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Fortress Investment Group LLC
Form 10-K
February 25, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-33294

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)

Registrant's telephone number, including area code: (212) 798-6100

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class:

Name of exchange on which registered:

Class A shares

New York Stock Exchange (NYSE)

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of 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).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K.

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

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

The aggregate market value of the Class A shares held by non-affiliates as of June 30, 2015 (computed based on the closing price on such date as reported on the NYSE) was \$1.5 billion.

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: 221,183,518 outstanding as of February 19, 2016.

Class B shares: 169,514,478 outstanding as of February 19, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for the registrant’s 2016 annual meeting, to be filed within 120 days after the close of the registrant’s fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

FORTRESS INVESTMENT GROUP LLC
FORM 10-K
INDEX

	PAGE
	<u>PART I</u>
<u>Item 1.</u>	<u>Business</u> 1
<u>Item 1A.</u>	<u>Risk Factors</u> 13
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u> 45
<u>Item 2.</u>	<u>Properties</u> 45
<u>Item 3.</u>	<u>Legal Proceedings</u> 45
<u>Item 4.</u>	<u>Mine Safety Disclosures</u> 45
	<u>PART II</u>
<u>Item 5.</u>	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> 46
<u>Item 6.</u>	<u>Selected Financial Data</u> 47
<u>Item 7.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 49
	<u>Overview and Understanding the Asset Management Business</u> 49
	<u>Market Considerations</u> 55
	<u>Assets Under Management</u> 58
	<u>Performance of Our Funds</u> 61
	<u>Results of Operations</u> 65
	<u>Liquidity and Capital Resources</u> 85
	<u>Critical Accounting Policies</u> 94
	<u>Contractual Obligations</u> 101
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 102
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u> 106
	<u>Report of Independent Registered Public Accounting Firm</u> 107
	<u>Report of Independent Registered Public Accounting Firm or Internal Control over Financial Reporting</u> 108
	<u>Consolidated Balance Sheets</u> as of December 31, 2015 and December 31, 2014 109
	<u>Consolidated Statements of Operations</u> for the years ended December 31, 2015, 2014 and 2013 110
	<u>Consolidated Statements of Comprehensive Income</u> for the years ended December 31, 2015, 2014 and 2013 111
	<u>Consolidated Statements of Changes in Equity</u> for the years ended December 31, 2015, 2014 and 2013 112
	<u>Consolidated Statements of Cash Flows</u> for the years ended December 31, 2015, 2014 and 2013 115
	<u>Notes to Consolidated Financial Statements</u> 117
	<u>Note 1</u> <u>Organization and Basis of Presentation</u> 117
	<u>Note 2</u> <u>Summary of Significant Accounting Policies</u> 122
	<u>Note 3</u> <u>Management Agreements and Fortress Funds</u> 126
	<u>Note 4</u> <u>Investments and Fair Value</u> 138
	<u>Note 5</u> <u>Debt Obligations</u> 150
	<u>Note 6</u> <u>Income Taxes and Tax Related Payments</u> 152
	<u>Note 7</u> <u>Related Party Transactions and Interests in Consolidated Subsidiaries</u> 157
	<u>Note 8</u> <u>Equity-Based and Other Compensation</u> 161
	<u>Note 9</u> <u>Earnings Per Share and Distributions</u> 165
	<u>Note 10</u> <u>Commitments and Contingencies</u> 170
	<u>Note 11</u> <u>Segment Reporting</u> 172

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<u>Note 12</u>	<u>Subsequent Events</u>	<u>179</u>
<u>Note 13</u>	<u>Quarterly Financial Information</u> (Unaudited)	<u>179</u>
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>180</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>180</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>181</u>

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>182</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>182</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>182</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>183</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>183</u>
<u>PART IV</u>		
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	<u>184</u>
	<u>Signatures</u>	<u>187</u>

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

“Management Fee Paying Assets Under Management,” or “AUM,” refers to the management fee paying assets we manage or co-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:

- the capital commitments or invested capital (or net asset value, "NAV," if lower) of our private equity funds,
- (i) 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 (as defined) 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 and co-managed funds.

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 or co-manage. 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 and Randal Nardone, collectively, as well as Michael Novogratz until his retirement in January 2016. 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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Part I, Item 1, “Business,” Part I, Item 1A, “Risk Factors,” Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” and elsewhere in this Annual Report on Form 10-K 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,” “plans,” “estimates,” “anticipates” or the negative 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 Annual Report on Form 10 K, 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 Annual Report on Form 10-K and the Company’s other public filings, which are available without charge through the SEC’s website at <http://www.sec.gov>. See “Business — Where Readers Can Find Additional Information.”

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.

PART I

Item 1. Business.

Fortress Investment Group LLC (NYSE listed under the symbol "FIG") is a leading, highly diversified global investment management firm with approximately \$70.5 billion in AUM as of December 31, 2015. Fortress applies its deep experience and specialized expertise across a range of investment strategies - private equity, credit, liquid markets and traditional fixed income - on behalf of our over 1,700 institutional clients and private investors worldwide. We earn management fees based on the amount of capital we manage, incentive income based on the performance of our alternative investment funds, and investment income (loss) from our investments in our funds.

Fortress was founded in 1998 as an asset-based investment management firm with a fundamental philosophy premised on alignment of interests with the investors in our funds. Our managed funds primarily employ absolute return strategies — we strive to have positive returns regardless of the performance of the markets. Investment performance is our cornerstone — as an investment manager, we earn more if our investors earn more. In keeping with our fundamental philosophy, Fortress invests capital in each of its alternative investment businesses. As of December 31, 2015, Fortress's investments in and commitments to our funds were \$1.2 billion, consisting of the net asset value of Fortress's investments in the Fortress Funds of \$1.1 billion, and unfunded commitments to private equity funds and credit PE funds of \$0.1 billion.

As of December 31, 2015, we had 1,172 asset management employees, including approximately 285 investment professionals, at our headquarters in New York and our affiliate offices around the globe. Additionally, we had 1,868 employees at the senior living properties that we manage on behalf of New Senior Investment Group Inc. ("New Senior") and a third party (whose compensation expense is reimbursed to us by the owners of the facilities).

We plan to grow our fee paying assets under management and will continue to seek to generate superior risk-adjusted investment returns in our funds over the long term. We are guided by the following key objectives and values:

- introducing new investment products, while remaining focused on, and continuing to grow, our existing lines of business;
- maintaining our disciplined investment process and intensive asset management; and
- adhering to the highest standards of professionalism and integrity.

Recent Developments

In February 2016, we announced the commencement of a modified "Dutch auction" self-tender offer to repurchase up to \$100.0 million in cash of our Class A shares, at a price per share within the range of \$4.25 to \$4.75, less applicable withholding taxes and without interest.

Fortress's board of directors declared a base quarterly dividend of \$0.08 per share for the fourth quarter of 2015.

In the fourth quarter of 2015, we closed the Fortress Macro Funds and related managed accounts. Michael Novogratz, a principal, officer and director of Fortress retired effective January 2016. In November 2015, we purchased from Mr. Novogratz 56.8 million Fortress Operating Group units and corresponding Class B shares at \$4.50 per share, or an aggregate purchase price of \$255.7 million. In connection with this purchase, we paid \$100.0 million of cash in November 2015 and issued a \$155.7 million promissory note, of which one-half of the principal amount matures in November 2016 and the remainder in November 2017.

In January 2016, we entered into a new \$275.0 million senior unsecured revolving credit facility with a \$15.0 million letter of credit subfacility and repaid our existing \$150.0 million senior secured revolving credit facility. After giving effect to the initial extensions of credit thereunder of \$75.0 million, and a subsequent borrowing of \$100.0 million in February 2016, approximately \$97.3 million was available to be drawn. The new revolving credit facility matures in

January 2021.

During 2015, we raised \$9.0 billion of new third-party capital and launched three new funds. As of December 31, 2015, we had \$7.5 billion of capital commitments from investors to our funds that will be included in AUM if called, of which \$4.6 billion is in newer vintage funds and is available for general investment purposes.

Subsequent to December 31, 2015, we paid \$66.9 million to Fund III representing prior net incentive income distributions received (\$45.1 million net of employee amounts). Following such payment, no remaining clawback exists for Fund III.

Key Performance Indicators

As mentioned above, we earn management fees, incentive income, and investment income (loss). From these earnings we pay compensation and other expenses, as well as taxes, to arrive at our net operating performance.

1

Net Income and Distributable Earnings

Our net income reflects our operating performance pursuant to generally accepted accounting principles (“GAAP”). We also use pre-tax distributable earnings, which is a non-GAAP measure, as a measure of our operating performance and to report segment results. For more information on these performance measures, please refer to Part II, Item 8 “Financial Statements and Supplementary Data.” Pre-tax distributable earnings is specifically addressed in “Note 11 — Segment Reporting” within those financial statements.

Assets Under Management

Our management fees are typically earned as a percentage of the amount of capital we manage, which is referred to as management fee paying assets under management, or AUM. For more information on our AUM, please refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Assets Under Management.” For more information on our management fee rates, please refer to Part II, Item 8 “Financial Statements and Supplementary Data — Note 3 — Management Agreements and Fortress Funds.”

Fund Performance

Our incentive income is typically earned as a percentage of the profits of our alternative investment funds. In certain cases, we earn incentive income only if a fund’s investments meet specified performance thresholds. We therefore monitor our funds’ proximity to such performance thresholds. For more information on our funds’ performance, please refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Performance of our Funds.” For more information on our funds’ incentive income terms and their proximity to their various performance thresholds, please refer to Part II, Item 8 “Financial Statements and Supplementary Data — Note 3 — Management Agreements and Fortress Funds.” For more information on embedded incentive income, which has not yet been distributed to us by our funds, and the portion thereof that has not yet been recognized in distributable earnings, please refer to Part II, Item 8 “Financial Statements and Supplementary Data — Note 11 — Segment Reporting — Embedded Incentive Income.”

Investment Performance

The investment income (loss) from our investments in the Fortress Funds is recorded currently (i.e., whether or not realized) in net income (loss), generally based on the net asset values of the funds in which we have invested. For segment reporting purposes, investment income (loss) is included in the segment that the investment relates to and is recorded only when income (loss) from a fund investment becomes realized or realizable, as applicable. Therefore, for segment reporting purposes, investment income (loss) does not reflect unrealized gains or losses embedded in certain of our investments. For more information on the investment income (loss) included in net income (loss), please refer to Part II, Item 8 “Financial Statements and Supplementary Data — Note 4 — Investments and Fair Value.” For more information on the unrealized gains (losses) currently embedded in our investments in the Fortress Funds for segment reporting purposes, please refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Segment Analysis — Embedded Gains/Losses.”

Our Current Businesses

Our current offering of alternative investment products includes private equity funds and permanent capital vehicles, credit funds and liquid hedge funds. In addition, we offer traditional investment products. Private equity funds generally require fund investors to commit capital over a period of time, do not allow redemptions of capital and make long term, relatively illiquid investments. Hedge funds allow periodic contributions and redemptions of capital by investors and make relatively shorter-term, more liquid investments. Our credit funds share certain of the characteristics of both private equity and hedge funds. The permanent capital vehicles business consists of publicly

traded companies and a senior living property management business. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Understanding the Asset Management Business." We refer to these investment products, collectively, as the Fortress Funds. As of December 31, 2015, we managed the following businesses:

Private Equity — a business that manages approximately \$15.8 billion of AUM comprised of two business segments: (i) 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 (ii) permanent capital vehicles, which includes publicly traded companies that are externally managed by Fortress pursuant to management agreements and a senior living property management business. The publicly traded companies invest in a wide variety of real estate related assets, including securities, loans, real estate properties and mortgage servicing related assets, media assets, senior living properties and transportation and infrastructure assets. All of the capital of Worldwide Transportation and Infrastructure Investors ("WWTAI"), formerly a private fund managed by Fortress, was contributed to Fortress Transportation and Infrastructure Investors LLC ("FTAI") which completed its initial public offering in May 2015.

Credit Funds — a business that manages approximately \$18.1 billion of AUM comprised of two business segments: (i) 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 or co-manager as part of an advisory business; and (ii) 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 four 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.

Liquid Hedge Funds — a business that manages approximately \$5.4 billion of AUM, including \$4.5 billion of AUM relating to Graticule Asset Management Asia (“Graticule”) on the affiliated manager platform (“Affiliated Managers”) as a result of the Fortress Asia Macro Funds and related managed accounts transition on January 5, 2015. Fortress also receives fees for providing infrastructure services (technology, back office, and related services) to Graticule. During the second quarter of 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. 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.

In the fourth quarter of 2015, Fortress closed the Fortress Macro Funds and related managed accounts. Michael Novogratz, a principal, officer and director of Fortress retired effective January 2016. In November 2015, Fortress purchased from Mr. Novogratz 56.8 million Fortress Operating Group units and corresponding Class B shares at \$4.50 per share, or an aggregate purchase price of \$255.7 million. In connection with this purchase, Fortress paid \$100.0 million of cash in November 2015 and issued a \$155.7 million promissory note, of which one half of the principal amount matures in November 2016 and the remainder in November 2017.

Logan Circle — our traditional asset management business, which has approximately \$31.2 billion of AUM, provides 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.

Principal Sources of Revenue

The following table provides our management fees and incentive income, on a segment reporting basis, from each of our core businesses for the previous three fiscal years (in thousands):

	2015	2014	2013
Private Equity Funds			
Management Fees	\$ 115,627	\$ 136,110	\$ 134,176
Incentive Income	691	2,854	13,211
Permanent Capital Vehicles			
Management Fees	96,263	69,360	61,200
Incentive Income	105,603	65,448	18,101
Credit Funds			
Hedge Funds			
Management Fees	134,054	113,825	101,890
Incentive Income	84,588	121,768	190,846
PE Funds			
Management Fees	117,740	96,715	95,925
Incentive Income	244,308	254,461	120,137
Liquid Hedge Funds			
Management Fees	64,208	137,908	110,622
Incentive Income	912	16,067	150,700
Logan Circle			
Management Fees	53,995	46,996	35,833
Incentive Income	211	106	—

Certain of our segments are comprised of, and dependent on the performance of, a limited number of Fortress Funds. Each of these funds is material to the results of operations of its segment and the loss of any of these funds would have a material adverse impact on the segment. Moreover, the revenues we earned from certain funds individually exceeded 10% of our total revenues for each of the periods presented. For additional information regarding our segments, the information presented above, our total assets and our distributable earnings (as defined below), please see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Segment Analysis” and Part II, Item 8, “Financial Statements and Supplementary Data.”

In January 2015, the Fortress Asia Macro Funds and related managed accounts were transferred to Graticule as part of our Affiliated Managers. Total management fees for the Fortress Asia Macro Funds and related managed accounts were \$58.0 million and \$26.3 million for the years ended December 31, 2014 and 2013, respectively. Total incentive income for the Fortress Asia Macro Funds and related managed accounts were \$9.1 million and \$45.5 million for the years ended December 31, 2014 and 2013, respectively.

In the fourth quarter of 2015, we closed the Fortress Macro Funds and related managed accounts. The Fortress Macro Funds and related managed accounts had average fee paying AUM of \$2.5 billion, \$3.5 billion and \$3.4 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Total management fees for the Fortress Macro Funds and related managed accounts were \$34.7 million, \$63.3 million and \$63.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Total incentive income for the Fortress Macro Funds and related managed accounts was less than \$0.1 million, \$3.8 million and \$104.6 million for the years ended December 31, 2015, 2014

and 2013, respectively.

Private Equity Funds

Fortress Investment Funds

Our private equity business is comprised of (i) a series of diversified funds referred to as the “Fortress Investment Funds” and organized to make control-oriented investments in cash flow generating, asset-based businesses in North America and Western Europe and (ii) various sector focused funds organized to invest in specific opportunities in sectors where Fortress has proven expertise. Sector focused funds include the MSR Opportunities Funds and the Italian NPL Opportunities Fund. Investors in our

4

private equity funds contractually commit capital at the outset of a fund, which is then drawn down as investment opportunities become available, generally over a two to three year investment period. Proceeds are returned to investors as investments are realized, generally over eight to ten years. Management fees between 1.0% and 1.5% are generally charged on committed or invested capital (or NAV, if lower). We also generally earn between 10% and 20% of the profits on each realized investment in a fund - our incentive income - subject to the fund's achieving a minimum return as a whole, that is, taking into account all gains and losses on all investments in the fund.

Permanent Capital Vehicles

The permanent capital vehicles business is comprised of the following entities: (i) Newcastle Investment Corp. ("Newcastle"), New Residential Investment Corp. ("New Residential"), Eurocastle Investment Limited ("Eurocastle"), New Media Investment Group Inc. ("New Media"), New Senior and FTAI, which are publicly traded companies that are externally managed by us 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, senior living properties and mortgage servicing related assets, media assets and golf assets, and in transportation and infrastructure assets. Pursuant to our management agreements, we earn management fees from each publicly traded permanent capital vehicle equal to 0.75% - 1.50% of the company's contributed capital or book equity (as defined in such agreements). In addition, we generally earn incentive income equal to 25% of operating results in excess of specified returns to the shareholders. In addition to these fees, we also receive, for services provided, options in connection with each of their common stock offerings.

Fortress's senior living property management subsidiary, Blue Harbor, has agreements to manage 26 senior living properties, including 24 which are owned by New Senior and two which are owned by third parties. Fortress receives management fees of between 5.0% and 7.0% of revenues (as defined in the agreements).

Credit Funds

Credit Hedge Funds

Our credit hedge funds are designed to exploit pricing anomalies that exist between the public and private finance markets. These investment opportunities are often found outside the traditional broker-dealer mediated channels in which investments that are efficiently priced and intermediated by large financial institutions are typically presented to the private investment fund community. We have developed a proprietary network comprised of internal and external resources to source transactions for the funds.

The funds are able to invest in a wide array of financial instruments, ranging from 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. All of these investments are based on fundamental bottom up analysis and are typically event driven. The funds' diverse and situation-specific investments require significant infrastructure and asset management experience to fully realize value. We have developed a substantial asset management infrastructure with expertise in managing the funds' investments in order to be able to maximize the net present value of investments on a monthly basis. In addition to the funds noted below, Fortress has been retained as a manager or co-manager of certain non-Fortress originated funds as part of an advisory business that forms part of the credit hedge funds business.

Drawbridge Special Opportunities Funds

The Drawbridge Special Opportunities Funds form the core of our credit hedge fund investing strategy. The funds opportunistically acquire a diversified portfolio of investments primarily throughout the United States, Western

Europe and the Pacific region. The funds' investment program incorporates complementary investment strategies, focusing on direct lending, corporate debt and securities, portfolios and orphaned assets, real estate and structured finance. The majority of the funds' investments are relatively illiquid, and the funds generally make investments that are expected to liquidate or be realized within a five year period.

Management fees are charged based on the AUM of the Drawbridge Special Opportunities Funds at a rate generally equal to 2.0% annually. We generally earn incentive income of 20% of the fund's profits, payable annually, and subject to achieving cumulative positive returns since the prior incentive income payment. Investors in the Drawbridge Special Opportunities Funds may redeem annually on December 31. Because of the illiquid nature of the funds' investments, rather than paying out redemption requests immediately, the fund may elect to pay out redeeming investors as and when the particular investments held by the fund at the time of redemption are realized.

Worden Funds

The Worden Funds invest in a diversified portfolio of undervalued and distressed investments primarily in North America and Western Europe, but also in Australia, Asia and elsewhere on an opportunistic basis. These funds seek to achieve their investment objectives primarily through investments in loans and asset-based investments, including portfolios of consumer and commercial receivables and asset-backed financial instruments of undervalued or financially troubled companies. Management fees of 1.75% to 2.0% are generally charged based on the AUM of the Worden Funds. We earn incentive income of 20% of the funds' profits, payable annually, subject to achieving cumulative positive returns since the prior incentive income payment.

Japan Income Fund

The Japan Income Fund invests in a diversified portfolio consisting primarily of long-term, stable, income-generating assets in Japan. The fund primarily targets investments in real estate subject to long-term leases, capital assets and renewable energy projects. The fund is structured as an open ended fund with periodic subscription and redemption rights. A management fee rate of 1.0% is charged on the AUM of the Japan Income Fund, as well as acquisition and disposition fees. We earn incentive income of 20% on the fund's distributions in excess of a 4% dividend yield.

Credit PE Funds

Our credit PE funds are primarily comprised of families of funds as described below, as well as certain sector-specific funds with narrower investment mandates tailored for the applicable sector. They generally have management fee rates between 1.0% and 1.5% and generate incentive income of between 10% and 20% of a fund's profits subject to the fund achieving a minimum return as a whole.

Credit Opportunities Funds

The Fortress Credit Opportunities Funds make opportunistic credit-related investments. Their investment objective is to generate significant current income and long-term capital appreciation through investments in a range of distressed and undervalued credit investments, including but not limited to residential loans and securities, commercial mortgage loans and securities, opportunistic corporate loans and securities, and other consumer or commercial assets and asset-backed securities.

Long Dated Value Funds

The Long Dated Value family of funds focus on making investments with long dated cash flows that may be undervalued because of the lack of current cash flows or because the investment is encumbered by a long term lease or financing. We believe that these investments provide the potential for significant capital appreciation over the long term. The Long Dated Value Funds have an investment life of 25 years, reflecting the funds' longer-term investment profiles. In addition, incentive income is distributed to us after all of a fund's invested capital has been returned, rather than as each investment is realized.

Real Assets Funds

The Real Assets Funds seek to generate superior risk adjusted returns by opportunistically investing in tangible and intangible assets with the potential to achieve significant value generally within a three-to-ten year time horizon. The investment program of these funds focuses on direct investments in four principal investment categories: real estate, capital assets, natural resources and intellectual property. The investments are located primarily in North America and Western Europe.

Asia Funds

The Fortress Japan Opportunity Funds seek to take advantage of the significant distressed opportunities that had emerged in Japan similar to those witnessed after the 1997 Asian financial crisis. The funds primarily invest in certain Japanese real estate-related performing, sub-performing and non-performing loans, securities and similar instruments. In addition, the Fortress Global Opportunities (Yen) Fund makes opportunistic investments in distressed and undervalued credits for investors that wish to invest in a Yen denominated fund. This fund invests primarily in North America and Western Europe, but may also invest in Australia, Asia and elsewhere on an opportunistic basis.

Real Estate Opportunities Funds

The Real Estate Opportunities Funds primarily make opportunistic commercial real estate investments. The investment objective of the funds is to generate superior risk adjusted returns by opportunistically investing in commercial real estate and real estate-related (collectively, "CRE") assets, equity investments, loans, securities, and other investments that we believe have the potential to achieve significant total returns generally within a three-to-seven year time horizon. The funds intend to make value-oriented investments throughout the capital structure of CRE assets.

Liquid Hedge Funds

Overview

Our liquid hedge funds include a fund that primarily focuses on an international "event driven" investment strategy, particularly in Europe, Asia-Pacific and Latin America; an endowment style fund, which invests in Fortress Funds, funds managed by external managers and direct investments; a fund that seeks to generate returns by executing a positively convex investment strategy; and Affiliated Managers.

Fortress Centaurus Global Funds

The Fortress Centaurus Global Funds employ a multi-strategy, equity biased event driven strategy, which generally focuses on soft and hard catalyst situations in liquid securities across the capital structure in the core markets of Europe, Asia-Pacific and Latin America. The management fee rate for these funds range from 1.0% to 1.75% and we earn incentive income of 20% of their profits, subject to achieving cumulative positive returns since the prior incentive income payment.

Fortress Partners Funds

The Fortress Partners Funds invest with a broad mandate, similar to endowment portfolios of large universities. Investments are made both in Fortress Funds and in funds managed by other managers, and in direct investments that are sourced either by Fortress personnel or by third parties with whom we have relationships. Our endowment strategy funds are designed to blend our direct bottom up investing style with third party managers to create excellent risk adjusted returns with an emphasis on capital preservation. Management fee rates for these funds range from 1.0% to 1.5% and we earn incentive income generally equal to 20% of the profits from direct investments only, subject to achieving cumulative positive returns since the prior incentive income payment.

Convex Asia Funds

The Convex Asia Funds' principal investment objective is to generate a superior total return on its capital over multi-year market cycles by executing a positively convex investment strategy in the Asia-Pacific fixed income, commodities, currency, credit and equity markets, and their related derivatives or similar markets globally that are thematically related to the Asia-Pacific region. The management fee rate for these funds range from 1.25% to 1.5% and we earn incentive income of 18% of their profits, subject to achieving cumulative positive returns since the prior incentive income payment.

Fortress Macro Funds

In the fourth quarter of 2015, Fortress closed the Fortress Macro Funds and related managed accounts.

Affiliated Managers

Affiliated Managers consist of a non-controlling economic interest in autonomous asset management businesses under a fee-for-services model for infrastructure services. In January 2015, the Fortress Asia Macro Funds and related managed accounts transitioned to Graticule under Affiliated Managers. Fortress retained a perpetual minority interest amounting to 30% of earnings in 2015 and 2016 and declining to approximately 27% of earnings thereafter. Fortress also receives fees for providing infrastructure services (technology, back office and related services) to Graticule. During the second quarter of 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 through the effective date of termination.

Logan Circle

Logan Circle primarily provides traditional separate account investment management services to institutional clients, including corporate entities, pension plans, mutual funds, private funds, and foundations, as well as public and government entities. Logan Circle also provides investment advisory services to private funds that are sponsored or managed by Logan Circle or its affiliates. Management fee rates average 0.16% of AUM and may be tiered based on the amount of AUM of the account.

Competition

The investment management industry is intensely competitive, and we expect the competition may intensify in the future. We face competition in the pursuit of outside investors for our investment funds, acquiring investments in attractive portfolio companies, divesting our investments and other investment opportunities. Competition is based on a number of factors, including: investment performance; investor perception of investment managers' drive, focus and alignment of interest; terms of investment, including the level of fees and expenses charged for services; our actual or perceived financial condition, liquidity and stability; the quality and mix of services provided to, and the duration of relationships with, investors; and our business reputation. Depending on the investment, we expect to face competition primarily from other investment management firms, private equity funds, hedge funds, other financial institutions, sovereign wealth funds, corporate buyers and other parties. Many of our competitors are substantially larger and may have greater financial and technical resources than we possess. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. Some of these competitors may have higher risk tolerances, make different risk assessments or have lower return thresholds, which could allow them to consider a wider variety of investments, bid more aggressively than we bid for investments that we want to make or accept legal or regulatory limitations or risks we would be unable or unwilling to accept. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage relative to us when bidding for an investment. Moreover, an increase in the allocation of capital to alternative investment strategies by institutional and individual investors could lead to a reduction in the size and duration of pricing inefficiencies that many of our investment funds seek to exploit. Alternatively, a decrease in the allocation of capital to alternative investments strategies could intensify competition for that capital and lead to fee reductions and redemptions, as well as difficulty in raising new capital. Lastly, the market for qualified investment professionals is intensely competitive. Our ability to continue to compete effectively will also depend upon our ability to attract, retain and motivate our employees.

Regulatory and Compliance Matters

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive. The United States Securities and Exchange Commission ("SEC"), Commodity Futures Trading Commission ("CFTC") and various other regulatory and self-regulatory organizations have in recent years increased their regulatory activities, including regulation, examination and enforcement in respect of asset management firms and other financial institutions. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures, such as codes of conduct, compliance systems, communication of compliance guidance and employee education and training. Employees in our legal and compliance departments monitor our compliance with all of the regulatory requirements to which we are subject and manage our compliance policies and procedures. Our compliance policies and procedures address a variety of regulatory and compliance risks including, but not limited to, the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a vehicle-specific basis, document retention, investor disclosure, potential conflicts of interest and the allocation of investment opportunities.

United States

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States and elsewhere. Certain of our subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). Such requirements relate to, among other things, fiduciary duties to advisory clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency, cross and principal transactions between an adviser and advisory clients and general anti-fraud prohibitions. In addition, our registered investment advisers may be subject to routine periodic examinations by the staff of the SEC.

We are also subject to regulation under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Investment Company Act of 1940, as amended (the "Investment Company Act"), the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and various other statutes. A number of our investing activities are subject to regulation by various U.S. state regulators. A number of portfolio companies owned by Fortress-managed funds are also publicly traded and/or are subject to significant regulatory oversight. For example, OneMain Holdings Inc. ("OneMain") (formerly known as Springleaf Holdings Inc.) is in the consumer finance industry and Nationstar Mortgage Holdings Inc. ("Nationstar") is in the mortgage servicing industry. Both industries have recently been the subject of extensive regulatory focus. In particular, mortgage servicers continue to face meaningful regulatory oversight

from an array of state and federal authorities (including the Consumer Financial Protection Bureau and various state attorney generals), which has resulted in increased regulatory scrutiny across the industry, including Nationstar. This increased scrutiny may result in Nationstar experiencing increased regulatory costs, and being requested to pay fines or change its business practices. In addition, two of OneMain's subsidiaries are in the insurance industry and are subject to extensive regulation by state authorities. Moreover, investments are subject to regulation from non-financial, sector-specific regulatory bodies.

We conduct fund raising activities for our managed funds through Fortress Capital Formation LLC, an affiliate that is registered as a limited purpose broker-dealer with the SEC, is a member of the Financial Industry Regulatory Authority ("FINRA"), and is registered as a broker-dealer in all 50 states, the District of Columbia, and the Virgin Islands. Fortress Capital Formation LLC is subject to regulation and examination by the SEC, as well as by the state securities regulatory agencies. Additionally, FINRA, a self-regulatory organization that is subject to SEC oversight, maintains regulatory authority over all securities firms doing business in the United States (including our broker-dealer), adopts and enforces rules governing the activities of its member firms, and conducts cycle examinations and targeted sweep inquiries on issues of immediate concern, among other roles and responsibilities. Broker-dealers are subject to various rules relating to internal operations and dealings with customers including, but not limited to, the form or organization of the firm, qualifications of associated persons, net capital and customer protection rules, books and records, financial statements, and reporting.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFTC obtained regulatory jurisdiction over certain derivative instruments, including swaps. As such, certain of our or our subsidiaries' risk management or other commodities interest-related activities may be subject to CFTC oversight. In addition, new rules adopted by the CFTC removed or limited previously available exemptions and exclusions from registration, which has imposed additional registration and reporting requirements for operators of pooled vehicles that use or trade in futures, swaps and other derivatives regulated by the CFTC. Accordingly, certain of our affiliates have registered with the CFTC as commodity pool operators and have obtained membership with the National Futures Association in connection with such CFTC registration. Such entities are subject to the rules and requirements applicable to such registration and membership, including record-keeping, reporting, operational and marketing requirements and disclosure obligations.

Certain of our permanent capital vehicles, as public companies, are subject to SEC regulation, applicable stock exchange regulations and Sarbanes-Oxley. Moreover, our permanent capital vehicles are subject to regulation from financial and non-financial regulatory bodies. For example, New Senior is subject to regulations applicable to operators of independent living and assisted living facilities, as well as laws designed to protect Medicaid; New Media is subject to environmental and employee safety and health laws and regulations pertaining to its print facilities; New Residential is subject to numerous laws and regulations with respect to mortgage servicing rights and various other investments and a wholly owned captive insurer is subject to state captive insurance requirements; Newcastle is subject to a number of environmental regulations in connection with its golf facilities and operations; Eurocastle is subject to a variety of regulations in connection with its investments in real estate related assets in Europe; and FTAI currently invests across, among other things, the rail, aviation, and offshore energy sectors, and its investments are subject to regulations applicable to those sectors.

Certain of the permanent capital vehicles are organized and conduct their operations to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes. To maintain their qualification as REITs, such companies have to distribute at least 90% of their taxable income to their shareholders and meet, on a continuing basis, certain other complex requirements under the Internal Revenue Code.

A meaningful portion of the capital managed in Logan Circle is subject to regulation by the Department of Labor under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In addition, each of the U.S. mutual funds and investment companies we, through Logan Circle, manage is registered under the Investment

Company Act as an investment company or is exempt from such registration. The U.S. mutual funds and investment companies and the entities that serve as those vehicles' investment advisers or sub-advisers are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit joint transactions. Logan Circle also manages non-U.S. mutual funds and investment companies, and is subject to similar laws and regulations in such non-U.S. jurisdictions.

We are subject to a number of laws and regulations governing payments and contributions to political persons or other third parties including, but not limited to, restrictions imposed by Rule 206(4)-5 of the Investment Advisers Act addressing "pay-to-play" practices, the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions and other export control laws administered by Office of Foreign Asset Controls ("OFAC"), the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires U.S. public companies to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various export control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals.

These laws and regulations relate to a number of aspects of our business, including sourcing new investments. Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anticorruption, anti-money laundering, or sanctions or other export control laws in the U.S. and abroad, may impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult.

United Kingdom and the European Union

Fortress Investment Group (UK) Ltd. and Drawbridge (UK) LLP are each authorized in the United Kingdom under the Financial Services and Markets Act 2000 (the "FSMA") and have obtained permission to engage in a number of corporate finance activities regulated under FSMA, including advising on, managing and arranging deals in relation to certain types of, investments. FSMA and related rules govern most aspects of investment businesses, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The Financial Conduct Authority is responsible for administering these requirements and compliance with them.

The EU Alternative Investment Fund Managers Directive ("AIFMD") establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers ("AIFM"s) managing and/or marketing alternative investment funds ("AIF"s) in the EU. Non-EU AIFMs, such as us, may continue to market fund interests within the EU under the private placement regimes of the individual member states subject to complying with certain requirements imposed by the AIFMD (including, without limitation, baseline disclosures to prospective investors, EU member state-specific notification or registration requirements, ongoing reporting obligations to both regulators and investors, and specific rules concerning control positions in EU-based portfolio companies) and any additional requirements that individual member states may impose. To date, we have registered several funds in various EU member states pursuant to AIFMD, and we may register additional funds in the future.

Similar to Dodd-Frank in the United States, European regulators have adopted the European Market Infrastructure Regulation ("EMIR") relating to the regulation of derivative transactions, including reporting of derivative transactions, conduct standards and risk mitigation.

In addition, a new market abuse regime focused on anti-money laundering and insider trading, among other things, is expected to be implemented in mid-2016, which may also impose additional costs on the operation of our business in Europe.

Other Jurisdictions

Outside the United States, certain of our affiliates are subject to registration and compliance with laws and regulations of non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, investment advisory services and the marketing of investment products and any failure to comply with these regulations could expose us to liability and/or damage our reputation. For example:

FIG HK (Hong Kong) Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 9 (asset management) regulated activity;

Fortress (Dubai) Transportation & Infrastructure Advisors Ltd., a company limited by shares in the Dubai International Financial Centre, holds a Category 3C license issued by the Dubai Financial Services Authority and is authorized to arrange credit or deal in investments, advise on financial products or credit, and manage assets;

Fortress Investment Group (Japan) GK is registered as an investment adviser with the Japan Financial Services Agency and holds a real estate brokerage license, which is required for an entity to engage in the business of selling real estate in Japan;

Fortress Investment Group (Australia) Pty Limited is licensed by the Australian Securities and Investments Commission as an Australian Financial Services Licensee and is authorized to carry on a financial services business to provide financial product advice for certain enumerated classes of financial products and deal in financial products for wholesale clients; and

Fortress Investment Group (Singapore) Pte. Ltd. is registered as a fund manager with the Monetary Authority of Singapore.

In addition, we and/or our affiliates and subsidiaries may become subject to additional regulatory demands in the future to the extent we expand our investment advisory business in existing and new jurisdictions. There are also a number of pending or recently enacted legislative and regulatory initiatives in the United States and in other jurisdictions that could significantly impact our business.

Structure

The diagram below depicts our organizational structure as of December 31, 2015.

