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Fortress Investment Group LLC
Form 10-Q
October 29, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 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)

(212) 798-6100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class A Shares: 215,714,060 outstanding as of October 23, 2015.

Class B Shares: 226,331,513 outstanding as of October 23, 2015.

FORTRESS INVESTMENT GROUP LLC
FORM 10-Q
INDEX

| | PAGE |
|--|------|
| <u>PART I. FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements</u> | |
| <u>Consolidated Balance Sheets</u> as of September 30, 2015 (unaudited) and December 31, 2014 | 1 |
| <u>Consolidated Statements of Operations</u> (unaudited) for the three and nine months ended September 30, 2015 and 2014 | 2 |
| <u>Consolidated Statements of Comprehensive Income</u> (unaudited) for the three and nine months ended September 30, 2015 and 2014 | 3 |
| <u>Consolidated Statement of Changes in Equity</u> (unaudited) for the nine months ended September 30, 2015 | 4 |
| <u>Consolidated Statements of Cash Flows</u> (unaudited) for the nine months ended September 30, 2015 and 2014 | 5 |
| <u>Notes to Consolidated Financial Statements</u> (unaudited) | 7 |
| <u>Note 1 Organization and Basis of Presentation</u> | 7 |
| <u>Note 2 Management Agreements and Fortress Funds</u> | 12 |
| <u>Note 3 Investments and Fair Value</u> | 22 |
| <u>Note 4 Debt Obligations</u> | 30 |
| <u>Note 5 Income Taxes and Tax Related Payments</u> | 31 |
| <u>Note 6 Related Party Transactions and Interests in Consolidated Subsidiaries</u> | 32 |
| <u>Note 7 Equity-Based and Other Compensation</u> | 35 |
| <u>Note 8 Earnings Per Share and Distributions</u> | 37 |
| <u>Note 9 Commitments and Contingencies</u> | 41 |
| <u>Note 10 Segment Reporting</u> | 42 |
| <u>Note 11 Subsequent Events</u> | 49 |
| <u>Note 12 Consolidating Financial Information</u> | 50 |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 54 |
| <u>Overview and Understanding the Asset Management Business</u> | 54 |
| <u>Market Considerations</u> | 61 |
| <u>Assets Under Management</u> | 64 |
| <u>Performance of Our Funds</u> | 66 |
| <u>Results of Operations</u> | 70 |
| <u>Liquidity and Capital Resources</u> | 89 |
| <u>Critical Accounting Policies</u> | 96 |
| <u>Contractual Obligations</u> | 103 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 104 |
| <u>Item 4. Controls and Procedures</u> | 108 |
| <u>PART II. OTHER INFORMATION</u> | |

| | | |
|-------------------|--|------------|
| <u>Item 1.</u> | <u>Legal Proceedings</u> | <u>108</u> |
| <u>Item 1A.</u> | <u>Risk Factors</u> | <u>108</u> |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>140</u> |
| <u>Item 3.</u> | <u>Defaults upon Senior Securities</u> | <u>140</u> |
| <u>Item 4.</u> | <u>Mine Safety Disclosures</u> | <u>140</u> |
| <u>Item 5.</u> | <u>Other Information</u> | <u>140</u> |
| <u>Item 6.</u> | <u>Exhibits</u> | <u>141</u> |
| <u>SIGNATURES</u> | | <u>144</u> |

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Part II, Item 1A, "Risk Factors," Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part I, Item 3, "Quantitative and Qualitative Disclosures About Market Risk" and elsewhere in this Quarterly Report on Form 10-Q may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance, including the closing of the Fortress Macro Funds and related managed accounts and share repurchase from a retiring principal. Readers can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates," and 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, liquidity and planned transactions. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. Accordingly, you should not place undue reliance on any forward-looking statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10 Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and: should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

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

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

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

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the company may be found elsewhere in this Quarterly Report on Form 10 Q and the company's other public filings, which are available without charge through the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

The company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

| | September 30, 2015 (Unaudited) | December 31, 2014 |
|--|-----------------------------------|--------------------|
| Assets | | |
| Cash and cash equivalents | \$337,109 | \$391,089 |
| Due from affiliates | 195,619 | 326,575 |
| Investments | 1,125,443 | 1,121,545 |
| Investments in options | 33,849 | 71,844 |
| Deferred tax asset, net | 426,274 | 417,623 |
| Other assets | 158,420 | 173,708 |
| Total Assets | \$2,276,714 | \$2,502,384 |
| Liabilities and Equity | | |
| Accrued compensation and benefits | \$242,492 | \$374,709 |
| Due to affiliates | 383,685 | 375,424 |
| Deferred incentive income | 348,267 | 304,526 |
| Debt obligations payable | 75,000 | 75,000 |
| Other liabilities | 124,303 | 88,053 |
| Total Liabilities | 1,173,747 | 1,217,712 |
| Commitments and Contingencies | | |
| Redeemable Non-controlling Interests | — | 1,717 |
| Equity | | |
| Class A shares, no par value, 1,000,000,000 shares authorized, 215,714,060 and 208,535,157 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively | — | — |
| Class B shares, no par value, 750,000,000 shares authorized, 226,331,513 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively | — | — |
| Paid-in capital | 1,909,349 | 1,996,137 |
| Retained earnings (accumulated deficit) | (1,326,338) | (1,350,122) |
| Accumulated other comprehensive income (loss) | (1,900) | (2,416) |
| Total Fortress shareholders' equity | 581,111 | 643,599 |
| Principals' and others' interests in equity of consolidated subsidiaries | 521,856 | 639,356 |
| Total Equity | 1,102,967 | 1,282,955 |
| Total Liabilities, Redeemable Non-controlling Interests and Equity | \$2,276,714 | \$2,502,384 |

See notes to consolidated financial statements.

1

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(dollars in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | |
| Management fees: affiliates | \$ 134,414 | \$ 138,135 | \$ 413,057 | \$ 403,890 |
| Management fees: non-affiliates | 15,400 | 16,774 | 45,657 | 52,112 |
| Incentive income: affiliates | 48,773 | 30,941 | 155,154 | 125,634 |
| Incentive income: non-affiliates | 439 | 343 | 735 | 1,030 |
| Expense reimbursements: affiliates | 59,988 | 50,600 | 168,544 | 153,448 |
| Expense reimbursements: non-affiliates | 2,757 | 4,869 | 9,573 | 9,931 |
| Other revenues (affiliate portion disclosed in Note 6) | 2,248 | 1,518 | 6,476 | 4,589 |
| | 264,019 | 243,180 | 799,196 | 750,634 |
| Expenses | | | | |
| Compensation and benefits | 169,027 | 187,249 | 547,023 | 543,882 |
| General, administrative and other | 37,887 | 41,313 | 126,053 | 121,322 |
| Depreciation and amortization (see Note 1) | 16,102 | 4,997 | 34,201 | 14,335 |
| Interest expense | 918 | 916 | 2,796 | 2,554 |
| Transfer of interest in Graticule (see Note 1) | — | — | 101,000 | — |
| | 223,934 | 234,475 | 811,073 | 682,093 |
| Other Income (Loss) | | | | |
| Gains (losses) (affiliate portion disclosed in Note 3) | (39,888 |) (23,917 |) (15,114 |) (30,108 |
| Tax receivable agreement liability adjustment | (390 |) (4,036 |) (7,890 |) (4,036 |
| Earnings (losses) from equity method investees | (22,195 |) 38,928 | (16,808 |) 81,750 |
| Gain on transfer of Graticule (see Note 1) | — | — | 134,400 | — |
| | (62,473 |) 10,975 | 94,588 | 47,606 |
| Income (Loss) Before Income Taxes | (22,388 |) 19,680 | 82,711 | 116,147 |
| Income tax benefit (expense) | (3,584 |) (3,024 |) (16,784 |) (16,934 |
| Net Income (Loss) | \$(25,972 |) \$ 16,656 | \$ 65,927 | \$ 99,213 |
| Allocation of Net Income (Loss): | | | | |
| Principals' and Others' Interests in Income (Loss) of Consolidated Subsidiaries | \$(11,727 |) \$ 12,623 | \$ 42,149 | \$ 60,800 |
| Redeemable Non-controlling Interests in Income (Loss) of Consolidated Subsidiaries | — | (2,042 |) (6 |) (1,885 |
| Net Income (Loss) Attributable to Class A Shareholders | (14,245 |) 6,075 | 23,784 | 40,298 |
| | \$(25,972 |) \$ 16,656 | \$ 65,927 | \$ 99,213 |
| Dividends declared per Class A share | \$0.08 | \$0.26 | \$0.54 | \$0.42 |
| Earnings (Loss) Per Class A share | | | | |

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| | | | | |
|--|-------------|-------------|-------------|-------------|
| Net income (loss) per Class A share, basic | \$ (0.07 |) \$ 0.03 | \$ 0.10 | \$ 0.19 |
| Net income (loss) per Class A share, diluted | \$ (0.07 |) \$ 0.02 | \$ 0.09 | \$ 0.17 |
| Weighted average number of Class A shares outstanding, basic | 216,439,077 | 208,014,692 | 216,138,405 | 210,874,640 |
| Weighted average number of Class A shares outstanding, diluted | 216,439,077 | 220,792,711 | 222,213,743 | 457,019,507 |

See notes to consolidated financial statements.

