Fortress Investment Group LLC
Form 10-Q
July 30, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
or
o 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: 001-33294
Fortress Investment Group LLC
(Exact name of registrant as specified in its charter)

Delaware	20-5837959
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, NY	10105
(Address of principal executive offices)	(Zip Code)

(212) 798-6100
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)
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 ý No o
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 Regulations 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). ý Yes No o
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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.
Class A Shares: 215,673,299 outstanding as of July 24, 2015.
Class B Shares: 226,331,513 outstanding as of July 24, 2015.

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Set forth below is information about certain terms used in this Quarterly Report on Form 10-Q:

‘‘Management Fee Paying Assets Under Management,” or “AUM,” refers to the management fee paying assets we manage, including, as applicable, capital we have the right to call from our investors pursuant to their capital commitments to various funds. In addition, AUM includes management fee paying assets managed by autonomous businesses in which we retain a minority interest under our affiliated manager platform. Our AUM equals the sum of:

(i) the capital commitments or invested capital (or net asset value, "NAV," if lower) of our private equity funds, private permanent capital vehicle through May 2015 and credit PE funds, depending on which measure management fees are being calculated upon at a given point in time, which in connection with private equity funds raised after March 2006 includes the mark-to-market value of public securities held within the funds,
(ii) the contributed capital or book equity of our publicly traded permanent capital vehicles,
(iii) the NAV of our hedge funds, including the Value Recovery Funds which pay fees based on realizations;
(iv) the NAV or fair value of our managed accounts, to the extent management fees are charged; and
(v) AUM related to affiliated managers.

For each of the above, the amounts exclude assets under management for which we charge either no or nominal fees, generally related to our investments in our funds as well as investments in our funds by our principals, directors and employees.

Our calculation of AUM may differ from the calculations of other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. Our definition of AUM is not based on any definition of assets under management contained in our operating agreement or in any of our Fortress Fund management agreements. Finally, our calculation of AUM differs from the manner in which our affiliates registered with the United States Securities and Exchange Commission report “Regulatory Assets Under Management” on Form ADV and Form PF in various ways. Significantly, Regulatory Assets Under Management, unlike Management Fee Paying Assets Under Management, is not reduced by liabilities or indebtedness associated with assets under management and it includes assets under management and uncalled capital for which Fortress receives no compensation.

“Fortress,” “we,” “us,” “our,” the “company” and the “public company” refer, collectively, to Fortress Investment Group LLC its subsidiaries, including the Fortress Operating Group (as defined below) and all of its subsidiaries.

“Fortress Funds” and “our funds” refers to the private investment funds, permanent capital vehicles and related managed accounts that we manage. The Fortress Macro Fund is our flagship liquid hedge fund and the Drawbridge Special Opportunities Fund is our flagship credit hedge fund.

“Fortress Operating Group” or “FOG” refers to the limited partnerships and their subsidiaries through which we conduct our business and hold our investments. The public company controls the Fortress Operating Group through wholly owned subsidiaries that serve as the general partner of each FOG entity.

Economic interests in each FOG entity are represented by Class A common units and Class B common units. Class A common units are (indirectly) owned by the public company, and Class B common units are owned by the principals (defined below) and, from time to time, a former senior employee who owned securities convertible into Class B common units.

The number of outstanding Class A common units equals the number of outstanding Class A shares of the public company. The number of outstanding Class B common units equals the number of outstanding Class B shares of the public company.

“Fortress Operating Group units” or “FOGUs” is the term we use to refer to the aggregate of one limited partner interest (either a Class A common unit or a Class B common unit, as applicable) in each FOG entity. One FOGU together with one Class B share is convertible into one Class A share. A surrendered Class B common unit automatically converts into a Class A common unit.

“principals” or “Principals” refers to Peter Briger, Wesley Edens, Randal Nardone and Michael Novogratz, collectively, as well as Robert Kauffman until his retirement in December 2012. The principals control the public company through their ownership of the public company’s Class B shares (together with, from time to time, a former senior employee who owned securities convertible into Class B shares). The Class B shares and the Class A shares are each entitled to one vote per share, and the number of Class B shares outstanding represents a majority of the aggregate number of Class B shares and Class A shares outstanding. The Class B shares do not represent an economic interest in the public company and therefore are not entitled to any dividends. The principals own their economic interest in the public company primarily through their direct ownership of FOGUs.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Part II, Item 1A, “Risk Factors,” Part I, Item 2, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 3, “Quantitative and Qualitative Disclosures About Market Risk” and elsewhere in this Quarterly Report on Form 10-Q may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. Readers can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or th version of those words or other comparable words. Any forward-looking statements contained in this report are based upon the historical performance of us and our subsidiaries and on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. Accordingly, you should not place undue reliance on any forward-looking statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10 Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the company may be found elsewhere in this Quarterly Report on Form 10 Q and the company's other public filings, which are available without charge through the Securities and Exchange Commission's ("SEC") website at http://www.sec.gov.
The company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$233,912	$391,089
Due from affiliates	188,051	326,575
Investments	1,144,597	1,121,545
Investments in options	60,950	71,844
Deferred tax asset, net	415,915	417,623
Other assets	165,531	173,708
Total Assets	$2,208,956	$2,502,384
Liabilities and Equity		
Accrued compensation and benefits	$181,967	$374,709
Due to affiliates	372,660	375,424
Deferred incentive income	326,338	304,526
Debt obligations payable	75,000	75,000
Other liabilities	90,430	88,053
Total Liabilities	1,046,395	1,217,712
Commitments and Contingencies		
Redeemable Non-controlling Interests	19	1,717
Equity		
Class A shares, no par value, 1,000,000,000 shares authorized, 215,673,299 and 208,535,157 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	—	—
Class B shares, no par value, 750,000,000 shares authorized, 226,331,513 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	—	—
Paid-in capital	1,922,869	1,996,137
Retained earnings (accumulated deficit)	(1,312,093)	(1,350,122)
Accumulated other comprehensive income (loss)	(2,409)	(2,416)
Total Fortress shareholders’ equity	608,367	643,599
Principals’ and others’ interests in equity of consolidated subsidiaries	554,175	639,356
Total Equity	1,162,542	1,282,955
Total Liabilities, Redeemable Non-controlling Interests and Equity	$2,208,956	$2,502,384

See notes to consolidated financial statements.

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Management fees: affiliates	$150,936	$136,045	$278,643	$265,755
Management fees: non-affiliates	14,966	17,716	30,257	35,338
Incentive income: affiliates	82,158	60,442	106,381	94,693
Incentive income: non-affiliates	296	44	296	687
Expense reimbursements: affiliates	53,991	51,662	108,556	102,848
Expense reimbursements: non-affiliates	3,568	2,614	6,816	5,062
Other revenues (affiliate portion disclosed in Note 6)	2,573	1,821	4,228	3,071
	308,488	270,344	535,177	507,454
Expenses				
Compensation and benefits	199,108	168,114	377,996	356,633
General, administrative and other	45,185	42,186	88,166	80,009
Depreciation and amortization	12,768	5,037	18,099	9,338
Interest expense	1,039	947	1,878	1,638
Transfer of interest in Graticule (see Note 1)	—	—	101,000	—
	258,100	216,284	587,139	447,618
Other Income (Loss)				
Gains (losses) (affiliate portion disclosed in Note 3)	(6,787)	4,864	24,774	(6,191)
Tax receivable agreement liability adjustment	(7,500)	—	(7,500)	—
Earnings (losses) from equity method investees	(36,321)	22,448	5,387	42,822
Gain on transfer of Graticule (see Note 1)	—	—	134,400	—
	(50,608)	27,312	157,061	36,631
Income (Loss) Before Income Taxes	(220)	81,372	105,099	96,467
Income tax benefit (expense)	5,199	(7,916)	(13,200)	(13,910)
Net Income (Loss)	$4,979	$73,456	$91,899	$82,557
Allocation of Net Income (Loss):				
Principals' and Others' Interests in Income (Loss) of Consolidated Subsidiaries	$1,653	$42,100	$53,876	$48,177
Redeemable Non-controlling Interests in Income (Loss)	10	157	(6)	157
Net Income (Loss) Attributable to Class A Shareholders	3,316	31,199	38,029	34,223
	$4,979	$73,456	$91,899	$82,557
Dividends declared per Class A share	$0.08	$0.08	$0.46	$0.16
Earnings (Loss) Per Class A share				
Net income (loss) per Class A share, basic	$0.01	$0.15	$0.16	$0.16
Net income (loss) per Class A share, diluted	$0.00	$0.12	$0.16	$0.14

Weighted average number of Class A shares outstanding, basic	216,183,181	207,783,751	215,985,577	212,328,315
Weighted average number of Class A shares outstanding, diluted	449,210,362	444,566,847	222,210,732	459,673,136

See notes to consolidated financial statements.