The principals generally hold almost all of the Class B shares, which represent 43.9% of the total combined voting power (i.e., combined voting power of Class A shares and Class B shares) in Fortress Investment Group LLC. The (1) Class B shares are held by the principals and a former senior employee. The Class B shares have no economic interest in Fortress Investment Group LLC.

Represents 56.1% of the limited partner interests (Class A Common Units) and a 100% general partner interest in (2) each of the Operating Entities and in Principal Holdings. We refer to a collection of one limited partner interest in each such entity as a Fortress Operating Group unit ("FOGU").

FOGU is the term we use to refer to a collection of one limited partner interest in each Fortress Operating Group (3) entity. Represents 43.9% of the limited partner interests (Class B Common Units) in each of the Operating Entities and in Principal Holdings.

(4) Excludes the effect of equity interests to be granted under our equity incentive plan to employees and directors.

Performance Graph

The following graph compares the cumulative total return for our Class A shares (stock price change plus reinvested dividends) with the comparable return of four indices: Russell 3000, S&P 500, S&P Financial Services, and SNL Asset Manager Index. The graph assumes an investment of \$100 in the Company's Class A shares and in each of the indices on December 31, 2010, and that all dividends were reinvested. The past performance of our Class A shares is not an indication of future performance.

Index	Period Ending					
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Fortress Investment Group LLC	100.00	59.30	81.07	163.36	163.67	113.11
SNL Asset Manager Index	100.00	86.50	110.97	170.54	179.91	153.43
Russell 3000	100.00	101.03	117.61	157.07	176.76	177.64
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75
S&P Financial Services	100.00	63.78	96.38	130.55	160.15	150.57

Where Readers Can Find Additional Information

Fortress Investment Group LLC is a Delaware limited liability company that was formed on November 6, 2006. Our principal executive offices are located at 1345 Avenue of the Americas, New York, New York 10105.

Fortress files annual, quarterly and current reports, proxy statements and other information required by the Exchange Act, with the SEC. Readers may read and copy any document that Fortress files at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from the SEC's internet site at <http://www.sec.gov>.

Our Internet site is <http://www.fortress.com>. We will make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the “Public Shareholders - Corporate Governance” section are charters for the company’s Audit Committee, Compensation Committee and Nominating, Corporate Governance and Conflicts Committee as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

Item 1A. Risk Factors

We face a variety of significant and diverse risks, many of which are inherent in our business. Described below are certain risks that we currently believe could materially affect us. Other risks and uncertainties that we do not presently consider to be material or of which we are not presently aware may become important factors that affect us in the future. The occurrence of any of the risks discussed below could materially and adversely affect our business, prospects, financial condition, results of operations or cash flow.

Risks Related to Our Business

We depend on Messrs. Briger, Edens and Nardone, and the loss of any of their services could have a material adverse effect on us.

The success of our business depends on the efforts, judgment and personal reputations of our principals, Peter Briger, Wesley Edens and Randal Nardone. One of our principals, Randal Nardone, was appointed Chief Executive Officer of the Company in addition to his other duties. Our principals' reputations, expertise in investing, relationships with our investors and relationships with members of the business community on whom our funds depend for investment opportunities and financing, are each critical elements in operating and expanding our businesses. We believe our performance is strongly correlated to the performance of these individuals. Accordingly, the retention of our principals is crucial to our success. In addition, if any of our principals were to join or form a competitor, some of our investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our principals could have a material adverse effect on us, including our ability to retain and attract investors and raise new funds, and the performance of our funds. Two or more of our principals occasionally travel together, which concentrates the potential impact of an accident on our Company. We do not carry any “key man” insurance that would provide us with proceeds in the event of the death or disability of any of our principals.

Each of our principals has an employment agreement with us, which extends to January 1, 2017. If a principal terminates his employment voluntarily or we terminate his employment for cause (as defined in the agreement), the principal will be subject to eighteen-month post-employment covenants requiring him not to compete with us. However, if we terminate a principal's employment without cause, the principal will not be subject to the non-competition provisions.

There is no guarantee that our principals will not resign, join our competitors or form a competing company, or that the non-competition provisions in the employment agreements would be upheld by a court. If any of these events were to occur, our business, prospects, financial condition and results of operations could be materially adversely affected.

Several of our funds have “key person” provisions pursuant to which the failure of one or more of our principals or senior employees (other than our principals) to be actively involved in the business provides investors with the right to redeem their investment or otherwise limits our rights to manage the funds. The loss of the services of any one of such

senior employees could have a material adverse effect on certain of our funds to which such key person provisions relate and in some circumstances on us.

Certain of our existing funds have key person provisions relating to our principals or senior employees other than our principals, and the resignation or termination of any such senior employee could result in a material adverse effect on the applicable fund or funds and on us.

Investors in most of our hedge funds may generally redeem their investment without paying redemption fees if the relevant key person ceases to perform his functions with respect to the fund for 90 consecutive days. In addition, the terms of certain of our hedge funds' financing arrangements contain "key person" provisions, which may result, under certain circumstances, in the acceleration of such funds' debt or the inability to continue funding certain investments if the relevant employee ceases to perform his functions with respect to the fund and a replacement has not been approved. Additionally, funds on our affiliated manager

platform may have “key person” provisions pursuant to which the failure of one or more of their principals or senior employees (other than their principals) to be actively involved in the business provides investors with the right to redeem their investment or otherwise limits the affiliated manager’s rights to manage the funds.

The loss of Mr. Briger or his inability to perform his services for 90 days could result in substantial withdrawal requests from investors in our credit hedge funds and, in the event that a replacement for him is not approved, the termination of a substantial portion of the funds' financing arrangements. Such withdrawals and terminations would have a material adverse effect on the credit hedge funds and us by reducing our management fees from those funds. Further, such withdrawals and terminations could lead possibly to the eventual liquidation of the funds and a corresponding elimination of our management fees and potential to earn incentive income from those funds. Similarly, our credit PE funds contain key man provisions with respect to Mr. Briger, which would limit the ability of the funds to make future investments or call capital if both Mr. Briger and the funds' co-chief investment officer, Constantine Dakolias, were to cease to devote time to the funds. The loss of Mr. Briger could, therefore, ultimately result in a loss of a material portion of our earnings attributable to our credit hedge fund and/or credit PE business segments.

If either Mr. Edens or Mr. Nardone ceases to devote certain minimum portions of their business time to the affairs of certain of our private equity funds, the funds will not be permitted to make further investments, and then-existing investments may be liquidated if investors vote to do so. Our ability to earn management fees and realize incentive income from our private equity funds therefore would be adversely affected if we cannot make further investments or if we are required to liquidate fund investments at a time when market conditions result in our obtaining less for investments than could be obtained at later times. In addition, we may be unable to raise additional private equity funds if existing private equity fund key-man provisions are triggered. The loss of either Mr. Edens or Mr. Nardone could, therefore, ultimately result in a loss of substantially all of our earnings attributable to our private equity funds.

In January 2015, the Fortress Asia Macro Funds transitioned into an autonomous business, named Graticule, with Fortress as a non-control shareholder under our affiliated manager platform. Adam Levinson, Chief Investment Officer of Graticule, continues to invest for Graticule and for managed accounts which are counted toward Fortress’ AUM. The loss of Mr. Levinson could result in withdrawal requests from such investors and investors in Graticule funds. Substantial withdrawals would have a material adverse effect on our affiliated manager platform and could possibly lead to the liquidation of the funds and a corresponding elimination of our earnings from those funds. The loss of Mr. Levinson or his departure from Graticule could ultimately result in the loss of our earnings attributable to certain managed accounts or the Graticule funds.

In addition, the terms of certain of our existing funds may be amended over time to add additional key persons, and senior employees (including, but not limited to, our principals) may also be deemed as key persons for funds that are formed in the future. Any such events would potentially have a direct material adverse effect on our revenues and earnings (depending on the size of the particular fund to which a key person event relates), and would likely harm our ability to maintain or grow management fee paying assets under management in existing funds or raise additional funds in the future.

Our ability to retain our managing directors is critical to our success, and our ability to grow depends on our ability to attract additional key personnel.

Our success depends on our ability to retain our managing directors and the other members of our investment management team and to recruit additional qualified personnel. We refer to these key employees (other than our principals) collectively as our “investment professionals.” Our investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities, and in certain cases have strong relationships with our investors. Therefore, if our investment professionals join competitors or form competing companies, it could result in the loss of significant investment opportunities and certain existing investors.

As a result, the loss of even a small number of our investment professionals could impact the performance of our funds, which could have a material adverse effect on our results of operations as well as our ability to retain and attract investors and raise new funds. Also, while we have non-competition and non-solicitation agreements with certain investment professionals, there is no guarantee that the agreements to which our investment professionals are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us or that these agreements will be enforceable in all cases. In particular, some jurisdictions in which we operate our businesses (for example, California) have public policies limiting the enforcement of restrictive covenants applicable to employees. In addition, these agreements will expire after a certain period of time following resignation or termination, at which point such persons would be free to compete against us and solicit investors in our funds, clients and employees.

Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability, and changes in law could hamper our recruitment and retention efforts. We might not be able, or may elect not, to

provide future investment professionals with equity interests in our business to the same extent or with the same tax consequences as our existing investment professionals, and the retentive utility of grants of equity of our public company is affected during periods of slow or negative stock price performance. Therefore, in order to recruit and retain existing and future investment professionals, we may need to increase the level of cash compensation that we pay to them. Accordingly, as we promote or hire new investment professionals over time, we may increase the level of cash compensation we pay to our investment professionals, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, we may deem it necessary to maintain compensation levels to retain employees even during periods when we generate less revenues than in previous periods, which would reduce our profit margins. Also, if proposed legislation were to be enacted by the U.S. Congress to treat carried interest as ordinary income rather than as capital gain for U.S. federal income tax purposes, such legislation would materially increase the amount of taxes that we and our investment professionals that are compensated in part with carried interest would be required to pay on such compensation, thereby adversely affecting our ability to recruit, retain and motivate our current and future professionals. See “- Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.” Furthermore, in recent years, various legislative and regulatory bodies have focused on the issue of compensation in the financial services industry. In Europe, due to the nature and scope of our activities there, we do not anticipate the remuneration regulations in the European Union will have a material impact on our existing compensation structure. In the U.S., the SEC recently proposed mandatory clawback rules which would require listed companies to adopt a clawback policy providing for recovery of incentive-based compensation awarded to executive officers if the company is required to prepare an accounting restatement resulting from material noncompliance with financial reporting requirements. However, legal requirements flowing out of these bodies continue to be updated and the specific long-term impact on us is not yet clear. There is the potential that new compensation rules will make it more difficult for us to attract and retain investment professionals by capping the amount of variable compensation compared to fixed pay, requiring the deferral of certain types of compensation over time, implementing “clawback” requirements, or other rules deemed onerous by such investment professionals.

Certain of our businesses face particular retention issues with respect to investment professionals whose compensation is tied, often in large part, to performance thresholds or “high water marks.” This retention risk is heightened during periods where market conditions make it more difficult to generate positive investment returns and where capital markets provide fewer opportunities for realization of portfolio company investments. Several investment professionals receive performance-based compensation at the end of each year based upon their annual investment performance, and this performance-based compensation has historically represented a substantial majority of the compensation those professionals are entitled to receive during the year. If an investment professional's annual performance is negative, or insufficient to overcome prior negative results, the professional may not be entitled to any performance-based compensation for the year. If an investment professional or fund, as the case may be, does not produce investment results sufficient to merit performance-based compensation, any affected investment professional may be incentivized to join a competitor because doing so would allow the professional to eliminate the burden of having to satisfy the high water mark before earning performance-based compensation. Similarly, many of our investment professionals in our private equity fund and credit PE fund businesses are compensated with grants of carried interest in our funds. During periods of economic volatility, realization events in our private equity fund and credit PE fund businesses may be delayed, and it may therefore take significantly longer for investments to result in payments to such professionals. In addition, in the event that overall returns for any of our private equity funds or credit PE funds result in the generation of less incentive income than anticipated, such professionals' grants of carried interest in such fund will have similarly decreased in value. To retain such professionals, the fund's manager may elect to compensate the professional using a portion of the management fees earned by the manager, which would, in turn, reduce the amount of cash available to the public company, thereby reducing the amount available for distribution to our Class A shareholders or for other liquidity needs.

Operational risks may disrupt our businesses, result in losses or limit our growth.

We face operational risk from errors made in the negotiation, execution, confirmation or settlement of transactions on behalf of our funds. We also face operational risk from transactions not being properly recorded, valued, evaluated or accounted for in our funds. In particular, our liquid hedge fund, including the affiliated manager platform and, to a lesser extent, credit fund businesses and certain permanent capital vehicles are highly dependent on our ability to process, value and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. For example, the efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. If a fund's trading orders are not executed in a timely and efficient manner due to systems failures, human error or otherwise, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position. In addition, new investment products have created, and future investment products may create, a significant risk that our existing systems may

not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products. If any of these systems do not operate properly, are inadequately designed, disabled, or are the target of a cyber security attack (which is an ongoing threat), we could suffer financial loss, disruption of our businesses, liability to our funds and their investors, regulatory intervention and reputational damage.

In addition, we operate in an industry that is highly dependent on its information systems and technology. We believe that we have designed, purchased and installed high-quality information systems to support our business. There can be no assurance, however, that our information systems and technology will continue to be able to accommodate our operations, or that the cost of maintaining such systems will not increase from its current level. Such a failure to accommodate our operations, or a material increase in costs related to such information systems, could have a material adverse effect on us.

In addition, in connection with the affiliated manager platform, we provide use of certain of these systems to Graticule as part of the infrastructure services currently provided for fees. The provision of our systems to autonomous businesses may heighten our operational risks for as long as we provide these services.

Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. Additionally, breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to confidential or other information that we maintain, including information with respect to us, investors in our funds and our counterparties. One or more such events could potentially jeopardize such confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations and, our fund investors', counterparties' or third parties' operations, which could result in significant losses, increased costs, liability to our funds and investors, regulatory intervention or reputational damage to us. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures arising from operational and security risks, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Furthermore, we depend on our headquarters, which is located in New York City, and related infrastructure for the operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, may have an adverse impact on our ability to continue to operate our business without interruption, which could have a material adverse effect on us. Although we have disaster recovery programs in place, there can be no assurance that these will be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses.

Finally, we rely on third-party service providers for certain aspects of our business. In particular, we rely heavily on the services of third-party administrators in our hedge fund businesses, on the general ledger software provider for a number of our funds, and on third parties to provide critical front- and back-office systems support to Logan Circle. Any interruption or deterioration in the performance of these third parties, particularly with respect to the services provided to Logan Circle, could impair the quality of operations and could impact our reputation and adversely affect our business and limit our ability to grow.

Our removal as the investment manager, or the liquidation, of one or more of our funds could have a material adverse effect on our business, results of operations and financial condition.

We derive a substantial portion of our revenues from funds managed pursuant to investment management agreements that may be terminated or fund partnership agreements that permit investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the general partner of the fund or the fund's board of directors the right to terminate our investment management agreement with the fund. However, insofar as we control the general partner of our funds that are limited partnerships, the risk of termination of any investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for our offshore hedge funds for which we do not serve as the general partner and represent a significant portion of our hedge fund AUM. In addition, the boards of directors of certain hedge funds and our publicly traded permanent capital vehicles, and the holders of a simple majority of the outstanding shares of our publicly traded permanent capital vehicles, have the right under certain circumstances to terminate the investment management agreements or otherwise attempt to renegotiate the terms of such agreements with the applicable fund or publicly traded permanent capital vehicle. Termination of these agreements, or revisions to the terms that are detrimental to the manager, could affect the fees we earn from the relevant funds or permanent capital vehicles, which could have a material adverse effect on our results of operations.

In addition, investors in our private equity funds or credit PE funds and certain hedge funds have the ability to act, without cause, to accelerate the date on which the fund must be wound down. We will cease earning management fees on the assets of any such fund that is wound down. In addition, our ability to realize incentive income from such funds would be adversely affected if we are required to liquidate fund investments at a time when market conditions result in our obtaining less for investments than could be obtained at later times.

We may become involved in lawsuits or investigations that could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.

We could be sued by many different parties, including, but not limited to, our fund investors, creditors of our funds, shareholders of the companies in which our funds have investments or we manage, groups on the affiliated manager platform and their respective investors, our shareholders, our employees, regulators, and residents of senior living facilities that we manage. We have been a defendant in many lawsuits filed by various parties in recent years. In addition, we may participate in transactions that involve litigation (including the enforcement of property rights) from time to time, and such transactions may expose us to increased risk from countersuits. Any of these parties could bring an array of claims not just against us but also against our funds and their portfolio companies, permanent capital vehicles, other investments or the affiliated manager platform based on a variety of allegations relating to, among other things, conflicts of interest, improper related party transactions, breaches of financing or other agreements, violations of any of a multitude of laws applicable to us, non-compliance with organizational documents, misconduct by employees and improper influence over the companies in which our funds or accounts have investments. It is likely that we would be brought into any lawsuit that involves a fund-related issue and we may be brought into lawsuits involving the affiliated manager platform. We also face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount, particularly since our workforce consists of many very highly paid investment professionals. Such claims are more likely to occur when individual employees experience significant volatility in their year-to-year compensation due to trading performance or other issues, and in situations where previously highly compensated employees are terminated for performance or efficiency reasons, as has occurred recently. The cost of settling such claims could adversely affect our results of operations.

Lawsuits or investigations in which we may become involved could be very expensive and highly damaging to our reputation, even if the underlying claims are without merit. We could potentially be found liable for significant damages. For instance, in a lawsuit based on an allegation of negligent management of any of our funds, plaintiffs could potentially recover damages in an amount equal to the fund's investment losses. In general, the applicable standard of care in our contracts with fund or account investors is gross negligence or willful misconduct. However, the majority of the capital in our Logan Circle business is managed under a negligence or reasonable person standard of care, which is more favorable to plaintiffs.

Fund investments may also be subject to litigation, which could impact the value of the investment and harm the performance of one or more of our funds. Although we have certain indemnification rights from the funds we manage, these rights may be challenged. Moreover, we could incur legal, settlement and other costs in an amount that exceeds the insurance coverage maintained by us or by our funds. The costs arising out of litigation or investigations could have a material adverse effect on our results of operations, financial condition and liquidity.

Certain of our consolidated subsidiaries have potentially unlimited liability for the obligations of various Fortress Funds under applicable partnership law principles, because they act as general partners of such funds. In the event that any such fund was to fall into a negative net equity position, the full amount of the negative net equity would be recorded as a liability on the balance sheet of the general partner entity. Such liability would be recorded on our balance sheet in consolidation until the time such liability was legally resolved.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), so-called “whistleblower” provisions entitle persons who report alleged wrongdoing to the SEC to cash rewards and the SEC has awarded

significant cash awards pursuant to these provisions. Dealing with such claims could generate significant expenses and take up significant management time, even for frivolous and non-meritorious claims. Moreover, there may be a related increase in regulatory investigations or inquiries relating to trading and other investment activities, including potential conflicts of interest relating to such activities, of alternative asset management managers such as us. Such investigations or inquiries may impose additional expense on us, may require the attention of senior management and may result in fines and/or reputational damage whether or not any of our funds are deemed to have violated any regulations.

The U.S. government's increased focus on the regulation of the financial services industry may adversely affect our business.

Our business may be adversely affected by new or revised legislation or regulations imposed by the U.S. government, the SEC, the Commodity Futures Trading Commission ("CFTC") or other U.S. governmental regulatory bodies or self-regulatory

organizations that supervise the financial markets. We may also be adversely affected by changes in the interpretation or enforcement of existing laws and rules. Dodd-Frank imposes significant new rules on almost every aspect of the U.S. financial services industry, including aspects of our business and the markets in which we operate, which may adversely affect our business. These rules address, among other things, the following topics:

- oversight and regulation of systemic market risk (including the power to liquidate certain institutions);
- regulation by the Federal Reserve of non-bank institutions;
- prohibitions on insured depository institutions and their affiliates from conducting proprietary trading and investing in private equity funds and hedge funds;
- new registration, recordkeeping and reporting requirements for private fund investment advisers;
- comprehensive regulation of the OTC derivatives markets;
- minimum equity retention requirements for issuers of asset-backed securities;
- the establishment of a bureau of consumer financial protection;
- new requirements and higher liability standards on credit rating agencies; and
- increased disclosure of executive compensation and mandatory shareholder votes on executive compensation.

Dodd-Frank and the regulations thereunder are complex and expansive in scope and will likely require us to continue to devote a significant amount of time and resources in assessing and modifying our business practices to comply. The regulations may also increase our costs of operating in the financial markets and impose restrictions on our business activities. For example, the Dodd-Frank margin requirements applicable to uncleared over-the-counter derivatives are expected to increase the overall costs of trading and maintaining those instruments. Moreover, the new regulations, even if not directly applicable to us, are likely to increase our overall costs of entering into certain transactions and could also adversely affect the performance of certain of our trading strategies. For example, trading counterparties that incur increased costs as a result of registration and/or operation as a "swap-dealer" or "security-based swap-dealer" under Dodd-Frank could pass through those costs to us. Likewise, new regulations may lead to reductions in the liquidity of certain investment products, causing higher pricing or reduced availability, or the reduction of arbitrage opportunities for us, which could also adversely affect the performance of certain of our trading strategies.

Dodd-Frank also established a regulatory body called the Financial Stability Oversight Counsel ("FSOC"), responsible for identifying, monitoring and constraining systemic risks and maintaining financial stability. Non-bank financial institutions designated as "systemically important" by the FSOC are subject to enhanced regulatory requirements established by the Federal Reserve. U.S. regulators are reviewing the asset management industry generally with respect to these matters and any regulation of us or the markets in which we operate arising as a result could negatively impact our business.

In addition, U.S. regulatory reforms also require us to comply with new registration and reporting requirements. In October 2011, the SEC adopted a rule that requires fund advisors with over \$1.5 billion in AUM, such as Fortress, to file substantial quarterly disclosure on fund assets, leverage, investment positions, valuations, trading practices and other topics. In addition, due to regulations adopted in 2012, certain of our affiliates have registered with the CFTC as commodity pool operators ("CPOs"). The Commodity Exchange Act and CFTC regulations impose various requirements on CPOs, including record-keeping, reporting, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. Complying with these requirements could increase our expenses and negatively impact our financial results.

Finally, regulatory initiatives that do not apply directly to us may have a negative impact on us indirectly because they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable, such as banks and other counterparties with whom we do business. For example, in December 2010, the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from various countries, including the United States, finalized a

comprehensive set of capital, leverage and liquidity standards, commonly referred to as "Basel III," for internationally active banking organizations. These standards require banks to hold more capital, reduce leverage and improve liquidity standards. U.S. federal banking regulators continue to implement many aspects of Basel III, as well as changes required by Dodd-Frank. These rules comprehensively revise the regulatory capital framework for the U.S. banking sector. Compliance with the new standards is expected to result in significant costs to banks and may result in reduction of access to, or increase of costs for, certain types of credit for the private sector, including our funds and portfolio companies.

Our reputation, business and operations could be adversely affected by regulatory compliance failures, the potential adverse effect of changes in laws and regulations applicable to our business and the effects of negative publicity surrounding the alternative asset management industry in general.

Potential regulatory compliance failures pose a significant risk to our reputation and thereby to our business. Our business is subject to extensive regulation in the United States and in the other countries in which our investment activities occur. The SEC oversees our activities as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Investment

Advisers Act"). We are subject to regulation under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Investment Company Act of 1940, as amended (the "Investment Company Act"), and various other statutes. We are subject to regulation by the Department of Labor under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). We and certain of our permanent capital vehicles, as public companies, are subject to applicable stock exchange regulations to the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). A number of portfolio companies are also publicly traded and/or are subject to significant regulatory oversight. For example, OneMain Holdings, Inc. ("OneMain") is in the consumer finance industry and Nationstar Mortgage Holdings Inc. ("Nationstar") is in the mortgage servicing industry, both of which have recently been the focus of extensive regulation. In particular, mortgage servicers continue to face meaningful regulatory oversight from an array of state and federal authorities (including the Consumer Financial Protection Bureau and various state attorneys general), which has resulted in increased regulatory scrutiny across the industry, including Nationstar. This increased scrutiny may result in Nationstar experiencing increased regulatory costs, and being required to pay fines or change its business practices. Moreover, some of our portfolio companies are subject to regulation from non-financial bodies (such as our senior living and railroad investments). For example, as a manager of senior living facilities we are subject to regulations applicable to operators of independent living and assisted living facilities, as well as laws designed to protect Medicaid. As an affiliate of a registered broker-dealer, we are subject to certain rules promulgated by the Financial Industry Regulatory Authority ("FINRA") and the SEC. A number of our investing activities, such as our lending business, are subject to regulation by various U.S. state regulators. In the United Kingdom, we are subject to regulation by the U.K. Financial Conduct Authority. Our other European operations, and our investment activities in Singapore, Australia, Japan, Hong Kong and other parts of the globe, are subject to a variety of regulatory regimes that vary by country.

Many of the regulatory bodies with jurisdiction over us have regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular businesses and to conduct investigations and proceedings that may result in fines and other sanctions. A failure to comply with the obligations imposed by the Investment Advisers Act on investment advisers, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or by the Investment Company Act could result in investigations, sanctions and reputational damage and potentially revocation of our registration as an investment advisor and exemptions from investment company requirements. Private equity funds, in particular, have come under greater regulatory scrutiny from the SEC as examinations of private equity advisers have found violations or material weaknesses with respect to the collection of fees and allocation of expenses. The SEC has also stated that their asset management unit's priorities for private equity funds and hedge funds include conflicts of interest, valuation, compliance and controls and cybersecurity. Private equity advisers have recently settled with the SEC for disclosure failures and misallocation of expenses. Our liquid hedge fund business, and, to a lesser degree, our credit fund and our private equity businesses, are involved regularly in trading activities which implicate a broad number of U.S. and foreign securities law regimes, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. In addition, we are subject to U.S. and foreign laws and regulations relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others, including the Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act. Violation of such laws could result in severe restrictions on our activities and in damage to our reputation. Furthermore, the mere investigation by authorities of alleged or potential wrong-doing, such as insider trading, mishandling of fees, expenses or valuation, or anti-bribery and FCPA violations, has the potential to create a material adverse effect on companies in our industry including us, including due to the effects of negative publicity surrounding the alternative asset management industry in general. We may also be adversely affected if there is misconduct by personnel of portfolio companies in which our funds invest and permanent capital vehicles that have personnel whom we do not employ or supervise. For example, failures by such personnel to comply with anti-bribery, trade sanctions or other legal and regulatory requirements could adversely affect our business and reputation.

Changes in ERISA requirements, or a failure to comply with ERISA requirements, could adversely affect our business. Our funds generally operate pursuant to exemptions from the fiduciary requirements of ERISA with respect to their assets. However, it is possible that the U.S. Department of Labor may amend any applicable regulations or that the characteristics of our funds may change. If these funds fail to qualify for such exemptions or otherwise satisfy any applicable requirements of ERISA, including the requirement of investment prudence and diversification or the prohibited transaction rules, it could materially interfere with our activities in relation to these funds or expose us to risks related to our failure to comply with such requirements. A meaningful portion of the capital managed in our Logan Circle business is subject to ERISA requirements, and our failure to comply with those requirements could have a material adverse effect on our business. The U.S. Department of Labor recently issued a proposed regulation that would make it more likely that persons who recommend investments to employee benefit plans and individual retirement accounts would be considered fiduciaries with respect to such plans and accounts for purposes of ERISA and certain provisions of the Internal Revenue Code. If adopted, the regulation could materially restrict our ability to market interests in our funds to such investors.

Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or investing activities or other sanctions. The regulations to which our businesses are subject are designed primarily to protect investors in our

funds and to ensure the integrity of the financial markets. They are not designed to protect holders of our publicly traded Class A shares. Even if a sanction imposed against us or our personnel by a regulator is for a small monetary amount, the adverse publicity related to such sanction could harm our reputation, result in redemptions by our fund investors and impede our ability to raise additional capital or new funds, all of which would be materially damaging to the value of our Class A shares.

Our results of operations may also be negatively impacted if certain proposed tax legislation is enacted. If legislation were to be enacted by the U.S. Congress to treat carried interest as ordinary income rather than as capital gain for U.S. federal income tax purposes, such legislation would materially increase the amount of taxes that we and possibly our equity holders are required to pay, thereby reducing the value of our Class A shares and adversely affecting our ability to recruit, retain and motivate our current and future professionals. President Obama has publicly stated that he supports similar changes to the tax code. See “-Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis” and “-Several items of tax legislation are currently being considered which, if enacted, could materially affect us, including by preventing us from continuing to qualify as a partnership for U.S. federal income tax purposes. Our structure also is subject to potential judicial or administrative change and differing interpretations, possibly on a retroactive basis.”

New legislation in Europe and in other international markets in which we operate could increase our costs and make it more difficult to operate and market our funds.

Similar to the United States, our business may be adversely affected by new or revised legislation or regulation imposed by governmental regulators and other authorities in Europe or other jurisdictions in which we operate. European regulators have implemented legislation (the Alternative Investment Fund Manager Directive, or "AIFMD") requiring fund managers to comply with new rules regarding their activities in the EU, including the marketing of fund interests to EU-domiciled investors. AIFMD additionally covers topics such as periodic reporting to fund investors, disclosures to shareholders of EU companies targeted for acquisition or disposition, limitations on dividends by fund-controlled EU companies, monitoring the use of leverage, and imposition of remuneration guidelines. The legislation came into effect in July 2013 although full implementation of the rules will be staggered over the following five years. AIFMD imposes significant additional costs on the operation of our business in the EU, limits our operating flexibility and may generally hamper our ability to grow our business in Europe. In addition, similar to Dodd-Frank, European regulators have adopted the European Market Infrastructure Regulation ("EMIR") relating to the regulation of derivative transactions, including reporting of derivative transactions, conduct standards and risk mitigation. Further, a new market abuse regime focused on anti-money laundering and insider trading, among other things, is expected to be implemented in mid-2016 and a new version of the Markets in Financial Instruments Directive is currently being developed, both of which may also impose additional costs on the operation of our business in Europe.

In addition, similar to Europe, lawmakers and regulators in Asia and other jurisdictions in which we operate are in the process of implementing derivatives reforms similar to those under Dodd-Frank, including as to mandatory clearing of derivatives, margin, reporting, business conduct standards and risk mitigation. Although regulators are working to harmonize these regulations across jurisdictions so as to create common global standards, such a result is unlikely. Monitoring and complying with divergent regulations across multiple jurisdictions may, among other things, increase our operating costs or otherwise force us to modify our business practices in respect of these financial markets, which may adversely affect our business.

Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our business.

As we have expanded the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities, the management of our permanent capital vehicles and our other activities, such as our management of senior living facilities. Certain of our funds and permanent capital vehicles, which may have different fee structures, have overlapping investment objectives, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among these vehicles. For example, a decision to receive material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest if it results in our having to restrict the ability of other funds to take any action. In addition, perceived conflicts of interest regarding investment decisions for funds in which our principals, who have and may continue to make significant personal investments in a variety of Fortress Funds, are personally invested may also arise, particularly with respect to funds in which they have made significant investments. Similarly, conflicts of interest may exist or develop regarding decisions about the allocation of specific investment opportunities between Fortress and the Fortress Funds or otherwise in situations where multiple funds are making investments in one portfolio company at the same or different levels of the investee's capital structure, in situations where one portfolio company engages another portfolio company to provide goods or services or in situations where funds and permanent capital vehicles, or multiple permanent capital vehicles, are competing for or making investments in the same assets or are buying or selling assets from one another. In addition, the publicly traded permanent capital vehicles are public companies that generally have no employees and their officers and many of the individuals that perform services for them are Fortress employees. Several officers and directors

of the permanent capital vehicles have responsibilities and commitments to Fortress entities other than such permanent capital vehicles. Moreover, because certain of our operating entities are held, in part, by FIG Corp., which is subject to U.S. federal corporate income tax, conflicts of interest may exist regarding decisions about which of Fortress's holdings should be held by these taxable entities and which by entities not subject to U.S. federal corporate income tax. We have, from time to time, made advances or loans to, or acquired preferred equity interests in, several of our investment funds or other investment vehicles. In addition, our principals have sometimes extended capital to our funds, or made equity investments in portfolio companies, in their individual capacities. The existence and the repayment of such obligations by the funds to us and our principals, or the existence of personal investments by our principals in our portfolio companies, creates the potential for claims of conflicts of interest by our fund and portfolio company investors.

Pursuant to the terms of our operating agreement, whenever a potential conflict of interest exists or arises between any of the principals, one or more directors or their respective affiliates, on the one hand, and the Company, any subsidiary of the Company or any member other than a principal, on the other, any resolution or course of action by our board of directors shall be permitted and deemed approved by all shareholders if the resolution or course of action (i) has been specifically approved by a majority of the members of a committee composed entirely of two or more independent directors, or it is deemed approved because it complies with rules or guidelines established by such committee, (ii) has been approved by a majority of the total votes held by disinterested parties that may be cast in the election of directors, (iii) is on terms no less favorable to the Company or shareholders (other than a principal) than those generally being provided to or available from unrelated third parties or (iv) is fair and reasonable to the Company taking into account the totality of the relationships between the parties involved. In addition, conflicts of interest involving fund investments are reviewed by the advisory boards of the applicable fund and conflicts of interest involving the permanent capital vehicles are reviewed by the independent directors of the applicable vehicle. Notwithstanding the foregoing, potential or perceived conflicts have given, and in the future could give, rise to investor or shareholder dissatisfaction or litigation or regulatory inquiries or enforcement actions, including from shareholders or regulators of our permanent capital vehicles. For example, investors or regulators could claim that a conflict should have been brought before a board or that disclosure of the conflict was inadequate. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which could lead to redemptions by investors in our hedge funds, prompt shareholders of one or more of our permanent capital vehicles to sell their shares or become activist shareholders, hamper our ability to raise additional capital and discourage counterparties to do business with us. Any such development could have a material adverse effect on our business.

Employee misconduct could harm us by impairing our ability to attract and retain investors and by subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with the investors in our funds, potential investors and third parties with whom we do business. There have been a number of highly-publicized cases involving fraud, insider trading, conflicts of interest or other misconduct by individuals in the financial services industry in general and the hedge fund industry in particular. There is a risk that our employees or employees at entities we manage could engage in misconduct that adversely affects our business. We could be subject to litigation, regulatory sanctions and suffer serious harm to our reputation, financial position, investor relationships and ability to attract future investors if an employee were to engage or be accused of engaging in illegal or suspicious activities such as improper trading, disclosure of confidential information or breach of fiduciary duties. Moreover, in July 2012, we entered into agreements to manage senior living facilities pursuant to which we became the employer of a significant number of on-site employees (the compensation expense of which is reimbursed to us by the owners of the facilities). As a result, we are now subject to the risk of employee misconduct with respect to the personal care of the residents of such facilities. We are also subject to risk of employee misconduct from employees of portfolio companies in which our funds invest and permanent capital vehicles that have personnel whom we do not employ or supervise. Employee

misconduct could also prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. Misconduct by employees, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our business.

Additionally, public state pension plans and retirement systems considering an investment in our funds may require us to make certain representations, warranties and covenants with respect to our and our employees' use of placement agents, political donations and gifts to state employees. A misrepresentation or breach of such covenants could result in damage to our reputation or in such investors seeking recovery of losses, withdrawal of their investment, repayment of management fees or liquidated damages, any of which could cause our revenues and earnings to decline.

The alternative investment management business is intensely competitive.

The alternative investment management business is intensely competitive. We compete in all aspects of our business with a large number of investment management firms, private equity fund sponsors, hedge fund sponsors and other financial institutions. Competition is based on a number of factors, including:

- investment performance;
- identifying suitable investments;
- investor perception of investment managers' drive, focus and alignment of interest;
- terms of investment, including the level of fees and expenses charged for services;
- actual or perceived financial condition, liquidity and stability;
- the quality and mix of services provided to, and the duration of relationships with, investors; and
- business reputation.

