operating expenses that have been paid previously and the return of capital attributed to other realized investments.

### **C. Other Apollo Funds**

Apollo Funds I, II, III, IV, and V are private equity investment funds that have been fully funded and invested. The structure of each fund is similar to that of Apollo Fund VI.

Apollo Funds III, IV, V and VI were part of the restructuring of the company in July 2007 involving Apollo Global Management described hereinafter. Apollo Funds I and II were not part of the restructuring as their operations have been winding down.

#### **D. Other Apollo Investment Funds**

In addition to private equity funds, Apollo maintains other investment vehicles including Apollo Real Estate Investment Funds, Apollo Capital Market Funds, Apollo European Funds, Apollo Asia Funds, and Apollo Investment Corporation. In 1993, Apollo established Apollo Real Estate Advisors to manage the Apollo Real Estate Investment Funds. These funds have raised over \$4.5 billion of investor capital. The Apollo Real Estate Investment Funds consist of Apollo Real Estate Investment Funds II through V, Apollo International Real Estate Investment Funds and the Apollo-GMAC Real Estate Mezzanine Fund, L.P. The Real Estate Investment Funds invest in commercial, residential and other real estate related assets. Apollo Real Estate Investment Fund IV had total capital commitments of \$1,089,870,000, all of which had been called, and had investments primarily in the United States and Europe. Apollo Real Estate Investment Fund V has capital commitments of \$700 million, of which \$325 million had been called, and had investments throughout the United States.

The Apollo Capital Market Funds consists of the Apollo Strategic Value Fund, Apollo Strategic Value Offshore Fund, and the Apollo Value Funds. These funds invest primarily in the securities of leveraged companies in North America and Europe.

The Apollo European Funds and Apollo Asia Funds were formed to invest in the respective markets of Europe and Asia in order to generate capital appreciation and current income.

Apollo Investment Corporation is a publicly traded, closed-end investment company, managed by Apollo. Its stock is traded on the Nasdaq market in the United States under the symbol AINV. The investment objective of Apollo Investment Corporation is to generate both capital appreciation and current income through mezzanine, debt and equity investments primarily in the United States.

#### **E. Apollo Global Management, LLC**

In July 2007, Apollo initiated a reorganization into a holding company structure forming certain new entities and selling partial interests in the company. Apollo Global Management, LLC (AGM) was formed as a holding company to own 28.4% of the economic interests of, and operate and control, through two new intermediate holding companies, APO Asset Co., LLC and APO Corp., the businesses and affairs of the limited partnerships that hold Apollo's interests in different businesses (such limited partnerships

collectively the Apollo Operating Group). AGM has two classes of shares: Class A shares and one Class B share (representing approximately 87.2% of the total voting power of AGM) which was issued to BRH Holdings GP Ltd. (BRH Holdings GP). BRH Holdings GP is wholly owned by Messrs. Black, Rowan and Harris. In addition to the 28.4% economic interest held by AGM, the remaining 71.6% economic interests in the Apollo Operating Group is held by AP Professional Holdings, LP (AP Holdings). Messrs. Black, Harris and Rowan own 87.2246% of AP Holdings through an entity, to wit: BRH Holdings LP (BRH Holdings) with the remaining 12.7754% held by other contributing partners. The general partner of AP Holdings and BRH Holdings is BRH Holdings GP, which as noted above is wholly owned by Black (44%), Harris (28%) and Rowan (28%). As set forth below the remaining 12.8% voting power of AGM is held by the Class A shares held by the Offering Transaction Investors.

AGM's operations and activities are wholly managed by AGM Management, LLC (AGM Management) whose sole member is BRH Holdings GP. As a result of the reorganization, five wholly owned subsidiaries of AGM will serve as general partners of the Apollo Operating Group partnerships: Apollo Principal Holdings I, LP (APH I, domestic general partners of private equity funds and AAA); Apollo Principal Holdings II, LP (APH II, domestic general partners of capital markets funds); Apollo Principal Holdings III, LP (APH III, foreign general partners of private equity funds); Apollo Principal Holdings IV, LP (APH IV, foreign general partners of capital markets funds); and Apollo Management

Holdings, LP (AMH, management companies). Attached to this report as Exhibit 1 is a diagram depicting the organizational structure described above.