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive income (loss) (net of tax)				
Net income (loss)	$4,979	$73,456	$91,899	$82,557
Foreign currency translation	526	(570)	(372)	(1,602)
Total comprehensive income (loss)	$5,505	$72,886	$91,527	$80,955
Allocation of Comprehensive Income (Loss):				
Comprehensive income (loss) attributable to principals' and others' interests	$1,949	$41,739	$53,568	$47,157
Comprehensive income (loss) attributable to redeemable non-controlling interests	10	157	(6)	157
Comprehensive income (loss) attributable to Class A shareholders	3,546	30,990	37,965	33,641
	$5,505	$72,886	$91,527	$80,955

See notes to consolidated financial statements.

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(dollars in thousands)

	Class A Shares	Class B Shares	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Fortress Shareholders' Equity	Principals' and Others' Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2014	208,535,157	226,331,513	$1,996,137	$(1,350,122)	$(2,416)	$643,599	$639,356	$1,282,955
Contributions from principals' and others' interests in equity	—	—	—	—	—	—	36,165	36,165
Distributions to principals' and others' interests in equity (net of tax)	—	—	—	—	—	—	(175,755)	(175,755)
Dividends declared	—	—	(96,501)	—	—	(96,501)	—	(96,501)
Dividend equivalents accrued in connection with equity-based compensation (net of tax)	—	—	(2,335)	—	—	(2,335)	(4,184)	(6,519)
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	—	—	4,859	—	—	4,859	15	4,874
Director restricted share grant	71,208	—	271	—	—	271	289	560
Capital increase related to equity-based compensation, net	7,066,934	—	12,145	—	—	12,145	13,085	25,230

Dilution impact of equity transactions (Note 6)	—	—	8,293	—	71	8,364	(8,364)	—
Comprehensive income (loss) (net of tax)								
Net income (loss) (excludes loss allocated to redeemable non-controlling interests)	—	—	—	38,029	—	38,029	53,876	91,905
Foreign currency translation	—	—	—	—	(64)	(64)	(308)	(372)
Total comprehensive income (loss)						37,965	53,568	91,533
Equity - June 30, 2015	215,673,299	226,331,513	$1,922,869	$(1,312,093)	$(2,409)	$608,367	$554,175	$1,162,542

See notes to consolidated financial statements.

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Six Months Ended June 30, 2015	2014
Cash Flows From Operating Activities		
Net income (loss)	$91,899	$82,557
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	18,099	9,338
Other amortization (included in interest expense)	390	390
(Earnings) losses from equity method investees	(5,387)	(42,822)
Distributions of earnings from equity method investees	23,756	51,204
(Gains) losses	(24,774)	6,191
Deferred incentive income	(65,709)	(53,362)
Deferred tax (benefit) expense	4,448	12,756
Options received from affiliates	(25,158)	(1,604)
Tax receivable agreement liability adjustment	7,500	—
Equity-based compensation	25,388	18,334
Options in affiliates granted to employees	5,681	4,052
Other	356	(764)
Transfer of interest in Graticule (see Note 1)	101,000	—
Gain on transfer of Graticule (see Note 1)	(134,400)	—
Cash flows due to changes in		
Due from affiliates	18,392	3,146
Other assets	(5,927)	30,487
Accrued compensation and benefits	(157,551)	(187,033)
Due to affiliates	(17,007)	(30,248)
Deferred incentive income	74,610	59,128
Other liabilities	2,810	4,573
Purchase of investments by consolidated funds	(66,965)	(144,313)
Proceeds from sale of investments by consolidated funds	53,494	126,240
Receivables from brokers and counterparties	(211)	(41,302)
Due to brokers and counterparties	2,727	7,305
Net cash provided by (used in) operating activities	(72,539)	(85,747)
Cash Flows From Investing Activities		
Contributions to equity method investees	(18,862)	(6,012)
Distributions of capital from equity method investees	155,255	321,085
Purchase of securities	(883)	(7,217)
Proceeds from sale of securities	18,101	74,922
Proceeds from exercise of options	51,543	—
Purchase of fixed assets	(11,075)	(4,176)
Purchase of software and technology-related assets	—	(25,976)
Net cash provided by (used in) investing activities	194,079	352,626

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2015	2014
Cash Flows From Financing Activities		
Repayments of debt obligations	—	(50,000)
Borrowings under debt obligations	—	125,000
Proceeds from public offering (Note 8)	—	186,551
Repurchase of Class B shares (Note 8)	—	(186,551)
Payments to repurchase Class A shares (Note 8)	(9,676)	(363,410)
Dividends and dividend equivalents paid	(104,554)	(32,583)
Principals' and others' interests in equity of consolidated subsidiaries - contributions	283	3,670
Principals' and others' interests in equity of consolidated subsidiaries - distributions	(167,554)	(78,833)
Excess tax benefits from delivery of RSUs	4,476	2,931
Redeemable non-controlling interests - (distributions) contributions	(1,692)	16,253
Net cash provided by (used in) financing activities	(278,717)	(376,972)
Net Increase (Decrease) in Cash and Cash Equivalents	(157,177)	(110,093)
Cash and Cash Equivalents, Beginning of Period	391,089	364,583
Cash and Cash Equivalents, End of Period	$233,912	$254,490
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$1,019	$788
Cash paid during the period for income taxes	$7,702	$3,447
Supplemental Schedule of Non-cash Investing and Financing Activities		
Employee compensation invested directly in subsidiaries	$35,800	$33,450
Investments of incentive receivable amounts into Fortress Funds	$134,657	$249,740
Dividends, dividend equivalents and Fortress Operating Group unit distributions declared but not yet paid	$5,240	$5,839
Retained equity interest related to Graticule transfer (Note 1)	$33,400	$—
Non-cash redeemable non-controlling interest - contributions	$—	$20,519

See notes to consolidated financial statements.

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FORTRESS INVESTMENT GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2015
(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

Fortress Investment Group LLC (the “Registrant,” or, together with its subsidiaries, “Fortress”) is a leading, highly diversified global investment management firm whose predecessor was founded in 1998. Its primary business is to sponsor the formation of, and provide investment management services for various investment funds, permanent capital vehicles and managed accounts (collectively, the “Fortress Funds”). Fortress generally makes investments in these funds.

Fortress has three primary sources of income from the Fortress Funds: management fees, incentive income, and investment income on its investments in the funds. In addition, Fortress receives expense reimbursements pursuant to management agreements. The Fortress Funds fall into the following business segments in which Fortress operates:

1) Private equity:

a) General buyout and sector-specific funds focused on control-oriented investments in cash flow generating assets and asset-based businesses in North America and Western Europe; and

b) Entities which Fortress collectively refers to as "permanent capital vehicles" which includes (i) Newcastle Investment Corp. ("Newcastle"), New Residential Investment Corp. ("New Residential"), Eurocastle Investment Limited ("Eurocastle"), New Media Investment Group Inc. ("New Media"), New Senior Investment Group Inc. ("New Senior") and Fortress Transportation and Infrastructure Investors LLC ("FTAI"), which are publicly traded companies that are externally managed by Fortress pursuant to management agreements (collectively referred to as the "publicly traded permanent capital vehicles") and (ii) FHC Property Management LLC, (together with its subsidiaries, referred to as "Blue Harbor"), a senior living property management business. The publicly traded permanent capital vehicles invest in a wide variety of real estate related assets, including securities, loans, real estate properties and mortgage servicing related assets, media assets and transportation and infrastructure assets. All of the capital of Worldwide Transportation and Infrastructure Investors ("WWTAI"), a private fund managed by Fortress, was contributed to FTAI which completed its initial public offering ("IPO") in May 2015 (see Note 2).

2) Liquid hedge funds that invest globally in fixed income, currency, equity and commodity markets, and related derivatives to capitalize on imbalances in the financial markets. In addition, this segment includes an endowment style fund, which invests in Fortress Funds, funds managed by external managers, and direct investments; a fund that primarily focuses on an international "event driven" investment strategy, particularly in Europe, Asia-Pacific and Latin America; and a fund that seeks to generate returns by executing a positively convex investment strategy.