A number of factors increase our competitive risks, some of which are outside of our control, and could reduce revenues and profitability and materially and adversely affect our business:

- some of our funds may not perform as well as competitor funds or other available investment products;
- the closing of our Fortress Macro Funds and related managed accounts and potential impact on investor perception;
- changing decision making processes of investors, including concerns that we will allow a business to grow to the detriment of its performance or a preference to invest with an investment manager that is not publicly traded;
- investors may reduce their investments with us or not make additional investments with us based upon dissatisfaction with our investment performance, market conditions, their available capital or their perception of the health of our business;
- investors' liquidity and willingness to invest;
- some of our competitors have greater capital, lower cost of capital, better access to financing, lower targeted returns or greater sector or investment strategy specific expertise than we do, which creates competitive disadvantages with respect to investment opportunities;
 - some of our competitors may have greater technical, marketing and other resources than we possess;
- some of our competitors may perceive risk differently than we do, which could allow them either to outbid us for investments in particular sectors or, generally, to consider a wider variety of investments;
- some of our competitors may agree to more restrictive terms or policies (such as those related to electoral donations or a different standard of care), which would allow them to compete for the capital being invested by entities wishing to impose such terms;
- some of our competitors are corporate buyers and may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment, particularly if conditions in the debt markets increase our financing costs or make debt financing generally unavailable or cost prohibitive; and
- other industry participants continuously seek to recruit our investment professionals, particularly our top performers, away from us.

Furthermore, competition in the alternative asset management business has been increasing, including the level of competition for capital raising, particularly for big-fund capital in the alternative investment industry. When trying to raise new capital, we are competing for fewer total available assets in an increasingly competitive environment, and there can be no assurance that we will be successful in continuing to raise capital at our historical growth rates. Depending on industry dynamics, we and our competitors may be compelled to offer investors improved terms (such as lower fees, improved liquidity or increased investments in funds) in order to continue to attract significant amounts of new investment capital. If we are forced to compete with other alternative asset managers on the basis of fees, we may not be able to maintain our current management and performance fee structures. Such changes would adversely

affect our revenues and profitability.

The due diligence process that we undertake in connection with investments by our funds or the public company may not reveal all relevant facts in connection with an investment.

Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. When conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and outside advisors and, in some circumstances, third-party investigations. In addition,

if investment opportunities are scarce or the process for selecting bidders is competitive, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, including, among other things, the existence of fraud or other illegal or improper behavior. Moreover, such an investigation will not necessarily result in the investment being successful.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of Sarbanes-Oxley. While management has certified that our internal controls over financial reporting were effective as of December 31, 2015, 2014 and 2013, because internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules, we cannot assure you that our internal control over financial reporting will be effective in the future. For example, we consolidate certain funds and may be required to consolidate other entities that we manage and therefore document and test effective controls over financial reporting of any of the entities that we consolidate in accordance with Section 404. Any failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm would not be able to certify as to the effectiveness of our internal control over financial reporting as of the required dates. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable New York Stock Exchange listing rules, and result in a breach of the covenants under our credit agreement. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by leading to a decline in our share price and impairing our ability to raise capital.

Our continued growth and development places significant demands on our administrative, operational and financial resources.

Our success depends in part on our continued growth and the development of our business, which is uncertain and creates significant demands on our legal, accounting and operational infrastructure, and results in increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of our growth, but also of significant differences in the investing strategies of our different businesses and of the differences between lines of business. For example, in April 2010, we acquired Logan Circle, which requires operational infrastructure that differs from the infrastructure used in our alternative asset management business, which we were not familiar with prior to the acquisition. In July 2012, our workforce grew significantly when we became the manager of several senior living facilities (the compensation expense of which is reimbursed to us by the owners of the facilities), which has placed significant demands on our human resources and other infrastructure. In 2014, we announced the launch of the affiliated manager platform, and in 2015 we transitioned the management of the Fortress Asia Macro Funds to an autonomous asset management business in which we retain an economic interest in and currently provide infrastructure services for. In 2015, we and Mount Kellett Capital Management LP ("Mount Kellett") entered into an agreement for us to become co-manager of the Mount Kellett investment funds and related accounts.

Our ability to continue to grow will depend, among other things, on our ability to maintain an operating platform and management system sufficient to address our growth. In order to grow, we will have to incur significant additional

expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- maintaining adequate accounting, financial, compliance, trading and other business controls,
- implementing new or updated information, financial and disclosure systems and procedures, and
- recruiting, training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting and regulatory developments. Moreover, the strains upon our resources caused by our growth are compounded by the additional demands imposed upon us as a public company with shares listed on the New York Stock Exchange and, thus, subject to an extensive body of regulations.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may enter into new businesses, make future strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties in our business and reputation.

We intend, to the extent that market conditions warrant, to grow our business by increasing management fee paying assets under management in existing businesses and creating new investment products. In addition, our organizational documents do not limit us to the investment management business and we may pursue growth through strategic investments, acquisitions or joint ventures, which may include entering into new lines of business, such as the banking, insurance or financial advisory industries, and which may involve assuming responsibility for the actual operation of assets or entire companies. For example, in July 2012, we entered into the business of managing senior living facilities on behalf of owners of senior living facilities and in 2014 we launched the affiliated manager platform. In addition, opportunities may arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, enter into joint ventures, or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (i) the required investment of capital and other resources, (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, and (iii) combining or integrating or separating and providing operational and management systems and controls. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and negative publicity. For example, in April 2010 we acquired Logan Circle, which is a traditional investment manager that is required to comply with ERISA regulations from which our other funds are currently generally exempt and which operates under a standard of care that is generally less favorable to us and exposes us to greater liability for simple negligence than do our alternative asset management businesses. In addition, our management of senior living facilities exposes us to licensing and regulatory regimes with which we have limited experience, as well as litigation risk arising from, among other things, the care of seniors. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected.

In addition, generally, there are few limitations on the execution of our funds' investment strategies, which are, in some cases, subject to the sole discretion of the management company or the general partner of such funds. The execution of a particular fund's strategy - for example, a strategy involving the enforcement of intellectual property rights through litigation, or a strategy of purchasing pools of tax liens on residential properties or pools of life settlements - may negatively impact one or more other Fortress funds whether due to reputational or other concerns. We have historically been subjected to intermittent protests by groups affiliated with an animal rights movement related to a particular investment. Although no Fortress Fund continues to hold the investment targeted by such protesters, the protest activity may nevertheless have a negative effect on our reputation.

Our revenue and profitability fluctuate, particularly inasmuch as we cannot predict the timing of realization events in our private equity and credit PE businesses, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause volatility in the price of our Class A shares.

We experience significant variations in revenues and profitability during the year and among years because, among other reasons, we are paid incentive income from certain funds only when investments are realized, rather than periodically on the basis of increases in the funds' NAVs. The timing and receipt of incentive income generated by our private equity funds and credit PE funds is event driven and thus highly variable, which contributes to the volatility of our segment revenue, and our ability to realize incentive income from our private equity funds and credit PE funds may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several

years before any profits can be realized. We cannot predict when, or if, any realization of investments will occur. If we were to have a realization event in a particular quarter, it may have a significant impact on our segment revenues and profits for that particular quarter that may not be replicated in subsequent quarters. In addition, our private equity funds and credit PE fund investments are adjusted for accounting purposes to their NAV at the end of each quarter, resulting in income (loss) attributable to our investments in our funds, even though we receive no cash distributions from our private equity funds and credit PE funds, which could increase the volatility of our quarterly earnings. The terms of the operating documents of our private equity funds and credit PE funds generally require that if any investment in a particular fund has been marked down below its initial cost basis, the aggregate amount of any such markdowns (plus the amount of the accrued preferred return on the capital used to make such investments) be factored into the computation of the amount of any incentive income we would otherwise collect on the realization of other investments within the same fund. This provision generally will result in an overall lower level of incentive income being collected by the Company in the near term for any private equity fund or credit PE fund that has investments that are carried both above and below their cost basis. To the extent that our investments in our private equity funds or credit PE funds (or direct investments in private equity transactions) are marked down, such mark-downs will flow through our statements of

operations as a GAAP loss, even in circumstances where we have a long investment horizon and have no present intention of selling the investment.

With respect to our credit hedge funds and liquid hedge funds, our incentive income is generally paid annually if the NAV of a fund has increased for the period. The amount (if any) of the incentive income we earn from our hedge funds depends on the increase in the NAV of the funds, which is subject to market volatility. Our liquid hedge funds have historically experienced significant fluctuations in NAV from month to month. Certain of our hedge funds also have “high water marks” whereby we do not earn incentive income for a particular period even though the fund had positive returns in such period if the fund had greater losses in prior periods. Therefore, if a hedge fund experiences losses in a period, we will likely not be able to earn incentive income from that fund until it surpasses the previous high water mark. As of December 31, 2015, the investment performance of certain hedge funds is down from the date on which such funds last earned incentive income. Each fund must generate earnings, on an investor by investor basis, equal to any amount lost as a result of negative performance before it will generate additional incentive income for us from existing fund investors. See the “Management Agreements and Fortress Funds” note to the consolidated financial statements included herein for more information.

In addition, no private equity fund, permanent capital vehicle, or credit PE fund will earn incentive income on any particular investment in the event that the aggregate carrying value of the other investments contained in the same fund is lower than the invested and unreturned capital in such fund plus, in some cases, any preferred return relating to such fund or the operating results of the publicly traded permanent capital vehicle are lower than specified returns to shareholders. The NAVs of some of these private equity style funds, as of period end, and operating results of some of the publicly traded permanent capital vehicles for the period were below these amounts as they apply to the respective funds or vehicle and, thus, these funds and vehicles will not be able to earn incentive income until their respective NAVs or operating results exceed these amounts. In addition, incentive income for the publicly traded permanent capital vehicles are calculated on a cumulative basis and therefore we may not earn incentive income for a particular period even though the vehicle had positive operating results for such period if the vehicle had greater losses on a cumulative basis. See the “Management Agreements and Fortress Funds” note to the consolidated financial statements included herein for more information.

Furthermore, we earn investment income from our investments in the Fortress Funds. Certain investments may be more speculative and more likely to result in loss of capital than other investments, which may contribute to volatility of our income. For example, investments in digital currencies differ from traditional currencies, commodities or securities, and its value is entirely market-based, which subjects the investment to increased risks.

These quarterly fluctuations in our revenues and profits in any of our businesses could lead to significant volatility in the price of our Class A shares.

The terms of our credit agreement may restrict our current and future operations, particularly our ability to respond to certain changes or to take future actions.

We entered into a new credit agreement in January 2016, which we also refer to as the "2016 Credit Agreement", for a new unsecured revolving facility, which contains a number of restrictive covenants. These covenants collectively impose significant operating and financial restrictions on us, including restrictions that may limit our ability to engage in acts that may be in our long-term best interests. The financial covenants require that we:

- not exceed a total leverage ratio;
- maintain a minimum AUM; and
- maintain a minimum consolidated interest coverage ratio.

The financial covenants are tested as of the end of each fiscal quarter. Our ability to comply with these and other covenants is dependent upon a number of factors, some of which are beyond our control but could nonetheless result in noncompliance. For example, our leverage ratio fluctuates depending upon changes in revenues and expenses relative to our outstanding debt; our consolidated interest coverage ratio fluctuates depending upon changes in revenues and expenses relative to our interest payment obligations; and the value of our AUM fluctuates due to a variety of factors, including mark-to-market valuations of certain assets, other market factors, and our net capital raised or returned.

Our credit agreement also contains other covenants that restrict our operations and a number of events that would constitute an event of default under the agreement.

A failure by us to comply with the covenants in our credit agreement could result in an event of default under the agreement, which would give the lenders under the agreement the right to terminate their commitments to provide additional loans under our revolving credit facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the debt under our credit agreement were accelerated, we might not have sufficient cash on hand or be able to sell sufficient assets to repay this debt, which could have an immediate material adverse effect on our business, results of operations and financial condition. For more detail regarding our current credit agreement and the status of our compliance with the related covenants, please see “Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Debt Obligations,” and “— Covenants.”

In addition, the 2016 Credit Agreement matures in January 2021. The terms of any new revolving credit facility or other replacement financing may be less favorable to us than the terms of our existing credit agreement.

An increase in our borrowing costs may adversely affect our earnings and liquidity.

Under the 2016 Credit Agreement, which is scheduled to mature in January 2021, we have a \$275.0 million revolving credit facility (including a \$15.0 million letter of credit subfacility).

After giving effect to the initial extensions of credit thereunder of \$75.0 million, and a subsequent borrowing of \$100.0 million in February 2016, approximately \$97.3 million was available to be drawn. The new revolving credit facility generally bears interest at an annual rate equal to LIBOR plus an applicable rate that fluctuates depending upon the credit rating of the borrower's senior unsecured long-term debt and a commitment fee on undrawn amounts that fluctuates depending upon such credit rating. Therefore the interest expense we incur will vary with changes in the applicable LIBOR reference rate and the credit rating. As a result, an increase in short-term interest rates will increase our interest costs and will reduce the spread between the returns on our investments and the cost of our borrowings. An increase in interest rates would adversely affect the market value of any fixed-rate debt investments and/or subject them to prepayment or extension risk, which may adversely affect our earnings and liquidity. We may, from time to time, hedge these interest rate related risks. There is no guarantee that any such hedges will be economically effective.

When we approach the maturity date of our facility, we may seek to enter into new facilities or issue new debt, which could result in higher borrowing costs, or to issue equity, which would dilute existing shareholders. We could also repay a facility by using cash on hand (if available) or cash from the sale of our assets. No assurance can be given that we will be able to enter into new facilities, issue new debt or issue equity in the future on attractive terms, or at all.

Our hedging arrangements may fail to reduce our exposure to exchange rate and other economic risks.

We may from time to time enter into hedging arrangements intended to limit our economic exposure to various risks, such as interest rate or foreign currency exchange rate risk. We have currently entered into agreements intended to hedge our potential exposure to the dollar/Yen exchange rate based on our estimates of the likely receipt of certain incentive income payments relating to our fund management operations in Asia. There can be no assurance that in entering into such arrangements that we will have correctly estimated either the amount of incentive income that we will receive in the future or that we will have correctly forecast movements in the applicable exchange rate. Failure to make such estimates correctly may result in our under or over hedging our currency exposure, which could materially impact the economic value of any incentive payments we ultimately receive. We may also choose in some situations not to attempt to hedge our exposure to similar risks, which would leave us exposed to movements in interest rates or exchange rates.

Risks Related to Our Funds

Our results of operations are dependent on the performance of our funds. Poor fund performance will result in reduced revenues, reduced returns on our investments in our funds and reduced earnings. Poor performance of our funds will also make it difficult for us to retain or attract investors to our funds and to grow our business. The performance of each fund we manage is subject to some or all of the following risks.

The historical performance of our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on our Class A shares.

The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, readers should not conclude that positive performance of the funds we manage will necessarily result in positive returns on our Class A shares.

Moreover, with respect to the historical performance of our funds:

the historical performance of our funds should not be considered indicative of the future results that should be expected from such funds or from any future funds we may raise;

our funds' returns have benefited historically from investment opportunities and general market conditions that currently may not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;

the performance of a number of our funds that is calculated on the basis of NAV of the funds' investments reflects unrealized gains that may never be realized;

several of our private equity portfolio companies have become public companies and have experienced significant subsequent decreases in their public market value. There can be no assurance that we will be able to realize such investments at profitable sale prices, particularly if market conditions are weak or the market perceives that the companies will perform less well when a Fortress fund reduces its investment in them; and

Certain of the funds are newly established funds without any operating history or are managed by management companies or general partners who do not have a significant track record as an independent manager and certain of our publicly traded permanent capital vehicles are also new public companies without any operating history as independent companies.

Poor performance of our funds would cause a decline in our revenue and results of operations, could obligate us to repay incentive income previously paid to us, and could adversely affect our ability to raise capital for future funds.

Poor performance of our funds could have a material adverse impact on our primary sources of revenue, which are: (1) management fees, which are based on AUM; (2) incentive income, which is based on the performance of our funds; and (3) investment income (loss) from our investments in our funds. Losses in our funds result in a decrease in AUM, which results in lower management fee revenues. In addition, our funds may be unable to pay all or part of the management fees that we are owed for an indeterminate period of time, or they may require advances to cover expenses if they perform poorly or suffer from liquidity constraints due to operational or market forces. In situations where we have deferred the receipt of management or other fees in order to provide liquidity to one or more of our managed funds, amounts that we have receivable from those funds may be difficult to collect in the future (or may take longer than anticipated to collect) if such funds have continued liquidity problems or if fund investors raise objections to such collections. As of December 31, 2015, amounts due from our funds included \$38.6 million of past due management fees and \$11.0 million of private equity general and administrative expenses advanced on behalf of a certain Fortress Fund. As of December 31, 2015, we also had past due amounts of \$12.2 million of management fees and \$6.8 million of private equity general and administrative expenses due from another Fortress Fund which Fortress has fully reserved. The amount of deferred management fees and reimbursements may increase in the future.

In addition, as a result of the performance of our funds or other factors, hedge fund investors may redeem their investments in our funds, while investors in our private equity funds and credit PE funds may decline to invest in future funds we raise. Poor performance of our publicly traded permanent capital vehicles may result in the lowering of the market price of their common stock and impair their ability to raise capital or pay dividends. The annual return of capital request date for our flagship credit hedge fund occurs in October and our credit hedge funds received return of capital requests from fee paying investors for a total of \$0.8 billion, \$0.2 billion and \$0.2 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Our liquid hedge funds received redemption requests from fee paying investors for a total of \$2.6 billion, \$2.2 billion and \$1.0 billion during the years ended December 31, 2015, 2014 and 2013, respectively. In addition, we closed our Fortress Macro Funds and related managed accounts at the end of 2015, which reduced our AUM and therefore our management fees and may impact our reputation and our ability to raise capital for future funds. See "—Assets Under Management —Redemptions."

If, as a result of poor performance of investments in a private equity fund or credit PE fund, the fund does not achieve total investment returns that exceed a specified investment return threshold for the life of the fund, we will be

obligated to repay the amount by which incentive income that was previously distributed to us exceeds the amounts to which we are ultimately entitled. We have contractually agreed to guarantee the payment in certain circumstances of such “clawback” obligations for our managed investment funds that are structured as private equity style funds. Subsequent to December 31, 2015, we paid \$66.9 million to Fortress Investment Fund III representing all of the prior net incentive income distributions received (\$45.1 million net of employee amounts). Following such payment, no remaining clawback obligation exists for our private equity funds. We may be unable — as a result of poor fund performance or other issues — to raise enough new capital and new funds to seize investment opportunities in the future. If our competitors are more successful than we are in raising new fund capital and seizing investment opportunities, we may face challenges in competing for future investor capital and investment opportunities.

Difficult market conditions can adversely affect our funds in many ways, including by reducing the value or performance of the investments made by our funds and reducing the ability of our funds to raise or deploy capital, which could materially reduce our revenue and adversely affect our results of operations.

Our funds are materially affected by conditions in the global financial markets and economic conditions throughout the world. The global market and economic climate may be adversely affected by factors beyond our control, including rising interest rates or accelerating asset deflation or inflation, deterioration or volatility in the credit and finance markets, deterioration in the credit of sovereign nations, terrorism or political uncertainty. Recently, markets have been affected by an overall weak global economy, the Federal Reserve's long awaited increase in interest rates, concerns of China's slowing economy and rapidly falling oil prices. In the event of a continued market downturn, each of our businesses could be affected in different ways. During market downturns, our private equity style funds have faced reduced opportunities to sell and realize value from their existing investments. In addition, adverse market or economic conditions as well as the slowdown of activities in particular sectors in which portfolio companies of these funds or the permanent capital vehicles operate (including, but not limited to, transportation and infrastructure, financial services, gaming, real estate and senior living) have had an adverse effect on the earnings and liquidity of such portfolio companies, which in some cases has negatively impacted the valuations of our funds' investments, or the operating results of our publicly traded permanent capital vehicles and, therefore, our actual and potential earnings from management and incentive fees. Our credit hedge funds and liquid hedge funds may also be adversely affected by difficult market conditions if they fail to predict the adverse effect of such conditions on particular investments, resulting in a significant reduction in the value of those investments. See "Market Considerations."

The 2008 financial crisis adversely affected our operating performance in a number of ways, and if the economy were to re-enter a period of recession, it may cause our revenue, results of operations and financial condition to decline by causing:

- AUM to decrease, lowering management fees;
- increases in costs associated with financial instruments;
- adverse conditions for our portfolio companies or publicly traded permanent capital vehicles (e.g., decreased revenues, liquidity pressures, increased difficulty in obtaining access to financing and complying with the terms of existing financings as well as increased financing costs);
- lower investment returns, reducing incentive income or eliminating incentive income for a period of time;
- reduced demand to purchase assets held by our funds, which would negatively affect the funds' ability to realize value from such assets;
- material reductions in the value of our private equity fund investments in portfolio companies or the operating results of our publicly traded permanent capital vehicles, which would reduce our ability to realize incentive income from these investments or vehicles;
- difficulty raising additional capital;
- investor redemptions, resulting in lower fees and potential increased difficulty in raising new capital; and
- decreases in the carrying value of our investments in our funds.

The deterioration of market conditions in the future, particularly another failure of one or more major financial institutions, a default or serious deterioration in the financial condition of one or more sovereign nations, or another severe contraction of available debt or equity capital, would have a negative impact on our funds, which could materially reduce our revenue and adversely affect our results of operations. Furthermore, while difficult market conditions may increase opportunities to make certain distressed asset investments, our ability to take advantage of these opportunities may depend on our access to debt and equity capital and these trends may also be disadvantageous to us, for example such conditions also increase the risk of default with respect to debt investments held by our funds, in particular the mortgage opportunities funds and certain of our permanent capital vehicles.

Our funds may make investments that are concentrated in certain companies, asset types or geographical regions, which means that negative developments in certain sectors could have a material adverse effect on our revenues and results of operations.

The governing agreements of our funds contain limited investment restrictions and limited requirements as to diversification of fund investments, whether by geographic region or asset type. Many of our private equity funds have significant investments in particular companies whose assets are concentrated in certain industries, and from time to time we establish funds that target particular asset classes, such as our Italian NPL Funds, MSR Opportunities Funds, Real Estate Opportunities Funds, Japan Opportunity Funds and LDVF Patent and Life Settlements Funds. Our permanent capital vehicles, such as New Senior which is concentrated in senior living, also have assets concentrated in certain industries. Sectors in which our private equity funds have significant investments include transportation and infrastructure, financial services (particularly loan servicing and consumer finance), gaming, real estate (including Florida commercial real estate) and senior living. In particular, the performance of our investments in Nationstar, OneMain, Florida East Coast Railway, Florida East Coast Industries and Holiday Retirement has the

potential to significantly influence the overall financial results of our private equity segment. In addition, our credit PE funds, from time to time, may have significant investments in particular companies, industries or sectors. The credit PE funds have significant investments in certain sectors including commercial real estate, wireless spectrum and energy. If these sectors, or any other sector in which our funds have concentrated investments, were adversely affected by market conditions or other factors, certain of our funds may perform poorly. Moreover, poor performance by our private equity fund, permanent capital vehicle, and credit fund businesses could harm our reputation, which could make it difficult for us to raise capital for our other businesses. For a description of the potential consequences to us of poor fund performance, see “Poor performance of our funds would cause a decline in our revenue and results of operations, could obligate us to repay incentive income previously paid to us, and could adversely affect our ability to raise capital for future funds.”

Certain of our permanent capital vehicles and funds could be adversely affected by a contraction of the structured finance and mortgage markets.

Certain of our permanent capital vehicles have historically relied on the structured finance and mortgage markets in order to obtain leverage and thereby increase the yield on portions of their investments. To the extent that volatility in those credit markets leads to a situation where financing of that type is unavailable or limited (as was the case during the 2008 financial crisis and several years thereafter), Newcastle, New Residential or Eurocastle may be unable to make new investments on a basis that is as profitable as during periods when such financing was available. Furthermore, it could significantly reduce the yield available for reinvesting capital received from prior investments, thereby reducing profits. As a result of impairments recorded in connection with the 2008-2009 structured finance and mortgage market disruption, we do not expect to earn incentive income from Newcastle for an indeterminate period of time.

Many of our funds also have relied on the structured finance markets. To the extent that financing of that type is unavailable or limited, such funds may be unable to make certain types of investments as the yield on those investments will be outside of the funds' target range without leverage. This could reduce the overall rate of return such funds obtain from their investments and could lead to a reduction in overall investments by those funds and a slower rate of growth of fee paying assets under management in those funds, with a commensurate decrease in the rate of growth of our management fees.

We and our funds are subject to counterparty default and concentration risks.

Our funds enter into numerous types of financing arrangements with counterparties globally, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. Generally, funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In particular, some of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties. Our funds may also experience counterparty concentration risk with respect to partners in coinvestments.

Our funds are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur rapidly and without notice to us. Moreover, if a counterparty defaults, we may be unable to take action to cover our exposure, either because we lack the contractual ability or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which are precisely the times when defaults may be most likely to occur. In the event of a counterparty default, particularly a default by a major investment bank, one or more of our funds could incur material losses, and the resulting market impact of a major counterparty default could harm our business, results of operations and financial condition. In the event that one of our counterparties becomes insolvent or files for

bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

Our funds are also exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is increased for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. The absence of a regulated market to facilitate settlement may increase the potential for losses.

In addition, our funds' risk-management models may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although each of our funds monitors its credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

The counterparty risks that we face have increased in complexity and magnitude as a result of the insolvency of certain financial institutions (such as Lehman Brothers and MF Global) who served as counterparties for derivative contracts, insurance policies and other financial instruments. The consolidation and elimination of counterparties has increased our concentration of counterparty risk and decreased the universe of potential counterparties, and our funds are generally not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. For additional detail on counterparty risks, please see “— We are subject to risks in using prime brokers, custodians and other financial intermediaries.”

Because the public company is dependent on receiving cash from our funds, any loss suffered by a fund as a result of a counterparty default would also affect the results of the public company. In addition, the board of directors of the public company has only limited ability to influence any fund's choice of, or the amount of a fund's exposure to, any given counterparty. As a result, our funds may have concentrated exposure to one or more counterparties and thus be exposed to a heightened risk of loss if that counterparty defaults. This may mean that the Company has a significant concentration of risk with one or more particular counterparties at any particular time if aggregate counterparty risk were to be measured across all of the various Fortress Funds.

Third party investors in our investment funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in our private equity funds and credit PE funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. As of the end of this reporting period, we have not had investors fail to honor capital calls to any extent meaningful to us. Any investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Investors in our hedge funds may redeem their investments, and investors in our private equity funds and credit PE funds and certain hedge funds may elect to dissolve the funds, at any time without cause. These events would lead to a decrease in our AUM (and, therefore, our revenues), which could be substantial and could lead to a material adverse effect on our business.

Investors in our hedge funds may generally redeem their investments on an annual or quarterly basis, subject to the applicable fund's specific redemption provisions, and certain of our liquid hedge funds have a monthly redemption class. Investors may decide to move their capital away from us to other investments for any number of reasons in addition to poor investment performance. Factors that could result in investors leaving our funds include the need to increase available cash reserves or to fund other capital commitments, changes in interest rates that make other investments more attractive, the publicly traded nature of the indirect parent of their manager, changes in investor perception regarding our focus or alignment of interest, dissatisfaction with changes in or broadening of a fund's investment strategy, changes in our reputation, and departures or changes in responsibilities of key investment professionals. In a declining financial market, the pace of redemptions and consequent reduction in our fee paying assets under management could accelerate. The decrease in our revenues that would result from significant redemptions in our hedge fund business would have a material adverse effect on our business.

The annual return of capital request date for our flagship credit hedge fund occurs in October and our credit hedge funds received return of capital requests from fee paying investors for a total of \$0.8 billion, \$0.2 billion and \$0.2 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Our liquid hedge funds received redemption requests from fee paying investors for a total of \$2.6 billion, \$2.2 billion and \$1.0 billion during the years ended December 31, 2015, 2014 and 2013, respectively. In addition, we closed our Fortress Macro Funds and related managed accounts at the end of 2015, which reduced our AUM and therefore our management fees and may impact our reputation. Investors in our credit hedge funds are permitted to request that their capital be returned generally on an annual basis, and such returns of capital may be paid over time as the underlying investments are liquidated, in accordance with the governing documents of the applicable funds. See "— Assets Under Management —Redemptions."

In addition, the investors in our private equity funds, credit PE funds and certain hedge funds may, subject to certain conditions, act at any time to accelerate the liquidation date of the fund without cause, resulting in a reduction in management fees we earn from such funds and a significant reduction in the amounts of total incentive income we could earn from those funds. See "—Our removal as the investment manager, or the liquidation, of one or more of our funds could have a material adverse effect on our

business, results of operations and financial condition.” Incentive income could be significantly reduced as a result of our inability to maximize the value of a fund's investments in a liquidation. The occurrence of such an event with respect to any of our funds would, in addition to the significant negative impact on our revenue and earnings, likely result in significant reputational damage as well.

A significant decline in AUM could result in one or more defaults under certain fund agreements, which could negatively impact our business.

Our funds have various agreements that create debt or debt-like obligations (such as repurchase arrangements, ISDAs, credit default swaps and total return swaps, among others) with a material number of counterparties. Such agreements in many instances contain covenants or “triggers” that require our funds to maintain specified amounts of AUM. In particular, many such covenants to which our hedge funds are party are designed to protect against sudden and pronounced drops in AUM over specified periods, so if our funds were to receive larger-than-anticipated redemption requests during a period of poor performance, such covenants may be breached. Decreases in such funds' AUM (whether due to performance, redemption, or both) that breach such covenants may result in defaults under such agreements, and such defaults could permit the counterparties to take various actions that would be adverse to the funds, including terminating the financing arrangements, increasing the amount of margin or collateral that the funds are required to post (so-called “supercollateralization” requirements) or decreasing the aggregate amount of leverage that such counterparty is willing to provide to our funds. Defaults under any such covenants would be likely to result in the affected funds being forced to sell financed assets (which sales would presumably occur in suboptimal or distressed market conditions) or otherwise raise cash by reducing other leverage, which would reduce the funds' returns and our opportunities to produce incentive income from the affected funds.

Many of our funds invest in high-risk, illiquid assets that often have significantly leveraged capital structures, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities.

Many of our funds invest in securities, loans or other assets that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. The ability of many of our funds, particularly our private equity style funds, to dispose of investments is heavily dependent on the public equity markets, inasmuch as our ability to realize any value from an investment may depend upon our ability to sell equity of the portfolio company in the public equity markets through an initial public offering or secondary public offering of shares of the portfolio company in which such investment is held. Furthermore, large holdings even of publicly traded equity securities can often be disposed of only over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Accordingly, our funds may be forced to sell securities at a loss under certain conditions. The illiquid nature of many of our funds' assets may also negatively affect a fund's ability to retain sufficient liquidity to satisfy its obligations as they become due. As a result, a fund with illiquid assets may be unable, for example, to generate sufficient liquidity to pay the management fees or other amounts due to the manager, which would, in turn, reduce the amounts we receive from our funds, thereby reducing the amount of funds available to us to satisfy our obligations, including any obligations under our credit agreement.

In addition, many of our funds invest in businesses with capital structures that have significant leverage. The large amount of borrowing in the leveraged capital structure of such businesses increases the risk of losses due to factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment or its industry. In the event of defaults under borrowings, the assets being financed would be at risk of foreclosure, and the fund could lose its entire investment.

Our funds are subject to risks due to potential illiquidity of assets and leverage of capital structure.

Our funds may make investments or hold trading positions in markets that are volatile and which may be illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which we may be a party, and changes in industry and government regulations. When a fund holds a security or position it is vulnerable to price and value fluctuations and may experience losses to the extent the value of the position decreases and it is unable to timely sell, hedge or transfer the position. Therefore, it may be impossible or costly for our funds to liquidate positions rapidly, particularly if the relevant market is moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Alternatively, it may not be possible in certain circumstances for a position to be purchased or sold promptly, particularly if there is insufficient trading activity in the relevant market or otherwise.

In addition, the funds we manage may operate with a substantial degree of leverage. They may borrow, invest in derivative instruments and purchase securities using borrowed money, so that the positions held by the funds may in aggregate value exceed the NAV of the funds. This leverage creates the potential for higher returns, but also increases the volatility of a fund, including the risk of a total loss of the amount invested. In addition, our private equity funds have historically leveraged some of their investments in order to return capital to investors earlier than would have otherwise been possible without a sale of the asset. In many such cases, such debt was secured by publicly-traded stock of portfolio companies. To the extent that the value of such collateral decreases due to decreases in the share price of such portfolio companies, our funds may be subject to margin calls that require them to call additional capital from investors, sell assets or otherwise take actions that decrease the overall return of the impacted funds. Such actions would result in overall decreased revenues for us and a lower likelihood of generating incentive income from the affected investments.

The risks identified above will be increased if a fund is required to rapidly liquidate positions to meet redemption requests, margin requests, margin calls or other funding requirements on that position, fully unwind or otherwise. The inability to rapidly sell positions due to a lack of liquidity has historically been the cause of substantial losses in the hedge fund industry. The ability of counterparties to force liquidations following losses or a failure to meet a margin call can result in the rapid sale of highly leveraged positions in declining markets, which would likely subject our hedge funds to substantial losses. We may fail to adequately predict the liquidity that our funds require to address counterparty requirements due to falling values of fund investments being financed by such counterparties, which could result not only in losses related to such investments, but in losses related to the need to liquidate unrelated investments in order to meet the fund's obligations. Our funds may incur substantial losses in the event significant capital is invested in highly leveraged investments or investment strategies. Such losses would result in a decline in AUM, lead to investor requests to redeem remaining AUM (in the case of our hedge funds), and damage our reputation, each of which would materially and adversely impact our earnings.

Valuation methodologies for certain assets in our funds can be subject to significant subjectivity, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

There are no readily-ascertainable market prices for a very large number of illiquid investments in our private equity funds and credit PE funds and, to a lesser extent, credit hedge funds as well as a small number of so called "sidepocket" investments in our liquid hedge funds. The fair value of such investments of our funds is determined periodically by us based on the methodologies described in the funds' valuation policies. These policies are based on a number of factors, including the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the length of time the investment has been held, the trading price of securities (in the case of publicly traded securities), restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on a variety of estimates and assumptions specific to the particular investments, and actual results related to the investment therefore often vary materially from such assumptions or estimates. In addition, because many of the illiquid investments held by our funds are in industries or sectors that are unstable, in distress, or in the midst of some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments. Moreover, in many markets, transaction flow is further limited by uncertainty about accurate asset valuations, which may cause hedge fund investors to become concerned about valuations of funds that have illiquid or hard-to-value assets. This concern may lead to increased redemptions by investors irrespective of the performance of the funds. In addition, uncertainty about asset values on redemptions from our investments in our hedge funds may lead to an increased risk of litigation by investors over NAVs.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in a fund's NAV do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund when such investments are sold. Realizations at values significantly lower than

the values at which investments have been reflected in fund NAVs would result in losses for the applicable fund, a decline in management fees and the loss of potential incentive income. Also, a situation where asset values turn out to be materially different than values reflected in fund NAVs could cause investors to lose confidence in us, which would, in turn, result in redemptions from our hedge funds or difficulties in raising additional private equity funds and credit PE funds. The SEC has highlighted valuation practices as one of its areas of focus in investment adviser examinations and has instituted enforcement actions against private equity fund advisers for misleading investors about valuation.