2

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(dollars in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Comprehensive income (loss) (net of tax) | | | | |
| Net income (loss) | \$(25,972 |) \$16,656 | \$65,927 | \$99,213 |
| Foreign currency translation | 621 | 351 | 249 | (1,251 |
| Total comprehensive income (loss) | \$(25,351 |) \$17,007 | \$66,176 | \$97,962 |
| Allocation of Comprehensive Income (Loss): | | | | |
| Comprehensive income (loss) attributable to principals' and others' interests | \$(11,473 |) \$12,778 | \$42,095 | \$59,935 |
| Comprehensive income (loss) attributable to redeemable non-controlling interests | — | (2,042 |) (6 |) (1,885 |
| Comprehensive income (loss) attributable to Class A shareholders | (13,878 |) 6,271 | 24,087 | 39,912 |
| | \$(25,351 |) \$17,007 | \$66,176 | \$97,962 |

See notes to consolidated financial statements.

3

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(dollars in thousands)

| | Class A Shares | Class B Shares | Paid-In Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Fortress Shareholders' Equity | Principals' and Others' Interests in Equity of Consolidated Subsidiaries | Total Equity |
|--|----------------|----------------|-----------------|---|---|-------------------------------------|--|--------------|
| Equity - December 31, 2014 | 208,535,157 | 226,331,513 | \$1,996,137 | \$(1,350,122) | \$(2,416) | \$643,599 | \$639,356 | \$1,282,955 |
| Contributions from principals' and others' interests in equity | — | — | — | — | — | — | 70,602 | 70,602 |
| Distributions to principals' and others' interests in equity (net of tax) | — | — | — | — | — | — | (234,946) | (234,946) |
| Dividends declared | — | — | (113,758) | — | — | (113,758) | — | (113,758) |
| Dividend equivalents accrued in connection with equity-based compensation (net of tax) | — | — | (2,660) | — | — | (2,660) | (4,643) | (7,303) |
| Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units | — | — | 4,922 | — | — | 4,922 | 147 | 5,069 |
| Director restricted share grant | 111,969 | — | 271 | — | — | 271 | 289 | 560 |
| Capital increase related to equity-based compensation, net | 7,066,934 | — | 16,232 | — | — | 16,232 | 17,374 | 33,606 |

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|---|-------------|-------------|-------------|---------------|-----------|-----------|-----------|-------------|
| Dilution impact of equity transactions (Note 6) | — | — | 8,205 | — | 213 | 8,418 | (8,418 |) — |
| Comprehensive income (loss) (net of tax) | | | | | | | | |
| Net income (loss) (excludes loss allocated to redeemable non-controlling interests) | — | — | — | 23,784 | — | 23,784 | 42,149 | 65,933 |
| Foreign currency translation | — | — | — | — | 303 | 303 | (54 |) 249 |
| Total comprehensive income (loss) | | | | | | 24,087 | 42,095 | 66,182 |
| Equity - September 30, 2015 | 215,714,060 | 226,331,513 | \$1,909,349 | \$(1,326,338) | \$(1,900) | \$581,111 | \$521,856 | \$1,102,967 |

See notes to consolidated financial statements.

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(dollars in thousands)

| | Nine Months Ended September 30, | |
|---|---------------------------------|-----------|
| | 2015 | 2014 |
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$65,927 | \$99,213 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 34,201 | 14,335 |
| Other amortization (included in interest expense) | 585 | 585 |
| (Earnings) losses from equity method investees | 16,808 | (81,750) |
| Distributions of earnings from equity method investees | 32,345 | 78,337 |
| (Gains) losses | 15,114 | 30,108 |
| Deferred incentive income | (115,892) | (66,778) |
| Deferred tax (benefit) expense | (5,786) | 8,426 |
| Options received from affiliates | (25,158) | (6,309) |
| Tax receivable agreement liability adjustment | 7,890 | 4,036 |
| Equity-based compensation | 32,562 | 29,584 |
| Options in affiliates granted to employees | 1,912 | 759 |
| Other | 1,096 | (654) |
| Transfer of interest in Graticule (see Note 1) | 101,000 | — |
| Gain on transfer of Graticule (see Note 1) | (134,400) | — |
| Cash flows due to changes in | | |
| Due from affiliates | 8,185 | (13,183) |
| Other assets | (10,113) | 22,945 |
| Accrued compensation and benefits | (59,386) | (81,405) |
| Due to affiliates | (7,050) | (21,685) |
| Deferred incentive income | 146,001 | 99,553 |
| Other liabilities | 37,525 | 38,884 |
| Purchase of investments by consolidated funds | (134,474) | (400,640) |
| Proceeds from sale of investments by consolidated funds | 85,313 | 386,242 |
| Receivables from brokers and counterparties | (1,694) | (40,825) |
| Due to brokers and counterparties | 3,421 | 12,577 |
| Net cash provided by (used in) operating activities | 95,932 | 112,355 |
| Cash Flows From Investing Activities | | |
| Contributions to equity method investees | (26,435) | (21,537) |
| Distributions of capital from equity method investees | 181,874 | 368,373 |
| Purchase of securities | (883) | (14,936) |
| Proceeds from sale of securities | 18,101 | 83,039 |
| Proceeds from exercise of options | 51,543 | — |
| Purchase of fixed assets | (19,848) | (7,631) |
| Purchase of software and technology-related assets | — | (25,976) |
| Net cash provided by (used in) investing activities | 204,352 | 381,332 |

Continued on next page.

Table of Contents

FORTRESS INVESTMENT GROUP LLC

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

| | Nine Months Ended September 30, | |
|---|---------------------------------|------------|
| | 2015 | 2014 |
| Cash Flows From Financing Activities | | |
| Repayments of debt obligations | — | (50,000) |
| Borrowings under debt obligations | — | 125,000 |
| Proceeds from public offering (Note 8) | — | 186,551 |
| Repurchase of Class B shares (Note 8) | — | (186,551) |
| Payments to repurchase Class A shares (Note 8) | (9,676) | (363,410) |
| Dividends and dividend equivalents paid | (122,663) | (88,617) |
| Principals' and others' interests in equity of consolidated subsidiaries - contributions | 1,285 | 600 |
| Principals' and others' interests in equity of consolidated subsidiaries - distributions | (225,994) | (152,686) |
| Excess tax benefits from delivery of RSUs | 4,476 | 3,030 |
| Redeemable non-controlling interests - (distributions) contributions | (1,692) | 16,253 |
| Net cash provided by (used in) financing activities | (354,264) | (509,830) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (53,980) | (16,143) |
| Cash and Cash Equivalents, Beginning of Period | 391,089 | 364,583 |
| Cash and Cash Equivalents, End of Period | \$337,109 | \$348,440 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the period for interest | \$1,552 | \$1,500 |
| Cash paid during the period for income taxes | \$10,376 | \$4,207 |
| Supplemental Schedule of Non-cash Investing and Financing Activities | | |
| Employee compensation invested directly in subsidiaries | \$69,244 | \$59,285 |
| Investments of incentive receivable amounts into Fortress Funds | \$137,561 | \$256,993 |
| Dividends, dividend equivalents and Fortress Operating Group unit distributions declared but not yet paid | \$5,774 | \$— |
| Retained equity interest related to Graticule transfer (Note 1) | \$33,400 | \$— |
| Non-cash redeemable non-controlling interest - contributions | \$— | \$20,519 |

See notes to consolidated financial statements.