On January 5, 2015, Fortress Asia Macro Funds and related managed accounts became the first group of funds to join Fortress's affiliated manager platform ("Affiliated Managers") as they transitioned to an autonomous asset management business named Graticule Asset Management Asia, L.P. ("Graticule"). Fortress retained a perpetual minority interest in Graticule amounting to 30% of earnings during 2015 and declining to approximately 27% of earnings over time. Fortress also receives additional fees for providing infrastructure services (technology, back office, and related services) to Graticule. During the quarter ended June 30, 2015, Graticule notified Fortress of its intention to terminate the infrastructure services agreement effective at the end of May 2016. Fortress will continue to earn fees for providing services to Graticule through the effective date of the termination. Fortress recorded the results of this transaction at fair value. During the six months ended June 30, 2015, Fortress recorded a non-cash gain of

$134.4 million, non-cash expense of $101.0 million related to the fair value of the controlling interest in Graticule transferred to a former senior employee for no consideration, and $33.4 million from its resulting retained interest as an equity method investment. Fortress utilized an income approach to value Graticule, its retained interest in Graticule and the controlling interest in Graticule which was transferred. This approach relies on a number of factors, including actual operating results, discount rates and economic projections.

In the second quarter of 2015, Fortress determined that certain software and technology-related assets which were used in its liquid hedge funds business had not met certain growth targets and performed an asset impairment test. As a result of this test, $7.5 million of assets were written off and included in Depreciation and Amortization.

3) Credit funds:

a) Credit hedge funds, which make highly diversified investments in direct lending, corporate debt and securities, portfolios and orphaned assets, real estate and structured finance, on a global basis and throughout the capital structure, with a value orientation, as well as non-Fortress originated funds for which Fortress has been retained as manager as part of an advisory business; and

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FORTRESS INVESTMENT GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2015
(dollars in tables in thousands, except share data)

b) Credit private equity (“PE”) funds which are comprised of a family of “credit opportunities” funds focused on investing in distressed and undervalued assets, a family of "long dated value" funds focused on investing in undervalued assets with limited current cash flows and long investment horizons, a family of “real assets” funds focused on investing in tangible and intangible assets in the following principal categories (real estate, capital assets, natural resources and intellectual property), a family of Asia funds, including Japan real estate funds and an Asian investor based global opportunities fund, and a family of real estate opportunities funds, as well as certain sector-specific funds with narrower investment mandates tailored for the applicable sector.

4) Logan Circle Partners, L.P. (“Logan Circle”), which represents Fortress's traditional asset management business providing institutional clients actively managed investment solutions across a broad spectrum of fixed income strategies. Logan Circle's core fixed income products cover the breadth of the maturity and risk spectrums, including short, intermediate and long duration, core/core plus, investment grade credit, high yield and emerging market debt.

For a reconciliation between the financial statements and the segment-based financial data that management uses for making operating decisions and assessing performance, see Note 10.

FINANCIAL STATEMENT GUIDE

Selected Financial Statement Captions	Note Reference	Explanation
Balance Sheet		
Due from Affiliates	6	Generally, management fees, expense reimbursements and incentive income due from Fortress Funds.
Investments and Investments in Options	3	Primarily the carrying value of Fortress’s investments in the Fortress Funds.
Deferred Tax Asset, net	5	Relates to potential future net tax benefits.
Due to Affiliates	6	Generally, amounts due to the Principals related to their interests in Fortress Operating Group and the tax receivable agreement.
Deferred Incentive Income	2	Incentive income already received from certain Fortress Funds based on past performance, which is subject to contingent repayment based on future performance.
Debt Obligations Payable	4	The balance outstanding on the credit agreement.
Principals' and Others' Interests in Equity of Consolidated Subsidiaries	6	The GAAP basis of the Principals' and a former senior employee's ownership interests in Fortress Operating Group as well as employees' ownership interests in

		certain subsidiaries.
Statement of Operations		
Management Fees: Affiliates	2	Fees earned for managing Fortress Funds and other affiliates, generally determined based on the size of such funds.
Management Fees: Non-Affiliates	2	Fees earned from managed accounts and the traditional fixed income asset management business, generally determined based on the amount managed.
Incentive Income: Affiliates	2	Income earned from Fortress Funds, based on the performance of such funds.
Incentive Income: Non- Affiliates	2	Income earned from managed accounts, based on the performance of such accounts.
Compensation and Benefits	7	Includes equity-based, profit-sharing and other compensation to employees.
Gains (Losses)	3	The result of asset dispositions or changes in the fair value of investments or other financial instruments which are marked to market (including the publicly traded permanent capital vehicles and publicly traded portfolio companies).

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FINANCIAL STATEMENT GUIDE

Selected Financial Statement Captions	Note Reference	Explanation
Tax Receivable Agreement Liability Adjustment	5	Represents a change in the amount due to the Principals under the tax receivable agreement.
Earnings (Losses) from Equity Method Investees	3	Fortress's share of the net earnings (losses) of the Fortress Funds resulting from its investments in these funds.
Income Tax Benefit (Expense)	5	The net tax result related to the current period. Certain of Fortress's revenues are not subject to taxes because they do not flow through taxable entities. Furthermore, Fortress has significant permanent differences between its GAAP and tax basis earnings.
Principals' and Others' Interests in (Income) Loss of Consolidated Subsidiaries	6	Primarily the Principals' and employees' share of Fortress's earnings based on their ownership interests in subsidiaries, including Fortress Operating Group.
Earnings Per Share	8	GAAP earnings per Class A share based on Fortress's capital structure, which is comprised of outstanding and unvested equity interests, including interests which participate in Fortress's earnings, at both the Fortress and subsidiary levels.
Other		
Distributions	8	A summary of dividends and distributions, and the related outstanding shares and units, is provided.
Distributable Earnings	10	A presentation of Fortress's financial performance by segment (fund type) is provided, on the basis of the operating performance measure used by Fortress's management committee.

Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard for contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. This standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The entity will recognize revenue to reflect the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB voted to approve a one year deferral of the effective date of the new revenue recognition standard. The new standard is effective for Fortress beginning January 1, 2018. Early adoption is permitted but not before the original public entity effective date (that is, annual periods beginning after December 15, 2016). The standard permits the use of either the retrospective or cumulative effect transition method. Fortress is currently evaluating the impact on its consolidated financial statements upon the adoption of this new standard.

The FASB has recently issued or discussed a number of proposed standards on such topics as, leases, financial instruments and hedging. Some of the proposed changes are significant and could have a material impact on Fortress's financial reporting. Fortress has not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 eliminates the deferral of Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46 (R) previously provided to investment companies and certain other entities pursuant to ASC 810-10-65-2. ASU 2015-02 also amends the evaluation of whether (1) fees paid to a decision maker or service provider represent a variable interest, (2) a limited partnership or similar entity has the characteristics of a variable interest entity ("VIE") and (3) a reporting entity is the primary beneficiary of a VIE. ASU 2015-02 eliminates certain conditions for evaluating whether a fee paid to a decision maker or a service provider represents a variable interest. Fees received by a decision maker or service provider are no longer considered variable interests and are now excluded from the evaluation of whether the reporting entity is the primary beneficiary of a VIE if the fees are both customary and commensurate with the level of effort required for the services provided and the decision maker or service provider does not hold other interests in the entity being evaluated that would absorb more than an insignificant amount of the expected losses or returns of the entity. If the reporting entity determines that it does not have a variable interest in an entity, no further consolidation analysis is performed as the reporting entity would not be required to consolidate the entity.

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The effective date of ASU 2015-02 is for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015 for public companies and early adoption is permitted. Fortress has elected to early adopt ASU 2015-02 on a retrospective basis as permitted, for all periods presented. The consolidated financial statements and related footnote disclosures have been adjusted for the impact of the adoption. The adoption did not result in a cumulative effect adjustment to Fortress's retained earnings (accumulated deficit). Fortress's accounting policy, updated for the adoption of ASU 2015-02, is described below.

Basis of Accounting and Consolidation - The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The accompanying consolidated financial statements include the accounts of Fortress and its consolidated subsidiaries, which are comprised of VIEs in which it is the primary beneficiary as described below and voting interest entities ("VOEs") in which it is determined to have a controlling financial interest under ASC 810, as amended by ASU 2015-02.