Certain of our funds utilize special situation, distressed debt, mortgage-backed and short-selling investment strategies that involve significant risks.

Our private equity and credit funds, permanent capital vehicles and hedge funds invest in obligors and issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth, and/or special competitive problems and/or securities that are illiquid, distressed, tied to real estate or have other high-risk features. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. It may be difficult to obtain complete information as to the

exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are widely traded securities and significant uncertainty in general if they are not widely traded securities or have no recognized market. A fund's or vehicle's exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the fair value of such investments to ultimately reflect their intrinsic value as perceived by us. For example, several of our funds and permanent capital vehicles from time to time make significant investments in mortgage-backed securities and other investments that are directly or indirectly related to the value of real estate in various locations globally, particularly in the United States. As a result, the results of a number of our funds and permanent capital vehicles have been, and may continue to be affected, in some cases materially, by fluctuations in the value of real estate and real estate related investments. Such fluctuations could have a meaningful impact on the performance of the applicable fund or vehicle and potentially on our operating results.

A central feature of our distressed investment strategy is our ability to successfully predict the occurrence of events such as mortgage default rates, mortgage prepayment rates, the amounts of any prepayments, maturity extensions, interest rates for mortgage-backed securities and similar instruments as well as corporate events such as capital raises, restructurings, reorganizations, mergers and other transactions. Predicting any of these data points is difficult and subject to uncertainty, and if our analyses are inaccurate, the actual results of such investments could be materially lower than expected and the applicable fund's investment results could decline sharply.

In addition, these investments could subject our private equity, credit PE funds, permanent capital vehicles and hedge funds to certain potential additional liabilities that may exceed the value of their original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

Furthermore, our funds may engage in short-selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

If our risk management systems for our fund business are ineffective, we may be exposed to material unanticipated losses.

In our fund business, we continue to refine our risk management techniques, strategies and assessment methods. However, our risk management techniques and strategies do not fully mitigate the risk exposure of our funds in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Some of our strategies for managing risk in our funds are based upon our use of historical market behavior statistics. We apply statistical and other tools to these observations to measure and analyze the risks to which our funds are exposed. Any failures in our risk management techniques and strategies to accurately quantify such risk exposure could limit our ability to manage risks in the funds or to seek adequate risk-adjusted returns. In addition, any risk management failures could cause fund losses to be significantly greater than the historical measures predict. Further, our mathematical modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses.

We participate in large-sized investments, which involve certain complexities and risks that are not encountered in small- and medium-sized investments.

Our funds participate in large transactions from time to time. The increased size of these investments involves certain complexities and risks that may not be encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and complete, and exiting larger deals may present challenges in many cases. In addition, larger transactions may entail greater scrutiny by regulators, labor unions, political bodies and other third parties and greater risk of litigation. Any of these factors could increase the risk that our larger investments could be unsuccessful. The consequences to our funds of an unsuccessful larger investment could be more severe than those of a smaller investment.

Our investment funds often make investments in companies that we do not control and the affiliated manager platform will involve having interests in funds that we do not control.

Investments by most of our investment funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our investment funds through trading activities or through purchases of securities from the issuer. In addition, our private equity funds and credit funds may acquire debt investments or minority equity interests and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the investment funds retaining a minority investment. In addition, we launched the affiliated manager platform that involves taking a non-control economic interest in autonomous fund management businesses under a fee-for-services model for infrastructure services. In January 2015, the Fortress Asia Macro Funds transitioned into an autonomous business with Fortress as a non-control partner and Fortress is currently providing infrastructure services through its affiliated manager platform. The typical affiliated manager platform participant will pay fees to Fortress for support services in addition to Fortress having a significant minority ownership stake in the general partner and/or manager. Those investments will be subject to increased risk that the entity in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the entity may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our investment funds and the fees we earn from the affiliated manager business could decrease, and our financial condition, results of operations and cash flow could suffer as a result.

Some of our funds invest in foreign countries and securities of issuers located outside of the United States, which involves foreign exchange, political, social, regulatory and economic uncertainties and risks.

Some of our funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, which may entail risks that are not typically associated with an investment in a U.S. issuer. In addition to business uncertainties, such investments may be affected by changes in currency exchange values, including currencies in the Asia-Pacific region and the Euro. Instability of the Eurozone, including fears of sovereign debt defaults, and stagnant growth generally, and of certain Eurozone member states in particular, have resulted in concerns regarding the suitability of a shared currency for the region, which could lead to the reintroduction of individual currencies for member states. If this were to occur, Euro-denominated assets and liabilities of certain of our funds would be redenominated to such individual currencies, which could result in a mismatch in the values of assets and liabilities and expose us and certain of our funds to additional currency risks. Even if the Euro is maintained, continued concerns regarding the stability of the Eurozone and the potential effects of government intervention intended to address it could materially adversely affect our business.

Foreign investments and operations may also expose us to political, social, regulatory and economic uncertainties affecting a country or region, or to political hostility to investments by foreign or private equity investors. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher in those markets than in more developed markets. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization, and may afford us less protection as a creditor than we may be entitled to under U.S. law. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments could include exchange controls, seizure or nationalization of foreign deposits and adoption of other governmental restrictions which adversely affect the prices of securities or the ability to repatriate profits on investments or even the capital invested, which may adversely impact the value of our fund investments. In addition, income received by our funds from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by a fund will reduce the net income or return from such investments. While we will take these factors into consideration in making investment decisions, including when hedging positions, no assurance can be given that the funds will be able to fully avoid these risks or generate sufficient

risk-adjusted returns.

Investments by our funds will frequently rank junior to investments made by others in the same company.

In most cases, the companies in which our investment funds invest will have indebtedness or equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to our investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our fund's investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our fund's investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and

34

ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of our investment funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

Fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives.

Fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Dodd-Frank also gives rise to a substantial set of new rules focused on the use of derivatives, which when fully formulated and enacted will likely require modification of business practices to comply with new regulations, increase costs of operating in the financial markets and impose restrictions on activities in these markets. For additional information on the potential impacts of Dodd-Frank regulations see "The U.S. government's increased focus on the regulation of the financial services industry may adversely affect our business."

We have been engaged as the investment manager or co-manager of third-party investment funds and managed accounts, and we may be engaged as the investment manager or co-manager of other third-party investment funds or managed accounts in the future, and each such engagement exposes us to a number of potential risks.

Changes within the alternative asset management industry may cause investors of some funds to replace their existing fund or managed account managers or may cause certain such managers to resign. In such instances, we may seek to be engaged as investment manager of these funds or accounts. For example, in 2009, we became the investment manager of certain investment funds and accounts previously managed by D.B. Zwirn & Co., L.P. Investment managers may also seek to partner with us to co-manage their funds. In 2015, we became co-manager of the Mount Kellett investment funds and related managed accounts.

While being engaged as investment manager or co-manager of third-party funds or accounts potentially enables us to grow our business, it also entails a number of risks that could harm our reputation, results of operations and financial condition. For example, we may choose not to, or be unable to, conduct significant due diligence of the fund and its investments, and any diligence we undertake may not reveal all relevant facts that may be necessary or helpful in evaluating such engagement. We may be unable to complete such transactions, which could harm our reputation and subject us to costly litigation. We may willingly or unknowingly assume actual or contingent liabilities for significant expenses, we may become subject to new laws and regulations with which we are not familiar, and we may become subject to increased risk of litigation, regulatory investigation or negative publicity. For example, we have been named as a defendant in various lawsuits relating to the Zwirn portfolio, and as part of our role as manager, we may incur time and expense in defending these and any similar future litigation. In addition to defending against litigation, being engaged as investment manager or co-manager may require us to invest significant capital and other resources for various other reasons, which could detract from our existing funds or our ability to capitalize on future opportunities. In addition, being engaged as investment manager or co-manager may require us to integrate complex technological, accounting and management systems, which may be difficult, expensive and time-consuming and which we may not be successful in integrating into our current systems. If we include the financial performance of funds for which we have been engaged as the investment manager or co-manager in our public filings, we are subject

to the risk that, particularly during the period immediately after the engagement, this information may prove to be inaccurate or incomplete. The occurrence of any of these negative integration events could negatively impact our reputation with both regulators and investors, which could, in turn, subject us to additional regulatory scrutiny and impair our relationships with the investment community. The occurrence of any of these problems could negatively affect our reputation, financial condition and results of operations.

We are subject to risks in using prime brokers, custodians and other financial intermediaries.

The funds in our hedge fund business depend on the services of prime brokers and custodians to carry out certain securities transactions. In the event of the insolvency of a prime broker and/or custodian, the funds might not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, the funds' cash held with a prime broker or custodian will not be segregated from the prime broker's or custodian's own cash, and the funds will therefore rank as unsecured creditors in relation to the cash they have deposited. In addition, credit risk may arise through a default by one of several large institutions that are

dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This “systemic risk” may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, investment banks, securities firms and exchanges) with which the funds interact on a daily basis.

Risks Related to Our Organization and Structure

Concentrated ownership by our principals of the combined voting power of our shares and holding their economic interest through Fortress Operating Group may give rise to conflicts of interests.

Our principals currently control 44.1% of the combined voting power of our outstanding Class A and Class B shares. Accordingly, our principals have significant influence over our management and affairs. In addition, they are able to significantly influence the outcome of matters requiring shareholder approval and a change of control of our Company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our Company. The concentration of voting power in our principals could deprive Class A shareholders of an opportunity to receive a premium for their Class A shares as part of a sale of our Company, and might ultimately affect the market price of the Class A shares. In addition, in February 2016 our board of directors authorized the company to repurchase up to \$100.0 million in cash of our outstanding shares, either through open market purchases, tender offers or other means. On February 5, 2016, we launched a tender offer to repurchase up to \$100.0 million in cash of our Class A shares. If we were to successfully close the tender offer and purchase the maximum amount of Class A shares at the low end of the price range, this would result in our principals controlling 47.5% of the combined voting power of our outstanding Class A and Class B shares.

In addition, the shareholders agreement among us and the principals provides the principals, who are then employed by the Fortress Operating Group, so long as the principals and their permitted transferees continue to hold more than 40% of the total combined voting power of our outstanding Class A and Class B shares, with the right to cause the board of directors to nominate individuals designated by such principals such that such principals will have five designees on the board of directors and with approval rights over a variety of significant corporate actions, including:

ten percent indebtedness: any incurrence of indebtedness, in one transaction or a series of related transactions, by us or any of our subsidiaries in an amount in excess of approximately 10% of the then existing long-term indebtedness of us and our subsidiaries;

ten percent share issuance: any issuance by us, in any transaction or series of related transactions, of equity or equity-related securities that would represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 10% of the total combined voting power of our outstanding Class A and Class B shares other than (1) pursuant to transactions solely among us and our wholly owned subsidiaries, or (2) upon conversion of convertible securities or upon exercise of warrants or options, which convertible securities, warrants or options are either outstanding on the date of, or issued in compliance with, the shareholders agreement;

investment of \$250 million or more: any equity or debt commitment or investment or series of related equity or debt commitments or investments in an entity or related group of entities in an amount equal to or greater than \$250 million;

new business requiring investment in excess of \$100 million: any entry by us or any of our controlled affiliates into a new line of business that does not involve investment management and that requires an investment in excess of \$100 million;

the adoption of a shareholder rights plan;

any appointment of a chief executive officer or co-chief executive officer; or

the termination without cause of the employment of a principal with us or any of our material subsidiaries.

Furthermore, the principals have certain consent rights with respect to structural changes involving our Company.

Because our principals primarily hold their economic interests in our business directly through Fortress Operating Group, rather than through the public company, they may have conflicting interests with holders of Class A shares. For example, our principals may have different tax positions from us, which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the tax receivable agreement. In addition, the structuring of future transactions may take into consideration the principals' tax considerations even where no similar benefit would accrue to us. Moreover, any distribution by Fortress Operating Group to us to satisfy our tax obligations or to make payments to our principals under the tax receivable agreement will result in a corresponding pro rata distribution to our principals. Our principals are also entitled to distributions on their Fortress Operating Group units in respect of their tax obligations as holders of Fortress Operating Group units. As a result of the foregoing, amounts may be distributed to the holders of the Fortress Operating Group units that are greater in the aggregate, or are distributed earlier in time, than distributions that are made to holders of Class A shares (on a per share basis).

Our ability to pay regular dividends may be limited by our holding company structure; we are dependent on distributions from the Fortress Operating Group to pay dividends, taxes and other expenses. Our ability to pay dividends is also subject to not defaulting on our credit agreement.

As a holding company, our ability to pay dividends is subject to the ability of our subsidiaries to provide cash to us. When we declare a dividend on our Class A shares, we generally expect to cause Fortress Operating Group to make distributions to its unitholders, including our wholly-owned subsidiaries, pro rata in an amount sufficient to enable us to pay such dividends to our Class A shareholders. However, no assurance can be given that such distributions will or can be made. Our board can reduce or eliminate our dividend at any time, in its discretion. For example, our board determined not to pay any dividend to our Class A shareholders from the third quarter of 2008 through the third quarter of 2011. Our board has elected to resume quarterly dividends, beginning with the fourth quarter of 2011. In addition, Fortress Operating Group is required to make minimum tax distributions to its unitholders. See also “- Risks Related to Taxation - There can be no assurance that amounts paid as dividends on Class A shares will be sufficient to cover the tax liability arising from ownership of Class A shares.” If Fortress Operating Group has insufficient funds, we may have to borrow additional funds or sell assets, which could materially adversely affect our liquidity and financial condition. In addition, Fortress Operating Group's earnings may be insufficient to enable it to make required minimum tax distributions to unitholders. Furthermore, our Board of Directors may choose to utilize funds that would otherwise be available to pay dividends on our Class A shares for other uses, such as share repurchases. For example, in November 2015, we repurchased a portion of our equity for \$255.7 million from a retiring principal, and in February 2016 we announced a tender offer to repurchase up to \$100.0 million of our Class A shares.

We are also subject to certain contingent repayment obligations that may affect our ability to pay dividends. We earn incentive income - generally 20% of the profits - from each of our private equity funds and credit PE funds based on a percentage of the profits earned by the fund as a whole, provided that the fund achieves specified performance criteria. We generally receive, however, our percentage share of the profits on each investment in the fund as it is realized, before it is known with certainty that the fund as a whole will meet the specified criteria. As a result, the incentive income paid to us as a particular investment made by the funds is realized is subject to contingent repayment (or “clawback”) if, upon liquidation of the fund, the aggregate amount paid to us as incentive income exceeds the amount actually due to us based upon the aggregate performance of the fund. If we are required to repay amounts to a fund in order to satisfy a clawback obligation, any such repayment will reduce the amount of cash available to distribute as a dividend to our Class A shareholders. While the principals have personally guaranteed, subject to certain limitations, this "clawback" obligation related to certain funds, we have agreed to indemnify the principals for all amounts that the principals pay pursuant to any of these personal guarantees in favor of such funds. Consequently, any requirement to satisfy a clawback obligation could impair our ability to pay dividends on our Class A shares. In February 2016, we made a payment of \$66.9 million for Fortress Investment Fund III in connection with such a clawback obligation.

There may also be circumstances under which we are restricted from paying dividends under applicable law or regulation (for example due to Delaware limited partnership or limited liability company act limitations on making distributions if liabilities of the entity after the distribution would exceed the value of the entity's assets). In addition, under our credit agreement, the ability of the loan parties thereunder and certain of our other subsidiaries to make cash distributions is subject to certain restrictions, including the following restriction: no default exists at the time of declaration or event of default exists at the time of payment or immediately after giving effect thereto. Such restrictions on certain of our subsidiaries may in turn limit our ability to make cash distributions. The events of default under the credit agreement are typical of such agreements and include payment defaults, failure to comply with credit agreement covenants (including a leverage covenant that is negatively affected by realized losses), cross-defaults to material indebtedness, bankruptcy and insolvency and change of control.

Tax consequences to the principals may give rise to conflicts of interests.

As a result of unrealized built-in gain attributable to the value of our assets held by the Fortress Operating Group entities at the time of our initial public offering, or as a result of other differences between the tax attributes of our principals and the Fortress Operating Group entities, upon the sale, refinancing or disposition of the assets owned by the Fortress Operating Group entities, our principals will incur different and significantly greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to the principals upon a realization event. As the principals will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different incentives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or deductions or the sale or disposition of assets may also influence the timing and amount of payments that are received by an exchanging or selling principal under the tax receivable agreement. All other factors being equal, earlier disposition of assets following a transaction will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets before a transaction will increase a principal's tax liability without giving rise to any rights to receive payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by the principals pursuant to the tax receivable agreement.

We are required to pay our principals for most of the tax benefits we realize as a result of the tax basis step-up we receive in connection with taxable exchanges by our principals of units held in the Fortress Operating Group entities or our acquisitions of units from our principals.

At any time and from time to time, each of our principals and a former senior employee (who is not a principal) has the right to exchange his Fortress Operating Group units for our Class A shares in a taxable transaction. These taxable exchanges, as well as our acquisitions of units from our principals, may result in increases in the tax depreciation and amortization deductions, as well as an increase in the tax basis of other assets, of the Fortress Operating Group that otherwise would not have been available. These increases in tax depreciation and amortization deductions, as well as the tax basis of other assets, may reduce the amount of tax that FIG Corp. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of increased deductions and tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with our principals that provides for the payment by the corporate taxpayers to our principals of 85% of the amount of tax savings, if any, that the corporate taxpayers actually realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change of control, as discussed below) as a result of increases in tax deductions and tax basis of the Fortress Operating Group caused by such transactions with the principals. The payments that the corporate taxpayers may make to our principals could be material in amount.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, our principals will not reimburse the corporate taxpayers for any payments that have been previously made under the tax receivable agreement. As a result, in certain circumstances, payments could be made to our principals under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business and the price of our Class A shares.

We do not believe that we are an "investment company" under the Investment Company Act because the nature of our assets and the sources of our income exclude us from the definition of an investment company pursuant to Rule 3a-1 under the Investment Company Act. In addition, we believe we are not an investment company under Section 3(b)(1) of the Investment Company Act because we are primarily engaged in a non-investment company business. If one or more of the Fortress Operating Group entities ceased to be a wholly owned subsidiary of ours as such term is defined in the Investment Company Act, our interests in those subsidiaries could be deemed an "investment security" for purposes of the Investment Company Act. Generally, a person is an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and would have a material adverse effect on

our business and the price of our Class A shares.

Risks Related to Our Class A Shares

The market price and trading volume of our Class A shares may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A shares may be highly volatile. In addition, the trading volume in our Class A shares may fluctuate and cause significant price variations to occur, which may limit or prevent investors from readily selling their Class A shares and may otherwise negatively affect the liquidity of our Class A shares. If the market price of our Class A shares declines significantly, holders may be unable to resell their Class A shares at or above their purchase price, if at all. We cannot provide any assurance

that the market price of our Class A shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A shares or result in fluctuations in the price or trading volume of our Class A shares include:

- variations in our quarterly operating results or dividends, or a reversal of our recent history of paying quarterly dividends;
- failure to meet analysts' earnings estimates;
- sales by the Company, key executives or other shareholders of a significant amount of our equity securities, including sales to cover withholding taxes with respect to equity-based compensation;
- difficulty in complying with the provisions in our credit agreement such as financial covenants;
- publication of research reports or press reports about us, our investments or the investment management industry or the failure of securities analysts to cover our Class A shares;
- additions or departures of our principals and other key management personnel or lack of certainty about our principals' employment agreements, whose term ends in January 2017;
- closure of funds, including the Fortress Macro Funds and related managed accounts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- changes in market valuations and performance or share price of other alternative asset managers;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- litigation or governmental investigations or regulatory activities;
- poor performance or other complications affecting our funds or current or proposed investments;
- adverse publicity about the asset management industry generally, our specific funds or investments, or individual scandals, specifically;
- general market and economic conditions; and
- dilution resulting from the issuance of equity-based compensation to employees.

In addition, when the market price of a stock has been volatile in the past, holders of that stock have, at times, instituted securities class action litigation against the issuer of the stock. If any of our shareholders brought a lawsuit against us, we may be required to incur substantial costs defending any such suit, even those without merit. Such a lawsuit could also divert the time and attention of our management from our business and lower our Class A share price.

Our Class A share price may decline due to the large number of shares eligible for future sale and for exchange into Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. As of December 31, 2015, we had 407,554,334 outstanding Class A shares on a fully diluted basis, including 101,066,240 resulting from vested equity compensation granted pursuant to our equity incentive plan, 21,249,447 restricted Class A share units granted to employees and affiliates pursuant to our equity incentive plan (net of forfeitures), 1,177,392 restricted Class A shares granted to directors pursuant to our equity incentive plan. As of December 31, 2015, 58,100,769 Class A shares remained available for future grant under our equity incentive plan. The Class A shares reserved under our equity incentive plan is increased on the first day of each fiscal year during the plan's term by the lesser of (x) the excess of (i) 15% of the number of outstanding Class A and Class B shares of the Company on the last day of the immediately preceding fiscal year over (ii) the number of shares reserved and available for issuance under our equity incentive plan as of such date or (y) 60,000,000 shares. In January 2016 and 2015, the number of shares reserved for issuance pursuant to this calculation did not increase. In January 2014, the number of shares

reserved for issuance pursuant to this calculation increased by 8,174,614. We may issue and sell in the future additional Class A shares or any securities issuable upon conversion of or exchange or exercise for, Class A shares (including Fortress Operating Group units) at any time.

As of December 31, 2015, our principals directly owned an aggregate of 169,207,335 Fortress Operating Group units and also owned an aggregate of 1,611,935 Class A shares (excluding Mr. Novogratz). Each principal has the right to exchange each of his directly owned Fortress Operating Group units for one of our Class A shares at any time, subject to the exchange agreement. These Class A shares and Fortress Operating Group units are eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations. Mr. Novogratz, a principal, officer and director of Fortress retired effective January 2016. In November 2015, we purchased from Mr. Novogratz 56,817,035 Fortress Operating Group units and corresponding Class B shares at \$4.50 per share, or an aggregate purchase price of \$255.7 million. Subsequent to December 31, 2015, we issued 1.6 million Class A shares to a principal in connection with the vesting of dividend paying RSUs (excluding the issuance of 0.6 million Class A shares to Mr. Novogratz in connection with the vesting of dividend paying RSUs).

Our principals are parties to shareholders agreements with us. The principals have the ability to cause us to register the Class A shares they acquire upon exchange for their Fortress Operating Group units and we have filed a shelf registration statement for that purpose.

Concentrated ownership of our Class B shares and anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our principals (and a former senior employee) beneficially own all of our Class B shares. Class B shares currently represent 43.4% of the total combined voting power of our outstanding Class A and Class B shares. As a result, if they vote all of their shares in the same manner, they will be able to significantly influence matters requiring the approval of shareholders and a change in control of our Company. In addition, provisions in our operating agreement may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement provides for a staggered board, requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, certain provisions of Delaware law may delay or prevent a transaction that could cause a change in our control. The market price of our Class A shares could be adversely affected to the extent that our principals' significant influence over us, as well as provisions of our operating agreement, discourage potential takeover attempts that our shareholders may favor. In addition, in February 2016 our board of directors authorized the company to repurchase up to \$100.0 million in cash of our outstanding shares, either through open market purchases, tender offers or other means. On February 5, 2016, we launched a tender offer to repurchase up to \$100.0 million in cash of our Class A shares. If we were to successfully close the tender offer and purchase the maximum amount of Class A shares at the low end of the price range, this would result in Class B shares representing 46.7% of the total combined voting power of our outstanding Class A and Class B shares.

There are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law in a manner that may be less protective of the interests of our Class A shareholders.

Our operating agreement provides that, to the fullest extent permitted by applicable law, our directors or officers will not be liable to us. However, under the Delaware General Corporate Law (“DGCL”), a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director or officer derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in a criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders as compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

Risks Related to Taxation

Class A shareholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash dividends from us.

So long as we are not required to register as an investment company under the Investment Company Act and 90% of our gross income for each taxable year constitutes “qualifying income” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), on a continuing basis, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Class A

shareholders may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on their allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within their taxable year, regardless of whether or not they receive cash dividends from us. They may not receive cash dividends equal to their allocable share of our net taxable income or even the tax liability that results from that income.

In addition, certain of our holdings, including holdings, if any, in a Controlled Foreign Corporation (“CFC”) and a Passive Foreign Investment Company (“PFIC”), may produce taxable income prior to the receipt of cash relating to such income, and holders of our Class A shares will be required to take such income into account in determining their taxable income. Under our operating agreement, in the event of an inadvertent partnership termination in which the Internal Revenue Service (“IRS”) has granted us limited relief, each holder of our Class A shares also is obligated to make such adjustments as are required by the IRS to maintain our status as a partnership. Such adjustments may require persons who hold our Class A shares to recognize additional amounts in income during the years in which they hold such shares. We may also be required to make payments to the IRS.

Our subsidiary, FIG Corp., is subject to corporate income taxation in the United States, and we may be subject to additional taxation in the future.

A significant portion of our investments and activities may be made or conducted through FIG Corp. Dividends paid by FIG Corp. from time to time will, as is usual in the case of a U.S. corporation, then be included in our income. Income received as a result of investments made or activities conducted through our subsidiary FIG Asset Co. LLC (but excluding through its taxable corporate affiliates) is not subject to corporate income taxation in our structure, but we cannot provide any assurance that it will not become subject to additional taxation in the future, which would negatively impact our results of operations.

There can be no assurance that amounts paid as dividends on Class A shares will be sufficient to cover the tax liability arising from ownership of Class A shares.

Any dividends paid on Class A shares will not take into account a shareholder's particular tax situation (including the possible application of the alternative minimum tax) and, therefore, because of the foregoing as well as other possible reasons, may not be sufficient to pay their full amount of tax based upon their share of our net taxable income. In addition, the actual amount and timing of dividends will always be subject to the discretion of our board of directors. In particular, the amount and timing of dividends will depend upon a number of factors, including, among others:

- our actual results of operations and financial condition;
- restrictions imposed by our operating agreement or applicable law;
- restrictions imposed by our credit agreements;
- reinvestment of our capital;
- the timing of the investment of our capital;
- the amount of cash that is generated by our investments or to fund liquidity needs;
- levels of operating and other expenses;
- contingent liabilities; or
- factors that our board of directors deems relevant.

Even if we do not distribute cash in an amount that is sufficient to fund a shareholder's tax liabilities, they will still be required to pay income taxes on their share of our taxable income.

Tax gain or loss on disposition of our Class A shares could be more or less than expected.

Upon a sale of Class A shares the shareholder will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those shares. Prior distributions to such shareholder in excess of the total net taxable income allocated to such shareholder, which decreased the tax basis in its Class A shares, will increase the gain recognized upon a sale when the Class A shares are sold at a price greater than such shareholder's tax basis in those shares, even if the price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be treated as ordinary income to such shareholder.

We have not made an election under Section 754 of the Internal Revenue Code to adjust our asset basis, so a holder of our Class A shares could be allocated more taxable income in respect of those shares prior to disposition than if such an election were made.

We have not made an election under Section 754 of the Internal Revenue Code to adjust our asset basis. Since no Section 754 election was made, there will generally be no adjustment to the basis of our assets in connection with our initial public offering, or upon a subsequent transferee's acquisition of Class A shares from a prior holder of such shares, even if the purchase price for those shares is greater than the portion of the aggregate tax basis of our assets

attributable to those shares immediately prior to the acquisition. Consequently, upon our sale of an asset, gain allocable to a holder of Class A shares could include built-in gain in the asset existing at the time such holder acquired such shares, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made.

If we are treated as a corporation for U.S. federal income tax purposes, the value of the Class A shares would be adversely affected.

We have not requested, and do not plan to request, a ruling from the IRS on our treatment as a partnership for U.S. federal income tax purposes, or on any other matter affecting us. As of the date of the consummation of our initial public offering, under then current law and assuming full compliance with the terms of our operating agreement (and other relevant documents) and based upon factual statements and representations made by us, our outside counsel opined, as of that date, that we would be treated as a partnership, and not as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax

purposes. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge. The factual representations made by us upon which our outside counsel relied related to our organization, operation, assets, activities, income, and present and future conduct of our operations. In general, if an entity that would otherwise be classified as a partnership for U.S. federal income tax purposes is a “publicly traded partnership” (as defined in the Code) it will be nonetheless treated as a corporation for U.S. federal income tax purposes, unless the exception described below, and upon which we intend to rely, applies. A publicly traded partnership will, however, be treated as a partnership, and not as a corporation for U.S. federal income tax purposes, so long as 90% or more of its gross income for each taxable year constitutes “qualifying income” within the meaning of the Code and it is not required to register as an investment company under the Investment Company Act. We refer to this exception as the “qualifying income exception.”

Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We expect that our income generally will consist of interest, dividends, capital gains and other types of qualifying income, including dividends from FIG Corp. and interest on indebtedness from FIG Corp. No assurance can be given as to the types of income that will be earned in any given year. If we fail to satisfy the qualifying income exception described above, items of income and deduction would not pass through to holders of our Class A shares, and holders of our Class A shares would be treated for U.S. federal (and certain state and local) income tax purposes as shareholders in a corporation. In such a case, we would be required to pay income tax at regular corporate rates on all of our income. In addition, we would likely be liable for state and local income and/or franchise taxes on all of such income. Dividends to holders of our Class A shares would constitute ordinary dividend income taxable to such holders to the extent of our earnings and profits, and the payment of these dividends would not be deductible by us. Taxation of us as a publicly traded partnership taxable as a corporation could result in a material adverse effect on our cash flow and the after-tax returns for holders of our Class A shares and thus could result in a substantial reduction in the value of our Class A shares.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of holders of the Class A shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Readers should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS, and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in the Class A shares may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible to meet the qualifying income exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, change the character or treatment of portions of our income (including, for instance, treating carried interest as ordinary fee income rather than capital gain), affect the tax considerations of an investment in us and adversely affect an investment in our Class A shares. See " - Several items of tax legislation are currently being considered which, if enacted, could materially affect us, including by preventing us from continuing to qualify as a partnership for U.S. federal income tax purposes. Our structure also is subject to potential judicial or administrative change and differing interpretations, possibly on a retroactive basis."

Our organizational documents and agreements permit the board of directors to modify our operating agreement from time to time, without the consent of the holders of our Class A shares, in order to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a

material adverse impact on some or all of the holders of our Class A shares. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to holders in a manner that reflects such holders' beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, these assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated, or disallowed, in a manner that adversely affects holders of the Class A shares.

We cannot match transferors and transferees of our Class A shares, and we have therefore adopted certain income tax accounting positions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our Class A shares.

Because we cannot match transferors and transferees of our Class A shares, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our common unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of our Class A shares and could have a negative impact on the value of our Class A shares or result in audits of and adjustments to our shareholders' tax returns.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes. We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Our termination would, among other things, result in the closing of our taxable year for all shareholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

FIG Asset Co. LLC may not be able to invest in certain assets, other than through a taxable corporation.

In certain circumstances, FIG Asset Co. LLC or one of its subsidiaries may have an opportunity to invest in certain assets through an entity that is characterized as a partnership for U.S. federal income tax purposes, where the income of such entity may not be "qualifying income" for purposes of the publicly traded partnership rules. In order to manage our affairs so that we will meet the qualifying income exception, we may either refrain from investing in such entities or, alternatively, we may structure our investment through an entity classified as a corporation for U.S. federal income tax purposes. If the entity were a U.S. corporation, it would be subject to U.S. federal income tax on its operating income, including any gain recognized on its disposal of its interest in the entity in which the opportunistic investment has been made, as the case may be, and such income taxes would reduce the return on that investment.

Complying with certain tax-related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings or arrangements that we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis, and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment we (or our subsidiaries) may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow. Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Fortress Operating Group. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax-free to our holders if we were a corporation. To the extent we hold assets other than through the Fortress Operating Group, we will make appropriate adjustments to the Fortress Operating Group agreements so that distributions to principals and us would be the same as if such assets were held at that level.

The IRS could assert that we are engaged in a U.S. trade or business, with the result that some portion of our income would be properly treated as effectively connected income with respect to non-U.S. holders. Moreover, certain REIT dividends and other stock gains may be treated as effectively connected income with respect to non-U.S. holders.

While we expect that our method of operation will not result in a determination that we are engaged in a U.S. trade or business, there can be no assurance that the IRS will not assert successfully that we are engaged in a U.S. trade or business, with the result that some portion of our income would be properly treated as effectively connected income with respect to non-U.S. holders. Moreover, dividends paid by an investment that we make in a REIT that is attributable to gains from the sale of U.S. real property interests will, and sales of certain investments in the stock of U.S. corporations owning significant U.S. real property may, be treated as effectively connected income with respect to non-U.S. holders. To the extent our income is treated as effectively connected income, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income. Non-U.S. holders may also be subject to a 30% branch profits tax on such income in the hands of non-U.S. holders that are corporations.

An investment in Class A shares will give rise to UBTI to certain tax-exempt holders.

We will not make investments through taxable U.S. corporations solely for the purpose of limiting unrelated business taxable income, or UBTI, from “debt-financed” property and, thus, an investment in Class A shares will give rise to UBTI to certain tax-exempt holders. For example, FIG Asset Co. LLC will invest in or hold interests in entities that are treated as partnerships, or are otherwise subject to tax on a flow-through basis, that will incur indebtedness. FIG Asset Co. LLC may borrow funds from FIG Corp. or third parties from time to time to make investments. These investments will give rise to UBTI from “debt-financed” property. However, we expect to manage our activities to avoid a determination that we are engaged in a trade or business, thereby limiting the amount of UBTI that is realized by tax-exempt holders of our Class A shares.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. U.S. holders of Class A shares indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences.

Several items of tax legislation are currently being considered which, if enacted, could materially affect us, including by preventing us from continuing to qualify as a partnership for U.S. federal income tax purposes. Our structure also is subject to potential judicial or administrative change and differing interpretations, possibly on a retroactive basis.

In May 2010, the U.S. House of Representatives passed H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010. That proposed legislation contains a provision that, if enacted, would have the effect of treating some or all of the income recognized from “carried interests” as ordinary income. While the proposed legislation, if enacted in its current form, would explicitly treat such income as nonqualifying income under the publicly traded partnership rules, thereby precluding us from qualifying for treatment as a partnership for U.S. federal income tax purposes, the proposed legislation provides for a 10-year transition period before such income would become nonqualifying income. In addition, the proposed legislation could, upon its enactment, prevent us from completing certain types of internal reorganization transactions, or converting to a corporation, on a tax free basis and acquiring other asset management companies on a tax free basis. The proposed legislation may also increase the ordinary income portion of any gain realized from the sale or other disposition of a Class A Share.

On February 26, 2014, the House Ways and Means Committee Chairman proposed the Tax Reform Act of 2014. The proposed legislation, if enacted, would limit the definition of qualifying income under the publicly traded partnership rules to income from activities relating to mining and natural resources effective in tax years beginning after 2016. Based on our current income, this change would thereby preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes. Therefore, this results in us being subject to taxation as a U.S. corporation, which would have a material adverse effect on our net income. It is not possible to predict whether this or similar legislation will be enacted in the future.

Other legislative proposals previously considered would subject our offshore funds to significant U.S. federal income taxes and potentially state and local taxes, which would adversely affect our ability to raise capital from foreign investors and certain tax-exempt investors.

In addition, as a result of widespread budget deficits, several states are evaluating proposals to subject partnerships to state entity level taxation through the imposition of state income, franchise or other forms of taxation. If any version of any of these legislative proposals were to be enacted into law in the form in which it was introduced, or if other similar legislation were enacted or any other change in the tax laws, rules, regulations or interpretations were to

preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly-traded partnership rules or otherwise impose additional taxes, Class A shareholders would be negatively impacted because we would incur a material increase in our tax liability as a public company from the date any such changes became applicable to us, which could result in a reduction in the value of our Class A shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

Our principal executive offices are located in leased office space at 1345 Avenue of the Americas, New York, New York. As of December 31, 2015, we lease our offices in locations including New York, San Francisco, Philadelphia, London, Tokyo, Dallas, Frankfurt, Los Angeles, Sydney, New Canaan, Atlanta, Singapore, Rome, Shanghai and Hong Kong. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operations of our business.