6

Table of Contents

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

1) Private equity:

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

Entities which Fortress collectively refers to as "permanent capital vehicles" which includes (i) Newcastle Investment Corp. ("Newcastle"), New Residential Investment Corp. ("New Residential"), Eurocastle Investment Limited ("Eurocastle"), New Media Investment Group Inc. ("New Media"), New Senior Investment Group Inc. ("New Senior") and Fortress Transportation and Infrastructure Investors LLC ("FTAI"), which are publicly traded companies that are externally managed by Fortress pursuant to management agreements (collectively referred to as the "publicly traded permanent capital vehicles") and

b) (ii) FHC Property Management LLC, (together with its subsidiaries, referred to as "Blue Harbor"), a senior living property management business. The publicly traded permanent capital vehicles invest in a wide variety of real estate related assets, including securities, loans, real estate properties and mortgage servicing related assets, media assets and transportation and infrastructure assets. All of the capital of Worldwide Transportation and Infrastructure Investors ("WWTAI"), a private fund managed by Fortress, was contributed to FTAI which completed its initial public offering ("IPO") in May 2015 (see Note 2).

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

On January 5, 2015, Fortress Asia Macro Funds and related managed accounts became the first group of funds to join Fortress's affiliated manager platform ("Affiliated Managers") as they transitioned to an autonomous asset management business named Graticule Asset Management Asia, L.P. ("Graticule"). Fortress retained a perpetual minority interest in Graticule amounting to 30% of earnings during 2015 and declining to approximately 27% of earnings over time. Fortress also receives additional fees for providing infrastructure services (technology, back office, and related services) to Graticule. Fortress will continue to earn fees for providing services to Graticule through the effective date of the termination. Fortress recorded the results of this transaction at fair value. During the nine months ended September 30, 2015, Fortress recorded a non-cash gain of \$134.4 million, non-cash expense of \$101.0 million related to the fair value of the controlling interest in Graticule transferred to a former senior employee for no

consideration, and \$33.4 million from its resulting retained interest as an equity method investment. Fortress utilized an income approach to value Graticule, its retained interest in Graticule and the controlling interest in Graticule which was transferred. This approach relies on a number of factors, including actual operating results, discount rates and economic projections. 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.

During 2015, Fortress determined that certain software and technology-related assets which were used in its liquid hedge funds business had not met certain growth and performance targets which triggered an asset impairment test. As a result of this test, \$10.7 million and \$18.2 million of assets were written off and included in Depreciation and Amortization for the three months and nine months ended September 30, 2015, respectively.

On October 13, 2015, Fortress announced that it will close the Fortress Macro Funds and related managed accounts and Fortress expects to return most capital to investors by the end of 2015. (See Note 11).

Table of Contents

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

3) Credit funds:

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

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

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

FINANCIAL STATEMENT GUIDE

| Selected Financial Statement Captions | Note Reference | Explanation |
|--|----------------|--|
| Balance Sheet | | |
| Due from Affiliates | 6 | Generally, management fees, expense reimbursements and incentive income due from Fortress Funds. |
| Investments and Investments in Options | 3 | Primarily the carrying value of Fortress’s investments in the Fortress Funds. |
| Deferred Tax Asset, net | 5 | Relates to potential future net tax benefits. |
| Due to Affiliates | 6 | Generally, amounts due to the Principals related to their interests in Fortress Operating Group and the tax receivable agreement. |
| Deferred Incentive Income | 2 | Incentive income already received from certain Fortress Funds based on past performance, which is subject to contingent repayment based on future performance. |

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| | | |
|--|---|---|
| Debt Obligations Payable | 4 | The balance outstanding on the credit agreement. |
| Principals' and Others' Interests in Equity of Consolidated Subsidiaries | 6 | The GAAP basis of the Principals' and a former senior employee's ownership interests in Fortress Operating Group as well as employees' ownership interests in certain subsidiaries. |
| Statement of Operations | | |
| Management Fees: Affiliates | 2 | Fees earned for managing Fortress Funds and other affiliates, generally determined based on the size of such funds. |
| Management Fees: Non-Affiliates | 2 | Fees earned from managed accounts and the traditional fixed income asset management business, generally determined based on the amount managed. |

Continued on next page.

Table of Contents

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

FINANCIAL STATEMENT GUIDE

| Selected Financial Statement Captions | Note Reference | Explanation |
|---|----------------|---|
| Incentive Income: Affiliates | 2 | Income earned from Fortress Funds, based on the performance of such funds. |
| Incentive Income: Non- Affiliates | 2 | Income earned from managed accounts, based on the performance of such accounts. |
| Compensation and Benefits | 7 | Includes equity-based, profit-sharing and other compensation to employees. |
| Gains (Losses) | 3 | The result of asset dispositions or changes in the fair value of investments or other financial instruments which are marked to market (including the publicly traded permanent capital vehicles and publicly traded portfolio companies). |
| Tax Receivable Agreement Liability Adjustment | 5 | Represents a change in the amount due to the Principals under the tax receivable agreement. |
| Earnings (Losses) from Equity Method Investees | 3 | Fortress's share of the net earnings (losses) of the Fortress Funds resulting from its investments in these funds. |
| Income Tax Benefit (Expense) | 5 | The net tax result related to the current period. Certain of Fortress's revenues are not subject to taxes because they do not flow through taxable entities. Furthermore, Fortress has significant permanent differences between its GAAP and tax basis earnings. |
| Principals' and Others' Interests in (Income) Loss of Consolidated Subsidiaries | 6 | Primarily the Principals' and employees' share of Fortress's earnings based on their ownership interests in subsidiaries, including Fortress Operating Group. |
| Earnings Per Share | 8 | GAAP earnings per Class A share based on Fortress's capital structure, which is comprised of outstanding and unvested equity interests, including interests which participate in Fortress's earnings, at both the Fortress and subsidiary levels. |

Other

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| | | |
|------------------------|----|---|
| Distributions | 8 | A summary of dividends and distributions, and the related outstanding shares and units, is provided. |
| Distributable Earnings | 10 | A presentation of Fortress's financial performance by segment (fund type) is provided, on the basis of the operating performance measure used by Fortress's management committee. |

Recent Accounting Pronouncements

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

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

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 eliminates the deferral of Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46 (R) previously provided to investment companies and certain other entities pursuant to ASC

Table of Contents

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

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

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

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

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

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

The primary beneficiary of a VIE is generally defined as the party who has a controlling financial interest in the VIE. Fortress is generally deemed to have a controlling financial interest in a VIE if it has (i) the power to direct the

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

For VOEs, Fortress shall consolidate the entity if it has a controlling financial interest. Fortress has a controlling financial interest in a VOE if (i) for legal entities other than limited partnerships, Fortress owns a majority voting interest in the VOE or, for limited partnerships and similar entities, Fortress owns a majority of the entity's kick-out rights through voting limited partnership interests

Table of Contents

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

and (ii) non-controlling shareholders or partners do not hold substantive participating rights and no other conditions exist that would indicate that Fortress does not control the entity.

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

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

Distributions by Fortress and its subsidiaries are recognized when declared.

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

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

Adoption of ASU No. 2015-02, Consolidation

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

The accompanying consolidated financial statements and related footnotes of Fortress have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under GAAP have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of Fortress's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other

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interim period or for the entire year. These financial statements should be read in conjunction with Fortress's consolidated financial statements for the year ended December 31, 2014 and footnotes thereto included in Fortress's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2015, as revised in Fortress's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 7, 2015. Capitalized terms used herein, and not otherwise defined, are defined in Fortress's consolidated financial statements for the year ended December 31, 2014.

All significant intercompany accounts and transactions have been eliminated.