For legal entities evaluated for consolidation, Fortress must determine whether the interests that it holds and fees paid to it qualify as a variable interest in the entity. This includes an evaluation of fees paid to Fortress where Fortress acts as a decision maker or service provider to the entity being evaluated. Fees received by Fortress are not variable interests if (i) the fees are compensation for services provided and are commensurate with the level of effort required to provide those services, (ii) the service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length and (iii) Fortress's other economic interests in the VIE held directly and indirectly through its related parties, as well as economic interests held by related parties under common control, where applicable, would not absorb more than an insignificant amount of the entity's losses or receive more than an insignificant amount of the entity's benefits.

For those entities in which it has a variable interest, Fortress performs an analysis to first determine whether the entity is a VIE. This determination includes considering whether the entity's equity investment at risk is sufficient, whether the voting rights of an investor are not proportional to its obligation to absorb the income or loss of the entity and substantially all of the entity's activities either involve or are conducted on behalf of that investor and its related parties and whether the entity's at-risk equity holders have the characteristics of a controlling financial interest. A VIE must be consolidated by its primary beneficiary. Performance of such analysis requires the exercise of judgment.

The primary beneficiary of a VIE is generally defined as the party who has a controlling financial interest in the VIE. Fortress is generally deemed to have a controlling financial interest in a VIE if it has (i) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and (ii) 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. For purposes of evaluating (ii) above, fees paid to Fortress are excluded if the fees are compensation for services provided commensurate with the level of effort required to be performed and the arrangement includes only customary terms, conditions or amounts present in arrangements for similar services negotiated at arm's length. Fortress also evaluates its economic interests in the VIE held directly by it and indirectly through its related parties, as well as economic interests held by related parties under common control, where applicable. The primary beneficiary evaluation is generally performed qualitatively on the basis of all facts and circumstances. However, quantitative information may also be considered in the analysis, as appropriate. These analyses require judgment. Changes in the economic interests (either by Fortress, related parties of Fortress or third parties) or amendments to the governing documents of the VIE could affect an entity's status as a VIE or the determination of the primary beneficiary. The primary beneficiary evaluation is updated continuously.

For VOEs, Fortress shall consolidate the entity if it has a controlling financial interest. Fortress has a controlling financial interest in a VOE if (i) for legal entities other than limited partnerships, Fortress owns a majority voting interest in the VOE or, for limited partnerships and similar entities, Fortress owns a majority of the entity’s kick-out rights through voting limited partnership interests and (ii) non-controlling shareholders or partners do not hold substantive participating rights and no other conditions exist that would indicate that Fortress does not control the entity.

For entities over which Fortress exercises significant influence but which do not meet the requirements for consolidation, Fortress uses the equity method of accounting whereby it records its share of the underlying income of these entities. These entities include the Fortress Funds. The evaluation of whether Fortress exerts control or significant influence over the financial and operational policies of an entity requires judgment based on the facts and circumstances surrounding each individual entity.

Virtually all of the Fortress Funds are, for GAAP purposes, investment companies. Investment companies record realized and unrealized gains (losses) resulting from changes in the fair value of their investments as a component of current income. Additionally, investment companies generally do not consolidate their majority-owned and controlled investments (the “Portfolio Companies”).

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Distributions by Fortress and its subsidiaries are recognized when declared.

Redeemable Non-controlling Interests represent ownership interests in consolidated subsidiaries which are redeemable and not owned by Fortress.

Principals' and others' interests in consolidated subsidiaries represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than Fortress. This is primarily related to the Principals' interests in Fortress Operating Group (Note 6). Non-Fortress interests also include employee interests in majority owned and controlled fund advisor and general partner entities.

Deconsolidation of New Media

Prior to the adoption of ASU 2015-02, Fortress consolidated New Media, a VIE. The financial results of New Media were included in Fortress's consolidated financial statements in previous filings with the Securities and Exchange Commission, based on the then existing consolidation guidance. The adoption of ASU 2015-02 resulted in the deconsolidation of New Media as Fortress determined that under ASU 2015-02, it was not the primary beneficiary of New Media. The fee arrangement with New Media is both commensurate with the level of effort required for the services provided and include only customary terms and Fortress does not hold other interests in New Media that would absorb more than an insignificant amount of New Media's losses or benefits. Therefore, Fortress no longer considers this fee arrangement to be a variable interest. Under ASU 2015-02, Fortress and its related parties under common control as a group, where applicable, do not have the obligation to absorb losses or the right to receive benefits from New Media that could potentially be significant to New Media. Also see Note 3 for the related disclosures for certain unconsolidated variable interest entities.

The accompanying consolidated financial statements and related footnotes of Fortress have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under GAAP have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of Fortress's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. 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. These financial statements should be read in conjunction with Fortress's consolidated financial statements for the year ended December 31, 2014 and footnotes thereto included in Fortress's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2015, as revised in Fortress's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 7, 2015. Capitalized terms used herein, and not otherwise defined, are defined in Fortress's consolidated financial statements for the year ended December 31, 2014.

All significant intercompany accounts and transactions have been eliminated.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

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2. MANAGEMENT AGREEMENTS AND FORTRESS FUNDS

Fortress has two principal sources of fee income from its agreements with the Fortress Funds: contractual management fees, which are generally based on a percentage of fee paying assets under management, and related incentive income, which is generally based on a percentage of returns, or profits, subject to the achievement of performance criteria. Substantially all of Fortress's net assets, after deducting the portion attributable to non-controlling interests, are a result of Fortress's investments in, or receivables from, these funds. The terms of agreements between Fortress and the Fortress Funds are generally determined in connection with third party fund investors.

Management Fees and Incentive Income

Fortress recognized management fees and incentive income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Private Equity				
Private Equity Funds				
Management fees: affil.	$29,222	$35,330	$58,362	$70,643
Management fees: non-affil.	—	162	—	311
Incentive income: affil.	—	22,094	—	22,094
Permanent Capital Vehicles				
Management fees: affil.	22,276	16,318	41,278	31,496
Management fees, options: affil.	21,014	1,604	25,158	1,604
Management fees: non-affil.	482	583	932	1,691
Incentive income: affil.	23,156	19,246	25,744	23,255
Liquid Hedge Funds				
Management fees: affil.	16,638	29,998	35,133	57,065
Management fees: non-affil.	2,054	6,164	4,548	12,575
Incentive income: affil.	41	908	53	986
Incentive income: non-affil.	39	44	39	44
Credit Funds				
Credit Hedge Funds				
Management fees: affil.	29,834	28,455	59,488	55,289
Management fees: non-affil.	13	20	23	44
Incentive income: affil.	21,516	16,429	22,169	17,733
Incentive income: non-affil.	—	—	—	—
Credit PE Funds				
Management fees: affil.	31,068	23,651	57,387	48,259
Management fees: non-affil.	29	34	58	68
Incentive income: affil.	37,445	1,765	58,409	30,625

Incentive income: non-affil.	257	—	257	643
Logan Circle				
Management fees: affil.	884	689	1,837	1,399
Management fees: non-affil.	12,388	10,753	24,696	20,649
Incentive income: affil.	—	—	6	—
Incentive income: non-affil.	—	—	—	—
Total				
Management fees: affil.	$150,936	$136,045	$278,643	$265,755
Management fees: non-affil.	$14,966	$17,716	$30,257	$35,338
Incentive income: affil. (A)	$82,158	$60,442	$106,381	$94,693
Incentive income: non-affil.	$296	$44	$296	$687

(A) See “Deferred Incentive Income” below. The incentive income amounts presented in this table are based on the estimated results of investment vehicles for the current period. These estimates are subject to change based on the final results of such vehicles.

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Deferred Incentive Income

Incentive income from certain Fortress Funds, primarily the private equity funds, private permanent capital vehicle through its IPO in May 2015 and credit PE funds, is received when such funds realize returns, or profits, based on the related agreements. However, this incentive income is subject to contingent repayment by Fortress to the funds until certain overall fund performance criteria are met. Accordingly, Fortress does not recognize this incentive income as revenue until the related contingencies are resolved. Until such time, this incentive income is recorded on the balance sheet as deferred incentive income and is included as “distributed-unrecognized” deferred incentive income in the table below. Incentive income from such funds, based on their net asset value, which has not yet been received is not recorded on the balance sheet and is included as “undistributed” deferred incentive income in the table below.

Incentive income from certain Fortress Funds is earned based on achieving annual performance criteria. Accordingly, this incentive income is recorded as revenue at year end (in the fourth quarter of each year), is generally received subsequent to year end, and has not been recognized for these funds during the six months ended June 30, 2015 and 2014. If the amount of incentive income contingent on achieving annual performance criteria was not contingent on the results of the subsequent quarters, $46.4 million and $56.3 million of additional incentive income would have been recognized during the six months ended June 30, 2015 and 2014, respectively. Incentive income based on achieving annual performance criteria that has not yet been recognized, if any, is not recorded on the balance sheet and is included as “undistributed” deferred incentive income in the table below.