Item 3. Legal Proceedings

We are and may become from time to time involved in legal proceedings incidental to the conduct of our business. Our industry is generally subject to scrutiny by government regulators, which could result in legal proceedings related to regulatory compliance matters, including but not limited to regulatory investigations and inquiries. As a result, we maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards. Although we are unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, we do not expect our current or threatened legal proceedings to have a material adverse effect on our business, financial position or results of operations. However, increased regulatory scrutiny of asset managers, including private equity funds and hedge fund trading activities, may cause us to re-examine our beliefs regarding the likelihood that regulatory investigations or inquiries and defense-related costs could have a material adverse effect on our business. In addition, given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material effect on our financial results.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Class A shares have been listed and are traded on the New York Stock Exchange ("NYSE") under the symbol "FIG." The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our Class A shares and the dividends per share we declared with respect to the periods indicated.

	High	Low	Last Sale	Dividends Declared (A)
2015				
First Quarter	\$8.35	\$7.03	\$8.07	\$0.08
Second Quarter	\$8.65	\$7.28	\$7.30	\$0.08
Third Quarter	\$7.55	\$4.16	\$5.55	\$0.08
Fourth Quarter	\$6.29	\$4.77	\$5.08	\$0.08
2014				
First Quarter	\$9.16	\$7.20	\$7.40	\$0.08
Second Quarter	\$8.03	\$6.58	\$7.44	\$0.26
Third Quarter	\$7.75	\$6.68	\$6.88	\$0.08
Fourth Quarter	\$8.08	\$5.58	\$8.02	\$0.38

(A) Represents amounts our board of directors declared as dividends based on earnings and liquidity with respect to the specified periods. The actual declaration dates occurred in the following quarter.

On an annual basis, we expect to distribute substantially all of our after-tax distributable earnings from all sources, including net management fees, net incentive income and distributable earnings generated by balance sheet investment realizations (with potential for incremental distribution based on returns of capital from balance sheet realizations). These distributions will include quarterly base dividends in an amount generally equal to net management fees and potential quarterly special dividends, which would be primarily balance sheet related, with potential special dividends following year-end also taking into consideration net incentive income. Any dividend declared by us will be subject to our determination of cash necessary or appropriate to provide for the conduct of our business, including making investments in our business or funds and maintaining compliance with applicable laws and covenants associated with our debt instruments or other obligations.

On February 24, 2016, we declared a base quarterly dividend of \$0.08 per share for the fourth quarter of 2015. Our board of directors has not yet made a final determination as to whether to declare a special dividend or the amount of any special dividend. We declared a base quarterly dividend of \$0.08 for each of the first three quarters in 2015 and for each quarter in 2014. The base quarterly dividends were supplemented by the investments made in November 2015 and February 2014 to repurchase approximately 13% and 12%, respectively, of our then outstanding dividend paying shares. Also, in addition to the base quarterly dividend, a special cash dividend of \$0.18 per share was declared for the second quarter of 2014 and a special cash dividend of \$0.30 per share was declared for the fourth quarter of 2014.

Dividend declarations are generally announced concurrently with earnings releases. The declaration and payment of any dividends will be made in the sole discretion of our board of directors, which may decide to change our dividend policy at any time. No assurance can be given that any dividends, whether quarterly, special or otherwise, will or can be paid, or the timing of any such declaration. Actual dividends paid to Class A shareholders depend upon the board's

assessment of a number of factors, including general economic and business conditions, our strategic plans and prospects, business and investment opportunities, our financial condition, liquidity and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions and other factors that our board of directors may deem relevant, including the success of our other efforts to return value to shareholders. The amount of dividends we are able to pay may be limited by the covenants under our credit agreement, as described under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Covenants."

In addition, in February 2016 our board of directors authorized the company to repurchase up to \$100.0 million of our outstanding shares, either through open market purchases, tender offers or other means and we announced the commencement of a modified "Dutch auction" self-tender offer to repurchase up to \$100.0 million in cash of our Class A shares, at a price per share within the range of \$4.25 to \$4.75, less applicable withholding taxes and without interest. Shareholders whose shares are validly tendered and accepted for payment pursuant to the tender offer will not be eligible to receive future dividends.

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On February 19, 2016, the closing price for our Class A shares, as reported on the NYSE, was \$4.22. As of February 19, 2016, there were approximately 27 record holders of our Class A shares. This figure does not reflect the beneficial ownership of shares held in nominee name, nor does it include holders of our Class B shares, restricted Class A shares, restricted Class A share units or restricted partnership units.

Item 6. Selected Financial Data.

The selected historical financial information set forth below as of, and for the years ended, December 31, 2015, 2014, 2013, 2012, and 2011 has been derived from our audited historical consolidated financial statements.

The information below should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations,” included in Item 7 and the consolidated financial statements and notes thereto included in Item 8 in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except share data)				
Operating Data					
Revenues					
Management fees, incentive income, expense reimbursements and other revenues	\$1,213,856	\$1,205,580	\$1,264,983	\$969,869	\$858,628
Total Revenue	1,213,856	1,205,580	1,264,983	969,869	858,628
Expenses					
Operating Expenses ^(A)	951,878	991,746	897,603	908,220	1,954,908
Transfer of interest in Graticule	101,000	—	—	—	—
Total Expense	1,052,878	991,746	897,603	908,220	1,954,908
Other Income (Loss)					
Gains (losses)	(18,919)	(11,757)	53,933	48,921	(30,054)
Tax receivable agreement liability adjustment	(6,141)	(33,116)	(8,787)	(8,870)	3,098
Earnings (losses) from equity method investees	(32,915)	78,199	136,866	156,530	41,935
Gain on transfer of Graticule	134,400	—	—	—	—
Total Other Income (Loss)	76,425	33,326	182,012	196,581	14,979
Income (loss) before income taxes	237,403	247,160	549,392	258,230	(1,081,301)
Income tax benefit (expense)	(55,788)	(6,947)	(65,801)	(39,408)	(36,035)
Net Income (Loss)	\$181,615	\$240,213	\$483,591	\$218,822	\$(1,117,336)
Allocation of Net Income (Loss)					
Principals' and Others' Interests in Income (Loss)	\$103,129	\$139,956	\$283,144	\$140,538	\$(685,821)
of Consolidated Subsidiaries					
Redeemable Non-controlling Interests in Income (Loss) of Consolidated Subsidiaries	(6)	(709)	—	—	—
Net Income (Loss) Attributable to Class A Shareholders	78,492	100,966	200,447	78,284	(431,515)
Dividends declared per Class A share	\$0.62	\$0.50	\$0.24	\$0.20	\$—

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Earnings Per Class A Share - Fortress Investment Group

Net income (loss) per Class A share, basic	\$0.35	\$0.47	\$0.83	\$0.29	\$(2.34)
Net income (loss) per Class A share, diluted	\$0.28	\$0.43	\$0.79	\$0.27	\$(2.36)
Weighted average number of Class A shares outstanding, basic	216,503,554	210,303,241	236,246,296	214,399,422	186,662,670
Weighted average number of Class A shares outstanding, diluted	442,686,774	455,154,136	500,631,423	524,900,132	493,392,235

Continued on next page.

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data					
Assets					
Investments, including options	\$1,086,216	\$1,193,389	\$1,357,604	\$1,249,761	\$1,079,777
Cash and cash equivalents	339,842	391,089	364,583	104,242	333,166
Total assets	2,275,281	2,502,384	2,674,432	2,155,678	2,220,686
Liabilities and Equity					
Debt obligations payable	230,677	75,000	—	149,453	261,250
Deferred incentive income	332,329	304,526	247,556	231,846	238,658
Total liabilities	1,333,477	1,217,712	1,059,527	939,028	1,158,294
Shareholders' equity, including accumulated other comprehensive income (loss)	570,685	643,599	825,067	626,471	487,431
Principals' and others' interests in equity of consolidated subsidiaries	371,119	639,356	789,838	590,179	574,961
Total Equity	941,804	1,282,955	1,614,905	1,216,650	1,062,392

(A) Includes expenses related to non-cash compensation expense associated with the Principals Agreement for the year ended December 31, 2011. The Principals Agreement expired in December 2011.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(tables in thousands except as otherwise indicated and per share data)

The following discussion should be read in conjunction with Fortress Investment Group's consolidated financial statements and the related notes (referred to as "consolidated financial statements" or "historical consolidated financial statements") included in Item 8 in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in Part I, Item 1A, "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Overview

Our Business

Fortress is a leading, highly diversified global investment management firm with approximately \$70.5 billion in AUM as of December 31, 2015. Fortress applies its deep experience and specialized expertise across a range of investment strategies — private equity, credit, liquid markets and traditional fixed income — on behalf of our over 1,700 institutional clients and private investors worldwide. We earn management fees based on the amount of capital we manage, incentive income based on the performance of our alternative investment funds, receive reimbursements of certain expenses from funds we manage, and earn investment income (loss) from our investments in our funds. We continue to invest capital in our alternative investment businesses.

The performance of our funds was mixed in 2015, with positive performance in some funds and negative performance in others, and overall our segment operating results were down in comparison to 2014. In addition, we have continued significant capital raising within our funds and we have improved our capital structure by repurchasing our equity at a discount to their market price. For more information about these topics, please refer to "— Performance of our Funds," "— Assets Under Management," and "— Liquidity and Capital Resources" below.

As of December 31, 2015, we managed the following businesses:

Private Equity — a business that manages approximately \$15.8 billion of AUM comprised of two business segments: (i) 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 (ii) permanent capital vehicles, which includes publicly traded companies that are externally managed by Fortress pursuant to management agreements and a senior living property management business. The publicly traded companies invest in a wide variety of real estate related assets, including securities, loans, real estate properties and mortgage servicing related assets, media assets, senior living properties and transportation and infrastructure assets. All of the capital of Worldwide Transportation and Infrastructure Investors ("WWTAI"), formerly a private fund managed by Fortress, was contributed to Fortress Transportation and Infrastructure Investors LLC ("FTAI") which completed its initial public offering in May 2015.

Credit Funds — a business that manages approximately \$18.1 billion of AUM comprised of two business segments: (i) 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 or co-manager as part of an advisory business; and (ii) 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 four 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.

Liquid Hedge Funds — a business that manages approximately \$5.4 billion of AUM which includes \$4.5 billion of AUM relating to Graticule Asset Management Asia ("Graticule") on the affiliated manager platform ("Affiliated Managers") as a result of the Fortress Asia Macro Funds and related managed accounts transition on January 5, 2015. Fortress also receives fees for providing infrastructure services (technology, back office, and related services) to Graticule. During the second quarter of 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. In addition, this business 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.

In the fourth quarter of 2015, Fortress closed the Fortress Macro Funds and related managed accounts. Michael Novogratz, a principal, officer and director of Fortress retired effective January 2016. In November 2015, Fortress purchased from Mr. Novogratz 56.8 million Fortress Operating Group units and corresponding Class B shares at \$4.50 per share, or an aggregate purchase price of \$255.7 million. In connection with this purchase, Fortress paid \$100.0 million of cash in November 2015 and issued a \$155.7 million promissory note, of which one-half of the principal amount matures in November 2016 and the remainder in November 2017.

Logan Circle — our traditional asset management business, which has approximately \$31.2 billion of AUM, provides 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.

Understanding the Asset Management Business

As an asset manager we perform a service — we use our investment expertise to make investments on behalf of other parties (our “fund investors”). An “alternative” asset manager is simply an asset manager that focuses on certain investment methodologies, typically hedge funds and private equity style funds as described below. Our private equity business also manages permanent capital vehicles, also described below. In addition, our liquid hedge fund business includes Affiliated Managers.

Private equity style funds are typically “closed-end” funds, which means they work as follows. We solicit fund investors to make capital commitments to a fund. Fund investors commit a certain amount of capital when the fund is formed. We may “draw” or “call” this capital from the fund investors as the fund makes investments. Capital is returned to fund investors as investments are realized. The fund has a set termination date and we must use an investment strategy that permits the fund to realize all of the investments it makes in the fund within that period. Fund investors may not withdraw or redeem capital, barring certain extraordinary circumstances, and additional fund investors are not permitted to join the fund once it is fully formed. Typically, private equity style funds make longer-term, less liquid (i.e. less readily convertible to cash) investments.

Publicly traded permanent capital vehicles are publicly traded entities which are externally managed by us. “Externally managed” means that their senior management is typically employed by us and that they rely on us for their decision making. In exchange, we receive management fees, incentive income and, when we assist these entities in raising equity capital, options to purchase their common stock. “Publicly traded” means that their equity, in the form of common stock, is typically traded on a major public stock exchange such as the New York Stock Exchange. As a result, their equity investors (stockholders) may trade in and out of their positions, but Fortress continues to earn management fees and incentive income regardless of any turnover in ownership. These entities have indefinite lives and typically pay dividends or distributions to their stockholders only from earnings, while capital is reinvested.

Hedge funds are typically “open-end” funds, which means they work as follows. We solicit fund investors to invest capital at the fund formation and invest this capital as it is received. Additional fund investors are permitted to join the fund on a periodic basis. Fund investors are generally permitted to redeem their capital on a periodic basis. The fund has an indefinite life, meaning that it continues for an indeterminate period as long as it retains fund investors. Typically, hedge funds make short-term, liquid investments. Our credit hedge funds share certain characteristics of both private equity and hedge funds, and generally make investments that are relatively illiquid in nature. Our Affiliated Managers consist of hedge funds managed by autonomous businesses in which we have a minority interest. Our credit hedge funds include the Mount Kellett Funds of which Fortress is co-manager.

In addition, Fortress has a traditional asset management business. The traditional asset management business works similarly to the hedge fund business, except that generally there is no provision for incentive income and management

fee rates are lower.

In exchange for our services, we receive remuneration in the form of management fees and incentive income. Management fees are typically based on a fixed annual percentage of the capital we manage for each fund investor, and are intended to compensate us for the time and effort we expend in researching, making, managing and realizing investments. Incentive income is typically based on achieving specified performance criteria, and it is intended to align our interests with those of the fund investors and to incentivize us to earn attractive returns. In addition, we receive certain expense reimbursements pursuant to our management agreements. For Affiliated Managers, we receive a percentage of their earnings and fees for providing infrastructure services.

50

We also invest our own capital alongside the fund investors in order to further align our interests and to earn a return on the investments.

In addition, Fortress typically receives a number of options in the publicly traded permanent capital vehicles equal to 10% of the number of shares of common stock sold by any such entity when raising equity capital. The options received by Fortress typically have a strike price equal to the market price of the relevant stock on the day of issuance and a ten-year term. If the value of the stock were to increase during the term of the option, the value received by Fortress upon exercise would exceed the strike price paid by Fortress.

In order to be successful, we must do a variety of things including, but not limited to, the following:

- Increase the amount of capital we manage for fund investors and the amount of capital managed by Affiliated Managers, also known as our “assets under management” or “AUM;”
- Earn attractive returns on the investments we make; and
- Effectively manage our liquidity, including our debt, if any, and expenses.

Each of these objectives is discussed below.

Assets Under Management

Management fee paying assets under management, or AUM, fluctuate based on four primary factors:

Capital raising: AUM increases when we receive more capital from our fund investors to manage on their behalf, when the publicly traded permanent capital vehicles raise capital such as in an equity offering or when our Affiliated Managers receive more capital. Typically, fund investors make this decision based on: (a) the amount of capital they wish, or are able, to invest in the types of investments a certain manager or fund makes, and (b) the reputation and track record of the manager and its key investment employees.

Realization of private equity investments and return of capital distributions: In “closed-end” funds, AUM decreases when we return capital to fund investors as investments are realized. Investments are realized when they are sold or otherwise converted to cash by the manager. Similarly, AUM decreases in publicly traded investment vehicles, including the publicly traded permanent capital vehicles, when return of capital distributions are made to investors.

Redemptions: In “open-end” funds, AUM decreases after fund investors ask for their capital to be returned, or “redeemed,” at periodic intervals. Typically, fund investors make this decision based on the same factors they used in making the original investment, which may have changed over time or based on circumstances, as well as on their liquidity needs.

Fund performance: AUM increases or decreases in accordance with the performance of fund investments.

In addition, from time to time we may enter into transactions to manage or co-manage third party originated funds. It is critical for us to continue to raise capital from fund investors. Without new capital, AUM declines over time as private equity investments are realized and hedge fund investors redeem capital based on their individual needs. Therefore, we strive to maintain a good reputation and a track record of strong performance. We strive to also form and market funds in accordance with investor demand.

We disclose the changes in our assets under management below, under “— Assets Under Management.”

Performance

Performance can be evaluated in a number of ways, including the measures outlined below:

Fund returns: Fund returns express the rate of return a fund earns on its investments in the aggregate. They can be compared to the returns of other managers, to returns offered by other investments or to broader indices. They can also be compared to the performance hurdles necessary to generate incentive income. We disclose our fund returns below, under “— Performance of Our Funds.”

Proximity to incentive income threshold: This is a measure of a fund's performance relative to the performance criteria it needs to achieve in order for us to earn incentive income.

Incentive income is calculated differently for the hedge funds, private equity funds and publicly traded permanent capital vehicles, as described below.

We generally earn incentive income from hedge funds based on a straight percentage of the returns of each fund investor, since fund investors may enter the fund at different times. Incentive payments are made periodically, typically annually for the Fortress hedge funds. Once an incentive payment is made, it is not refundable. However, if a particular fund investor suffers a loss on its investment, either from the date of the Fund's inception or since the last incentive payment

to the manager, this establishes a “high water mark” for that investor, meaning a threshold that has to be exceeded in order for us to begin earning incentive income again from that fund investor. Investors in the same fund could have different high water marks, in terms of both percentage return and dollar amount.

Since it is impractical to disclose this information on a fund investor-by-investor basis, it may be disclosed based on the following metrics: the percentage of fund investors who have a high water mark, and the aggregate dollar difference between the value of those fund investors' investments and their applicable aggregate high water mark. The investments held by fund investors who do not have a high water mark are eligible to generate incentive income for us on their next dollar earned.

We generally earn incentive income from private equity style funds based on a percentage of the returns of the fund, subject to the achievement of a minimum return (the “preferred” return) to fund investors. Incentive income is generally paid as each investment in a fund is realized, subject to a “clawback.” At the termination of a fund, a computation is done to determine how much incentive income we should have earned based on the fund's overall performance, and any incentive income payments received by us in excess of the amount we should have earned must be returned by us (or “clawed back”) to the fund for distribution to fund investors. Certain of our private equity style funds pay incentive income only after all of the fund's invested capital has been returned.

We generally earn incentive income from publicly traded permanent capital vehicles based on a percentage of operating results in excess of specified returns to shareholders, generally calculated on a cumulative but not compounding basis. Generally, incentive income is earned quarterly and once incentive is earned, it is not subject to clawback. However, if at a later date the total incentive income received by us is in excess of the cumulative amount calculated as of this later date, we would have to make up that difference in order for us to begin earning incentive income again.

Depending on where they are in their life cycle and how they have performed, private equity funds will fall into one of several categories as shown below:

PE Style Fund Status	In a liquidation of the fund’s assets at their estimated fair value as of the reporting date:		Key Disclosures
Has the fund made incentive income payments to us?	Would the fund owe us incentive income?	Would we owe a clawback of incentive income to the fund?	(Refer to Note 3 to our consolidated financial statements included in Item 8)
Yes	Yes	No	<ul style="list-style-type: none"> - The amount of previously distributed incentive income. - The amount of "undistributed incentive income," which is the amount of incentive income that would be due to us upon a liquidation of the fund’s remaining assets at their current estimated fair value.
Yes	No	Yes	<ul style="list-style-type: none"> - The amount of previously distributed incentive income. - The "intrinsic clawback," which is the amount of incentive income that we would have to return to the fund upon a liquidation of its remaining assets at their current estimated fair value. - The amount by which the total current fund value would have to increase as of the reporting date in order to reduce the intrinsic clawback to zero such that we would be in a

position to earn additional incentive income from the fund in the future.

No Yes N/A

The amount of "undistributed incentive income," which is the amount of incentive income that would be due to us upon a liquidation of the fund's remaining assets at their current estimated fair value.

No No N/A

The amount by which the total current fund value would have to increase as of the reporting date such that we would be in a position to earn incentive income from the fund in the future.

We disclose each of these performance measures, as applicable, for all of our funds in Note 3 to our consolidated financial statements included in Item 8.

Liquidity, Debt and Expense Management

We may choose to use leverage, or debt, to manage our liquidity or enhance our returns. We strive to achieve a level of debt that is sufficient to cover working capital and investment needs, but not in an amount or manner which causes undue stress on performance, either through required payments or restrictions placed on Fortress.

Our liquidity, and our ability to repay our debt, as well as the amount by which our metrics exceed those required under our financial covenants are discussed below, under “— Liquidity and Capital Resources,” “— Debt Obligations,” and “— Covenants.”

We must structure our expenses, primarily compensation expense which is our most significant expense, so that key employees are fairly compensated and can be retained, while ensuring that expenses are not fixed in such a way as to endanger our ability to operate in times of lower performance or reduced liquidity. To this end, we generally utilize discretionary bonuses, profit sharing and equity-based compensation as significant components of our compensation plan.

Profit sharing means that when profits increase, either of Fortress as a whole or of a specified component (such as a particular fund) of Fortress, employees receive increased compensation. In this way, employees' interests are aligned with Fortress's, employees can receive significant compensation when performance is good, and we are able to reduce expenses when necessary.

Equity-based compensation means that employees are paid in equity of Fortress rather than in cash. This form of compensation has the advantage of not requiring a cash expenditure, while aligning employees' interests with those of Fortress.

Our liquidity is discussed below, under “— Liquidity and Capital Resources.” Our compensation expenses, including profit sharing and equity-based compensation, are discussed in Note 8 to our consolidated financial statements included in Item 8. Our segment operating margin, which we define as the ratio of our fund management distributable earnings to our segment revenues, and which is a measure of our profitability, is discussed in Note 11 to our consolidated financial statements included in Item 8.

Understanding our Financial Statements

Balance Sheet

Our assets consist primarily of the following:

- 1) Investments in our funds, recorded generally based on our share of the funds' underlying net asset value, which in turn is based on the estimated fair value of the funds' investments. In addition, we hold options in our publicly traded permanent capital vehicles.
- 2) Cash.
- 3) Amounts due from our funds for fees and expense reimbursements.
- 4) Deferred tax assets, which relate to potential future tax benefits. This asset is not tangible - it was not paid for and does not represent a receivable or other claim on assets.

Our liabilities consist primarily of the following:

- 1) Debt owed under our credit facility and other debt obligations (if any).
- 2) Accrued compensation, generally payable to employees shortly after year-end.

- 3) Amounts due to our Principals under the tax receivable agreement. These amounts partially offset the deferred tax assets and do not become payable to the Principals until the related future tax benefits are realized. Deferred incentive income, which is incentive income that we have already received in cash but is subject to
- 4) contingencies and may have to be returned (“clawed back”) to the respective funds if certain performance hurdles are not met.

Management, in considering the liquidity and health of the company, mainly focuses on the following aspects of the consolidated balance sheet:

- 1) Expected cash flows from funds, including the potential for incentive income.
- 2) Cash on hand.
- 3) Collectibility of receivables.
- 4) Current amounts due under our credit facility and other debt obligations (if any).
- 5) Other current liabilities, primarily accrued compensation.
- 6) Financial covenants under our debt obligations.
- 7) Likelihood of clawback of incentive income.

Income Statement

Our revenues and other income consist primarily of the following:

- 1) Fees and expense reimbursements from our funds, including management fees, which are based on the size of the funds, and incentive income, which is based on the funds' performance.
- 2) Returns on our investments in the funds.

Our expenses consist primarily of the following:

- 1) Employee compensation paid in cash, including profit sharing compensation.
Equity-based compensation, which is not paid in cash but has a dilutive effect when it vests because it results in
- 2) additional shares being issued (This amount is broken out from total compensation in Note 8 to our consolidated financial statements included in Item 8).
- 3) Other general and administrative expenses and interest expense.
- 4) Taxes.

The primary measure of operating performance used by management is “Distributable Earnings,” which is further discussed in the “— Results of Operations — Segment Analysis” section herein.

Essentially, the key components of our income are the fees we are earning from our funds in comparison to the compensation and other corporate expenses we are paying in cash, and the resulting operating margin. Other significant components include (i) the unrealized changes in value of our funds, reported as unrealized gains (losses) and earnings (losses) from equity method investees, as this is indicative of changes in potential future cash flows, (ii) taxes, and (iii) equity-based compensation, because it will eventually have a dilutive effect when the related shares are issued.

Managing Business Performance

We conduct our management and investment business through the following primary segments: (i) private equity funds, (ii) permanent capital vehicles, (iii) credit hedge funds, (vi) credit PE funds, (v) liquid hedge funds and (vi) Logan Circle. These segments are differentiated based on their varying strategies and, secondarily, on fund investor terms. See “— Results of Operations — Segment Analysis” section herein.

The amounts not allocated to a segment consist primarily of interest expense incurred with respect to corporate borrowings, foreign currency translation and interest income. Assets not allocated to a segment consist primarily of cash and net deferred tax assets.

Management assesses our segments on a Fortress Operating Group and pre-tax basis, and therefore adds back the interests in consolidated subsidiaries related to Fortress Operating Group units (held by the principals and a former senior employee) and income tax expense.

Management assesses the performance of each segment based on its "distributable earnings." Distributable earnings is not a measure of cash generated by operations that is available for distribution. Rather distributable earnings is a supplemental measure of operating performance used by management in analyzing its segment and overall results. Distributable earnings should not be considered as an alternative to cash flow in accordance with GAAP or as a measure of our liquidity, and is not necessarily indicative of cash available to fund cash needs (including dividends and distributions).

We believe that the presentation of distributable earnings enhances a reader's understanding of the economic operating performance of our segments. For a more detailed discussion of distributable earnings and how it reconciles to our

GAAP net income (loss), see “— Results of Operations — Segment Analysis” section herein.

54

Market Considerations

Our revenues consist primarily of (i) management fees based generally on AUM, (ii) incentive income based on the performance of our funds and (iii) investment income from our investments in those funds. Our ability to maintain and grow our revenues - both at Fortress and within our funds - depends on our ability to retain existing investors, attract new capital and investors, secure investment opportunities, obtain financing for transactions, consummate investments and deliver attractive risk-adjusted returns.

Our ability to execute our business strategy depends upon a number of market conditions, including:

The strength and liquidity of the U.S. and global equity and debt markets and related financial and economic conditions.

U.S. and global financial and economic conditions have a substantial impact on the success of our business strategy, including our ability to effect realizations and make new investments. In addition, equity market conditions impact the ability of our private equity funds to increase the value, and effect realizations, of their portfolio company investments and the ability of our funds that invest in equities to generate positive investment returns. The condition of the debt markets also has a meaningful impact on our business. Several of our funds are directly and indirectly exposed to the debt markets: we invest in debt instruments, our funds borrow money to make investments and our funds utilize leverage in order to increase investment returns, which ultimately drive the performance of our funds. Our portfolio companies also require access to financing for their operations and refinancing of their debt. Furthermore, from time to time, we utilize debt to finance our investments in our funds and for working capital purposes. In general, strong financial and economic conditions including equity and debt markets enable us to execute our business strategy and generate attractive returns while dampening distressed investment strategies, and periods of weakening economies and markets and increased volatility can also present opportunities to invest at reduced valuations and in distressed asset classes, while negatively impacting fees, realizations and value creation. For example, a significant decline in the value of our funds' investments would require that our funds satisfy minimum return or "high water mark" requirements before generating incentive income and could subject us to "clawback" payments relating to incentive income previously collected. For hedge funds, opportunities to generate returns depend on their investment strategies, which may benefit from market declines or volatility.

The year ended December 31, 2015 was marked by an overall weak global economy and increased divergences within developed markets. The slowdown in the global economy and the Federal Reserve's move towards monetary policy tightening contributed to market volatility during the second half of 2015. Global equity markets overall delivered flat returns as optimism for economic recovery in the U.S. was countervailed by concerns over a sharp slowdown in China. Overall, developed market equities outperformed emerging market equities in 2015, which has been an ongoing trend. Some developed markets such as Japan registered positive returns in local-currency terms, but U.S. Dollar strength was a detractor for a large majority of countries and regions. Despite an improvement in the equity markets in the fourth quarter, many asset categories finished 2015 in negative territory and, in particular, commodities and emerging market equities suffered large losses amid decreasing global growth. Fixed-income returns were mixed in 2015. Corporate-bond yield spreads widened, with losses most noticeable in high-yield markets. During the fourth quarter, equity markets improved, helping reverse the previous quarter's decline. However, most of the rebound occurred in October, growing out of market overreaction late in the third quarter due to slowing growth in China. Equity markets were volatile towards the end of the year as they were affected by falling oil and commodity prices, terrorist attacks, conflicting economic data, geopolitical instability, diverging monetary policies, and varying degrees of stimulus programs across the globe. Overall during the last quarter of the year, U.S. bonds fell and the U.S. Dollar rose against most major currencies. The beginning of 2016 was marked by another decline in equity markets amid worries about China's slowing economy, rapidly falling oil prices and disappointing U.S. corporate earnings growth. The U.S. Dollar continued to rise against most major currencies and perceived safe havens in the bond markets

improved.

Throughout 2015, markets continued to focus on the path of U.S. monetary policy and inflation as indicators of the likely direction of global interest rates. Markets were particularly focused on the prospect for the Federal Reserve to increase interest rates. While at its September meeting the Federal Reserve decided to keep interest rates unchanged, by the end of the fourth quarter, the U.S. economy was deemed to have improved enough to support a rise in interest rates. GDP growth was on track for a 2% annual expansion and the unemployment rate declined from the beginning of the year. Consumer price inflation increased but core inflation was almost flat due to declining energy costs. In the housing market, home prices and sales continued to improve overall, though the pace of increases slowed. The Federal Reserve raised the federal funds target rate by 25 basis points in mid-December, the first rate hike in nine years, which reflected the Federal Reserve's confidence that the U.S. economy was on a path to "sustainable improvement". The Federal Reserve chose to keep interest rates unchanged at its January meeting and announced that it would continue to monitor events in global markets and their impact on the U.S. economy.

In January 2015, the European Central Bank announced a Federal Reserve-style stimulus plan and committed to a trillion-Euro asset-purchase plan to fight deflation and stimulate growth. The Eurozone growth dynamics have improved and the Eurozone raised its growth forecasts for 2015 as it benefited from cheaper energy, which has also pushed the Eurozone to cut its inflation outlook. In addition, politics have been a source of uncertainty, and while Greece-related risk subsided in the third quarter with

an austerity and reform deal, in the fourth quarter, Portugal and Spain held inconclusive general elections. Additional risks to the Eurozone include weaker emerging markets and China demand for Eurozone exports, potential for a British exit and the migrant crisis. Economic data from the Eurozone was largely encouraging during the fourth quarter, including a decrease in the jobless rate, but the inflation rate remained significantly below the target inflation rate set by the European Central Bank. During the year, the Euro fell to multiyear lows against the U.S. Dollar. European equity markets improved for the first two months of the fourth quarter based on quantitative easing guidance given by European Central Bank president and investor expectations for increased stimulus measures. However, the European equity markets declined in December after the European Central Bank fell short of market expectations. In December, the European Central Bank cut its deposit rate and extended its bond-buying program by six months, disappointing investors who had expected an increase in the amount of bond purchases. The beginning of 2016 was also tumultuous in the Eurozone as global growth concerns combined with worries over the financial sector and banks in particular created volatility.

In Japan, monetary policy remained unchanged and the Bank of Japan kept its monetary expansion efforts of ¥80.0 trillion a year in place. Overall, Japan was among the best-performing developed stock markets in 2015, helped by its large scale quantitative easing program, shareholder-friendly corporate actions, and a weak Yen. However, in the last quarter of the year, economic data remained mixed, with gradual progress in wage growth and inflation numbers, though inflation remained below the Bank of Japan's target, and a third quarter annualized GDP expansion, in contrast to an expected decline. Amid mixed economic data, the Bank of Japan lowered its growth and inflation forecasts and made modest adjustments to its stimulus program (e.g., by increasing the average maturity of its bond purchases). In January, the Japanese equity market declined due to concerns over global growth and plummeting commodity prices but rebounded when the Bank of Japan made a surprise announcement to set negative interest rates for the first time amid a series of poor economic data releases in an attempt to stimulate the economy and weaken its currency.

Emerging markets underperformed developed-market stocks in 2015, even as they improved in the fourth quarter. Emerging markets were affected by declining commodity prices, a slowing global economy, in particular in China, and U.S. monetary policy. Overall during the year, emerging market currencies fell against the U.S. Dollar. Emerging markets also experienced capital outflows in 2015, which have the potential to create tighter financial conditions that could lead to economic instability. With a few exceptions, emerging market countries should remain challenged by slow global growth, especially as important commodity importers like China experience growth deceleration, and by rising interest rates in the U.S. The Chinese equity market improved in the fourth quarter of 2015 as the People's Bank of China provided further support to the Chinese economy. In August, Chinese monetary authorities devalued the Chinese currency and, in the fourth quarter, the People's Bank of China cut interest rates for the sixth time in a year and lowered the amount of cash banks are required to hold as reserves. However, economic data continued to be mixed. In India, the Prime Minister's party lost a regional election in the fourth quarter, which was seen as a defeat for his reform-minded agenda. In Latin America, markets underperformed in the last quarter of the year. All of the region's central banks, with the exception of Brazil, increased rates in line with the Federal Reserve in December. Economic data in Brazil continued to deteriorate throughout the last quarter of the year along with continued political turmoil. In December, the finance minister resigned, as two rating agencies downgraded Brazil to non-investment grade, and impeachment proceedings began against the President. Overall, emerging market equities have continued to struggle in 2016, hurt by U.S. Dollar strength, uncertainty about China's monetary policy and global growth prospects, as well as falling oil prices.

Market conditions over the last several years have impacted our business in several ways:

✦ Volatility in the markets since the financial crisis in 2008 increased the importance of maintaining sufficient liquidity without relying upon additional infusions of capital from the equity and debt markets. Based on cash balances, committed financing and short-term operating cash flows, in the judgment of management we have sufficient liquidity in the current market environment. The maintenance of sufficient liquidity may limit our ability to make investments,

distributions, or engage in other strategic transactions.

Improved economic conditions over the last several years, including relatively low interest rates, have benefited our business in a number of ways, including, but not limited to, a financing environment that has enabled our private equity funds and their portfolio companies to secure long-term financing, refinance debt at attractive levels, raise public and private equity capital and improve portfolio company profitability. Improving economic conditions and higher valuations in private equity funds have also contributed to our ability to raise capital for new investment vehicles and realize investments in existing funds. While improved conditions have created a more challenging environment for identifying new investments, we continue to deploy meaningful amounts of new capital. Recent market conditions, especially in the second half of 2015, however, have negatively affected the terms on which some of our permanent capital vehicles and portfolio companies were able to raise debt and equity capital but, as a general matter, positively impacted the environment for making new investments.

Following a period of deleveraging, that resulted in significant opportunities for investors with sufficient capital to acquire assets at reduced prices, near-term investment opportunities have become more sporadic in nature given pricing and market dynamics. However, potential opportunities exist, particularly where access to capital is restricted and in Europe where economies may remain uncertain.

Despite the uncertain economic recovery, our funds continue to make investments on an opportunistic basis, and we continue to raise new funds as discussed above and illustrated in the AUM table below.