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

Table of Contents

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

2. MANAGEMENT AGREEMENTS AND FORTRESS FUNDS

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

Management Fees and Incentive Income

Fortress recognized management fees and incentive income as follows:

| | Three Months Ended September | | Nine Months Ended September | |
|----------------------------------|------------------------------|----------|-----------------------------|-----------|
| | 30, | 2014 | 30, | 2014 |
| | 2015 | | 2015 | |
| Private Equity | | | | |
| Private Equity Funds | | | | |
| Management fees: affil. | \$28,515 | \$33,585 | \$86,877 | \$104,228 |
| Management fees: non-affil. | — | 53 | — | 364 |
| Incentive income: affil. | — | — | — | 22,094 |
| Permanent Capital Vehicles | | | | |
| Management fees: affil. | 26,932 | 17,519 | 68,210 | 49,015 |
| Management fees, options: affil. | — | 4,705 | 25,158 | 6,309 |
| Management fees: non-affil. | 436 | 667 | 1,368 | 2,358 |
| Incentive income: affil. | (2,625 |) 8,887 | 23,119 | 32,142 |
| Liquid Hedge Funds | | | | |
| Management fees: affil. | 14,004 | 29,263 | 49,137 | 86,328 |
| Management fees: non-affil. | 1,700 | 4,470 | 6,248 | 17,045 |
| Incentive income: affil. | 142 | 700 | 195 | 1,686 |
| Incentive income: non-affil. | — | — | 39 | 44 |
| Credit Funds | | | | |
| Credit Hedge Funds | | | | |
| Management fees: affil. | 35,395 | 28,755 | 94,883 | 84,044 |
| Management fees: non-affil. | 15 | 41 | 38 | 85 |
| Incentive income: affil. | 1,512 | 8,282 | 23,681 | 26,015 |
| Incentive income: non-affil. | — | — | — | — |
| Credit PE Funds | | | | |
| Management fees: affil. | 28,956 | 23,540 | 86,343 | 71,799 |
| Management fees: non-affil. | 30 | 31 | 88 | 99 |

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| | | | | |
|------------------------------|------------|------------|------------|------------|
| Incentive income: affil. | 49,744 | 13,072 | 108,153 | 43,697 |
| Incentive income: non-affil. | 439 | 343 | 696 | 986 |
| Logan Circle | | | | |
| Management fees: affil. | 612 | 768 | 2,449 | 2,167 |
| Management fees: non-affil. | 13,219 | 11,512 | 37,915 | 32,161 |
| Incentive income: affil. | — | — | 6 | — |
| Incentive income: non-affil. | — | — | — | — |
| Total | | | | |
| Management fees: affil. | \$ 134,414 | \$ 138,135 | \$ 413,057 | \$ 403,890 |
| Management fees: non-affil. | \$ 15,400 | \$ 16,774 | \$ 45,657 | \$ 52,112 |
| Incentive income: affil. (A) | \$ 48,773 | \$ 30,941 | \$ 155,154 | \$ 125,634 |
| Incentive income: non-affil. | \$ 439 | \$ 343 | \$ 735 | \$ 1,030 |

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

Table of Contents

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

Deferred Incentive Income

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

Incentive income from certain Fortress Funds is earned based on achieving annual performance criteria. Accordingly, this incentive income is recorded as revenue at year end (in the fourth quarter of each year), is generally received subsequent to year end, and has not been recognized for these funds during the nine months ended September 30, 2015 and 2014. If the amount of incentive income contingent on achieving annual performance criteria was not contingent on the results of the subsequent quarters, \$46.7 million and \$77.1 million of additional incentive income would have been recognized during the nine months ended September 30, 2015 and 2014, respectively. Incentive income based on achieving annual performance criteria that has not yet been recognized, if any, is not recorded on the balance sheet and is included as “undistributed” deferred incentive income in the table below.

During the nine months ended September 30, 2015 and 2014, Fortress recognized \$108.8 million and \$43.7 million, respectively, of incentive income distributions from its credit PE funds which were non-clawbackable or represented “tax distributions.” Tax distributions are not subject to clawback and reflect a cash amount approximately equal to the amount expected to be paid out by Fortress for taxes or tax-related distributions on the allocated income from such funds.

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

| | Distributed-Gross | Distributed-Recognized (A) | Distributed-Unrecognized (B) | Undistributed, net of intrinsic clawback (C) (D) |
|--|-------------------|-------------------------------|---------------------------------|---|
| Deferred incentive income as of December 31, 2014 | \$ 1,243,441 | \$ (938,915) | \$ 304,526 | \$868,549 |
| Share of income (loss) of Fortress Funds | N/A | N/A | N/A | 182,794 |
| Distribution of private equity funds, credit PE funds and permanent capital vehicles | 153,206 | N/A | 153,206 | (153,206) |
| incentive income | 6,299 | N/A | 6,299 | (6,299) |

Distribution of private permanent capital vehicle incentive income through IPO in May 2015

| | | | | |
|--|------------------|-----------------|------------|----------------|
| Recognition of previously deferred incentive income | N/A | (115,892) | (115,892) | N/A |
| Changes in foreign exchange rates | 128 | — | 128 | N/A |
| Deferred incentive income as of September 30, 2015 | \$ 1,403,074 (E) | \$ (1,054,807) | \$ 348,267 | \$ 891,838 (E) |
| Deferred incentive income including Fortress Funds which matured | \$ 1,456,730 | \$ (1,108,463) | | |

(A) All related contingencies have been resolved.

(B) Reflected on the consolidated balance sheet.

At September 30, 2015, the net undistributed incentive income is comprised of \$958.7 million of gross undistributed incentive income, net of \$66.9 million of intrinsic clawback. The net undistributed incentive income represents the amount that would be received by Fortress from the related funds if such funds were liquidated on September 30, 2015 at their net asset values.

From inception to September 30, 2015, Fortress has paid \$657.8 million of compensation expense under its employee profit sharing arrangements (Note 7) in connection with distributed incentive income, of which \$21.5 million has not been expensed because management has determined that it is not probable of being incurred as an expense and will be recovered from the related individuals. As of September 30, 2015, Fortress has recovered \$6.4 million from individuals relating to their clawback obligations. If the \$958.7 million of gross undistributed incentive income were realized, Fortress would recognize and pay an additional \$462.7 million of compensation expense.

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

Table of Contents

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

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

| | September 30, 2015 | |
|--|--------------------|---|
| Distributed incentive income - Private Equity Funds | \$846,671 | |
| Distributed incentive income - Private Equity Funds in Investment Period or Commitment Period | — | |
| Distributed incentive income - Credit PE Funds | 872,535 | |
| Distributed incentive income - Credit PE Funds in Investment Period or Commitment Period | 4,776 | |
| Distributed incentive income - Permanent Capital Vehicles (see footnote (P) of incentive income threshold tables) | 7,043 | |
| Distributed incentive income subject to clawback - Permanent Capital Vehicles | 1,234 | |
| Less: | | |
| Fortress Funds which are not subject to a clawback provision: | | |
| — NIH | (94,513 |) |
| — GAGACQ Fund | (51,476 |) |
| Portion of Fund I distributed incentive income that Fortress is not entitled to (see footnote K of incentive income threshold tables) | (183,196 |) |
| Distributed-Gross | \$1,403,074 | |

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

| | September 30, 2015 | |
|---|--------------------|---|
| Undistributed incentive income - Private Equity Funds | \$26,019 | |
| Undistributed incentive income - Private Equity Funds in Investment Period or Commitment Period | — | |
| Undistributed incentive income - Credit PE Funds | 788,129 | |
| Undistributed incentive income - Credit PE Funds in Investment Period or Commitment Period | 29,784 | |
| Undistributed incentive income - Permanent Capital Vehicles | 717 | |
| Undistributed incentive income - Hedge Funds (total) | 114,052 | |
| Undistributed incentive income - Logan Circle | 40 | |
| Less: Gross intrinsic clawback per incentive income threshold tables - Private Equity Funds | (66,903 |) |
| Undistributed, net of intrinsic clawback | \$891,838 | |