During the six months ended June 30, 2015 and 2014, Fortress recognized $58.4 million and $30.6 million, respectively, of incentive income distributions from its credit PE funds which were non-clawbackable or represented “tax distributions.” Tax distributions are not subject to clawback and reflect a cash amount approximately equal to the amount expected to be paid out by Fortress for taxes or tax-related distributions on the allocated income from such funds.

Deferred incentive income from the Fortress Funds was comprised of the following, on an inception-to-date basis. This does not include any amounts related to third party funds, receipts from which are reflected as Other Liabilities until all contingencies are resolved.

	Distributed-Gross	Distributed-Recognized (A)	Distributed-Unrecognized (B)	Undistributed, net of intrinsic clawback (C) (D)
Deferred incentive income as of December 31, 2014	$ 1,243,441	$ (938,915)	$ 304,526	$ 868,549
Fortress Funds which matured (no longer subject to clawback)	—	—	N/A	N/A
Share of income (loss) of Fortress Funds	N/A	N/A	N/A	173,199
Distribution of private equity funds and credit PE funds incentive income	81,671	N/A	81,671	(81,671)

Distribution of private permanent capital vehicle incentive income through IPO in May 2015	6,299	N/A	6,299	(6,299)
Recognition of previously deferred incentive income	N/A	(65,709)	(65,709)	N/A
Changes in foreign exchange rates	(449)	—	(449)	N/A
Deferred incentive income as of June 30, 2015	$ 1,330,962 (E)	$ (1,004,624)	$ 326,338	$ 953,778 (E)
Deferred incentive income including Fortress Funds which matured	$ 1,384,618	$ (1,058,280)		

(A) All related contingencies have been resolved.

(B) Reflected on the consolidated balance sheet.

(C) At June 30, 2015, the net undistributed incentive income is comprised of $1.0 billion of gross undistributed incentive income, net of $66.9 million of intrinsic clawback. The net undistributed incentive income represents the amount that would be received by Fortress from the related funds if such funds were liquidated on June 30, 2015 at their net asset values.

(D) From inception to June 30, 2015, Fortress has paid $621.9 million of compensation expense under its employee profit sharing arrangements (Note 7) in connection with distributed incentive income, of which $21.5 million has not been expensed because management has determined that it is not probable of being incurred as an expense and will be recovered from the related individuals. As of June 30, 2015, Fortress has recovered $6.4 million from individuals relating to their clawback obligations. If the $1.0 billion of gross undistributed incentive income were realized, Fortress would recognize and pay an additional $498.7 million of compensation expense.

(E) See detailed reconciliations of Distributed-Gross and Undistributed, net of intrinsic clawback below.

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The amounts set forth under Distributed-Gross can be reconciled to the incentive income threshold tables (on the following pages) as follows:

	June 30, 2015	
Distributed incentive income - Private Equity Funds	$846,671	
Distributed incentive income - Private Equity Funds in Investment Period or Commitment Period	—	
Distributed incentive income - Credit PE Funds	801,657	
Distributed incentive income - Credit PE Funds in Investment Period or Commitment Period	4,776	
Distributed incentive income - Private Permanent Capital Vehicle through IPO in May 2015 (see footnote (P) of incentive income threshold tables)	7,043	
Less:		
Fortress Funds which are not subject to a clawback provision:		
— NIH	(94,513	)
— GAGACQ Fund	(51,476	)
Portion of Fund I distributed incentive income that Fortress is not entitled to (see footnote K of incentive income threshold tables)	(183,196	)
Distributed-Gross	$1,330,962	

The amounts set forth under Undistributed, net of intrinsic clawback can be reconciled to the incentive income threshold tables (on the following pages) as follows:

	June 30, 2015	
Undistributed incentive income - Private Equity Funds	$26,310	
Undistributed incentive income - Private Equity Funds in Investment Period or Commitment Period	3,509	
Undistributed incentive income - Credit PE Funds	848,001	
Undistributed incentive income - Credit PE Funds in Investment Period or Commitment Period	26,482	
Undistributed incentive income - Permanent Capital Vehicles	1,191	
Undistributed incentive income - Hedge Funds (total)	115,083	
Undistributed incentive income - Logan Circle	105	
Less: Gross intrinsic clawback per incentive income threshold tables - Private Equity Funds	(66,903	)
Undistributed, net of intrinsic clawback	$953,778	

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The following tables summarize information with respect to the Fortress Funds and their related incentive income thresholds as of June 30, 2015:

Fund (Vintage) (A)	Maturity Date (B)	Inception to Date Capital Invested	Inception to Date Distributions (C)	Net Asset Value ("NAV")	NAV Surplus (Deficit) (D)	Current Preferred Return Threshold (E)	Gain to Cross Incentive Income Threshold (F)	Undistributed Incentive Income (G)	Distributed Incentive Income (H)	Distributed Incentive Income Subject to Clawback (I)	Gros Intrin Claw (J)
Private Equity Funds											
NIH (1998)	Closed Jun-15	$415,574	$(823,588)	$—	$ N/A	$ N/A	$ N/A	$—	$94,513	$—	$—
Fund I (1999) (K)	Closed May-13	1,015,943	(2,847,929)	—	N/A	N/A	N/A	—	344,939	—	—
Fund II (2002)	In Liquidation	1,974,298	(3,442,900)	3,534	1,472,136	—	N/A	696	288,840	—	—
Fund III (2004)	In Liquidation	2,762,992	(2,138,524)	930,951	306,483	[illegible]	[illegible]	—	66,903	66,903	66,90
Fund III Coinvestment (2004)	In Liquidation	273,649	(225,188)	68,246	19,785	[illegible]	[illegible]	—	—	—	—
Fund IV (2006)	Jan-17	3,639,561	(1,357,054)	2,225,663	(56,844)	[illegible]	[illegible]	—	—	—	—
Fund IV Coinvestment (2006)	Jan-17	762,696	(271,319)	412,859	(78,518)	[illegible]	[illegible]	—	—	—	—
Fund V (2007)	Feb-18	4,103,713	(1,435,456)	5,303,858	2,635,601	[illegible]	[illegible]	13,665	—	—	—
Fund V Coinvestment (2007)	Feb-18	990,480	(173,600)	526,359	(290,521)	[illegible]	[illegible]	—	—	—	—
GAGACQ Fund (2004) (GAGFAH)	Closed Nov-09	545,663	(595,401)	—	N/A	N/A	N/A	—	51,476	—	—
FRID (2005) (GAGFAH)	Closed Nov-14	1,220,229	(1,202,153)	—	N/A	N/A	N/A	—	—	—	—
FRIC (2006) (Brookdale)	Closed Dec-14	328,754	(291,330)	—	N/A	N/A	N/A	—	—	—	—
FICO (2006) (Intrawest)	Jan-17	724,525	—	(63,960)	(788,485)	[illegible]	[illegible]	—	—	—	—
FHIF (2006) (Holiday)	Jan-17	1,543,463	(685,652)	1,520,480	662,669	[illegible]	[illegible]	—	—	—	—
FECI (2007) (Florida East Coast Railway/Florida	Feb-18	982,779	(624)	960,420	(21,735)	[illegible]	[illegible]	—	—	—	—

East Coast Industries)											
MSR Opportunities Fund I A (2012)	Aug-22	341,135	(141,754)	298,754	99,373	—	N/A	9,566	—	—	—
MSR Opportunities Fund I B (2012)	Aug-22	82,760	(34,275)	72,327	23,842	—	N/A	2,383	—	—	—
								$26,310	$846,671	$66,903	$66,9
Private Equity Funds in Investment or Commitment Period											
MSR Opportunities Fund II A (2013)	Jul-23	$158,724	$(15,482)	$162,338	$19,096	$—	$ N/A	$2,820	$—	$—	$—
MSR Opportunities Fund II B (2013)	Jul-23	2,264	(212)	2,311	259	—	N/A	39	—	—	—
MSR Opportunities MA I (2013)	Jul-23	36,425	(3,541)	37,287	4,403	—	N/A	650	—	—	—
Italian NPL Opportunities Fund (2013)	Sep-24	32,312	(5,768)	24,044	(2,500)	1,74,267		—	—	—	—
								$3,509	$—	$—	$—