The strength of, and competitive dynamics within, the alternative asset management industry, including the amount of capital invested in, and withdrawn from, alternative investments.

The strength of the alternative asset management industry, and our competitive strength relative to our peers, are dependent upon several factors, including, among other things, (1) the investment returns alternative asset managers can provide relative to other investment options, (2) the amount of capital investors allocate to alternative asset managers, and (3) our performance relative to our competitors and the related impact on our ability to attract new capital.

The strength of the alternative asset management industry is dependent upon the investment returns alternative asset managers can provide relative to other investment options. This factor depends, in part, on returns available from traditional investment products, and to a lesser extent on interest rates and credit spreads (which represent the yield demanded on financial instruments by the market in comparison to a benchmark rate, such as the relevant U.S. Treasury rate or LIBOR) available on other investment products. This is because as interest rates rise and/or spreads widen, returns available on such investments would tend to increase and, therefore, become more attractive relative to the returns of investment products offered by alternative asset managers.

Solving for funding gaps and low interest rates have caused pension plans and other institutional investors to look to alternative investments in order to increase the yield on their investments. As a result, the amount of capital being invested into the alternative investment industry appears to have increased during the year ended December 31, 2015 and the outlook for 2016 remains generally positive, though the pace of growth may be decreasing. In addition, weaker performance of certain asset classes within the alternative investment industry may temper positivity in the industry. In addition, certain investors appear to have become increasingly focused on the liquidity and redemption terms of alternative investment funds and have expressed a desire to have the ability to redeem or otherwise liquidate their investments in a more rapid time frame than what is permitted under the terms of many existing funds. Investors in long-term, locked-up (i.e., "private equity style") funds have engaged in longer, more intensive and detailed due diligence procedures prior to making commitments to invest in such funds, which has led to the general perception across the alternative asset management industry that capital raising for long-term capital will require longer time periods, a greater commitment of capital raising resources and will generally be more difficult overall than it was previously. Moreover, some investors are increasingly shifting to managed accounts with fee structures that are less favorable to us.

The factor which most directly impacts our results is our investment performance relative to our competitors, including products offered by other alternative asset managers. As illustrated in "- Performance of Our Funds" below, we have generated positive returns in some funds and weaker returns in others. As illustrated in "- Assets Under Management" herein, we have been able to raise additional capital in our funds, including the permanent capital vehicles. However, our ongoing ability to raise capital for new and existing funds will be a function of investors' assessment of our investment performance relative to that of our competition in the current market environment, as well as market conditions and other factors.

The strength of the industries or sectors in which our funds have concentrated investments.

Our private equity funds, as well as certain of our managed accounts and permanent capital vehicles, currently have significant investments in companies whose assets are concentrated in the following industries and sectors: financial services (particularly loan servicing and consumer finance), transportation and infrastructure, gaming, real estate (including Florida commercial real estate), and senior living. The overall performance of our funds may be affected by

market conditions and trends related to these industries and sectors. Within the financial services industry, the regulatory pressure on banks in the U.S. after the financial crisis contributed to a positive market for the expansion of non-bank financial institutions. This development has recently led to increased regulatory focus on non-bank financial institutions, resulting in slower growth and increased costs within some of our financial servicing investments. See “Item 1. Business-Regulatory and Compliance Matters.” With respect to mortgage servicing rights, excess mortgage servicing rights and other servicing related investments, the timing, size and potential returns of future investments may be less attractive than prior investments due to a number of factors including interest rates and increased competition. In addition, regulatory and government sponsored entity approval processes have been more extensive and taken longer, which has increased the time and effort required to complete transactions. Worldwide growth in trade and transportation continued to expand albeit at a more modest pace than in the previous years, with growing demand for both cargo and passenger-related transportation infrastructure and equipment. The senior living sector continues to benefit from a favorable consolidation and supply/demand dynamics as well as an appreciation of related real estate values, though market conditions became more challenging toward the end of the year. European markets have presented opportunities for distressed investments in country specific markets such as Italy. In addition, our credit PE funds, from time to time, may have significant investments in particular companies, industries or sectors. The credit PE funds have significant investments in certain sectors including commercial real estate, wireless spectrum and energy.

Assets Under Management

We measure AUM by reference to the fee paying assets we manage. Our AUM has changed as a result of the factors set forth in the table below (in millions):

	Private Equity (J)		Credit (J)		Liquid	Logan	Total
	Funds	Permanent Capital Vehicles	Hedge Funds (K)	PE Funds	Hedge Funds (K)	Circle	
2013							
AUM January 1, 2013	\$10,510	\$3,761	\$5,665	\$7,749	\$5,060	\$20,685	\$53,430
Capital raised (A)	—	1,398	505	—	2,546	—	4,449
Increase in invested capital	444	97	—	2,236	3	—	2,780
Redemptions (B)	—	—	(83)	—	(850)	—	(933)
RCA distributions (C)	—	—	(1,020)	—	—	—	(1,020)
Return of capital distributions (D)	(985)	(23)	(20)	(2,150)	(122)	—	(3,300)
Adjustment for capital reset (E)	—	(1,492)	—	(6)	—	—	(1,498)
Crystallized incentive income (F)	—	—	(168)	—	(87)	—	(255)
Net client flows (traditional)	—	—	—	—	—	4,753	4,753
Income (loss) and foreign exchange (G)	1,892	(19)	977	(302)	848	(52)	3,344
AUM December 31, 2013	\$11,861	\$3,722	\$5,856	\$7,527	\$7,398	\$25,386	\$61,750
2014							
Capital raised (A)	—	483	561	122	2,817	—	3,983
Increase in invested capital	231	543	46	1,858	2	—	2,680
Redemptions (B)	—	—	(37)	—	(1,767)	—	(1,804)
RCA distributions (C)	—	—	(616)	—	—	—	(616)
Return of capital distributions (D)	(3,455)	(115)	(78)	(1,799)	(160)	—	(5,607)
Adjustment for capital reset (E)	—	—	—	(614)	—	—	(614)
Crystallized incentive income (F)	—	—	(169)	—	(130)	—	(299)
Net client flows (traditional)	—	—	—	—	—	5,420	5,420
Income (loss) and foreign exchange (G)	729	(66)	610	(139)	(32)	1,536	2,638
AUM December 31, 2014	\$9,366	\$4,567	\$6,173	\$6,955	\$8,128	\$32,342	\$67,531
2015							
Capital raised (A)	—	2,441	254	978	333	—	4,006
Increase in invested capital (H)	419	296	46	3,003	—	—	3,764
Redemptions (B)	—	—	(265)	—	(3,063)	—	(3,328)
RCA distributions (C)	—	—	(361)	—	—	—	(361)
Return of capital distributions (D)	(560)	(200)	(50)	(1,547)	(175)	—	(2,532)
Adjustment for capital reset (E)	—	(168)	—	—	—	—	(168)
Crystallized incentive income (F)	—	—	(120)	—	—	—	(120)
Equity buyback	—	(14)	—	—	—	—	(14)
Change in AUM of Affiliated Managers and co-managed funds	—	—	2,853	—	501	—	3,354
Net client flows (traditional)	—	—	—	—	—	(121)	(121)
	(234)	(106)	269	(81)	(315)	(1,043)	(1,510)

Income (loss) and foreign
exchange (G)

AUM December 31, 2015 (I)	\$8,991	\$6,816	\$8,799	\$9,308	\$5,409	\$31,178	\$70,501
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(A) Includes offerings of shares by our publicly traded permanent capital vehicles, if any.

(B) Excludes redemptions which reduced AUM subsequent to December 31, as of each respective year end.

(B) Redemptions are further detailed below.

58

Represents distributions from (i) assets held within redeeming capital accounts (“RCA”) in our Drawbridge Special (C) Opportunities Funds, which represent accounts where investors have provided withdrawal notices and are subject to payout as underlying fund investments are realized, and (ii) the Value Recovery Funds.

For private equity funds, the private permanent capital vehicle through IPO in May 2015 and credit PE funds, return of capital distributions are based on realization events. Such distributions include, in the case of private equity funds, the private permanent capital vehicle through IPO in May 2015 and credit PE funds that are in their capital commitment periods, recallable capital distributions. For certain hedge funds, represents distributions from (D) special investments to investors who fully redeemed their capital from the fund. For credit hedge funds, return of capital distributions include income distributions from Fortress Japan Income Fund. For publicly traded permanent capital vehicles, return of capital distributions represent the portion of dividends paid and categorized as return of capital.

The reset date of certain private equity or credit PE funds is an event determined by the earliest occurrence of (i) the first day following the expiration of the capital commitment period of a fund, (ii) a successor fund or entity draws capital contributions or charges management fees (not applicable to credit PE funds) or (iii) the date on which all unpaid capital obligations have been canceled. For the period commencing with the initial closing of or (E) contribution to the fund and ending on the last day of the semi-annual or quarterly period ending on or after the reset date, certain funds generate management fees as a percentage of the fund's capital commitments and certain funds generate management fees as a percentage of the fund's aggregate capital contributions. Thereafter, such funds generally generate management fees as a percentage of the aggregate capital contributed adjusted for the fair value of each investment that is below the associated investment's contributed capital.

In April 2013, Eurocastle announced a restructuring process and new investment focus. As part of that restructuring, Fortress entered into an amended management agreement with Eurocastle that reduced the AUM used to compute Eurocastle's management fees and in doing so also reduced the earnings threshold required for Fortress to earn incentive income from Eurocastle. In April 2015, Fortress entered into an amended management agreement with Eurocastle to further adjust the AUM used to compute management fees and to reset the earnings threshold for Fortress to earn incentive income.

Effective January 1, 2016, Fortress no longer earns management fees from Fund III and Fund III Coinvestment which had AUM of \$0.7 billion as of December 31, 2015.

(F) Represents the transfer of value from investors (fee paying) to Fortress (non-fee paying) related to realized hedge fund incentive income.

Represents the change in AUM resulting from realized and unrealized changes in the reported value of the funds. (G) For certain private equity funds, also includes the impact of a change in AUM basis from invested capital to fair value for certain portfolio companies which became publicly traded.

(H) Includes \$1.1 billion of credit PE fund commitments raised in the prior period which became fee paying AUM in 2015.

AUM is presented mainly in reference to Fortress's ability to generate management fees. Note 3 to our consolidated financial statements, included in Item 8, provides further information regarding incentive income, and Note 4 (I) provides further information regarding Fortress's investments in the funds, including gains and losses therein. The percentage of capital invested by Fortress across different funds varies.

As of December 31, 2015, the private equity funds and credit funds had approximately \$0.6 billion and \$6.9 billion (J) of uncalled and recallable capital, respectively, that will become assets under management if deployed/called, of which an aggregate of \$2.9 billion is only available for follow-on investments, management fees and other fund expenses.

In January 2015, the Fortress Asia Macro Funds and related managed accounts transitioned to Graticule under (K) Affiliated Managers. As of December 31, 2015, liquid hedge funds AUM included \$4.5 billion related to Affiliated Managers and credit hedge funds AUM included \$2.9 billion related to co-managed funds.

Redemptions

The credit hedge funds generally provide for annual return of capital terms. Return of capital requests must be received at least 90 days prior to a calendar year end, and related payments are made subsequent to year end. For instance, the 2015 return of capital request notice date was October 2, 2015 for capital to be returned after December 31, 2015. Such returns of capital may be paid over time as the underlying fund investments are realized, in accordance with the governing terms of the applicable funds. During the period prior to the return of capital for which a return request has been submitted, such amounts continue to be subject to management fees and, as applicable, incentive income. In particular, return of capital requests within the flagship credit hedge fund for 2009 through 2015 (onshore only except for 2015 which included offshore) are being paid over time as the underlying fund investments are realized. In such a case, pending payment, this capital is referred to as a redeeming capital account or "RCA." The Mount Kellett Funds which are co-managed by Fortress are not subject to redemptions.

Fortress's liquid hedge funds, other than the Fortress Partners Funds, are subject to varying redemption terms based on investor classes, but generally offer monthly or quarterly redemption terms. Redemption notices generally must be received in the period prior to payment.

The Fortress Partners Funds provide for annual redemption terms. Redemption notices must be received at least 180 days prior to a calendar year end, and related payments are made subsequent to year end. For instance, the 2015 redemption notice date was July 5, 2015 for redemptions to be paid in the first quarter of 2016.

In certain cases, redemption notices may be subject to cancellation after receipt and prior to payment.

Redemption notices and return of capital requests received from fee-paying investors, and related payments which are made in periods after notices are received, are shown in the table below. The table below does not include redemptions related to funds managed by Affiliated Managers:

Redemption Notices / Return of Capital Requests Received and Outstanding through December 31, 2015 (in thousands):

Notice Receipt Period	Credit Hedge Fund Return of Capital Requests Received	Payments Made with Respect to those Requests - Inception to Date (C)	Credit Hedge Fund Remaining Outstanding Notices	Liquid Hedge Fund Redemption Notices Received	Payments Made with Respect to those Notices - Inception to Date	Liquid Hedge Fund Remaining Outstanding Notices
2015	\$773,268	\$211,179	\$562,089	\$2,610,903	\$2,335,887	\$275,016
2014	220,185	104,768	123,825	2,160,974	2,160,721	—
2013	157,251	131,388	33,521	957,414	981,914	—
Prior			211,922 (A)			— (A)
			\$931,357 (B)			\$275,016 (B)

(A) Includes all prior periods with notices / requests that are still outstanding as of period end.

For credit hedge funds, reflects \$917.1 million in RCAs to be paid as the underlying investments are realized and \$14.3 million to be paid primarily in the first quarter of 2016. For liquid hedge funds, reflects \$275.0 million to be

(B) paid primarily in the first quarter of 2016 which includes \$219.3 million related to the Fortress Partners Funds, \$27.5 million related to the Convex Asia Funds and \$28.2 million related to the Fortress Centaurus Global Funds.

Excludes any notices received from investors whose status has changed from fee-paying to non-fee-paying.

(C) RCA payments are reflected in the AUM rollforward table as RCA distributions rather than as redemptions.

In the fourth quarter of 2015, Fortress closed the Fortress Macro Funds and related managed accounts.

We note that performance between the notice / request date and the payment date may result in differences between the amount of redemption notices / return of capital requests received and the ultimate payments. The table above reflects the actual notices / requests received, the actual payments made, and the actual remaining NAV of related investors. Therefore, the aggregate notices / requests received will not equal the total payments made plus the remaining outstanding notices / requests, due primarily to post-notice performance and redemption cancellations.

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Performance of Our Funds

The performance of our funds has been as follows (dollars in millions):

Name of Fund	Inception Date	Maturity Date (A)	AUM			Returns (B)				
			December 31,		2013	Inception to December 31,			2013	
			2015	2014		2013	2015	2014		2013
Private Equity Funds that Report IRR's										
Fund I	Nov-99	Closed May-13	\$ N/A	\$ N/A	\$ N/A	25.7	% 25.7	% 25.7	%	
Fund II	Jul-02	Closed Dec-15	N/A	—	—	35.5	% 35.5	% 35.5	%	
Fund III (E)	Sep-04	In Liquidation	616	765	1,099	1.3	% 4.8	% 6.9	%	
Fund III Coinvestment (E)	Nov-04	In Liquidation	34	41	90	0.9	% 1.5	% 1.8	%	
Fund IV	Mar-06	Jan-17	1,543	2,171	2,859	(1.5)	)% 1.6	% 3.1	%	
Fund IV Coinvestment	Apr-06	Jan-17	298	361	460	(2.6)	)% (0.9)	)% (0.7))%	
Fund V	May-07	Feb-18	4,371	3,998	4,069	7.0	% 6.2	% 4.1	%	
Fund V Coinvestment	Jul-07	Feb-18	408	408	515	(5.6)	)% (6.1)	)% (7.2))%	
GAGACQ Coinvestment Fund (GAGFAH)	Sep-04	Closed Dec-14	N/A	N/A	—	19.4	% 19.4	% 19.4	%	
FRID (GAGFAH)	Mar-05	Closed Nov-14	N/A	N/A	652	(0.3)	)% (0.3)	)% (0.9))%	
FRIC (Brookdale)	Mar-06	Closed Dec-14	N/A	N/A	164	(1.6)	)% (1.6)	)% (3.7))%	
FICO (Intrawest)	Aug-06	Jan-17	—	—	—	(100.0)	)% (100.0)	)% (100.0))%	
FHIF (Holiday)	Dec-06	Jan-17	581	763	1,083	3.2	% 6.7	% 6.8	%	
FECI (Florida East Coast Railway/Florida East Coast Industries)	Jun-07	Feb-18	408	433	436	(0.9)	)% (0.1)	)% (0.3))%	
MSR Opportunities Fund I A	Aug-12	Aug-22	163	216	255	14.9	% 16.6	% (C)		
MSR Opportunities Fund I B	Aug-12	Aug-22	41	54	64	14.8	% 16.4	% (C)		
MSR Opportunities Fund II A	Jul-13	Jul-23	125	45	36	9.1	% (C)	(C)		
MSR Opportunities Fund II B	Jul-13	Jul-23	2	1	—	8.7	% (C)	(C)		
MSR Opportunities MA I	Jul-13	Jul-23	29	10	8	9.2	% (C)	(C)		
Italian NPL Opportunities Fund	Dec-13	Sep-24	225	25	—	(C)	(C)	(C)		
Fortress Equity Partners	Mar-14	Mar-24	147	75	N/A	(C)	(C)	N/A		

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61

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Name of Fund	Inception Date	Maturity Date (A)	AUM December 31,			Returns (B) Inception to Date (D)			2015	2014	2013		
			2015	2014	2013	2015	2014	2013					
Publicly Traded Permanent Capital Vehicles													
Newcastle Investment Corp.	Jun-98	Permanent	680	768	1,795	N/A	11.8	%	10.7	%	7.0	%	
New Residential Investment Corp.	May-13	Permanent	2,689	1,367	1,196	N/A	15.1	%	11.9	%	10.5	%	
Eurocastle Investment Limited	Oct-03	Permanent	567	488	556	N/A	7.0	%	6.9	%	6.7	%	
New Media Investment Group Inc.	Feb-14	Permanent	637	487	N/A	N/A	6.8	%	4.6	%	N/A		
New Senior Investment Group Inc.	Nov-14	Permanent	1,076	812	N/A	N/A	10.5	%	5.6	%	N/A		
Fortress Transportation and Infrastructure Investors LLC (F)	May-15	Permanent	1,167	645	175	N/A	11.7	%	N/A		N/A		
Liquid Hedge Funds													
Drawbridge Global Macro Funds (A)	Jun-02	PE style redemption	101	229	284	5.9	%	(18.2)	%	(1.8)	%	13.7	%
Fortress Macro Funds (A)	May-09	Closed Nov-15	N/A	1,552	1,546	2.8	%	(17.6)	%	(1.6)	%	14.1	%
Fortress Macro MA1 (A)	Nov-11	Closed Dec-15	N/A	287	359	5.6	%	(4.6)	%	(3.1)	%	14.7	%
Fortress Redwood Fund LTD (A)	Aug-13	Closed Dec-15	N/A	759	613	(3.5)	)%	(10.2)	)%	(1.6)	)%	(C)	
Fortress Partners Fund LP (A)	Jul-06	Redeemable	308	456	566	1.6	%	(5.0)	)%	(0.1)	)%	4.8	%
Fortress Partners Offshore Fund LP (A)	Nov-06	Redeemable	165	457	669	1.9	%	(5.1)	)%	0.4	%	6.7	%
Fortress Centaurus Global Funds	Jun-14	Redeemable	204	33	N/A	0.2	%	1.4	%	(C)		N/A	
Fortress Asia Macro Funds (J)	Mar-11	(J)	(J)	3,217	1,697	(J)		(J)		(1.2)	)%	17.1	%
Fortress Convex Asia Funds	May-12	Redeemable	134	197	96	(4.4)	)%	(2.8)	)%	(4.9)	)%	(3.3))%
Credit Hedge Funds													
Drawbridge Special Opp's Fund LP (G)	Aug-02	PE style redemption	4,339	4,335	3,898	10.8	%	5.8	%	10.0	%	18.5	%
Drawbridge Special Opp's Fund LTD (G)	Aug-02	PE style redemption	1,156	1,328	1,317	9.8	%	0.6	%	6.0	%	15.7	%
Worden Fund	Jan-10	PE style redemption	224	225	201	9.7	%	1.2	%	6.5	%	13.7	%
Worden Fund II	Aug-10	PE style redemption	35	37	31	7.8	%	(0.3))%	4.5	%	12.4	%

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Japan Income Fund (Yen only)	Dec-13	Redeemable	88	44	—	(B)	(B)	(B)	N/A
Value Recovery Funds and related assets (A)	(H)	Non-redeemable	102	200	402	(H)	(H)	(H)	(H)

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Name of Fund	Inception Date	Maturity Date (A)	AUM			Returns (B)			
			December 31, 2015	2014	2013	Inception to December 31,			
			2015	2014	2013	2015	2014	2013	
Credit PE Funds									
Credit Opportunities Fund	Jan-08	Oct-20	592	521	692	24.2 %	25.6 %	25.8 %	
Credit Opportunities Fund II	Jul-09	Jul-22	467	511	745	16.9 %	18.2 %	18.3 %	
Credit Opportunities Fund III	Sep-11	Mar-24	1,723	1,995	1,400	10.5 %	(C)	(C)	
Credit Opportunities Fund IV	Feb-15	Feb-27	484	N/A	N/A	(C)	N/A	N/A	
FCO Managed Accounts (I)	Sep-08 to Jun-12	Apr-22 to Dec-24	1,762	1,106	1,172	15.7 %	18.8 %	20.0 %	
FCO Managed Accounts (I)	Mar-15 to Jun-15	Mar-25 to Feb-28	304	714	457	(C)	(C)	(C)	
Long Dated Value Fund I	Apr-05	Apr-30	129	163	185	5.3 %	5.3 %	5.0 %	
Long Dated Value Fund II	Nov-05	Nov-30	118	121	142	3.7 %	4.1 %	3.7 %	
Long Dated Value Fund III	Feb-07	Feb-32	64	74	87	6.3 %	7.2 %	8.6 %	
LDVF Patent Fund	Nov-07	Nov-27	4	3	3	8.3 %	11.4 %	12.7 %	
Real Assets Fund	Jun-07	Jun-17	24	66	77	6.4 %	7.4 %	8.5 %	
Japan Opportunity Fund (Yen only)	Jun-09	Jun-19	154	267	364	32.9 %	31.2 %	22.2 %	
Japan Opportunity Fund II (Dollar)	Dec-11	Dec-21	417	388	713	23.4 %	21.0 %	(C)	
Japan Opportunity Fund II (Yen)	Dec-11	Dec-21	431	408	696	25.9 %	21.7 %	(C)	
Japan Opportunity Fund III (Dollar)	Dec-14	Dec-24	470	N/A	N/A	(C)	(C)	N/A	
Japan Opportunity Fund III (Yen)	Dec-14	Dec-24	649	N/A	N/A	(C)	(C)	N/A	
Net Lease Fund I	Jan-10	Closed Dec-15	N/A	—	33	21.2 %	22.1 %	22.8 %	
Global Opportunities Fund	Sep-10	Sep-20	189	195	255	8.3 %	11.3 %	(C)	
Global Opportunities Fund II	Jul-15	Jul-26	60	N/A	N/A	(C)	N/A	N/A	
Life Settlements Fund	Dec-10	Dec-22	92	88	261	(C)	(C)	(C)	
Life Settlements Fund MA	Dec-10	Dec-22	8	8	23	(C)	(C)	(C)	
Real Estate Opportunities Fund	May-11	Sep-24	121	157	187	16.5 %	15.5 %	(C)	
Real Estate Opportunities Fund II	May-14	May-27	1,000	122	N/A	(C)	(C)	N/A	
Real Estate Opportunities REOC Fund	Oct-11	Oct-23	40	41	29	11.8 %	12.5 %	(C)	
Subtotal - all funds			31,965	34,237	34,712				
Managed accounts (J)			9	952	1,652				
Affiliated Managers and Co-managed Funds (J)			7,349	N/A	N/A				
Total - Alternative Investments			39,323	35,189	36,364				
Logan Circle			31,178	32,342	25,386				
Total (K)			70,501	67,531	61,750				

For funds with a contractual maturity date, maturity date represents the final contractual maturity date including the assumed exercise of extension options, which in some cases require the approval of the applicable fund advisory board. Fund III and Fund III Coinvestment have passed their contractual maturity date and are in the process of an orderly wind down. The publicly traded permanent capital vehicles are considered to have permanent equity as they have an indefinite life and no redemption terms. Investor capital in the liquid hedge funds is generally redeemable at the option of the fund investors; however, a substantial portion of the Drawbridge Global Macro Funds' and Fortress Partner Funds' investor capital is not redeemable by its investors and such (A) capital will only be distributed as underlying assets are realized, in accordance with their governing documents. The Drawbridge Special Opportunities Funds and Worden Funds may pay redemptions over time, as the underlying investments are realized, in accordance with their governing documents ("PE style redemption"). The Value Recovery Funds generally do not allow for redemptions, but are in the process of realizing their remaining investments in an orderly liquidation. Management notes that funds which had a term of three years or longer at inception, funds which have permanent equity, funds which have a PE style redemption and funds which do not allow for redemptions aggregated approximately 86% of our alternative investment AUM as of December 31, 2015.

In the fourth quarter of 2015, Fortress closed the Fortress Macro Funds (which includes Fortress MA I and Fortress Redwood Fund LTD) and related managed accounts.

(B) Represents the following:

For the private equity funds and credit PE funds, returns represent net annualized internal rates of return to limited partners after management fees and incentive allocations, and are computed on an inception to date basis consistent with industry standards. Incentive allocations are computed based on a hypothetical liquidation of the net assets of each fund as of the balance sheet date. Returns are

calculated for the investors as a whole. The computation of such returns for an individual investor may vary from these returns based on different management fee and incentive arrangements, and the timing of capital transactions. For publicly traded permanent capital vehicles, returns represent the current dividend yield which is calculated by annualizing the most recently declared base dividend and dividing the result by the closing stock price for the period. Excludes the impact of special dividends declared in connection with REIT compliance, which may increase returns. There can be no assurance regarding the publicly traded permanent capital vehicles' respective dividend yields, which may fluctuate meaningfully as a result of changes in the amount of dividends paid in the future and/or changes in their respective stock prices.

For credit hedge funds and liquid hedge funds, returns represent net returns after taking into account any fees borne by the funds for a "new issue eligible," single investor class as of the close of business on the last date of the relevant period. Specific performance may vary based on, among other things, whether fund investors are invested in one or more special investments. No return is shown for Japan Income Fund, returns are not an accurate performance metric for this fund.

For funds that are closed, the return(s) that are disclosed for the periods subsequent to closing represents the fund's return through its closing date.

Generally, these funds had no successor fund formed and either (a) were in their investment or commitment (C) periods and had capital, other than callable capital, remaining to invest, or (b) had less than one year elapsed from their inception, through the end of these periods.

(D) For credit hedge funds and liquid hedge funds, reflects a composite of monthly returns presented on an annualized net return basis.

(E) Effective January 1, 2016, Fortress no longer earns management fees from Fund III and Fund III Coinvestment.

(F) WWTAI was a private fund formed in July 2011 and formerly managed by Fortress. All of the capital of WWTAI was contributed to FTAI which completed its initial public offering in May 2015.

(G) The returns for Drawbridge Special Opportunities Funds exclude the performance of special investments and the performance of the redeeming capital accounts (i.e., investors who requested redemptions in prior periods and who are being paid out as investments are realized).

Fortress began managing the third party originated Value Recovery Funds in June 2009. Their returns are not (H) comparable since we are only managing the realization of existing investments within these funds which were acquired prior to Fortress becoming their manager.

(I) AUM and returns shown for prior periods have not been adjusted for funds which no longer fall within the description of Note (C) above for the current period.

(J) In January 2015, the Fortress Asia Macro Funds and related managed accounts were transferred to Graticule as part of our Affiliated Managers. In July 2015, Fortress became co-manager of the Mount Kellett Funds.

(K) In addition to the funds listed, Fortress manages CFT Co-invest Fund (CAD and USD), NIH (closed June 2015), FPRF and Mortgage Opportunities Funds I and II (closed May 2014). Such funds are excluded from the table because they did not include any management fee paying assets at the end of the periods presented. Fund I, Fund II, GAGACQ Coinvestment Fund (GAGFAH) and FICO (Intrawest) had no AUM or were closed as of December 31, 2015, 2014 and 2013, but for purposes of continuity of presentation, the returns of these funds have been left in the table.

Results of Operations

The following is a discussion of our results of operations as reported under GAAP. For a detailed discussion of distributable earnings, revenues and expenses from each of our segments, see “— Segment Analysis” below.

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Revenues					
Management fees: affiliates	\$547,109	\$539,600	\$520,283	\$7,509	\$19,317
Management fees: non-affiliates	59,480	68,948	62,795	(9,468)	6,153
Incentive income: affiliates	345,052	362,578	419,828	(17,526)	(57,250)
Incentive income: non-affiliates	813	1,734	44,383	(921)	(42,649)
Expense reimbursements: affiliates	237,158	213,048	206,452	24,110	6,596
Expense reimbursements: non-affiliates	11,005	13,429	7,209	(2,424)	6,220
Other revenues	13,239	6,243	4,033	6,996	2,210
Total Revenues	1,213,856	1,205,580	1,264,983	8,276	(59,403)
Expenses					
Compensation and benefits	743,862	795,361	741,761	(51,499)	53,600
General, administrative and other expense (including depreciation and amortization)	203,437	192,942	150,460	10,495	42,482
Interest expense	4,579	3,443	5,382	1,136	(1,939)
Transfer of interest in Graticule	101,000	—	—	101,000	—
Total Expenses	1,052,878	991,746	897,603	61,132	94,143
Other Income (Loss)					
Gains (losses)	(18,919)	(11,757)	53,933	(7,162)	(65,690)
Tax receivable agreement liability adjustment	(6,141)	(33,116)	(8,787)	26,975	(24,329)
Earnings (losses) from equity method investees	(32,915)	78,199	136,866	(111,114)	(58,667)
Gain on transfer of Graticule	134,400	—	—	134,400	—
Total Other Income (Loss)	76,425	33,326	182,012	43,099	(148,686)
Income Before Income Taxes	237,403	247,160	549,392	(9,757)	(302,232)
Income tax expense	(55,788)	(6,947)	(65,801)	(48,841)	58,854
Net Income	\$181,615	\$240,213	\$483,591	\$(58,598)	\$(243,378)
Allocation of Net Income (Loss):					
Principals' and Others' Interests in Income of Consolidated Subsidiaries	\$103,129	\$139,956	\$283,144	\$(36,827)	\$(143,188)
Redeemable Non-controlling Interests in Income (Loss) of Consolidated Subsidiaries	(6)	(709)	—	703	(709)
Net Income Attributable to Class A Shareholders	78,492	100,966	200,447	(22,474)	(99,481)
	\$181,615	\$240,213	\$483,591	\$(58,598)	\$(243,378)

Factors Affecting Our Results

During the periods discussed herein, the following are significant factors that materially impacted our results of operations:

- changes in our AUM;
- level of performance of our funds; and
- changes in the size of our fund management and investment platform and our related compensation structure.

Each of these factors is described below.

Average Management Fee Paying AUM

Average management fee paying AUM represents the reference amounts upon which our management fees are based. The reference amounts for management fee purposes are: (i) capital commitments or invested capital (or NAV, on an investment by investment basis, if lower) for the private equity funds, private permanent capital vehicle through IPO in May 2015 and credit PE funds, which in connection with private equity funds raised after March 2006 includes the mark-to-market value on public securities held within the fund, (ii) contributed capital or book equity (as defined) for the publicly traded permanent capital vehicles, (iii) the NAV for hedge funds and the NAV or fair value for managed accounts (including Logan Circle), (iv) or the AUM for Affiliated Managers and co-managed funds.

Average fee paying AUM for the Fortress Funds, based on a simple quarterly average, was as follows (in millions):

Year Ended	Private Equity		Credit Hedge Funds (C)	Credit PE Funds	Liquid Hedge Funds (D)	Logan Circle	Total
	Funds (A)	Permanent Capital Vehicles (B)					
December 31, 2015	\$9,464	\$5,970	\$7,311	\$8,086	\$3,261	\$32,789	\$66,881
December 31, 2014	10,606	4,090	6,044	7,088	7,732	28,910	64,470
December 31, 2013	11,144	3,459	5,714	7,191	6,266	22,597	56,371

Effective January 1, 2016, Fortress no longer earns management fees from Fund III and Fund III Coinvestment.

These funds had average fee paying AUM, based on a simple quarterly average, of \$0.8 billion, \$1.0 billion and (A)\$1.3 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Total management fees from these funds were \$9.9 million, \$13.8 million and \$17.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

In December 2015 and January 2016, certain publicly traded permanent capital vehicles announced share (B)repurchase programs to purchase up to \$330.0 million of common stock over the next twelve months which will reduce fee paying AUM upon repurchase.

(C)In July 2015, Fortress became co-manager of the Mount Kellett Funds.

In January 2015, the Fortress Asia Macro Funds and related managed accounts were transferred to Graticule as part of our Affiliated Managers. Total management fees for the Fortress Asia Macro Funds and related managed (D)accounts were \$58.0 million and \$26.3 million for the years ended December 31, 2014 and 2013, respectively.

Total incentive income for the Fortress Asia Macro Funds and related managed accounts were \$9.1 million and \$45.5 million for the years ended December 31, 2014 and 2013, respectively.

In the fourth quarter of 2015, we closed the Fortress Macro Funds and related managed accounts. The Fortress Macro Funds and related managed accounts had average fee paying AUM of \$2.5 billion, \$3.5 billion and \$3.4 billion for the

years ended December 31, 2015, 2014 and 2013, respectively. Total management fees for the Fortress Macro Funds and related managed accounts were \$34.7 million, \$63.3 million and \$63.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Total incentive income for the Fortress Macro Funds and related managed accounts was less than \$0.1 million, \$3.8 million and \$104.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We note that, in certain cases, there are timing differences between an event's impact on average AUM and its impact on management fees earned. For instance, AUM is adjusted upon the occurrence of a private equity fund's reset date, but management fees are not impacted until the next contractual management fee calculation date (generally semi-annual).

Management Fees

Changes in average AUM have an effect on our management fee revenues. Depending on the timing of capital contributions in a given period, the full economic benefits of an increase in AUM may not be recognized until the following period.

Fortress's senior living property management subsidiary, FHC Property Management ("Blue Harbor"), has agreements to manage certain senior living properties, most of which are owned by New Senior Investment Group Inc. ("New Senior"). For these services, Fortress receives management fees based on a percentage of revenues from the properties.

Incentive Income

Incentive income is calculated as a percentage of returns (or in some cases taxable income) or operating results earned by the Fortress Funds. Incentive income that is not subject to contingent repayment is recorded as earned. Incentive income received from funds that continues to be subject to contingent repayment is deferred and recorded as a deferred incentive income liability until the related contingency is resolved. The contingencies related to a portion of the incentive income we have received from certain private equity Fortress Funds have been resolved.

In determining our segment measure of operations, distributable earnings, we generally recognize private equity style incentive income when gains are realized and hedge fund incentive income based on current returns, and we recognize our employees' share of this income as compensation expense at the same time. In contrast, GAAP requires that we likewise recognize the compensation when incurred, but we must defer the recognition of the revenue until all contingencies, primarily minimum returns over the lives of the private equity style funds and annual performance requirements of the hedge funds, are resolved - regardless of the probability of such returns being met. As a result, when we have significant private equity style realizations or positive returns in interim periods in our hedge funds, which we regard as positive events, the related incentive income impact improves our segment distributable earnings while reducing our GAAP results for the same period.