Table of Contents

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

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

| Fund (Vintage) (A) | Maturity Date (B) | Inception to Date Capital Investment | Inception to Date Distributions | NetNAV Ass. Surplus (Net Deficit) (C) | Current Preferred Return Threshold (D) | Gain to Cross Incentive Income Threshold (E) | Undistributed Incentive Income (F) | Distributed Incentive Income (G) | Distributed Incentive Income Subject to Clawback (I) | Incentive Subject to Clawback (I) | Gr. Intra-Cluster (J) |
|--|-------------------|--------------------------------------|---------------------------------|---------------------------------------|--|--|------------------------------------|----------------------------------|--|-----------------------------------|-----------------------|
| Private Equity Funds | | | | | | | | | | | |
| NIH (1998) | Closed Jun-15 | \$415,574 | \$(823,588) | \$—\$ N/A | \$ N/A | \$ N/A | \$— | \$94,513 | \$— | \$— | \$— |
| Fund I (1999) (K) | Closed May-13 | 1,015,943 | (2,847,929) | — N/A | N/A | N/A | — | 344,939 | — | — | — |
| Fund II (2002) | In Liquidation | 1,974,298 | (3,442,900) | 3,517,472,119 | — | N/A | 693 | 288,840 | — | — | — |
| Fund III (2004) | In Liquidation | 2,762,992 | (2,138,524) | 816,192,1313 | 2,224,080 | 2,031,767 | — | 66,903 | 66,903 | 66,903 | 66,903 |
| Fund III Coinvestment (2004) | In Liquidation | 273,649 | (225,188) | 67,237,776 | 260,260 | 241,484 | — | — | — | — | — |
| Fund IV (2006) | Jan-17 | 3,639,561 | (1,379,499) | 2,027,375,002 | 3,027,606 | 3,259,908 | — | — | — | — | — |
| Fund IV Coinvestment (2006) | Jan-17 | 762,696 | (279,310) | 382,006,310 | 646,990 | 748,300 | — | — | — | — | — |
| Fund V (2007) | Feb-18 | 4,103,713 | (1,438,812) | 5,123,478,299 | 2,587,921 | 343,174 | 8,686 | — | — | — | — |
| Fund V Coinvestment (2007) | Feb-18 | 990,480 | (173,588) | 504,312,557 | 738,333 | 1,050,890 | — | — | — | — | — |
| GAGACQ Fund (2004) (GAGFAH) | Closed Nov-09 | 545,663 | (595,401) | — N/A | N/A | N/A | — | 51,476 | — | — | — |
| FRID (2005) (GAGFAH) | Closed Nov-14 | 1,220,229 | (1,202,153) | — N/A | N/A | N/A | — | — | — | — | — |
| FRIC (2006) (Brookdale) | Closed Dec-14 | 328,754 | (291,330) | — N/A | N/A | N/A | — | — | — | — | — |
| FICO (2006) (Intrawest) | Jan-17 | 724,525 | — | (64,589,108) | 683,691 | 1,472,799 | — | — | — | — | — |
| FHIF (2006) (Holiday) | Jan-17 | 1,543,463 | (788,152) | 1,403,075,24 | 1,289,597 | 641,873 | — | — | — | — | — |
| FECI (2007) (Florida East Coast Railway/Florida) | Feb-18 | 982,779 | (472) | 951,861,446 | 854,079 | 884,525 | — | — | — | — | — |

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East Coast
Industries)

| | | | | | | | | | | | |
|---------------------------------------|--------|---------|------------|---------|-----|---|-----|--------|---|---|---|
| MSR Opportunities Fund I A (2012) | Aug-22 | 341,135 | (157,585) | 292,006 | 426 | — | N/A | 10,535 | — | — | — |
| MSR Opportunities Fund I B (2012) | Aug-22 | 82,760 | (38,110) | 70,264 | 264 | — | N/A | 2,625 | — | — | — |
| MSR Opportunities Fund II A (2013) | Jul-23 | 160,653 | (25,540) | 154,859 | 37 | — | N/A | 2,795 | — | — | — |
| MSR Opportunities Fund II B (2013) | Jul-23 | 2,291 | (356) | 2,127 | — | — | N/A | 38 | — | — | — |
| MSR Opportunities MA I (2013) | Jul-23 | 36,868 | (5,851) | 35,399 | 82 | — | N/A | 647 | — | — | — |

\$26,019 \$846,671 \$66,903 \$66

Private Equity Funds in Investment or
Commitment Period

| | | | | | | | | | | | |
|---|--------|--------|----------|--------|-----|---------|-------|-----|-----|-----|-----|
| Italian NPL Opportunities Fund (2013) | Sep-24 | 32,399 | (5,784) | 24,712 | 843 |) 2,224 | 4,067 | — | — | — | — |
| | | | | | | | | \$— | \$— | \$— | \$— |

Continued on next page.

Table of Contents

FORTRESS INVESTMENT GROUP LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

SEPTEMBER 30, 2015

(dollars in tables in thousands, except share data)

| Fund (Vintage) (A) | Maturity Date (B) | Inception to Date Capital Investment | Inception to Date Distributions | Net Asset Value ("NAV") | NAV Surplus (Deficit) (D) | Current Preferred Return Threshold | Gain to Cross Incentive Income Threshold (E) | Undistributed Incentive Income (G) | Distributed Incentive Income (H) | Distributed Incentive Income Subject to Clawback (I) |
|------------------------------------|-------------------|--------------------------------------|---------------------------------|-------------------------|---------------------------|------------------------------------|--|------------------------------------|----------------------------------|--|
| Credit PE Funds | | | | | | | | | | |
| Long Dated Value Fund I (2005) | Apr-30 | \$267,325 | \$(127,971) | \$277,540 | \$138,186 | \$156,857 | \$18,671 | \$— | \$— | \$— |
| Long Dated Value Fund II (2005) | Nov-30 | 274,280 | (150,977) | 195,832 | 72,529 | 125,292 | 52,763 | — | 412 | — |
| Long Dated Value Fund III (2007) | Feb-32 | 343,156 | (284,616) | 186,486 | 127,946 | — | N/A | 17,035 | 7,571 | — |
| LDVF Patent Fund (2007) | Nov-27 | 41,928 | (35,027) | 31,100 | 24,199 | — | N/A | 961 | 1,471 | — |
| Real Assets Fund (2007) | Jun-17 | 359,024 | (353,729) | 104,507 | 99,212 | — | N/A | 8,124 | 7,231 | — |
| Credit | | | | | | | | | | |
| Opportunities Fund (2008) | Oct-20 | 5,649,869 | (7,225,510) | 1,082,690 | 2,658,331 | — | N/A | 129,394 | 392,782 | 144,574 |
| Credit | | | | | | | | | | |
| Opportunities Fund II (2009) | Jul-22 | 2,337,463 | (2,589,356) | 951,331 | 1,203,224 | — | N/A | 110,425 | 125,584 | 55,357 |
| Credit | | | | | | | | | | |
| Opportunities Fund III (2011) | Mar-24 | 3,269,171 | (1,708,757) | 2,261,216 | 700,802 | — | N/A | 106,384 | 30,908 | — |
| FCO Managed Accounts (2008 - 2012) | Apr-22 to Mar-24 | 4,348,308 | (3,519,377) | 2,324,753 | 1,495,822 | — | N/A | 171,210 | 116,155 | 43,833 |
| SIP Managed Account (2010) | Sep-20 | 11,000 | (39,230) | 10,540 | 38,770 | — | N/A | 2,635 | 5,646 | — |
| Japan Opportunity Fund (2009) | Jun-19 | 911,118 | (1,436,871) | 647,800 | 1,173,553 | — | N/A | 119,472 | 128,070 | 22,266 |
| Net Lease Fund I (2010) | Dec-15 | 152,851 | (225,430) | 1,676 | 74,255 | — | N/A | 215 | 9,528 | 5,927 |
| Real Estate | | | | | | | | | | |
| Opportunities Fund (2011) | Sep-24 | 540,615 | (338,996) | 373,451 | 171,832 | — | N/A | 12,026 | 2,961 | 2,288 |
| Global | | | | | | | | | | |
| Opportunities Fund (2010) | Sep-20 | 327,126 | (159,563) | 246,428 | 78,865 | — | N/A | 13,403 | 1,969 | 1,969 |
| Japan Opportunity Fund II (Yen) | Dec-21 | 675,930 | (314,995) | 710,300 | 349,365 | — | N/A | 54,795 | 16,241 | — |

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(2011)

| | | | | | | | | | | |
|---------------------------------------|--------|---------|------------|---------|---------|---|-----|--------|--------|---|
| Japan Opportunity Fund II (Dollar) | Dec-21 | 653,402 | (308,516) | 671,233 | 326,347 | — | N/A | 39,653 | 23,343 | — |
|---------------------------------------|--------|---------|------------|---------|---------|---|-----|--------|--------|---|