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Fund (Vintage) (A)	Maturity Date (B)	Inception to Date Capital Invested	Inception to Date Distributions (C)	Net Asset Value (“NAV”)	NAV Surplus (Deficit) (D)	Current Preferred Return Threshold (E)	Gain to Cross Incentive Income Threshold (F)	Undistributed Incentive Income (G)	Distributed Incentive Income (H)	Distributed Incentive Income Subject to Clawback (I)
Credit PE Funds										
Long Dated Value Fund I (2005)	Apr-30	$267,325	$(127,971)	$290,441	$151,087	$153,774	$4,579	$48	$—	$—
Long Dated Value Fund II (2005)	Nov-30	274,280	(150,977)	204,428	81,125	123,552	42,427	—	412	—
Long Dated Value Fund III (2007)	Feb-32	343,156	(283,517)	190,703	131,064	—	N/A	17,839	6,473	—
LDVF Patent Fund (2007)	Nov-27	41,779	(34,903)	33,493	26,617	—	N/A	1,071	1,471	—
Real Assets Fund (2007)	Jun-17	359,024	(352,783)	105,051	98,810	—	N/A	9,043	6,285	—
Credit Opportunities Fund (2008)	Oct-20	5,646,864	(7,084,071)	1,274,505	2,711,712	—	N/A	169,710	362,870	145,297
Credit Opportunities Fund II (2009)	Jul-22	2,335,264	(2,487,310)	1,083,393	1,235,439	—	N/A	129,496	112,816	43,733
Credit Opportunities Fund III (2011)	Mar-24	3,088,327	(1,298,051)	2,479,191	688,915	—	N/A	108,185	26,852	499
FCO Managed Accounts (2008 - 2012)	Apr-22 to Mar-24	4,231,548	(3,172,000)	2,573,108	1,513,560	—	N/A	194,853	100,147	31,599
SIP Managed Account (2010)	Sep-20	11,000	(37,033)	11,509	37,542	—	N/A	2,877	5,207	—
Japan Opportunity Fund (2009)	Jun-19	890,161	(1,371,558)	578,353	1,059,750	—	N/A	101,805	125,374	22,782
Net Lease Fund I (2010)	Feb-20	152,851	(225,430)	1,686	74,265	—	N/A	216	9,528	5,928
Real Estate Opportunities Fund (2011)	Sep-24	539,470	(313,690)	384,195	158,415	—	N/A	11,073	2,750	1,734
Global Opportunities Fund (2010)	Sep-20	320,130	(155,479)	243,187	78,536	—	N/A	13,387	1,927	1,927
Japan Opportunity Fund II (Yen)	Dec-21	644,383	(249,226)	708,104	312,947	—	N/A	48,800	15,416	—

(2011)										
Japan Opportunity Fund II (Dollar) (2011)	Dec-21	639,643	(242,269)	703,484	306,110	—	N/A	37,606	21,482	—
Real Estate Opportunities REOC Fund (2011)	Oct-23	56,692	(37,548)	42,456	23,312	—	N/A	1,992	2,647	1,160
								$848,001	$801,657	$254,659
Credit PE Funds in Investment or Commitment Period										
FCO Managed Accounts (2010-2015)	Jun-24 to Feb-28	$685,003	$(301,411)	$537,557	$153,965	$1,906	$3,471	$25,316	$4,776	$4,776
Life Settlements Fund (2010)	Dec-22	406,548	(299,330)	78,102	(29,116)	81,242	110,358	—	—	—
Life Settlements Fund MA (2010)	Dec-22	33,321	(24,482)	6,195	(2,644)	6,666	9,310	—	—	—
Real Estate Opportunities Fund II (2014)	May-27	242,294	(42,808)	212,224	12,738	3,954	701	1,166	—	—
Japan Opportunity Fund III (Yen) (2014)	Dec-24	107,011	—	106,999	(12)	2,742	2,754	—	—	—
Japan Opportunity Fund III (Dollar) (2014)	Dec-24	83,061	—	83,687	626	2,091	1,465	—	—	—
Credit Opportunities Fund IV (2015)	Feb-27	142,897	—	144,304	1,407	3,696	2,289	—	—	—
								$26,482	$4,776	$4,776

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Fund	Equity Eligible for Incentive (L)	Gain to Cross Incentive Income Threshold (F)	Undistributed Incentive Income (O)	Life-to-Date Incentive Income Crystallized (P)
Publicly Traded Permanent Capital Vehicles				
Newcastle	$751,469	$ (F)	$ N/A	$ 41,283
Eurocastle	62,476	—	1,191	39,217
New Residential	2,749,370	—	N/A	85,593
New Media	645,007	—	N/A	5,296
New Senior	1,089,384	1,115	N/A	—
FTAI (P)	1,219,416	1,950	—	—

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	Incentive Income Eligible NAV (L)	Gain to Cross Incentive Income Threshold (M)	Percentage of Incentive Income Eligible NAV Above Incentive Income Threshold (N)		Undistributed Incentive Income (O)	Year to Date Incentive Income Crystallized (P)
Liquid Hedge Funds						
Macro Funds (Q) (T)						
Main fund investments	$712,455	$91,022	0.0	%	$—	$—
Single investor funds	903,052	68,109	0.0	%	—	11
Sidepocket investments (R)	7,235	6,252	N/A		44	—
Sidepocket investments - redeemers (S)	112,038	66,462	N/A		1,406	1
Managed accounts	397,078	26,980	0.0	%	—	39
Fortress Convex Asia Funds (T)						
Main fund investments	193,120	11,718	0.0	%	—	—
Fortress Partners Funds (T)						
Main fund investments	8,485	1,104	0.0	%	—	41
Sidepocket investments (R)	79,272	6,951	N/A		4,338	—
Fortress Centaurus Global Funds (T)						
Main fund investments	191,202	7,602	0.0	%	—	—
Credit Hedge Funds						
Special Opportunities Funds (T)						
Main fund investments	$4,767,347	$—	100.0	%	$44,097	$—
Sidepocket investments (R)	45,652	6	N/A		3,232	—
Sidepocket investments - redeemers (S)	162,885	49,132	N/A		5,156	—
Main fund investments (liquidating) (U)	477,952	—	100.0	%	55,612	22,169
Managed accounts	1,518	47,706	0.0	%	—	—
Worden Funds						
Main fund investments	262,770	1,191	81.2	%	1,007	—
Fortress Japan Income Fund						
Main fund investments	66,548	N/A	100.0	%	134	—
Value Recovery Funds (V)						
Managed accounts	9,908	6,957	48.8	%	57	—

Logan Circle						
Main fund investments	$70,598	$1,182	0.0	%	$—	$—
Managed accounts	218,111	19,677	26.3	%	105	—

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(A) Vintage represents the year in which the fund was formed.

(B) Represents the contractual maturity date including the assumed exercise of all extension options, which in some cases may require the approval of the applicable fund advisory board. Private equity funds that have reached their maturity date are included in the table to the extent they have generated incentive income.

(C) Includes an increase to the NAV surplus related to the U.S. income tax expense of certain investment entities, which is considered a distribution for the purposes of computing incentive income.

(D) A NAV deficit represents the gain needed to cross the incentive income threshold (as described in (F) below), excluding the impact of any relevant performance (i.e. preferred return) thresholds (as described in (E) below).

(E) For fund investors whose NAV is below the incentive income threshold, represents the gain needed for these investors to achieve the current relevant performance thresholds, assuming the gain described in (D) above is already achieved.

(F) For fund investors whose NAV is below the incentive income threshold, represents the immediate increase in NAV needed for these investors for Fortress to begin earning incentive income, including the achievement of any relevant performance thresholds. It does not include the amount needed to earn back intrinsic clawback (see (J) below), if any. Incentive income is not recorded as revenue until it is received and any related contingencies are resolved (see (I) below). For the publicly traded permanent capital vehicles, represents the immediate increase of the entity's applicable supplemental measure of operating performance needed for Fortress to begin earning incentive income. As of June 30, 2015, as a result of Newcastle not meeting the incentive income threshold, Fortress does not expect to earn incentive income from Newcastle for an indeterminate period of time. In April 2015, Fortress entered into an amended management agreement with Eurocastle. The amendment reset the earnings threshold for Fortress to earn incentive income.

(G) Represents the amount of additional incentive income Fortress would receive if the fund were liquidated at the end of the period at its NAV. The incentive income amounts presented in this table are based on the estimated results of investment vehicles for the current period. These estimates are subject to change based on the final results of such vehicles. As of June 30, 2015, a portion of Fund V, Long Dated Value Fund I and Real Estate Opportunities Fund II's capital is above their incentive income threshold.