Apollo Management Holdings GP, LLC was formed on January 25, 2007 in Delaware. At that time, the sole member of Apollo Management Holdings GP, LLC was Leon Black. On April 19, 2007, an Amended and Restated Limited Liability Company Operating Agreement was executed, at which time the membership was changed to Leon Black 44%, Marc Rowan 28% and Joshua Harris 28%. However, with the further reorganization of Apollo in July 2007 as described above, APO Corp. became the sole member of the company. The sole shareholder of APO Corp. is AGM. In addition to Apollo Management Holdings GP, LLC, other entities in the overall structure include Apollo Management GP, LLC, Apollo Management Holdings, L.P., Apollo Management, L.P. and AIF VI Management, LLC (AIF VI Management).

AIF VI Management, formed on April 14, 2005, is a Delaware limited liability company formed to act as the general partner of Apollo Management VI, L.P. The sole member and manager of AIF VI Management is Apollo Management, L.P. which was formed in Delaware on January 29, 2007. Prior to February 1, 2007, Leon Black was the sole member of AIF VI Management.

Effective as of February 1, 2007, Apollo Management VI and its affiliated investment entities were restructured. As stated above, Apollo Management, L.P. is the sole member

and manager of AIF VI Management. Apollo Management GP, LLC, formed in Delaware on January 29, 2007, is the general partner of Apollo Management, L.P. and Apollo Management Holdings, L.P. is the limited partner thereof. Apollo Management Holdings, L.P. was formed on January 25, 2007 in Delaware and its general partner is Apollo Management Holdings GP, LLC and the limited partners are LBF Holdings, LLC, a limited liability company whose members are trusts created by Leon Black for the benefit of his family-44%, Marc Rowan 28% and Joshua Harris 28%. As set forth above, Apollo Management Holdings GP, LLC was formed on January 25, 2007 in Delaware. At that time, the sole member of Apollo Management Holdings GP, LLC was Leon Black. On April 19, 2007, an Amended and Restated Limited Liability Company Operating Agreement was executed, at which time the membership was changed to Leon Black 44%, Marc Rowan 28% and Joshua Harris 28%. However, with the further reorganization of Apollo in July 2007 as described above, APO Corp. became the sole member of the company. The sole shareholder of APO Corp. is AGM. A diagram depicting the structure utilized in the Harrah's acquisition is also attached as Exhibit 2.

The following summarizes the entities discussed:

- Apollo Management VI, L.P.

Date Formed: April 11, 2005

General Partner: AIF VI Management, LLC

Limited Partners: Apollo investment professionals

Purpose: Manager of Apollo Investment Fund VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P. and the “blocker series” (AOP Germany VI Hamlet Blocker I, L.P., AOP VI Hamlet Blocker I, II, III, IV, V, VI and VII L.P.s, and AOP Delaware VI Hamlet Blocker I, II, III and IV, L.P.s).

- AIF VI Management, LLC

Date Formed: April 14, 2005  
Member: Apollo Management, L.P.  
Purpose: Act as general partner of Apollo Management VI, L.P.

- Apollo Management, L.P.

Date Formed: January 29, 2007  
General Partner: Apollo Management GP, LLC  
Limited Partner: Apollo Management Holdings, L.P.  
Purpose: Acts as sole member and manager of AIF VI Management, LLC

- Apollo Management GP, LLC

Date Formed: January 29, 2007  
Member: Apollo Management Holdings, L.P.

Purpose: Acts as general partner of Apollo Management, L.P.

- Apollo Management Holdings, L.P.