(2011)

| | | | | | | | | | | |
|---|--------|--------|-----------|--------|--------|---|-----|-------|-------|-------|
| Real Estate Opportunities REOC Fund | Oct-23 | 57,131 | (40,374) | 42,183 | 25,426 | — | N/A | 2,397 | 2,663 | 1,168 |
|---|--------|--------|-----------|--------|--------|---|-----|-------|-------|-------|

(2011)

\$788,129 \$872,535 \$277,382

Credit PE Funds in Investment or
Commitment Period

| | | | | | | | | | | |
|--|---------------------|-----------|-------------|-----------|-----------|---------|---------|----------|---------|---------|
| FCO Managed Accounts (2010-2015) | Jun-24 to Feb-28 | \$822,318 | \$(305,086) | \$678,177 | \$160,945 | \$5,558 | \$6,230 | \$24,215 | \$4,776 | \$2,748 |
|--|---------------------|-----------|-------------|-----------|-----------|---------|---------|----------|---------|---------|

| | | | | | | | | | | |
|---------------------------------|--------|---------|------------|--------|-----------|--------|---------|---|---|---|
| Life Settlements Fund (2010) | Dec-22 | 406,548 | (299,330) | 73,649 | (33,569) | 84,746 | 118,315 | — | — | — |
|---------------------------------|--------|---------|------------|--------|-----------|--------|---------|---|---|---|

| | | | | | | | | | | |
|------------------------------------|--------|--------|-----------|-------|----------|-------|-------|---|---|---|
| Life Settlements Fund MA (2010) | Dec-22 | 33,321 | (24,482) | 5,818 | (3,021) | 6,956 | 9,977 | — | — | — |
|------------------------------------|--------|--------|-----------|-------|----------|-------|-------|---|---|---|

| | | | | | | | | | | |
|--|--------|---------|-----------|---------|--------|---|-----|-------|---|---|
| Real Estate Opportunities Fund II (2014) | May-27 | 337,247 | (55,181) | 308,785 | 26,719 | — | N/A | 4,587 | — | — |
|--|--------|---------|-----------|---------|--------|---|-----|-------|---|---|

| | | | | | | | | | | |
|---|--------|---------|---|---------|-------|---|-----|-----|---|---|
| Japan Opportunity Fund III (Yen) (2014) | Dec-24 | 113,108 | — | 118,705 | 5,597 | — | N/A | 535 | — | — |
|---|--------|---------|---|---------|-------|---|-----|-----|---|---|

| | | | | | | | | | | |
|--|--------|---------|---|---------|-------|---|-----|-----|---|---|
| Japan Opportunity Fund III (Dollar) (2014) | Dec-24 | 106,040 | — | 110,384 | 4,344 | — | N/A | 411 | — | — |
|--|--------|---------|---|---------|-------|---|-----|-----|---|---|

| | | | | | | | | | | |
|---|--------|---------|--------|---------|-------|-------|-------|---|---|---|
| Credit Opportunities Fund IV (2015) | Feb-27 | 316,712 | (931) | 321,071 | 5,290 | 8,939 | 3,649 | — | — | — |
|---|--------|---------|--------|---------|-------|-------|-------|---|---|---|

| | | | | | | | | | | |
|---|--------|-------|---|-------|-----|---|-----|----|---|---|
| Global Opportunities Fund II (2015) | Jul-26 | 6,493 | — | 6,680 | 187 | — | N/A | 36 | — | — |
|---|--------|-------|---|-------|-----|---|-----|----|---|---|

\$29,784 \$4,776 \$2,748

Continued on next page.

Table of Contents

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

| Fund | Equity Eligible for Incentive (L) | Gain to Cross Incentive Income Threshold (F) | Undistributed Incentive Income (O) | Distributed Incentive Income Subject to Clawback (I) | Life-to-Date Incentive Income Crystallized (P) |
|--|-----------------------------------|--|------------------------------------|--|--|
| Publicly Traded Permanent Capital Vehicles | | | | | |
| Newcastle | \$751,469 | \$ (F) | \$ N/A | — | \$ 41,283 |
| Eurocastle | 70,860 | — | 717 | 1,234 | 39,217 |
| New Residential | 2,714,461 | — | N/A | — | 79,364 |
| New Media | 645,007 | — | N/A | — | 8,862 |
| New Senior | 1,089,384 | 3,451 | N/A | — | — |
| FTAI | 1,207,494 | 10,144 | — | — | — |

Continued on next page.

Table of Contents

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

| | Incentive Income Eligible NAV (L) | Gain to Cross Incentive Income Threshold (M) | Percentage of Incentive Income Eligible NAV Above Incentive Income Threshold (N) | Undistributed Incentive Income (O) | Year to Date Incentive Income Crystallized (P) |
|--|---|---|---|--|---|
| Liquid Hedge Funds | | | | | |
| Macro Funds (Q) (T) | | | | | |
| Main fund investments | \$298,289 | \$68,242 | 0.0 | % \$— | \$— |
| Single investor funds | 812,546 | 99,864 | 0.0 | % — | 11 |
| Sidepocket investments (R) | 6,547 | 6,028 | N/A | 37 | 6 |
| Sidepocket investments - redeemers (S) | 102,319 | 64,901 | N/A | 1,405 | 115 |
| Managed accounts | 314,281 | 41,269 | 0.0 | % — | 39 |
| Fortress Convex Asia Funds (T) | | | | | |
| Main fund investments | 185,380 | 6,252 | 43.8 | % 216 | 58 |
| Fortress Partners Funds (T) | | | | | |
| Main fund investments | 2,013 | 2,916 | 0.0 | % — | 41 |
| Sidepocket investments (R) | 70,181 | 6,874 | N/A | 4,024 | — |
| Fortress Centaurus Global Funds (T) | | | | | |
| Main fund investments | 198,574 | 11,446 | 0.0 | % — | — |
| Credit Hedge Funds | | | | | |
| Special Opportunities Funds (T) | | | | | |
| Main fund investments | \$4,766,636 | \$— | 100.0 | % \$43,801 | \$770 |
| Sidepocket investments (R) | 43,864 | 6 | N/A | 3,199 | — |
| Sidepocket investments - redeemers (S) | 163,075 | 48,970 | N/A | 5,149 | — |
| Main fund investments (liquidating) (U) | 457,562 | — | 100.0 | % 55,511 | 22,792 |
| Managed accounts | 1,512 | 48,513 | 0.0 | % — | — |
| Worden Funds | | | | | |
| Main fund investments | 260,325 | 2,761 | 80.4 | % 516 | — |
| Fortress Japan Income Fund | | | | | |
| Main fund investments | 94,121 | N/A | 100.0 | % 152 | 119 |
| Value Recovery Funds (V) | | | | | |
| Managed accounts | 8,520 | 6,912 | 40.0 | % 42 | — |

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Logan Circle

| | | | | | |
|-----------------------|----------|--------|------|-------|-----|
| Main fund investments | \$66,588 | \$446 | 0.0 | % \$— | \$— |
| Managed accounts | 207,247 | 31,596 | 26.2 | % 40 | — |