(H) Represents the amount of net incentive income previously received from the fund since inception.

(I) Represents the amount of incentive income previously received from the fund which is still subject to contingencies and is therefore recorded on the consolidated balance sheet as Deferred Incentive Income. This amount will either be recorded as revenue when all related contingencies are resolved, or, if the fund does not meet certain performance thresholds, will be returned by Fortress to the fund (i.e., “clawed back”).

(J) Represents the amount of incentive income previously received from the fund that would be clawed back (i.e., returned by Fortress to the fund) if the fund were liquidated at the end of the period at its NAV, excluding the effect of any tax adjustments. Employees, former employees and affiliates of Fortress would be required to return a portion of this incentive income that was paid to them under profit sharing arrangements. “Gross” and “Net” refer to amounts that are gross and net, respectively, of this employee/affiliate portion of the intrinsic clawback. Fortress remains liable to the funds for these amounts even if it is unable to collect the amounts from employees/affiliates. Fortress withheld a portion of the amounts due to employees under these profit sharing arrangements as a reserve against future clawback; as of June 30, 2015, Fortress held $22.8 million of such amounts on behalf of employees related to all of the private equity funds.

(K) The Fund I distributed incentive income amount is presented for the total fund, of which Fortress was entitled to approximately 50%.

(L) Represents the portion of a fund’s or managed account's NAV or trading level that is eligible to earn incentive income. For the publicly traded permanent capital vehicles, represents the equity basis that is used to calculate incentive income.

(M) Represents, for those investors whose NAV is below the performance threshold Fortress needs to obtain before it can earn incentive income from such investors (their "incentive income threshold" or "high water mark"), the amount by which their aggregate incentive income thresholds exceed their aggregate NAVs. The amount by which the NAV of each investor within this category is below their respective incentive income threshold varies and, therefore, Fortress may begin earning incentive income from certain investors before this entire amount is earned back. Fortress earns incentive income whenever the assets of new investors, as well as of investors whose NAV exceeds their incentive income threshold, increase in value. For Fortress Japan Income Fund, Fortress earns incentive income based on investment income, which does not include unrealized and realized gains and losses, earned in excess of a preferred return threshold.

(N) Represents the percentage which is computed by dividing (i) the aggregate NAV of all investors who are at or above their respective incentive income thresholds, by (ii) the total incentive income eligible NAV of the fund. The amount by which the NAV of each fund investor who is not in this category is below their respective incentive income threshold may vary, and may vary significantly. This percentage represents the performance of only the main fund investments and managed accounts relative to their respective incentive income thresholds. It does not incorporate the impact of unrealized losses on sidepocket investments that can reduce the amount of incentive income earned from certain funds. See footnote (R) below.

(O) Represents the amount of additional incentive income Fortress would earn from the fund or managed account if it were liquidated at the end of the period at its NAV. This amount is currently subject to performance contingencies generally until the end of the year or, in the case of sidepocket investments, until such investments are realized. Main Fund Investments (Liquidating) pay incentive income only after all capital is returned. For the Fortress Japan Income Fund, represents the amount of incentive income Fortress would earn from the fund assuming the amount of investment income earned in excess of the preferred return threshold was distributed as of the end of the period. For the Value Recovery Fund managed accounts, Fortress can earn incentive income if aggregate realizations exceed an agreed threshold. For FTAI, Fortress can earn incentive income if cumulative capital gains income, subject to certain adjustments, exceeds the incentive income threshold as of the end of each calendar year. The incentive income amounts presented in this table are based on the

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estimated results of investment vehicles for the current period. These estimates are subject to change based on the final results of such vehicles.

(P) Represents the amount of incentive income Fortress has earned which is not subject to clawback. For the publicly traded permanent capital vehicles, represents the life-to-date incentive income amount that Fortress has earned and which is not subject to clawback. All of the capital of WWTAI, a private fund managed by Fortress, was contributed to FTAI which completed its IPO in May 2015 (see below). Fortress earned $7.0 million in life-to-date incentive income which is not subject to clawback and was not included in the table above. Of the $7.0 million in incentive income from WWTAI, Fortress received $5.9 million in FTAI common shares based on the share price at IPO.

(Q) The Drawbridge Global Macro SPV (the "SPV"), which was established in February 2009 to liquidate illiquid investments and distribute the proceeds to then existing investors, is not subject to incentive income and is therefore not presented in the table. However, realized gains or losses within the SPV can decrease or increase, respectively, the gain needed to cross the incentive income threshold for investors with a corresponding investment in the main fund. The unrealized gains and losses within the SPV at June 30, 2015, as if they became realized, would not materially impact the amounts presented in the table.

(R) Represents investments held in sidepockets (also known as special investment accounts), which generally have investment profiles similar to private equity funds. The performance of these investments may impact Fortress's ability to earn incentive income from main fund investments. For the credit hedge funds and Fortress Partners Funds, realized and unrealized losses from individual sidepockets below original cost may reduce the incentive income earned from main fund investments. For the Macro Funds, only realized losses from individual sidepockets reduce the incentive income earned from main fund investments. Based on current unrealized losses in Macro Fund sidepockets, if all of the Macro Fund sidepockets were liquidated at their NAV at June 30, 2015, the undistributed incentive income from the Macro main fund would not be impacted.

(S) Represents investments held in sidepockets for investors with no corresponding investment in the related main fund investments. In the case of the Macro Funds, such investors may have investments in the SPV (see (Q) above).

(T) Includes onshore and offshore funds.

(U) Relates to accounts where investors have provided return of capital notices and are subject to payout as underlying fund investments are realized.

(V) Excludes the Value Recovery Funds which had a NAV of $146.0 million at June 30, 2015. Fortress began managing the third party originated Value Recovery Funds in June 2009 and generally does not expect to earn any significant incentive income from the fund investments.

Private Equity

WWTAI was a private fund formed in July 2011 and managed by Fortress. All of the capital of WWTAI was contributed to FTAI which completed its IPO in May 2015. Fortress received shares in FTAI in exchange for its equity interests in WWTAI. During the second quarter of 2015, Fortress recognized $7.0 million in incentive income from WWTAI as these distributions were determined to no longer be subject to clawback. Of the $7.0 million in incentive income from WWTAI, Fortress received $5.9 million in FTAI common shares based on the share price at IPO. Fortress entered into a management agreement with FTAI and under the terms of the management agreement, Fortress will receive a management fee, incentive income and reimbursement for certain expenses incurred.

During the six months ended June 30, 2015, Fortress's senior living management subsidiary (Blue Harbor) entered into agreements to manage two senior living properties which are owned by New Senior. Fortress will receive management fees equal to 5.0% of revenues (as defined in the agreements) and reimbursement of certain expenses, including the compensation expense of all on-site employees.

Logan Circle

During the six months ended June 30, 2015, Logan Circle, Fortress's fixed income asset manager, formed two new entities with net asset values as follows as of June 30, 2015:

	Logan Circle Funds
Fortress	$9,899
Third party investors	50,745
Total capital NAV	$60,644

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Credit PE

During the six months ended June 30, 2015, Fortress formed new credit PE entities which had capital commitments as follows as of June 30, 2015:

	Credit PE
Fortress	$33,750
Fortress's affiliates	36,035
Third party investors	3,864,910
Total capital commitments	$3,934,695

3. INVESTMENTS AND FAIR VALUE

Investments consist primarily of investments in equity method investees and options in certain investees. The investees are primarily Fortress Funds.

Investments can be summarized as follows:

	June 30, 2015	December 31, 2014
Equity method and other investees	$1,115,092	$1,106,338
Equity method investees, held at fair value (A)	29,505	15,207
Total investments	$1,144,597	$1,121,545
Options in equity method investees	$60,950	$71,844

(A) Includes the publicly traded private equity portfolio companies and publicly traded permanent capital vehicles, including FTAI which completed its IPO in May 2015 (see Note 2).

Gains (losses) are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net realized gains (losses)	$54	$(1,574)	$1,313	$(2,409)
Net realized gains (losses) from affiliate investments (A)	33,867	44,922	32,701	44,348
Net unrealized gains (losses)	3,962	4,844	1,600	(1,959)
Net unrealized gains (losses) from affiliate investments (A)	(44,670)	(43,328)	(10,840)	(46,171)
Total gains (losses)	$(6,787)	$4,864	$24,774	$(6,191)

(A) Includes the impact of the exercise of options held in New Residential in June 2015 and the sale of GAGFAH shares in June 2014.