As of December 31, 2015, we had \$21.9 billion of incentive eligible NAV in the Fortress Funds above their incentive income threshold which is eligible to generate future incentive income and thus potentially contribute to our earnings. As of December 31, 2014, we had \$21.3 billion of incentive eligible NAV in the Fortress Funds above their incentive income threshold. The increase in the incentive eligible NAV in the Fortress Funds above their incentive income threshold was primarily related to positive performance in the private equity funds, permanent capital vehicles and Logan Circle businesses, as well as incentive eligible NAV from new credit PE funds. These increases were partially offset by a decrease in the liquid hedge funds business as a result of the transition of the Fortress Asia Macro Funds and related managed accounts to Graticule in January 2015 and the closing of the Fortress Macro Funds and related managed accounts in the fourth quarter of 2015. Additionally, the December 31, 2015 incentive eligible NAV increased from the September 30, 2015 incentive eligible NAV of \$20.6 billion, also primarily related to positive performance in the private equity funds, credit PE funds and Logan Circle businesses.

As of December 31, 2014 and 2013, we had \$21.3 billion and \$21.7 billion, respectively, of incentive eligible NAV in the Fortress Funds above their incentive income threshold. The decrease in incentive eligible NAV in the Fortress Funds above their incentive income threshold was primarily related to negative performance and redemptions in our liquid hedge funds business and partially offset by positive performance in our credit hedge funds, credit PE funds and permanent capital vehicles businesses.

Incentive eligible NAV is dependent on the performance of our funds which in turn is dependent on a number of factors, including but not limited to investment specific and overall market conditions, and historical performance of our funds may not be indicative of future results.

Fund Management and Investment Platform

In order to accommodate the demands of our funds' investment portfolios, we have created investment platforms, which are comprised primarily of our people, financial and operating systems and supporting infrastructure. Our investment platform historically required changes in headcount, including changes in the number of investment professionals and support staff, as well as changes to leases and associated improvements to corporate offices to house the changes in the number of employees, and related augmentation of systems and infrastructure. Our headcount included 1,172, 1,186 and 1,074 asset management employees as of December 31, 2015, 2014 and 2013, respectively. Additionally, we had 1,868 employees as of December 31, 2015 at the senior living properties that we manage (whose

compensation expense is reimbursed to us by the owners of the facilities) compared to 1,674 and 1,250 such employees as of December 31, 2014 and 2013, respectively.

Revenues

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Total revenues were \$1,213.9 million for the year ended December 31, 2015, a net increase of \$8.3 million, compared to \$1,205.6 million for the year ended December 31, 2014.

The increase in revenues of \$8.3 million was primarily attributable to (i) an increase of \$24.1 million in expense reimbursements from affiliates, (ii) an increase of \$7.5 million in management fees from affiliates and (iii) an increase of \$7.0 million in other revenues. These increases were partially offset by (i) a decrease in incentive income from affiliates of \$17.5 million, (ii) a decrease in management fees from non-affiliates of \$9.5 million, (iii) a decrease in expense reimbursements from non-affiliates of \$2.4 million and (iv) a decrease in incentive income from non-affiliates of \$0.9 million.

The increase in expense reimbursements from affiliates of \$24.1 million was primarily related to an increase in operating expenses eligible for reimbursement from our private equity funds, permanent capital vehicles and credit hedge funds businesses for the year ended December 31, 2015 as compared with the prior period.

The increase in management fees from affiliates of \$7.5 million was primarily due to (i) an increase of \$53.2 million in management fees primarily related to our permanent capital vehicles, credit PE funds, credit hedge funds and Logan Circle as a result of increases in the average management fee paying AUM, based on a simple quarterly average, of \$4.8 billion, (ii) a net increase of \$18.8 million related to an increase of permanent capital vehicle options granted to Fortress during the year ended December 31, 2015 as compared to the prior period, (iii) \$16.3 million of fees related to our Affiliated Managers which started in January 2015 and (iv) \$14.5 million of management fees related to a co-management agreement which began in July 2015. These increases were partially offset by (i) a \$53.1 million decrease in management fees as a result of a decrease of \$2.6 billion in average fee paying AUM relating to the Fortress Asia Macro Funds which transitioned to Graticule in January 2015 and (ii) a \$42.2 million decrease in management fees as a result of a decrease in the average management fee paying AUM of \$2.2 billion in our private equity funds and liquid hedge funds.

The increase in other revenues of \$7.0 million was primarily attributable to (i) an increase of \$4.4 million of distributions from other investments during the year ended December 31, 2015, (ii) an increase of \$1.4 million of services fees and (iii) an increase of \$1.2 million of dividend and interest income.

The decrease in incentive income from affiliates of \$17.5 million was primarily attributable to (i) a decrease of \$41.7 million in crystallized incentive income earned from our credit hedge funds primarily due to lower returns from non-redeeming capital accounts, (or “non-RCA”), which represents accounts where investors have not provided withdrawal notices and decreased redeeming capital accounts (“RCA”), (ii) a decrease of \$21.4 million in incentive income recognized in the prior period from Fund II as a result of a realization event during the year ended December 31, 2014, which resulted in the recognition of revenue as certain contingencies for repayment were resolved, (iii) a decrease of \$15.0 million in crystallized incentive income earned from our liquid hedge funds primarily due to the transfer of the Fortress Asia Macro Funds to Graticule in January 2015 and the closing of the Fortress Macro Funds and related managed accounts (iv) a net decrease of \$2.3 million in incentive income recognized from our permanent capital vehicles. These increases were partially offset by a net increase of \$62.7 million in incentive income earned from our credit PE funds, primarily as a result of non-clawbackable tax distributions and an increase in crystallized incentive income as a result of realization events during the year ended December 31, 2015 which resulted in the recognition of revenue as certain contingencies for repayment were resolved.

The decrease in management fees from non-affiliates of \$9.5 million was primarily related to (i) a decrease of \$10.0 million due to the closing of our liquid hedge fund managed accounts, (ii) a \$4.9 million decrease as a result of a transfer of \$0.3 billion in average management fee paying AUM relating to the Fortress Asia Macro Funds and managed accounts which transitioned to Graticule in January 2015 and (iii) a decrease of \$1.1 million earned from certain investments in one of our permanent capital vehicles. These decreases were partially offset by an increase of \$6.9 million related to Logan Circle as a result of an increase in average management fee paying AUM of \$3.2 billion.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Total revenues were \$1,205.6 million for the year ended December 31, 2014, a net decrease of \$59.4 million, compared to \$1,265.0 million for the year ended December 31, 2013.

The decrease in revenues of \$59.4 million was primarily attributable to decreases of \$57.3 million and \$42.6 million in incentive income from affiliates and non-affiliates, respectively. These decreases were partially offset by (i) increases of \$19.3 million and \$6.2 million in management fees from affiliates and non-affiliates, respectively, (ii) an increase of \$6.6 million and \$6.2 million in expense reimbursements from non-affiliates, respectively, and (iii) an

increase of \$1.9 million in other revenues.

The decrease in incentive income from affiliates of \$57.3 million was primarily attributable to (i) a net decrease of \$91.6 million in incentive income earned from our liquid hedge funds primarily as a result of a decrease in crystallized incentive due to lower returns in the year ended December 31, 2014, as compared to the prior period, (ii) a decrease of \$70.3 million in incentive income earned from our credit hedge funds primarily due to lower returns from non-redeeming capital accounts (or "non-RCA"), which represents accounts where investors have not provided withdrawal notices, decreased redeeming capital accounts ("RCA") and a decrease in crystallized distribution from incentive income from our Worden Funds and (iii) a decrease of \$4.9 million of incentive income recognized in the prior period from the liquidation of Fund I in May 2013. These decreases were partially offset by (i) an increase of \$69.6 million in incentive income from our credit PE funds, primarily due to an increase in deemed tax distributions, which are not subject to clawback and (ii) an increase of \$40.8 million in crystallized incentive income recognized from the permanent capital vehicles, primarily related to New Residential.

68

The \$42.6 million decrease in incentive income from non-affiliates was primarily related to a net decrease in crystallized incentive income of \$43.0 million from our liquid hedge fund managed accounts due to lower returns, as compared with the prior period.

The increase in management fees from affiliates of \$19.3 million was mainly due to (i) an increase of \$43.2 million in management fees from our liquid hedge funds, credit hedge funds, and Logan Circle primarily as a result of increases in average fee paying AUM, based on a simple quarterly average, of \$2.3 billion, (ii) an increase of \$2.1 million of management fees from our private equity funds primarily as a result of an net increase in the market values of certain portfolio companies and (iii) a net increase of \$9.4 million of management fees from our permanent capital vehicles of which approximately \$21.0 million was primarily due to an increase in the average AUM of New Residential, New Media and WWTAI and properties managed offset by a decrease of \$7.0 million in Newcastle management fees due to the distribution of common shares of New Residential, New Media and New Senior and a \$4.9 million decrease in Eurocastle management fees primarily due to a decrease in average AUM as a result of their restructuring process and amended management agreement in April 2013. This increase was partially offset by a decrease of \$36.2 million in management fees resulting from publicly traded permanent capital vehicle options granted to Fortress during the year ended December 31, 2014 as compared to the prior period.

The increase in management fees from non-affiliates of \$6.2 million was primarily related to a \$10.7 million increase in management fees from non-affiliates from Logan Circle due to an increase in average fee paying AUM, based on a simple quarterly average, of \$5.8 billion, partially offset by net decreases of \$3.5 million and \$0.9 million in management fees from non-affiliates from our liquid hedge fund managed accounts and permanent capital vehicles, respectively.

The increase in expense reimbursement from affiliates of \$6.6 million was primarily related to an increase in operating expenses eligible for reimbursement from our funds and an increase in expense reimbursements related to our senior living property manager for the year ended December 31, 2014 as compared to the prior comparative period.

The increase in expense reimbursements from non-affiliates of \$6.2 million was primarily related to an increase in operating expenses eligible for reimbursements from our managed accounts.

Expenses

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Expenses were \$1,052.9 million, including a non-cash expense of \$101.0 million relating to the transfer of an interest in Graticule, for the year ended December 31, 2015, a net increase of \$61.1 million, compared to \$991.7 million for the year ended December 31, 2014. Excluding the Graticule transfer, expenses were \$951.9 million for the year ended December 31, 2015, a net decrease of \$39.9 million, compared to \$991.7 million for the year ended December 31, 2014. The decrease in expenses was primarily due to a decrease in compensation and benefits of \$51.5 million, partially offset by an increase in general, administrative and other expenses (including depreciation and amortization) of \$10.5 million.

Total compensation and benefits decreased primarily due to a \$77.3 million decrease in profit-sharing expenses primarily related to our liquid hedge funds, credit hedge funds, credit PE funds and permanent capital vehicles, as a result of changes in the performance of relevant funds and the amount of profit-sharing interests held by employees in the respective periods. This decrease was partially offset by (i) a \$14.0 million increase in other payroll, taxes and benefits as a result of an increase in headcount and (ii) a \$12.0 million increase in profit-sharing expenses primarily related to Principal Performance Payments in our private equity and credit businesses, as a result of changes in the

performance of relevant funds and the amount of profit sharing interests held by employees in the respective periods. The increase in general, administrative and other expenses was primarily due to an increase of \$19.4 million in depreciation and amortization expenses, of which \$18.2 million was related to the impairment of certain technology and software related assets in the liquid hedge fund business for the year ended December 31, 2015. This increase was partially offset by a \$3.9 million decrease in professional fees and a \$5.0 million decrease in general and other expenses.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Expenses were \$991.7 million for the year ended December 31, 2014, a net increase of \$94.1 million, compared to \$897.6 million for the year ended December 31, 2013. The increase was primarily attributable to (i) an increase in compensation and benefits of \$53.6 million and (ii) an increase in general, administrative and other expenses (including depreciation and amortization) of \$42.5 million. These increases were partially offset by a decrease in interest expense of \$1.9 million.

Total compensation and benefits increased primarily due to (i) a \$70.7 million increase in profit sharing expenses related to our credit PE funds and permanent capital vehicles as a result of changes due to realization events and the amount of profit sharing interests held by employees in the respective periods, and (iii) a \$29.5 million increase in other payroll, taxes and benefits as a result of an increase in headcount, (ii) a \$19.4 million increase in discretionary bonus accruals. These increases were, partially offset by a \$65.0 million decrease in profit-sharing expenses primarily related to our liquid hedge funds, credit hedge funds, private equity funds and Principal Performance Payments, as a result of changes in the performance of relevant funds.

The increase in general, administrative and other expenses was primarily due to (i) an increase of \$18.4 million in general and other expenses primarily related to increased market data expenses, information technology expenses and general office expenses, (ii) an increase of \$17.0 million in professional fees for consultants and other service providers and (iii) an increase of \$6.1 million in depreciation and amortization expenses primarily related to technology related assets acquired in 2014.

The decrease in interest expense of \$1.9 million primarily relates to a decrease in the average outstanding debt balance and average interest rate for the year ended December 31, 2014, as compared to the prior period.

Current and Future Compensation Expense

We seek to compensate our employees in a manner that aligns their compensation with the creation of long-term value for our shareholders. We aim to reward sustained financial and operational performance for all of our businesses and to motivate key employees to remain with us for long and productive careers. We must achieve our goals of alignment, motivation, and retention within the confines of current performance and liquidity. Aside from base salary, there are three significant components in our compensation structure.

Discretionary bonuses are awarded annually based on performance and on our estimation of market compensation. We note that while the payment of discretionary bonuses is optional, it is important for us to maintain a certain level of discretionary bonuses, based on the level of market compensation, even in periods of weaker performance, in order to retain and motivate employees.

Equity-based compensation awards, primarily RSUs, which are typically subject to service-based vesting conditions, are a key component of this compensation as they achieve all three goals. We set the level of our equity-based compensation each year based on performance (firm and individual) and our liquidity, as well as the number of shares available under our equity incentive plan and the dilutive impact they would have upon vesting.

In future periods, we will further recognize non-cash compensation expense on our non-vested equity-based awards outstanding as of December 31, 2015 of \$79.4 million with a weighted average recognition period of 4.1 years.

Profit-sharing compensation is awarded, generally upon fund formation and, in certain cases, subject to vesting, based on certain employees' roles within the fund businesses, and serves to motivate these employees and align their interests with both our and our funds' investors. Private equity and credit PE profit-sharing expense is generally based on a percentage of realized fund incentive income when it becomes probable and reasonably estimable that incentive income will be received. Credit hedge fund and liquid hedge fund profit sharing expense may be based on a percentage of fund incentive income, a percentage of fund "net management fees" (management fees less related expenses), or a percentage of the incentive income generated by an individual trader (regardless of overall fund performance). The actual expense is based on actual performance within the funds and is detailed by segment in Note 8 to our consolidated financial statements included in Item 8.

Profit-sharing expenses can vary greatly by fund, depending on the compensation packages negotiated with key traders and investment officers within these funds. Therefore, the overall profit-sharing percentage of a given hedge fund segment will vary from year to year depending on which funds and which employees generate the most profits within the segment.

As of December 31, 2015, we have \$965.3 million of gross undistributed incentive income. If this incentive income were realized, we would also recognize an additional \$481.7 million of compensation expense.

From time to time, senior management engages a compensation consultant to provide management with surveys to help us understand how the compensation we offer to our employees compares to the compensation our peers offer to their employees.

Other Income (Loss)

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Other Income (Loss) was \$76.4 million, including a non-cash gain of \$134.4 million relating to the transfer of Graticule, for the year ended December 31, 2015, a net increase of \$43.1 million, compared to \$33.3 million for the year ended December 31, 2014. Excluding the Graticule transfer, Other Income (Loss) was \$(58.0) million for the year ended December 31, 2015, a net decrease of \$91.3 million, compared to \$33.3 million for the year ended December 31, 2014. The net decrease of \$91.3 million was primarily related to (i) a net decrease of \$111.1 million in earnings from equity method investees primarily with respect to our investments in our private equity funds, credit hedge funds, credit PE funds, liquid hedge funds and Affiliated Managers for the year ended December 31, 2015 as compared to the prior comparative period and (ii) a net decrease in realized and unrealized gains of \$24.9 million in the fair value of the derivatives held, primarily Japanese Yen foreign exchange contracts for the year ended December 31, 2015 as compared to the prior period. These decreases were partially offset by (i) a decrease of \$27.0 million associated with the tax receivable agreement for the year ended December 31, 2015, as compared to the prior period and (ii) a decrease in net realized and unrealized losses of \$11.6 million in the fair value of options and common stock held in our publicly traded permanent capital vehicles and publicly traded private equity portfolio companies for the year ended December 31, 2015 as compared to the prior period.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Other Income (Loss) was \$33.3 million for the year ended December 31, 2014, a net decrease of \$148.7 million, compared to \$182.0 million for the year ended December 31, 2013. This decrease is primarily related to (i) decreases of \$28.6 million in the fair value of options and common stock held in our publicly traded permanent capital vehicles and publicly traded private equity portfolio companies for the year ended December 31, 2014 as compared to an increase of \$46.4 million in the prior comparative period, resulting in a net decrease of \$75.0 million, (ii) a net decrease of \$58.7 million in earnings from equity method investees primarily with respect to our investments in our private equity funds, credit hedge funds, credit PE funds and liquid hedge funds for the year ended December 31, 2014 relative to the prior comparative period, (iii) an increase of \$24.3 million in the tax receivable agreement liability expense, (iv) an increase of \$5.8 million in losses associated with our holdings of digital currency for the year ended December 31, 2014 as compared to the prior period, (v) a \$1.6 million decrease relating to our trading securities and (vi) a \$1.6 million loss from other investments. These decreases were partially offset by an increase of \$18.3 million in the fair value of the derivatives held, primarily Japanese Yen foreign exchange contracts, for the year ended December 31, 2014 as compared to the prior period.

Income Taxes

Fortress has recorded a significant deferred tax asset. A substantial portion of this asset is offset by a liability associated with the tax receivable agreement with our Principals. This deferred tax asset is further discussed under “—Critical Accounting Policies” below and the tax receivable agreement is discussed in our consolidated financial statements included herein.

For the years ended December 31, 2015, 2014 and 2013 Fortress recognized income tax expense of \$55.8 million, \$6.9 million and \$65.8 million respectively. The primary reasons for changes in income tax expense are (i) changes in annual taxable income and related foreign and state income taxes, (ii) changes in the mix of businesses producing income, which may be subject to tax at different rates, and related changes in our structure, and (iii) the tax impact of stock-based compensation awards that vested and were delivered at varying stock prices.

Factors that impacted the period-over-period increase (decrease) in income taxes are detailed as follows:

	Comparative Years	
	2015 vs. 2014	2014 vs. 2013
Change in pre-tax income applicable to Class A Shareholders (A)	\$8,140	\$(56,265)
Change in foreign and state income taxes (B)	9,966	(21,762)
Change in mix of business (C)	646	16,893
Change in deferred tax asset-impact of equity compensation vesting and other adjustments (D)	(15,105)	(7,292)
Change in deferred tax asset valuation allowance and related adjustments (E)	57,607	(2,353)
Tax receivable agreement liability adjustment (F)	(9,442)	8,515
Change in tax credits and other deductions	(2,971)	3,410
Total change	\$48,841	\$(58,854)

Changes in pre-tax income applicable to Class A shareholders are caused by changes in the pre-tax income of (A) Fortress Operating Group and by changes in the Class A shareholders' ownership interest in Fortress Operating Group.

Primarily related to enacted legislative changes to New York City and New York State corporate taxation in 2015 (B) and 2014, respectively, which increased the value of certain future tax benefits. The increase in benefits were greater in 2014 than in 2015.

For the year ended December 31, 2015, the amount of income passed through to shareholders was comparable to (C) the year ended December 31, 2014. For the year ended December 31, 2014, the amount of income passed through to shareholders was lower when compared to the year ended December 31, 2013, increasing taxable income in 2014 attributable to our tax paying corporate subsidiary.

The decrease in 2015 was primarily attributable to the impact of the 2014 write-off of deferred tax assets relating to the public offering basis differences. For 2013, write off of deferred tax assets relates to the tax shortfall created (D) by the vesting of RSUs and RPU's. This factor changes based on the amount of equity-based compensation delivered in a given year and the stock price on the date of delivery. To the extent the actual tax benefit is greater than previously estimated, excess tax benefits are credited to stockholders' equity, which was the case in 2014 and 2015.

In 2015, the increase was primarily related to the change in the portion of the deferred tax asset that would be (E) realized only in connection with future capital gains and therefore required a full valuation allowance. In 2014 and 2013, the change was primarily related to the reversal of the valuation allowance on previously fully reserved deferred tax assets associated with funds that were in the process of liquidation.

(F) Relates to the tax receivable agreement (discussed in Note 6 to our consolidated financial statements included in Item 8) which is not tax deductible and represents a significant permanent tax/GAAP difference.

Principals' and Others' Interests in Income of Consolidated Subsidiaries

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Principals' and Others' Interests in Income of Consolidated Subsidiaries decreased from \$140.0 million to \$103.1 million, a decrease of \$36.8 million, primarily attributable to (i) a decrease of \$21.0 million in the amount of consolidated net income allocable to the FOG units held by the principals and a former senior employee, (ii) an \$11.5 million decrease resulting primarily from the dilution of non-controlling interests in Fortress Operating Group related to the delivery of restricted stock and the purchase of Fortress Operating Group units from a principal and (iii) a \$4.3 million decrease in Others' interests in the net income of consolidated subsidiaries of Fortress Operating Group during the year ended December 31, 2015, as compared to the year ended December 31, 2014. The \$21.0 million decrease in the amount of consolidated net income allocable to the FOG units held by the principals and a former senior employee was primarily a result of a \$40.2 million decrease in Fortress's shareholders' net income in Fortress Operating Group during the year ended December 31, 2015, as compared to the year ended December 31, 2014.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Principals' and Others' Interests in Income of Consolidated Subsidiaries decreased from \$283.1 million to \$140.0 million, a decrease of \$143.2 million, primarily attributable to (i) a decrease of \$143.9 million resulting from a \$280.4 million decrease in Fortress Operating Group consolidated net income during the year ended December 31, 2014 as compared to the year ended December 31, 2013, (ii) a decrease of \$1.5 million resulting from Others' interests in the net income of consolidated subsidiaries of Fortress Operating Group offset by (iii) an increase of \$2.2 million resulting from the dilution of non-controlling interests in Fortress Operating Group related to the delivery of restricted stock and restricted partnership awards.

Redeemable Non-controlling Interests in Income (Loss)

Redeemable Non-controlling Interests in Income (Loss) of Consolidated Subsidiaries represent the share of income (loss) attributable to equity interests which are redeemable and not owned by Fortress.

Segment Analysis

Fortress conducts its management and investment business through the following primary segments: (i) private equity funds, (ii) permanent capital vehicles, (iii) credit hedge funds, (iv) credit PE funds, (v) liquid hedge funds and (vi) Logan Circle. These segments are differentiated based on their varying strategies and, secondarily, on fund investor terms. Because of such differences in our segments' strategies and investor terms, each segment requires different types of management focus and those segments are managed separately.

For segment results of operations, the amounts not allocated to a segment consist primarily of interest expense, foreign currency translation and interest income. Assets not allocated to a segment consist primarily of cash and net deferred tax assets.

Discussed below are our results of operations for each of our reportable segments. They represent the separate segment information available and utilized by our management committee, which consists of our principals and certain key officers, and which functions as our chief operating decision maker ("CODM") to assess performance and to allocate resources. Management evaluates the performance of each segment based on its distributable earnings.

Management assesses our segments on a Fortress Operating Group and pre-tax basis, and therefore adds back the non-controlling interests in consolidated subsidiaries related to Fortress Operating Group units (held by the principals and a former senior employee) and income tax expense.

Distributable earnings is described in Note 11 to Part II, Item 8, “Financial Statements and Supplementary Data — Segment Reporting,” which includes a complete discussion of distributable earnings basis impairment and reserves, including the methodology used in estimating the amounts as well as the amounts incurred in the relevant periods.

“Distributable earnings” attributable to the Fortress businesses is equal to net income (loss) attributable to Fortress's Class A shareholders adjusted as follows:

Incentive Income

- (i) a. for Fortress Funds which are private equity funds, the private permanent capital vehicle through IPO in May 2015 and credit PE funds, adding (a) incentive income paid (or declared as a distribution) to Fortress, less an applicable reserve for potential future clawbacks if the likelihood of a clawback is deemed greater than remote by Fortress's CODM (net of the reversal of any prior such reserves that are no longer deemed necessary), less (b) incentive income recorded in accordance with GAAP,
- b. for other Fortress Funds, at interim periods, adding (a) incentive income on an accrual basis as if the incentive income from these funds were earned on a quarterly basis, less (b) incentive income recorded in accordance with GAAP,
- c. adding the receipt of cash or proceeds from the sale of shares received (a) as incentive income from the publicly traded permanent capital vehicles and (b) pursuant to the exercise of options in the publicly traded permanent capital vehicles, if any, in excess of their strike price,
- d. adding incentive income received from third parties which is subject to contingent repayment less incentive income from third parties that is no longer subject to contingent repayment,

Other Income

- (ii) with respect to income from certain investments in the Fortress Funds and certain other interests or assets that cannot be readily transferred or redeemed:
 - a. for equity method investments in the private equity funds, private permanent capital vehicle through IPO in May 2015 and credit PE funds as well as indirect equity method investments in hedge fund special investment accounts (which generally have investment profiles similar to private equity funds), treating these investments as cost basis investments by adding (a) realizations of income, primarily dividends, from these funds, less (b) impairment with respect to these funds, if necessary, less (c) equity method earnings (or losses) recorded in accordance with GAAP,
 - b. subtracting gains (or adding losses) on options held in the publicly traded permanent capital vehicles,
 - c. subtracting unrealized gains (or adding unrealized losses) on derivatives, direct investments in publicly traded portfolio companies and in the publicly traded permanent capital vehicles,
- (iii) subtracting management fee income recorded in accordance with GAAP in connection with the receipt of options from the publicly traded permanent capital vehicles, if any,
- (iv) for 2015, subtracting the gain on transfer of Graticule,

Expenses

- (v) adding or subtracting, as necessary, the employee profit sharing portion of incentive income described in (i) above to match the timing of the expense with the revenue,

- (vi) adding back equity-based compensation expense (including options in the publicly traded permanent capital vehicles assigned to employees, RSUs (including the portion of related dividend and distribution equivalents recorded as compensation expense), and restricted shares),
- (vii) adding back the amortization of intangible assets and any impairment of goodwill or intangible assets recorded under GAAP,
- (viii) for 2015, adding back the expense related to the transfer of interest in Graticule,
- (ix) adding the income (or subtracting the loss) allocable to the interests in consolidated subsidiaries attributable to Fortress Operating Group units, and
- (x) adding back income tax benefit or expense and any income or expense recorded in connection with the tax receivable agreement (see Note 6 to our consolidated financial statements included in Item 8).

Private Equity Funds

The following table presents our results of operations for our private equity funds segment:

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Segment revenues					
Management Fees	\$ 115,627	\$ 136,110	\$ 134,176	\$(20,483)	\$ 1,934
Incentive Income	691	2,854	13,211	(2,163)	(10,357)
Segment revenues - total	\$ 116,318	\$ 138,964	\$ 147,387	\$(22,646)	\$(8,423)
Pre-tax distributable earnings	\$ 72,146	\$ 183,078	\$ 109,089	\$(110,932)	\$ 73,989

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable earnings decreased by \$110.9 million primarily due to:

Revenues

Management fees were \$115.6 million for the year ended December 31, 2015, a net decrease of \$20.5 million, compared to \$136.1 million for the year ended December 31, 2014. Management fees decreased by \$20.5 million primarily due to (i) a decrease of \$21.3 million in management fees primarily from Fund III, Fund III Co, Fund IV, Fund IV Co, FHIF and Fund V Co as a result of return of capital distributions and a decrease in the market values of certain portfolio companies, some of which were below their invested capital, which impacted the computation of management fees for the year ended December 31, 2015 as compared to the prior period and (ii) a decrease of \$6.6 million due to the liquidation of FRIC and FRID, which both substantially liquidated their respective investments during the second quarter of 2014. These decreases were partially offset by (i) an increase of \$6.3 million in management fees primarily from Fund V as a result of an increase in the market value of certain portfolio companies which impacted the computation of fees for the year ended December 31, 2015 as compared to the prior period and (ii) an increase of \$1.5 million from Fortress Equity Partners and Italian NPL Opportunities Fund.

Incentive income was \$0.7 million for the year ended December 31, 2015, a decrease of \$2.2 million compared to \$2.9 million of incentive income recognized for the year ended December 31, 2014. During the year ended December 31, 2015, the incentive income earned was due to a realization event of \$0.7 million that occurred as a result of the liquidation of Fund II. The incentive income earned during the year ended December 31, 2014 of \$2.9 million was due to a \$2.0 million reversal of Fund II clawback reserve, as well as \$0.9 million in incentive income earned from a realization event in Fund II.

Expenses

Expenses were \$44.5 million for the year ended December 31, 2015, a net decrease of \$6.4 million, compared to \$50.9 million for the year ended December 31, 2014. The net decrease of \$6.4 million in expenses was primarily attributable to (i) a net decrease of \$3.5 million in general and administrative and corporate allocable expenses for the year ended December 31, 2015, as compared to the prior period, (ii) a net decrease of \$2.1 million in compensation and benefits expense for the year ended December 31, 2015, as compared to the prior period and (iii) a decrease of \$0.8 million in profit sharing compensation expense.

Net Investment Income

Net investment income was \$0.3 million for the year ended December 31, 2015, a net decrease of \$94.7 million, compared to \$95.0 million for the year ended December 31, 2014. Net investment income for the year ended

December 31, 2015 was primarily attributable to \$0.2 million in distributions from realization events from our private equity funds. Net investment income for the year ended December 31, 2014 was primarily attributable to (i) \$50.3 million in distributions from realization events primarily from FRIC, FRID and the Mortgage Opportunities Funds I and II and (ii) a \$45.9 million gain related to the sale of our GAGFAH stock. These amounts were partially offset by a \$1.4 million realized loss on foreign currency hedges related to the Euro for the year ended December 31, 2014.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable earnings increased by \$74.0 million primarily due to:

Revenues

Management fees were \$136.1 million for the year ended December 31, 2014, a net increase of \$1.9 million, compared to \$134.2 million for the year ended December 31, 2013. Management fees increased by \$1.9 million due to (i) a net increase of \$9.6 million in management fees primarily from Fund IV, Fund IV Co and Fund V as a result of an increase in the market values of certain portfolio companies, some of which were below their invested capital in the prior period, which impacted the computation of fees for the year ended December 31, 2014 as compared to the prior period and (ii) an increase of \$1.2 million in management fees from the MSR Opportunities Funds which called initial capital in January 2013. These increases were partially offset by a decrease of (i) \$4.3 million in management fees related to Fund III, Fund III Co and Fund V Co primarily as a result of return of capital distributions and a decrease in the market values of certain portfolio companies, some of which were below their invested capital and (ii) a decrease of \$4.7 million related to FRIC and FRID which both substantially liquidated their respective investments during the second quarter of 2014.

Incentive income was \$2.9 million for the year ended December 31, 2014, a net decrease of \$10.4 million, compared to \$13.2 million of incentive income recognized for the year ended December 31, 2013. Incentive income decreased by \$10.4 million primarily as a result of (i) a decrease of \$4.9 million in the amount of incentive income earned from realization events that occurred as a result of the liquidation of Fund I during the year ended December 31, 2013 and (ii) a decrease of \$5.4 million primarily due to a decrease of clawback reserve reversal related to Fund II during the year ended December 31, 2014 as compared to the prior period.

Expenses

Expenses were \$50.9 million for the year ended December 31, 2014, a net decrease of \$0.9 million, compared to \$51.8 million for the year ended December 31, 2013. The net decrease of \$0.9 million in expenses was primarily attributable to decrease of \$4.8 million in profit sharing compensation expense associated with the decrease in incentive income described above for the year ended December 31, 2014 as compared to the prior period. This decrease was partially offset by a (i) a net increase of \$2.9 million in general and administrative and corporate allocable expenses and (ii) an increase of \$0.9 million in compensation and benefits expense due to an increase in average headcount.

Net Investment Income

Net investment income was \$95.0 million for the year ended December 31, 2014, a net increase of \$81.5 million, compared to \$13.5 million for the year ended December 31, 2013. Net investment income increased by \$81.5 million primarily due to (i) an increase of \$47.6 million in distributions from realization events primarily from FRIC, FRID and the Mortgage Opportunities Funds I and II and (ii) an increase of \$34.7 million in gain related to the sale of our GAGFAH common stock for the year ended December 31, 2014 as compared to the prior period. These increases were partially offset by a \$1.0 million increase in realized losses on foreign currency hedges related to the Euro.

Permanent Capital Vehicles

The following table presents our results of operations for our permanent capital vehicles segment:

Year Ended December 31,			Variance	
2015	2014	2013	2015/2014	2014/2013

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Segment revenues					
Management Fees	\$96,263	\$69,360	\$61,200	\$26,903	\$8,160
Incentive Income	105,603	65,448	18,101	40,155	47,347
Segment revenues - total	\$201,866	\$134,808	\$79,301	\$67,058	\$55,507
Pre-tax distributable earnings	\$104,529	\$40,976	\$31,319	\$63,553	\$9,657

75

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable earnings increased by \$63.6 million primarily due to:

Revenues

Management fees were \$96.3 million for the year ended December 31, 2015, a net increase of \$26.9 million, compared to \$69.4 million for the year ended December 31, 2014. Management fees increased by \$26.9 million primarily due to (i) a \$13.8 million increase related to an increase in New Residential average AUM as a result of equity raised, (ii) a \$12.4 million increase due to a new management agreement with New Senior which was spun off by Newcastle in November 2014 as well as an increase in the New Senior average AUM as a result of equity raised, (iii) a \$9.6 million increase due to an increase in AUM as a result of capital called from investors in WWTAI and a new management agreement as a result of the FTAI IPO, (iv) a \$3.8 million increase due to an increase in New Media average AUM as a result of equity raised during 2015 and the end of 2014, (v) a \$1.6 million increase in Blue Harbor management fees due to an increase in the number of properties managed by Blue Harbor. These increases were partially offset by (i) a decrease of \$10.3 million in Newcastle management fees primarily related to its decrease in AUM due to the spin-off of New Senior and (ii) a \$4.0 million decrease in Eurocastle management fees primarily related to an amendment to its management agreement and changes to the foreign exchange rate.

Incentive income was \$105.6 million for the year ended December 31, 2015, a net increase of \$40.2 million, compared to \$65.4 million of incentive income recognized for the year ended December 31, 2014. Incentive income increased by \$40.2 million as a result of an increase of (i) \$52.4 million related to the exercise of our options and sale of resulting shares in New Residential, (ii) \$29.4 million related to New Media for the year ended December 31, 2015 and (iii) \$2.9 million related to Eurocastle for the year ended December 31, 2015. These increases were partially offset by (i) a decrease of \$41.7 million in incentive income related to New Residential for the year ended December 31, 2015 and (ii) a decrease of \$3.4 million related to the exercise our options and sale of resulting shares in Newcastle.

Expenses

Expenses were \$99.2 million for the year ended December 31, 2015, a net increase of \$3.4 million, compared to \$95.8 million for the year ended December 31, 2014. The increase of \$3.4 million in expenses was primarily attributable to (i) a \$13.8 million increase in accruals for Principal Performance Payments as compared to the prior period and (ii) a \$3.1 million net increase in compensation and benefits expense, as compared to the prior period. This increase was partially offset by (i) a decrease of \$10.5 million in profit sharing compensation expense and (ii) a net decrease of \$3.2 million in general and administrative and corporate allocable expenses for the year ended December 31, 2015.