18

Table of Contents

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

- (A) Vintage represents the year in which the fund was formed.
 Represents the contractual maturity date including the assumed exercise of all extension options, which in some (B) cases may require the approval of the applicable fund advisory board. Private equity funds that have reached their maturity date are included in the table to the extent they have generated incentive income.
- (C) Includes an increase to the NAV surplus related to the U.S. income tax expense of certain investment entities, which is considered a distribution for the purposes of computing incentive income.
- (D) A NAV deficit represents the gain needed to cross the incentive income threshold (as described in (F) below), excluding the impact of any relevant performance (i.e. preferred return) thresholds (as described in (E) below). For fund investors whose NAV is below the incentive income threshold, represents the gain needed for these (E) investors to achieve the current relevant performance thresholds, assuming the gain described in (D) above is already achieved.
 For fund investors whose NAV is below the incentive income threshold, represents the immediate increase in NAV needed for these investors for Fortress to begin earning incentive income, including the achievement of any relevant performance thresholds. It does not include the amount needed to earn back intrinsic clawback (see (J) below), if any. Incentive income is not recorded as revenue until it is received and any related contingencies are resolved (see (I) below). For the publicly traded permanent capital vehicles, represents the immediate increase of (F) the entity's applicable supplemental measure of operating performance needed for Fortress to begin earning incentive income. As of September 30, 2015, as a result of Newcastle not meeting the incentive income threshold, Fortress does not expect to earn incentive income from Newcastle for an indeterminate period of time. In April 2015, Fortress entered into an amended management agreement with Eurocastle, which reset the earnings threshold for Fortress to earn incentive income.
 Represents the amount of additional incentive income Fortress would receive if the fund were liquidated at the end of the period at its NAV. The undistributed incentive income amounts presented in this table are based on the (G) estimated results of the investment vehicles for the current period. These estimates are subject to change based on the final results of such vehicles. As of September 30, 2015, a portion of Fund V's capital is above their incentive income threshold.
- (H) Represents the amount of net incentive income previously received from the fund since inception.
 Represents the amount of incentive income previously received from the fund which is still subject to contingencies and is therefore recorded on the consolidated balance sheet as Deferred Incentive Income. This amount will either (I) be recorded as revenue when all related contingencies are resolved, or, if the fund does not meet certain performance thresholds, will be returned by Fortress to the fund (i.e., "clawed back").
 Represents the amount of incentive income previously received from the fund that would be clawed back (i.e., returned by Fortress to the fund) if the fund were liquidated at the end of the period at its NAV, excluding the effect of any tax adjustments. Employees, former employees and affiliates of Fortress would be required to return a portion of this incentive income that was paid to them under profit sharing arrangements. "Gross" and "Net" refer to (J) amounts that are gross and net, respectively, of this employee/affiliate portion of the intrinsic clawback. Fortress remains liable to the funds for these amounts even if it is unable to collect the amounts from employees/affiliates. Fortress withheld a portion of the amounts due to employees under these profit sharing arrangements as a reserve against future clawback; as of September 30, 2015, Fortress held \$20.7 million of such amounts on behalf of employees related to all of the private equity funds.
- (K) The Fund I distributed incentive income amount is presented for the total fund, of which Fortress was entitled to approximately 50%.
- (L) Represents the portion of a fund's or managed account's NAV or trading level that is eligible to earn incentive income. For the publicly traded permanent capital vehicles, represents the equity basis that is used to calculate

incentive income.

Represents, for those investors whose NAV is below the performance threshold Fortress needs to obtain before it can earn incentive income from such investors (their “incentive income threshold” or “high water mark”), the amount by which their aggregate incentive income thresholds exceed their aggregate NAVs. The amount by which the NAV of each investor within this category is below their respective incentive income threshold varies and,

(M) therefore, Fortress may begin earning incentive income from certain investors before this entire amount is earned back. Fortress earns incentive income whenever the assets of new investors, as well as of investors whose NAV exceeds their incentive income threshold, increase in value. For Fortress Japan Income Fund, Fortress earns incentive income based on investment income, which does not include unrealized and realized gains and losses, earned in excess of a preferred return threshold.

Represents the percentage which is computed by dividing (i) the aggregate NAV of all investors who are at or above their respective incentive income thresholds, by (ii) the total incentive income eligible NAV of the fund.

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

For hedge funds, represents the amount of additional incentive income Fortress would earn from the fund or managed account if it were liquidated at the end of the period at its NAV. This amount is currently subject to performance contingencies generally until the end of the year or, in the case of sidepocket investments, until such investments are realized. Main Fund Investments (Liquidating) pay incentive income only after all capital is returned.

(O) For the Fortress Japan Income Fund, represents the amount of incentive income Fortress would earn from the fund assuming the amount of investment income earned in excess of the preferred return threshold was distributed as of the end of the period. For the Value Recovery Fund managed accounts, Fortress can earn incentive income if aggregate realizations exceed an agreed threshold. For Eurocastle and FTAI, the amount disclosed represents the amount of additional incentive income Fortress would receive if the measurement period had occurred at the end of the reporting period. The undistributed incentive income amounts

Table of Contents

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

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

For hedge funds, represents the amount of incentive income Fortress has earned which is not subject to clawback. For the publicly traded permanent capital vehicles, represents the life-to-date incentive income amount that Fortress has earned and which is not subject to clawback. All of the capital of WWTAI, a private fund managed by Fortress, was contributed to FTAI which completed its IPO in May 2015. Fortress earned \$7.0 million in (P) life-to-date incentive income which is not subject to clawback and was not included in the table above. Of the \$7.0 million in incentive income from WWTAI, Fortress received \$5.9 million in FTAI common shares based on the share price at IPO. A portion of the incentive income crystallized amounts are based on the estimated results of the investment vehicles for the current period. These estimates are subject to change based on the final results of such vehicles.

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

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

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

(T) Includes onshore and offshore funds.

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

Excludes the Value Recovery Funds which had a NAV of \$140.8 million at September 30, 2015. Fortress began (V) managing the third party originated Value Recovery Funds in June 2009 and generally does not expect to earn any significant incentive income from the fund investments.

Private Equity Funds

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

Permanent Capital Vehicles

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

Credit Hedge Funds

In July 2015, Fortress and Mount Kellett Capital Management LP (“Mount Kellett”), a private, multi-strategy investment firm, reached an agreement for an affiliate of Fortress to become co-manager with Mount Kellett of the Mount Kellett investment funds and related accounts (collectively, the “Mount Kellett Funds”). Mount Kellett affiliates will continue to serve as general partner of the Mount Kellett Funds which have \$3.0 billion in assets under management as of September 30, 2015. The unrelated limited partners of the Mount Kellett Funds have the substantive ability to liquidate the Mount Kellett Funds or otherwise remove Mount Kellett and Fortress as general partner and co-managers.

Table of Contents

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

Credit PE Funds

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

| | Credit PE |
|---------------------------|-------------|
| Fortress | \$69,666 |
| Fortress's affiliates | 37,185 |
| Third party investors | 3,907,335 |
| Total capital commitments | \$4,014,186 |

In July 2015, Fortress formed a new credit PE fund. Fortress determined that the fund qualified as a variable interest entity and that it was the primary beneficiary and therefore consolidates the fund. The fund's unrelated limited partners shall have the substantive ability to liquidate the fund or otherwise remove Fortress as general partner without cause based on a simple unaffiliated majority vote. Fortress expects to deconsolidate the fund when sufficient third party capital is raised. Under GAAP, the fund is an investment company and, as required, Fortress has retained the specialized accounting of the fund. Consequently, Fortress's financial statements reflect the assets, liabilities, related operations and cash flows of the consolidated fund on a gross basis. The ownership interests in the fund which are not owned by Fortress are reflected as non-controlling interests in the accompanying consolidated financial statements. The fund purchased an option to acquire an equity interest in a company and has the right to exercise the option by April 2016. In the event that the option is not exercised, Fortress would be required to write-off its investment in the fund. The fund had a net asset value of \$35.1 million as of September 30, 2015 and is included in the consolidated balance sheet. Fortress has no obligation to satisfy the liabilities of the consolidated fund. Similarly, Fortress does not have the right to make use of the consolidated fund's assets to satisfy its obligations.

Logan Circle

During the nine months ended September 30, 2015, Logan Circle, which represents Fortress's traditional asset management business, formed two new entities with net asset values as follows as of September 30, 2015:

| | Logan Circle |
|-----------------------|--------------|
| Fortress | \$9,940 |
| Third party investors | 152,870 |
| Total capital NAV | \$162,810 |

Table of Contents

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

3. INVESTMENTS AND FAIR VALUE

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

Investments can be summarized as follows:

| | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| Equity method and other investees | \$1,102,166 | \$1,106,338 |
| Equity method investees, held at fair value (A) | 23,277 | 15,207 |
| Total investments | \$1,125,443 | \$1,121,545 |
| Options in equity method investees | \$33,849 | \$71,844 |

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

Gains (losses) are summarized as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net realized gains (losses) | \$366 | \$(15,894) | \$1,679 | \$(18,302) |
| Net realized gains (losses) from affiliate investments (A) | 156 | 3,640 | 32,857 | 47,988 |
| Net unrealized gains (losses) | (6,493) | 17,598 | (4,893) | 15,639 |
| Net unrealized gains (losses) from affiliate investments (A) | (33,917) | (29,261) | (44,757) | (75,433) |
| Total gains (losses) | \$(39,888) | \$(23,917) | \$(15,114) | \$(30,108) |