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These gains (losses) were generated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Mark to fair value on affiliate investments and options	$(10,886)	$1,593	$21,899	$(1,846)
Mark to fair value on derivatives	3,903	(2,599)	5,017	(3,948)
Mark to fair value on equity securities	—	693	(509)	770
Gains (losses) on digital currency (Bitcoin)	368	3,904	(1,175)	(2,272)
Other	(172)	1,273	(458)	1,105
Total gains (losses)	$(6,787)	$4,864	$24,774	$(6,191)

Investments

Fortress holds investments in certain Fortress Funds which are primarily recorded based on the equity method of accounting. Fortress's maximum exposure to loss with respect to these entities is generally equal to its investment plus its basis in any options received from such entities, plus any receivables from such entities as described in Note 6. In addition, unconsolidated affiliates also hold ownership interests in certain of these entities. Summary financial information related to these investments is as follows:

	Fortress's Investment		Earnings (Losses) from Equity Method Investees			
	June 30,	December 31,	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014
Private equity funds	$657,569	$677,366	$(33,674)	$10,957	$(7,819)	$17,349
Publicly traded portfolio companies (A)(B)	1,368	1,035	N/A	N/A	N/A	N/A
FTAI (B)	14,236	5,284	(129)	(92)	89	(57)
Newcastle (B)	764	776	N/A	N/A	N/A	N/A
New Residential (B)	7,903	6,622	N/A	N/A	N/A	N/A
Eurocastle (B)	2,244	2,162	N/A	N/A	N/A	N/A
New Media (B)	1,342	1,769	N/A	N/A	N/A	N/A
New Senior (B)	2,311	2,843	N/A	N/A	N/A	N/A
Total private equity	687,737	697,857	(33,803)	10,865	(7,730)	17,292
Liquid hedge funds (C)	193,783	167,630	(8,850)	1,756	518	3,286
Credit hedge funds	41,898	57,224	990	2,440	2,958	4,809
Credit PE funds	195,801	183,127	5,000	7,387	10,065	17,394
Other	25,378	15,707	342	—	(424)	41
	$1,144,597	$1,121,545	$(36,321)	$22,448	$5,387	$42,822

(A) Represents Fortress's direct investments in the common stock of publicly traded private equity portfolio companies.

(B)

Fortress elected to record the common shares held in these companies at fair value pursuant to the fair value option for financial instruments, including FTAI which completed its IPO in May 2015 (see Note 2).

(C) Includes Fortress's investment in Affiliated Managers.

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A summary of the changes in Fortress's investments is as follows:

	Six Months Ended June 30, 2015							
	Private Equity							
	Funds	Publicly Traded Portfolio Companies (A)	Permanent Capital Vehicles (A)	Liquid Hedge Funds (B)	Credit Hedge Funds	Credit PE Funds	Other	Total
Investment, beginning	$677,366	$1,035	$19,456	$167,630	$57,224	$183,127	$15,707	$1,121,545
Earnings from equity method investees	(7,819)	N/A	89	518	2,958	10,065	(424)	5,387
Other comprehensive income from equity method investees	—	N/A	—	—	—	—	—	—
Contributions to equity method and other investees (C)	1,930	50	8,406	13,652	115,369	21,602	66	161,075
Distributions of earnings from equity method and other investees	(10,668)	N/A	(173)	(427)	(3,485)	(8,269)	(734)	(23,756)
Distributions of capital from equity method and other investees (C)	(2,016)	N/A	(216)	(20,990)	(130,168)	(10,278)	(3)	(163,671)
Total distributions from equity method and other investees	(12,684)	—	(389)	(21,417)	(133,653)	(18,547)	(737)	(187,427)
Mark to fair value - during period (D)	401	283	1,411	N/A	N/A	N/A	(189)	1,906
Net purchases of investments by consolidated funds	—	—	—	—	—	—	10,955	10,955
Translation adjustment	(28)	—	(173)	—	—	(398)	—	(599)
Dispositions	(2,683)	—	—	—	—	(48)	—	(2,731)
Reclassification to Due to Affiliates (E)	1,086	—	—	—	—	—	—	1,086
Retained interest in Graticule (Note 1)	—	—	—	33,400	—	—	—	33,400
Investment, ending	$657,569	$1,368	$28,800	$193,783	$41,898	$195,801	$25,378	$1,144,597
Ending balance of undistributed earnings	$54,692	$ N/A	$ N/A	$7,826	$2,442	$13,547	$1,728	$80,235

(A) Fortress elected to record the common shares held in the publicly traded private equity portfolio companies and publicly traded permanent capital vehicles, including FTAI which completed its IPO in May 2015 (see Note 2), at fair value pursuant to the fair value option for financial instruments.

(B) Includes Fortress's investment in Affiliated Managers.

(C) The amounts presented above can be reconciled to the amounts presented on the statement of cash flows as follows:

	Six Months Ended June 30, 2015	
	Contributions	Distributions of Capital
Per Consolidated Statements of Cash Flows	$18,862	$(155,255)
Investments of incentive receivable amounts into Fortress Funds	134,657	—
Change in distributions payable out of Fortress Funds	—	—
Net funded*	7,331	(7,331)
Other	225	(1,085)
Per Above	$161,075	$(163,671)

* In some instances, a private equity style fund may need to simultaneously make both a capital call (for new investments or expenses) and a capital distribution (related to realizations from existing investments). This results in a net funding.

(D) Recorded to Gains (Losses).

(E) Represents a portion of the general partner liability discussed in Note 9.

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The following tables present summarized statements of operations for Fortress's significant equity method investees. The permanent capital vehicles, the publicly traded portfolio companies and Other are not presented as they are insignificant to Fortress’s investments.

	Private Equity Funds (A)		Liquid Hedge Funds	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015 (B)	2014
Revenues and gains (losses) on investments	$(284,694)	$419,265	$(132,365)	$(153,439)
Expenses	(84,796)	(101,809)	(95,131)	(97,666)
Net Income (Loss)	$(369,490)	$317,456	$(227,496)	$(251,105)
Fortress’s equity in net income (loss)	$(7,819)	$17,349	$518	$3,286

	Credit Hedge Funds		Credit PE Funds (A)	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues and gains (losses) on investments	$499,641	$553,237	$854,159	$1,293,764
Expenses	(212,050)	(150,968)	(141,262)	(132,624)
Net Income (Loss)	$287,591	$402,269	$712,897	$1,161,140
Fortress’s equity in net income (loss)	$2,958	$4,809	$10,065	$17,394

(A) For Private Equity Funds, includes four entities which are recorded on a one quarter lag (i.e. current year balances reflected for these entities are for the period ended March 31, 2015). For Credit PE Funds, includes one entity which is recorded on a one quarter lag and several entities which are recorded on a one month lag. They are recorded on a lag because they are foreign entities, or they have substantial operations in foreign countries, and do not provide financial reports under GAAP within the reporting time frame necessary for U.S. public entities.

(B) Includes the operating results of Affiliated Managers.

Investments in Variable Interest Entities and other Unconsolidated Entities

All of Fortress’s interests in unconsolidated entities relate to (i) entities in which Fortress has an investment, which are included on the consolidated balance sheet and described in Note 3, and/or (ii) entities from which Fortress earns fees, which are included in revenues and described in Note 2. These entities are primarily Fortress Funds which are VOEs and provide their limited partners or members unrelated to Fortress with the substantive ability to liquidate the Fortress Fund or otherwise remove Fortress as the general partner and/or manager.

No reconsideration events occurred during the six months ended June 30, 2015 or 2014, respectively, which caused a change in Fortress’s accounting, except as described below.

The following tables set forth certain information as of June 30, 2015 regarding variable interest entities in which Fortress held a variable interest. Entities initially classified as variable interest entities during the six months ended June 30, 2015:

Fortress is not Primary Beneficiary

Business	Number of VIEs	Gross Assets (A)	Financial Obligations (A)	Fortress Investment (B)	Notes
Permanent Capital Vehicles	1	$2,009,945	$584,302	$ 19,121	(C)
Liquid Hedge Funds	2	192,912	—	39,044	(D)
Credit PE Funds	2	22,577	—	85	(D)

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All variable interest entities:

	Fortress is not Primary Beneficiary								
	June 30, 2015				December 31, 2014				
Business	Number of VIEs	Gross Assets (A)	Financial Obligations (A)	Fortress Investment (B)	Number of VIEs	Gross Assets (A)	Financial Obligations (A)	Fortress Investment (B)	Notes
Private Equity Funds	1	$126,427	$						