Net Investment Income

Net investment income was \$1.8 million primarily related to dividends from our direct investments in our permanent capital vehicles for the year ended December 31, 2015, a net decrease of \$0.2 million, compared to \$2.0 million for the year ended December 31, 2014.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable earnings increased by \$9.7 million primarily due to:

Revenues

Management fees were \$69.4 million for the year ended December 31, 2014, a net increase of \$8.2 million, compared to \$61.2 million for the year ended December 31, 2013. Management fees increased by \$8.2 million primarily as a result of (i) a \$8.4 million increase due to an increase in average AUM for New Residential which was spun off by Newcastle in May 2013, (ii) a \$5.6 million increase due to a new management agreement with New Media which was spun off by Newcastle in February 2014, as well as an increase in average AUM as a result of equity raised by New Media during the third quarter of 2014, (iii) an increase of \$3.2 million in management fees primarily due to an increase in WWTAI average AUM as a result of net capital inflows, (iv) a \$1.6 million increase in management fees generated by Blue Harbor due to an increase in properties managed compared to prior period and (v) an increase of \$1.9 million in fees due to a new management agreement with New Senior which was spun off by Newcastle in November 2014. These increases were partially offset by (i) a \$7.0 million decrease in Newcastle management fees primarily due to the distribution of common shares of New Residential, New Media and New Senior as described above resulting in a decrease in average AUM, and (ii) a \$5.5 million decrease in Eurocastle management fees primarily due to a decrease in average AUM as a result of their restructuring process and amended management agreement in April 2013.

Incentive income was \$65.4 million for the year ended December 31, 2014, an increase of \$47.3 million, compared to \$18.1 million of incentive income recognized for the year ended December 31, 2013. Incentive income increased by \$47.3 million primarily as a result of (i) an increase of \$40.6 million of incentive income related to New Residential for the year ended December 31, 2014 as compared to the prior period and (ii) an increase of \$6.8 million due to the exercise of a portion of our publicly traded permanent capital vehicle options.

Expenses

Expenses were \$95.8 million for the year ended December 31, 2014, a net increase of \$46.3 million, compared to \$49.5 million for the year ended December 31, 2013. The increase of \$46.3 million in expenses was primarily attributable to (i) a \$18.0 million increase in compensation and benefits expense primarily due to an increase in average headcount assigned to the permanent capital vehicles segment, (ii) a net increase of \$8.3 million in general and administrative and corporate allocable expenses, (iii) an increase of \$16.8 million in profit sharing expense related to the net operating results of certain permanent capital vehicles including the recognition of the incentive income discussed above (which includes a \$6.8 million increase related to the exercise of our publicly traded permanent capital vehicle options allocated to employees) and (iv) an increase of \$3.2 million in accruals for Principal Performance Payments as compared to the prior period.

Net Investment Income

Net investment income was \$2.0 million for the year ended December 31, 2014, a net increase of \$0.5 million, compared to \$1.5 million for the year ended December 31, 2013. Net investment income increased by \$0.5 million primarily due to (i) an increase of \$0.2 million in dividend income primarily from our direct investments in New Residential, Eurocastle, New Media and New Senior common stock and (ii) an increase of \$0.4 million in other investment income. These increases were offset by a decrease of \$0.1 million in distribution of earnings from WWTAL.

Credit Hedge Funds

The following table presents our results of operations for our credit hedge funds segment:

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Segment revenues					
Management Fees	\$134,054	\$113,825	\$101,890	\$20,229	\$11,935
Incentive Income	84,588	121,768	190,846	(37,180)	(69,078)
Segment revenues - total	\$218,642	\$235,593	\$292,736	\$(16,951)	\$(57,143)
Pre-tax distributable earnings	\$84,934	\$85,988	\$127,450	\$(1,054)	\$(41,462)

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable earnings decreased by \$1.1 million primarily due to:

Revenues

Management fees were \$134.1 million for the year ended December 31, 2015, a net increase of \$20.2 million, compared to \$113.8 million for the year ended December 31, 2014. Management fees increased by \$20.2 million primarily due to (i) \$16.0 million in fees related to a co-management agreement which began in July 2015, (ii) a \$4.7 million net increase from the Drawbridge Special Opportunities Funds due to an increase in average AUM and (iii) a \$1.0 million increase from the Fortress Japan Income Fund. These increases were partially offset by a \$1.5 million

decrease in management fees from the Value Recovery Funds.

Incentive income, which is determined on a fund-by-fund basis, was \$84.6 million for year ended December 31, 2015, a net decrease of \$37.2 million, compared to \$121.8 million for the year ended December 31, 2014. Incentive income decreased by \$37.2 million primarily due to decreases of \$39.5 million and \$2.6 million in incentive income generated by the Drawbridge Special Opportunities Funds and Worden Funds, respectively, primarily due to lower returns for the year ended December 31, 2015 as compared to the prior period. These decreases were partially offset by (i) a \$4.5 million increase in incentive income from other investments and (ii) \$0.4 million in incentive income from Fortress Japan Income Fund for the year ended December 31, 2015.

Expenses

Expenses were \$135.8 million for the year ended December 31, 2015, a net decrease of \$12.5 million, compared to \$148.3 million for the year ended December 31, 2014. The decrease of \$12.5 million in expenses was primarily attributable to (i) a decrease of \$23.5 million in profit sharing compensation expense related to the decrease of incentive income described above and (ii) a \$3.7 million decrease in accruals for Principal Performance Payments. These decreases were partially offset by (i) an \$11.2 million net increase in compensation and benefits expense, as a result of an increase in headcount, for the year ended December 31, 2015 as compared to the prior period and (ii) an increase of \$3.5 million in general and administration expenses and corporate allocable expenses.

Net Investment Income

Net investment income (loss) was \$2.1 million for the year ended December 31, 2015, a net increase of \$3.4 million, compared to \$(1.3) million for the year ended December 31, 2014. Net investment income increased by \$3.4 million primarily due to a \$4.3 million decrease related to the impairment on Fortress's holdings of digital currencies for the year ended December 31, 2015, as compared to the prior period. This increase was partially offset by a decrease of \$1.0 million in earnings from our investments in our credit hedge funds for the year ended December 31, 2015, as compared to the prior period.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable earnings decreased by \$41.5 million primarily due to:

Revenues

Management fees were \$113.8 million for the year ended December 31, 2014, a net increase of \$11.9 million, compared to \$101.9 million for the year ended December 31, 2013. Management fee increased by \$11.9 million primarily due to an increase of \$11.4 million in management fees from the Drawbridge Special Opportunities Funds as a result of an increase in AUM.

Incentive income, which is determined on a fund-by-fund basis, was \$121.8 million for year ended December 31, 2014, a net decrease of \$69.1 million, compared to \$190.8 million for the year ended December 31, 2013. Incentive income decreased by \$69.1 million primarily due to (i) a decrease of \$64.3 million in incentive income generated by the Drawbridge Special Opportunities Funds due to relatively lower returns and a decrease in crystallizations due to lower RCA distributions in 2014 and (ii) a decrease of \$6.0 million in incentive income generated by the Worden Funds mainly due to lower returns for the year ended December 31, 2014 as compared to the prior period. These decreases were partially offset by a \$1.2 million increase in incentive income from other investments for the year ended December 31, 2014 as compared to the prior period.

Expenses

Expenses were \$148.3 million for the year ended December 31, 2014, a net decrease of \$23.5 million, compared to \$171.9 million for the year ended December 31, 2013. The decrease of \$23.5 million in expenses was primarily attributable to (i) a decrease of \$31.6 million in profit sharing compensation expense related to the decrease of incentive income discussed above and (ii) a net decrease of \$4.4 million in general and administrative expenses and corporate allocable expenses for the year ended December 31, 2014 as compared to the prior period. These decreases were partially offset by (i) a \$11.9 million increase in compensation and benefits expense and (ii) an increase of \$0.6 million in accruals for Principal Performance Payments for the year ended December 31, 2014 as compared to the prior period.

Net Investment Income

Net investment income (loss) was \$(1.3) million for the year ended December 31, 2014, a change of \$7.8 million, compared to net investment income of \$6.6 million for the year ended December 31, 2013. Net investment income changed by \$7.8 million primarily due to (i) a \$5.8 million impairment on Fortress's holdings of digital currency, (ii) a decrease of \$2.0 million in earnings from our investments in our credit hedge funds and (iii) a decrease of \$0.2 million in dividend income from a private investment for year ended December 31, 2013.

Credit PE Funds

The following table presents our results of operations for our credit PE segment:

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Segment revenues					
Management Fees	\$ 117,740	\$ 96,715	\$ 95,925	\$ 21,025	\$ 790
Incentive Income	244,308	254,461	120,137	(10,153)	134,324
Segment revenues - total	\$ 362,048	\$ 351,176	\$ 216,062	\$ 10,872	\$ 135,114
Pre-tax distributable earnings	\$ 139,327	\$ 121,669	\$ 63,766	\$ 17,658	\$ 57,903

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable earnings increased by \$17.7 million primarily due to:

Revenues

Management fees were \$117.7 million for the year ended December 31, 2015, a net increase of \$21.0 million, compared to \$96.7 million for the year ended December 31, 2014. Management fees increased by \$21.0 million primarily due to (i) an increase of \$12.8 million related to Real Estate Opportunities Fund II, which commenced in May 2014, (ii) an increase of \$10.0 million from the Credit Opportunities Fund III and its managed accounts primarily due to net capital calls made after the third quarter of 2014, (iii) an increase of \$5.3 million from Japan Opportunity Fund III, which commenced earning fees in February 2015 and (iv) \$4.7 million in management fees from Credit Opportunities Fund IV and its managed accounts which commenced in 2015. These increases in management fees were partially offset by a decrease of \$11.2 million related to Japan Opportunity Funds I and II, Global Opportunities Fund, Credit Opportunities Fund II and its related managed accounts, Long Dated Value Funds, Real Assets Fund and Credit Opportunities Fund I and its related managed accounts primarily due to net capital distributions made after the third quarter of 2014.

Incentive income was \$244.3 million for the year ended December 31, 2015, a net decrease of \$10.2 million, compared to \$254.5 million for the year ended December 31, 2014. Incentive income decreased by \$10.2 million primarily due to decreases of \$36.4 million, \$5.4 million, \$1.4 million, \$1.3 million and \$0.7 million in incentive income generated by the Japan Opportunities Fund I, Net Lease Fund, Real Estate Opportunities Fund, Long Dated Value Funds and Global Opportunities Fund, respectively. These decreases were partially offset by increases of \$20.1 million, \$13.1 million and \$1.9 million in incentive income generated by Credit Opportunities Funds and its related managed accounts, Japan Opportunities Fund II and Real Assets Fund, respectively.

Expenses

Expenses were \$243.4 million for the year ended December 31, 2015, a net increase of \$1.0 million, compared to \$242.4 million for the year ended December 31, 2014. The increase of \$1.0 million in expenses was primarily attributable to (i) a net increase of \$4.6 million in compensation and benefits expense as a result of an increase in headcount, for the year ended December 31, 2015, as compared to the prior period, (ii) an increase of \$4.3 million in accruals for Principal Performance Payments and (iii) an increase of \$2.4 million in general and administrative expenses and certain corporate allocable expenses. These increases were offset by a decrease of \$10.3 million in profit sharing compensation expenses related to the decrease of incentive income as described above.

Net Investment Income

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Net investment income was \$20.7 million for the year ended December 31, 2015, a net increase of \$7.8 million, compared to \$12.9 million for the year ended December 31, 2014. Net investment income increased by \$7.8 million primarily due to (i) an increase of \$6.3 million in distributions of earnings related to realization events in our credit PE funds and (ii) and increase of \$1.4 million in interest income for the year ended December 31, 2015, as compared to the prior period.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable earnings increased by \$57.9 million primarily due to:

Revenues

Management fees were \$96.7 million for the year ended December 31, 2014, a net increase of \$0.8 million, compared to \$95.9 million for the year ended December 31, 2013. Management fees increased by \$0.8 million primarily due to an increase of \$14.2

million related to Credit Opportunities Fund III and its managed accounts and Real Estate Opportunities Funds attributable to net capital raised after the third quarter of 2013. This increase in management fees was partially offset by decreases of \$3.8 million, \$4.1 million, \$2.0 million, \$1.1 million, \$0.9 million, \$0.7 million and \$0.6 million in management fees related to Credit Opportunities Fund and its managed account, Credit Opportunities Fund II and its managed accounts, Japan Opportunity Funds I and II, Life Settlement Fund and its managed account, Net Lease Fund, Long Dated Value Funds and Global Opportunities Fund, respectively, primarily due to net capital distributions made after the third quarter of 2013.

Incentive income was \$254.5 million for the year ended December 31, 2014, a net increase of \$134.3 million, compared to \$120.1 million for the year ended December 31, 2013. Incentive income increased by \$134.3 million primarily due to (i) an increase of \$66.1 million in incentive income generated by the Japan Opportunity Funds I and II during the year ended December 31, 2014 as compared to the prior period, (ii) a net increase of \$65.4 million in incentive income generated primarily by the Credit Opportunities Funds and FCO Managed Accounts as a result of an increase in distributions generated by realization events, (iii) a net increase of \$2.0 million in incentive income generated primarily by Net Lease Fund and (iv) an increase of \$2.0 million in incentive income generated by the Real Estate Opportunities Funds. These increases were partially offset by a decrease of \$1.6 million in incentive income generated by the Real Assets Fund.

Expenses

Expenses were \$242.4 million for the year ended December 31, 2014, a net increase of \$82.5 million, compared to \$159.9 million for the year ended December 31, 2013. The increase of \$82.5 million in expenses was primarily attributable to (i) a \$65.9 million increase in profit sharing compensation expense associated with the increase in incentive income described above, (ii) a \$15.1 million net increase in general and administrative expenses and corporate allocable expenses and (iii) a \$1.5 million increase in accruals for Principal Performance Payments during the year ended December 31, 2014 as compared to the prior period.

Net Investment Income

Net investment income was \$12.9 million for the year ended December 31, 2014, a net increase of \$5.2 million, compared to \$7.7 million for the year ended December 31, 2013. Net investment income increased by \$5.2 million primarily due to an increase in distribution of earnings from realization events in credit PE funds for the year ended December 31, 2014.

Liquid Hedge Funds

The following table presents our results of operations for our liquid hedge funds segment:

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Segment revenues					
Management Fees	\$64,208	\$137,908	\$110,622	\$(73,700)	\$27,286
Incentive Income	912	16,067	150,700	(15,155)	(134,633)
Segment revenues - total	\$65,120	\$153,975	\$261,322	\$(88,855)	\$(107,347)
Pre-tax distributable earnings (loss)	\$(3,410)	\$22,371	\$116,488	\$(25,781)	\$(94,117)

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable earnings decreased by \$25.8 million primarily due to:

Revenues

Management fees were \$64.2 million for the year ended December 31, 2015, a net decrease of \$73.7 million, compared to \$137.9 million for the year ended December 31, 2014. Management fees decreased by \$73.7 million primarily due to a decrease of (i) \$58.0 million from the Fortress Asia Macro Funds (including related managed accounts) as a result of the transfer to Graticule in January 2015, (ii) \$28.6 million due to a decrease in average AUM primarily as a result of redemptions and the closing of the Fortress Macro Funds and its related managed accounts, which closed during the fourth quarter of 2015 and (iii) \$5.5 million primarily related to the Fortress Partners Funds due to a decrease in average AUM. These decreases were partially offset by an increase of (i) \$16.3 million in fees related to our affiliated manager platform and (ii) \$2.2 million in management fees primarily related to the Fortress Centaurus Global Funds and Fortress Convex Asia Funds.

Incentive income, which is determined on a fund-by-fund basis, was \$0.9 million for the year ended December 31, 2015, a net decrease of \$15.2 million, compared to \$16.1 million for the year ended December 31, 2014. Incentive income decreased by \$15.2 million primarily due to decreases of \$9.1 million, \$3.8 million, \$1.5 million and \$1.3 million in incentive income generated by the Fortress Asia Macro Funds (including related managed accounts) as a result of the transfer to Graticule in January 2015, Fortress Macro Funds (including related managed accounts), Drawbridge Global Macro Funds and Fortress Partners Funds. These decreases were partially offset by an increase of \$0.6 million of incentive fees related to Fortress Centaurus Global Funds and Fortress Convex Asia Funds.

Expenses

Expenses were \$84.5 million for the year ended December 31, 2015, a net decrease of \$45.6 million, compared to \$130.1 million for the year ended December 31, 2014. The decrease of \$45.6 million in expenses was primarily attributable to (i) a decrease of \$30.2 million in net compensation and benefits expense due to the transfer of the Fortress Asia Macro Funds (including related managed accounts) to Graticule in January 2015 and other decreases in headcount related to the closing of the Fortress Macro Funds and related managed accounts, (ii) a decrease of \$28.1 million in profit sharing compensation expense primarily due to the transfer of the Fortress Asia Macro Funds (including related managed accounts) to Graticule in January 2015 and a decrease in operating results of our liquid hedge funds business for the year ended December 31, 2015 as compared to the prior period and (iii) a decrease of \$1.6 million in accruals for Principal Performance Payments. These decreases were partially offset by a net increase of \$14.3 million in general and administrative expenses and corporate allocable expenses. General and administrative expenses and corporate allocable expenses increased primarily due to an impairment of \$18.2 million of certain software and technology-related assets for the year ended December 31, 2015.

Earnings from Affiliated Managers

Earnings from Affiliated Managers were \$8.6 million for the year ended December 31, 2015, related to our interests in Affiliated Managers which commenced during January 2015.

Net Investment Income

Net investment income (loss) was \$7.4 million for the year ended December 31, 2015, an increase of \$8.9 million, compared to \$(1.5) million for the year ended December 31, 2014. Net investment income increased by \$8.9 million primarily due to (i) an increase of \$6.6 million in distribution of earnings from realization events in special investments in our liquid hedge funds, primarily Fortress Partners Funds, for the year ended December 31, 2015, as compared to the prior period, (ii) a \$4.3 million decrease in the impairment on Fortress's holdings of digital currencies for the year ended December 31, 2015, as compared to the prior period and (iii) a \$1.8 million net decrease in losses from our liquid hedge funds for the year ended December 31, 2015, as compared to the prior period. The increase in net investment income was partially offset by a \$3.6 million increase in impairment charges with respect to our special investments in our liquid hedge funds.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable earnings decreased by \$94.1 million primarily due to:

Revenues

Management fees were \$137.9 million for the year ended December 31, 2014, a net increase of \$27.3 million, compared to \$110.6 million for the year ended December 31, 2013. Management fees increased by \$27.3 million primarily due to (i) a \$31.7 million increase in management fees earned from the Fortress Asia Macro Funds

(including related managed accounts) as a result of an increase in net capital inflows and (ii) a \$5.5 million increase in management fees related to Fortress Redwood Fund (which launched in August 2013). These increases were partially offset by a \$9.9 million net decrease in management fees from certain of our other liquid hedge funds and managed accounts primarily as a result of net capital outflows.

Incentive income, which is determined on a fund-by-fund basis, was \$16.1 million for the year ended December 31, 2014, a net decrease of \$134.6 million, compared to \$150.7 million for the year ended December 31, 2013. Incentive income decreased by \$134.6 million primarily due to decreases of \$86.2 million, \$36.4 million, \$8.5 million, \$2.8 million, and \$2.2 million in the incentive income generated by the Fortress Macro Funds (including related managed accounts), the Fortress Asia Macro Funds (including related managed accounts), Fortress Macro MA I Fund, Fortress Redwood Fund and Drawbridge Global Macro Funds respectively, due to lower returns during the year ended December 31, 2014 as compared to the prior period. These decreases were partially offset by a \$1.4 million increase in incentive income from the Fortress Partners Funds for the twelve months ended December 31, 2014 as compared to the prior period.

Expenses

Expenses were \$130.1 million for the year ended December 31, 2014, a net decrease of \$18.3 million, compared to \$148.4 million for the year ended December 31, 2013. The decrease of \$18.3 million in expenses was primarily attributable to (i) a decrease of \$22.5 million in profit sharing compensation expense related to the recognition of incentive income discussed above and (ii) a decrease of \$11.0 million in accruals for Principal Performance Payments. These decreases were partially offset by an increase of \$10.1 million in compensation and benefits expense primarily due to an increase in average headcount and by a net increase of \$5.1 million in general and administrative expenses and corporate allocable expenses.

Net Investment Income

Net investment income (loss) was \$(1.5) million for the year ended December 31, 2014, a change of \$5.1 million, compared to net investment income of \$3.6 million for the year ended December 31, 2013. Net investment income changed by \$5.1 million primarily due to (i) a \$5.8 million impairment on Fortress's holdings of digital currency, (ii) an increase of \$1.3 million in losses attributable to investments in our liquid hedge funds and (iii) an increase of \$1.7 million in recorded impairments with respect to our special investments in our liquid hedge funds as compared to the prior period. These increases in losses were partially offset by an increase of \$3.7 million in distribution of earnings from realization events in special investments in liquid hedge funds for the year ended December 31, 2014 as compared to the prior period.

Logan Circle

The following table presents our results of operations for our Logan Circle segment:

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Segment revenues					
Management Fees	\$53,995	\$46,996	\$35,833	\$6,999	\$11,163
Incentive Income	211	106	—	105	106
Segment revenues - total	\$54,206	\$47,102	\$35,833	\$7,104	\$11,269
Pre-tax distributable earnings (loss)	\$(2,120)	\$(5,267)	\$(8,542)	\$3,147	\$3,275

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable loss decreased by \$3.1 million primarily due to:

Revenues

Management fees were \$54.0 million for the year ended December 31, 2015, a net increase of \$7.0 million, compared to \$47.0 million for the year ended December 31, 2014. Management fees increased by \$7.0 million due to an increase in average AUM.

Incentive income was \$0.2 million for the year ended December 31, 2015, a net increase of \$0.1 million, compared to \$0.1 million for the year ended December 31, 2014. Incentive income increased by \$0.1 million primarily as a result of increased returns for a certain fund.

Expenses

Expenses were \$55.4 million for the year ended December 31, 2015, a net increase of \$1.7 million, compared to \$53.7 million for the year ended December 31, 2014. The increase of \$1.7 million in expenses was primarily attributable to an increase of \$1.8 million in general and administrative expenses and corporate allocable expenses, partially offset by a decrease of \$0.1 million in compensation and benefits expense.

Net Investment Income

Net investment income (loss) was \$(1.0) million for the year ended December 31, 2015, a decrease of \$2.3 million, compared to net investment income of \$1.3 million for the year ended December 31, 2014. Net investment income decreased by \$2.3 million primarily due to losses from our investments in certain Logan Circle funds.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable loss decreased by \$3.3 million primarily due to:

Revenues

Management fees were \$47.0 million for the year ended December 31, 2014, a net increase of \$11.2 million, compared to \$35.8 million for the year ended December 31, 2013. Management fees increased \$11.2 million due to an increase in average AUM as a result of net client inflows.

Incentive income was \$0.1 million for the year ended December 31, 2014, a net increase of \$0.1 million, compared to no incentive income for the year ended December 31, 2013. Incentive income increased by \$0.1 million primarily as a result of returns exceeding performance thresholds for a certain managed account during the year ended December 31, 2014 as compared to the prior period.

Expenses

Expenses were \$53.7 million for the year ended December 31, 2014, a net increase of \$6.0 million, compared to \$47.7 million for the year ended December 31, 2013. The increase of \$6.0 million in expenses was primarily attributable to (i) an increase of \$2.3 million in compensation and benefits expense as a result of an increase in average headcount within Logan Circle during the year ended December 31, 2014 as compared to the prior period and (ii) an increase of \$3.7 million in general and administrative expenses and corporate allocable expenses.

Net Investment Income

Net investment income was \$1.3 million for the year ended December 31, 2014, a net decrease of \$1.9 million, compared to \$3.2 million for the year ended December 31, 2013. Net investment income decreased by \$1.9 million primarily due to decrease in net realized and unrealized gains on equity securities managed by Logan Circle's startup growth equities investment strategy.

Unallocated

	Year Ended December 31,			Variance	
	2015	2014	2013	2015/2014	2014/2013
Pre-tax distributable earnings (loss)	\$(4,581)	\$(2,757)	\$(5,184)	\$(1,824)	\$2,427

The amounts not allocated to a segment consist primarily of interest expense, foreign currency translation and interest income.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Pre-tax distributable loss increased by \$1.8 million, primarily due to (i) an increase of \$1.0 million in foreign currency translation losses for the year ended December 31, 2015 and (ii) an increase of \$0.9 million in interest expense due to an increase in the average debt balance and average interest rate for the year ended December 31, 2015, as compared to the prior period.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Pre-tax distributable loss decreased by \$2.4 million, primarily as a result of (i) a decrease of \$2.0 million in interest expense due to a decrease in the average debt balance and average interest rate for the year ended December 31, 2014 as compared to the prior period, (ii) an increase of \$0.4 million in foreign currency translation gains for the year ended December 31, 2014 as compared to the prior period.

Embedded Gains (Losses)

The following table reflects all of our investments which are not marked to market through distributable earnings for segment reporting purposes as of December 31, 2015:

Fund	Fortress Share of NAV (A)	Fortress Segment Cost Basis (B)	Excess (C)	(Deficit) (C)
Main Funds				
Fund III and Fund III Coinvestment	4,702	—	4,702	N/A
Fund IV and Fund IV Coinvestment	67,326	27,821	39,505	N/A
Fund V and Fund V Coinvestment	196,286	10,517	185,769	N/A
Long Dated Value Funds	18,219	8,421	9,798	N/A
Real Assets Funds	5,684	—	5,684	N/A
Credit Opportunities Funds	112,726	65,612	47,132	(18)
Asia Funds (Japan Opportunity Funds, Global Opportunities Fund)	28,505	13,988	14,521	(4)
Real Estate Opportunities Funds	11,240	8,539	2,701	N/A
MSR Opportunities Funds	2,685	2,294	391	N/A
Italian NPL Opportunities Fund	3,530	3,371	159	N/A
Other Funds (combined)				
Private investment #1	266,747	207,349	59,398	N/A
Private investment #2	56,270	8,425	47,845	N/A
Permanent capital vehicles				
Eurocastle (EURONEXT: ECT)	1,916	78	1,838	N/A
Newcastle (NYSE: NCT)	705	60	645	N/A
New Residential (NYSE: NRZ)	6,306	413	5,893	N/A
New Media (NYSE: NEWM)	1,457	54	1,403	N/A
New Senior (NYSE: SNR)	1,704	229	1,475	N/A
FTAI (NYSE: FTAI) (D)	4,554	6,283	N/A	(1,729)
Other				
Hedge fund sidepocket investments	42,892	19,384	23,590	(82)
Direct investments- Other	67,127	33,057	36,528	(2,458)
Total	\$ 900,581	\$ 415,895	\$ 488,977	\$ (4,291)

(A) Represents the net asset value ("NAV") of Fortress's investment in each fund. This is generally equal to its GAAP and segment carrying value.

(B) Represents Fortress's cost basis in each investment for segment reporting purposes, which is net of any prior impairments taken for distributable earnings.

(C) Represents the difference between NAV and segment cost basis. If negative (a deficit), this represents potential future impairment. If positive (an excess), this represents unrealized gains which, if realized, will increase future distributable earnings.

(D) All of the capital of WWTAI was contributed to FTAI which completed its initial public offering ("IPO") in May 2015. Excludes the FTAI shares received at IPO as incentive income, with a fair value of \$3.9 million as of December 31, 2015.

Sensitivity

For an analysis of the sensitivity of segment revenues to changes in the estimated fair value of the Fortress Fund investments, see Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk.”

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, including our capital commitments (and clawback obligations, if any) to our funds, pay compensation, and satisfy our other general business needs including our obligation to pay U.S. federal income tax. In addition, we may use cash to make distributions, particularly the distributions we are required to make to our principals in connection with tax obligations, which can be material. Our primary sources of funds for liquidity consist of cash flows provided by operating activities, primarily the management fees and incentive income paid to us from the Fortress Funds, borrowings under loans, and the potential issuance of debt and equity securities, as well as the investment returns on our investments in these funds. The cash received from these investment returns is limited based on the liquidity terms of the respective funds; for instance, private equity funds generally only distribute cash upon investment realization events. Our primary uses of liquidity include operating expenses (which include compensation, rent and interest, among others), payments under our credit agreement and other debt, capital commitments to our funds and tax and tax-related payments and distributions.

The receipt of management fees generally occurs on a fixed and fairly predictable schedule, subject to changes in the NAV of the Fortress Funds (due to performance or capital transactions). From time to time, we may elect, in our discretion, to defer the receipt of management or other fees or reimbursements, to which we are legally entitled, in order to optimize the operations of the underlying funds. As of December 31, 2015, amounts due from our funds included \$38.6 million of past due management fees and \$11.0 million of private equity general and administrative expenses advanced on behalf of a certain Fortress Fund. Although such fund is currently experiencing a liquidity issue, the past due amounts represent less than 5% of such fund's NAV and we believe these fees and reimbursable expenses will ultimately be collected. As of December 31, 2015, we also had past due amounts of \$12.2 million in management fees and \$6.8 million in private equity general and administrative expenses due from another Fortress Fund which Fortress has fully reserved. The amount of deferred management fees and reimbursements may increase in the future. Also, while we still believe that we will receive these amounts, if these deferrals continue or increase, they could meaningfully constrain our liquidity in the future.

The timing of receipt of cash flows from other operating activities is in large part dependent on the timing of distributions from our private equity funds and credit PE funds, which are subject to restrictions and to management's judgment regarding the optimal timing of the monetization of underlying investments, and to dates specified in our hedge funds' operating documents, which outline the determination and payment of our incentive income, if any. The timing of capital requirements to cover fund commitments is subject to management's judgment regarding the acquisition of new investments by the funds, as well as the ongoing liquidity requirements of the respective funds. The timing of capital requirements and the availability of liquidity from operating activities may not always coincide, and we may make short-term, lower-yielding investments with excess liquidity or fund shortfalls with short-term debt or other sources of capital.

We expect that our cash on hand and our cash flows from operating activities, capital receipts from balance sheet investments and available financing will be sufficient to satisfy our liquidity needs with respect to expected current commitments relating to investments and with respect to our debt obligations over the next twelve months. We estimate that our expected management fee receipts over the next twelve months, a portion of which may be deferred, will be sufficient (along with our cash on hand of \$339.8 million at December 31, 2015, our available draws under our credit facility and capital receipts from our balance sheet investments) to meet our operating expenses (including compensation and lease obligations), required debt payments, tax distribution requirements, incentive income clawback obligations (if any), and fund capital commitments, in each case to be funded during the next twelve months (see obligation tables below). In January 2016, we entered into a new \$275.0 million senior unsecured revolving credit facility with a \$15.0 million letter of credit subfacility and repaid our existing \$150.0 million senior secured revolving credit facility. After giving effect to the initial extensions of credit thereunder of \$75.0 million, and a subsequent

borrowing of \$100.0 million in February 2016, approximately \$97.3 million was available to be drawn. The new revolving credit facility matures in January 2021. From time to time, we evaluate alternative uses for excess cash resources, including debt prepayments, payment of recurring or special dividends, funding investments or share repurchases, which may be subject to approval by our board of directors and will depend on various factors. In February 2016, our board of directors authorized the company to repurchase up to \$100.0 million of our shares, either through open market repurchases, tender offers or other means, and we announced the commencement of a modified "Dutch auction" self-tender offer to repurchase up to \$100.0 million in cash of our Class A shares, at a price per share within the range of \$4.25 to \$4.75, less applicable withholding taxes and without interest. These uses of cash would not (barring changes in other relevant variables, such as EBITDA and Consolidated EBITDA, as defined in our credit agreement) cause us to violate any of our financial covenants under our credit agreement. We believe that the compensation we will be able to pay from these available sources will be sufficient to retain key employees and maintain an effective workforce. We may elect, if we deem it appropriate, to defer certain payments due to our principals and affiliates or raise capital to enable us to make payments required under our credit agreement or for other working capital needs.

We expect to meet our long-term liquidity requirements, including the repayment of our debt obligations and any new commitments or increases in our existing commitments (and clawback obligations, if any) to our funds, through the generation of operating income (including management fees, a portion of which may be deferred), capital receipts from balance sheet investments and, potentially, additional borrowings and equity offerings. Our ability to execute our business strategy, particularly our ability to form new funds and increase our AUM, depends on our ability to raise additional investor capital within our funds and on our ability to monetize our balance sheet investments. Furthermore, strategic initiatives and the ability to make investments in our funds may be dependent on our ability to raise capital at the Fortress level. Decisions by counterparties to enter into transactions with us will depend upon a number of factors, such as our historical and projected financial performance and condition, compliance with the terms of our credit arrangements, industry and market trends and performance, the availability of capital and our counterparties' policies and rates applicable thereto, the rates at which we are willing to borrow, and the relative attractiveness of alternative investment or lending opportunities. Furthermore, raising equity capital could be dilutive to our current shareholders and issuing debt obligations could result in significant increases to operating costs. The level of our share price may also limit our ability to use our equity as currency in the potential acquisition of businesses, other companies or assets.

We are a publicly traded partnership and have established a wholly owned corporate subsidiary (“FIG Corp.”). Accordingly, a substantial portion of our income earned by the corporate subsidiary is subject to U.S. federal income taxation and taxed at prevailing rates. The remainder of our income is allocated directly to our shareholders and is not subject to any corporate level of taxation.

As of December 31, 2015, our most significant cash commitments and contractual cash requirements are our lease obligations, debt obligations, tax receivable agreement obligation and capital commitments to our funds. Furthermore, our potential liability for the contingent repayment of incentive income is discussed under “— Contractual Obligations” below.

Capital Commitments

We determine whether to make capital commitments to our private equity funds and credit PE funds in excess of the minimum required amounts based on a variety of factors, including estimates regarding our liquidity over the estimated time period during which commitments will have to be funded, estimates regarding the amounts of capital that may be appropriate for other funds which we are in the process of raising or are considering raising, and our general working capital requirements.

We generally fund our investments in the Fortress Funds with cash, either from working capital or borrowings, and not with carried interest. We do not hold any investments in our funds other than through the Fortress Operating Group entities. Our principals do not own any portion of the carried interest in any fund personally. Accordingly, their personal investments in the funds are funded directly with cash.

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Our outstanding capital commitments as of December 31, 2015 consisted of the following.

	Outstanding Commitment
Private Equity Funds	
Fund III Coinvestment	\$2
Fund IV	4,053
Fund IV Coinvestment	3
Fund V	6,143
Fund V Coinvestment	2
FHIF (Holiday)	8,089
FECI (Florida East Coast Railway/ Florida East Coast Industries)	1,551
MSR Opportunities Fund I A	5
MSR Opportunities Fund I B	5
MSR Opportunities Fund II A	274
MSR Opportunities Fund II B	2
MSR Opportunities MA I	66
Italian NPL Opportunities Fund	6,500
A&K Global Health	39
Starcastle	416
Credit PE Funds	
Credit Opportunities Fund	4,579
Credit Opportunities Fund II	2,284
Credit Opportunities Fund III	4,695
Credit Opportunities Fund IV	5,011
FCO Managed Accounts	46,766
Long Dated Value Fund I	1,960
Long Dated Value Fund II	3,140
Long Dated Value Fund III	265
LDVF Patent Fund	68
Real Assets Fund	11,068
Japan Opportunity Fund	4,275
Japan Opportunity Fund II	14,918
Japan Opportunity Fund III	10,237
Global Opportunities Fund	667
Global Opportunities Fund II	763
Life Settlements Fund	57
Life Settlements Fund MA	37
Real Estate Opportunities Fund	782
Real Estate Opportunities Fund II	11,898
Real Estate Opportunities REOC Fund	62
CFT Co-invest Fund	248
Karols Development Co	2,575
Other	