Date Formed: January 25, 2007

General Partner: Apollo Management Holdings GP, LLC

Limited Partner: LBF Holdings, LLC (44%), Marc Rowan (28%), Joshua Harris (28%)

Purpose: Acts as sole member and manager of Apollo Management GP, LLC and limited partner of Apollo Management, L.P. (and two other affiliated investment entities, Apollo International Management, L.P. and Apollo Capital Management, L.P.)

- Apollo Management Holdings GP, LLC

Date Formed: January 25, 2007

Member: APO Corp., whose sole shareholder is Apollo Global Management, LLC

Purpose: Acts as general partner of Apollo Management Holdings, L.P.

On July 13, 2007, a total of 20% of the Apollo Operating Group Units were sold; 10% to the California Public Employees Retirement System (CalPERS) and 10% to the Abu Dhabi Investment Authority (ADIA) for total consideration of \$1.2 billion. The proceeds were used to purchase from the Managing Partners (Black, Harris and Rowan) 20% of their

Apollo Operating Group units for consideration of \$1.047 billion and to purchase from Contributing Partners (which includes Black, Harris and Rowan) a portion of their interest for consideration of \$153 million. CalPERS and ADIA each received notes convertible into Class A shares of AGM; 30,000,001 shares to CalPERS and 30,000,000 shares to ADIA. These shares do not have voting rights.

On July 17, 2007, AGM issued an offering circular for the sale of 35,300,000 additional Class A shares, which had approximately 12.8% of the voting rights of AGM. On August 7, 2007, Apollo completed the private placement of the 35.3 million shares at a price of approximately \$24 per share, raising approximately \$850 million. As a result of this offering and the investments by CalPERS and ADIA, the total raised by AGM was approximately \$2,050,000,000. These funds were to be utilized to provide capital to facilitate the growth of the existing private equity and capital market businesses, to fund a portion of a general partner's capital commitments going forward, to provide capital to facilitate expansion into new businesses, and other general corporate purposes. Following the completion of the offering, the Apollo Operating Group was beneficially owned 71.6% by Apollo principals, and the remaining 28.4%: (1) by CalPERS and ADIA combined (17.9%), and (2) by the Offering Transaction Investors (10.5%). The Offering Transaction Investors have the option to purchase 5,295,000 additional Class A shares. In the event they exercise their option, the voting power of the holders of these Class A shares as a group in the Apollo Operating Group will increase from 12.8% to 14.5%.

## **V. Conclusion**

As established by this report to the Commission, the Division has conducted a thorough investigation of the various holding companies namely, Apollo Hamlet Holdings, LLC (Apollo Hamlet), Apollo Hamlet Holdings B, LLC (Apollo Hamlet B), TPG Hamlet Holdings B, LLC (TPG Hamlet B), TPG Hamlet Holdings, LLC (TPG Hamlet), Co-Invest Hamlet Holdings, Series, LLC (Co-Invest Series), Co-Invest Hamlet Holdings B, LLC (Co-Invest B), and Hamlet Holdings, LLC (Hamlet Holdings) and the various entity qualifier companies and individual qualifiers affiliated with Apollo. The Division avers that all of the qualifiers have met the statutory standards for plenary qualification and thus interposes no objection to a finding by the Commission that they are qualified. Additionally, the Division interposes no objection to a finding of qualification by the Commission for the entities identified and required to qualify as financial sources.

Respectfully submitted,

JOSH LICHTBLAU  
DIRECTOR

By: \_\_\_\_\_  
John E. Adams, Jr.  
Deputy Attorney General

C:\Documents and Settings\lpaloug\Local Settings\Temp\GWViewer\Hamletreport.wpd

c: Members of the Commission  
Mary Wozniak, Esq.  
Paul O’Gara, Esq.

Honorable Linda M. Kassekert  
Page 44

bc: Josh Lichtblau  
Mary Jo Flaherty  
Dorothy Turi  
Richard Handzo  
Robert Latimer  
Michael Iannacone  
Antoinette Hill  
Robert Peterman