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

These gains (losses) were generated as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Mark to fair value on affiliate investments and options | \$(33,795) | \$(25,343) | \$(11,897) | \$(27,189) |
| Mark to fair value on derivatives | (2,497) | 11,994 | 2,520 | 8,300 |
| Mark to fair value on equity securities | — | (98) | (509) | 672 |
| Gains (losses) on digital currency (Bitcoin) | (495) | (5,541) | (1,670) | (7,813) |
| Other | (3,101) | (4,929) | (3,558) | (4,078) |
| Total gains (losses) | \$(39,888) | \$(23,917) | \$(15,114) | \$(30,108) |

Table of Contents

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

Investments

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

| | Fortress's Investment | | Earnings (Losses) from Equity Method Investees | | | | |
|--|-----------------------|----------------------|--|------------|------------------------------------|------------|---|
| | September 30, 2015 | December 31, 2014 | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
| | | | 2015 | 2014 | 2015 | 2014 | |
| Private equity funds | \$634,142 | \$677,366 | \$(16,801 |) \$31,278 | \$(24,620 |) \$48,628 | |
| Publicly traded portfolio companies (A)(B) | 1,150 | 1,035 | N/A | N/A | N/A | N/A | |
| FTAI (B) | 9,604 | 5,284 | N/A | (6 |) 89 | (64 |) |
| Newcastle (B) | 759 | 776 | N/A | N/A | N/A | N/A | |
| New Residential (B) | 6,793 | 6,622 | N/A | N/A | N/A | N/A | |
| Eurocastle (B) | 2,005 | 2,162 | N/A | N/A | N/A | N/A | |
| New Media (B) | 1,158 | 1,769 | N/A | N/A | N/A | N/A | |
| New Senior (B) | 1,808 | 2,843 | N/A | N/A | N/A | N/A | |
| Total private equity | 657,419 | 697,857 | (16,801 |) 31,272 | (24,531 |) 48,564 | |
| Liquid hedge funds (C) | 175,656 | 167,630 | (5,447 |) 515 | (4,929 |) 3,801 | |
| Credit hedge funds | 44,049 | 57,224 | 488 | 1,595 | 3,446 | 6,404 | |
| Credit PE funds | 224,963 | 183,127 | (323 |) 4,810 | 9,742 | 22,204 | |
| Other | 23,356 | 15,707 | (112 |) 736 | (536 |) 777 | |
| | \$1,125,443 | \$1,121,545 | \$(22,195 |) \$38,928 | \$(16,808 |) \$81,750 | |

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

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

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

Table of Contents

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

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

| | Nine Months Ended September 30, 2015 | | | | | | | |
|---|--------------------------------------|---|--------------------------------|------------------------|--------------------|-----------------|----------|-------------|
| | Private Equity | | | | | | | |
| | Funds | Publicly Traded Portfolio Companies (A) | Permanent Capital Vehicles (A) | Liquid Hedge Funds (B) | Credit Hedge Funds | Credit PE Funds | Other | Total |
| Investment, beginning | \$677,366 | \$1,035 | \$19,456 | \$167,630 | \$57,224 | \$183,127 | \$15,707 | \$1,121,545 |
| Earnings from equity method investees | (24,620) | N/A | 89 | (4,929) | 3,446 | 9,742 | (536) | (16,808) |
| Contributions to equity method and other investees (C) | 2,000 | 50 | 7,742 | 13,787 | 117,922 | 34,844 | 763 | 177,108 |
| Distributions of earnings from equity method and other investees | (11,548) | N/A | (173) | (657) | (3,511) | (14,191) | (2,265) | (32,345) |
| Distributions of capital from equity method and other investees (C) | (7,564) | N/A | (216) | (33,575) | (131,032) | (23,737) | (9) | (196,133) |
| Total distributions from equity method and other investees | (19,112) | — | (389) | (34,232) | (134,543) | (37,928) | (2,274) | (228,478) |
| Mark to fair value - during period (D) | (438) | 65 | (4,606) | N/A | N/A | (1,820) | (639) | (7,438) |
| Net purchases of investments by consolidated funds | — | — | — | — | — | 37,099 | 10,335 | 47,434 |
| Translation adjustment | (29) | — | (165) | — | — | (53) | — | (247) |
| Dispositions | (2,683) | — | — | — | — | (48) | — | (2,731) |
| Reclassification to Due to Affiliates (E) | 1,658 | — | — | — | — | — | — | 1,658 |
| Retained interest in Graticule (Note 1) | — | — | — | 33,400 | — | — | — | 33,400 |
| Investment, ending | \$634,142 | \$1,150 | \$22,127 | \$175,656 | \$44,049 | \$224,963 | \$23,356 | \$1,125,443 |
| Ending balance of undistributed earnings | \$44,484 | N/A | N/A | \$5,018 | \$2,898 | \$9,778 | \$141 | \$62,319 |

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

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fair value pursuant to the fair value option for financial instruments.

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

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

| | Nine Months Ended September 30, 2015 | |
|---|--------------------------------------|--------------------------|
| | Contributions | Distributions of Capital |
| Per Consolidated Statements of Cash Flows | \$26,435 | \$(181,874) |
| Investments of incentive receivable amounts into Fortress Funds | 137,561 | — |
| Change in distributions payable out of Fortress Funds | — | (121) |
| Net funded* | 13,062 | (13,062) |
| Other | 50 | (1,076) |
| Per Above | \$177,108 | \$(196,133) |

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

(D) Recorded to Gains (Losses).

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

Table of Contents

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

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

| | Private Equity Funds (A) | | Liquid Hedge Funds | |
|--|---------------------------------|------------|---------------------------------|---------------|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2015 | 2014 | 2015 (B) | 2014 |
| Revenues and gains (losses) on investments | \$ (773,727) | \$ 891,148 | \$ (216,942) | \$ (32,720) |
| Expenses | (124,947) | (146,652) | (171,070) | (161,404) |
| Net Income (Loss) | \$ (898,674) | \$ 744,496 | \$ (388,012) | \$ (194,124) |
| Fortress's equity in net income (loss) | \$ (24,620) | \$ 48,628 | \$ (4,929) | \$ 3,801 |

| | Credit Hedge Funds | | Credit PE Funds (A) | |
|--|---------------------------------|------------|---------------------------------|--------------|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenues and gains (losses) on investments | \$ 598,528 | \$ 797,387 | \$ 988,406 | \$ 1,687,296 |
| Expenses | (305,714) | (258,480) | (225,532) | (194,818) |
| Net Income (Loss) | \$ 292,814 | \$ 538,907 | \$ 762,874 | \$ 1,492,478 |
| Fortress's equity in net income (loss) | \$ 3,446 | \$ 6,404 | \$ 9,742 | \$ 22,204 |

For Private Equity Funds, includes four entities which are recorded on a one quarter lag (i.e. current year balances reflected for these entities are for the period ended June 30, 2015). For Credit PE Funds, includes one entity which (A) is recorded on a one quarter lag and several entities which are recorded on a one month lag. They are recorded on a lag because they are foreign entities, or they have substantial operations in foreign countries, and do not provide financial reports under GAAP within the reporting time frame necessary for U.S. public entities. (B) Includes the operating results of Affiliated Managers.

Investments in Variable Interest Entities and other Unconsolidated Entities

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

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

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

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| Fortress is not Primary Beneficiary | | | | | |
|-------------------------------------|----------------|------------------|---------------------------|-------------------------|---------|
| Business | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | Fortress Investment (B) | Notes |
| Permanent Capital Vehicles | 1 | \$1,682,136 | \$274,942 | \$ 15,290 | (C) |
| Liquid Hedge Funds | 3 | 181,273 | 200 | 38,416 | (D) (E) |
| Credit PE Funds | 6 | 116,901 | 28,739 | 1,932 | (D) |
| Fortress is Primary Beneficiary | | | | | |
| Business | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | Fortress Investment (B) | Notes |
| Credit PE Funds | 1 | \$35,384 | \$— | \$ 34,279 | (F) |

Table of Contents

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

All variable interest entities:

| Business | Fortress is not Primary Beneficiary | | | | December 31, 2014 | | | | Notes | |
|----------------------------|-------------------------------------|----------------|------------------|---------------------------|-------------------------|----------------|------------------|---------------------------|---------|-------------------------|
| | September 30, 2015 | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | Fortress Investment (B) | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | | Fortress Investment (B) |
| Private Equity Funds | 1 | 1 | \$ 135,044 | \$ — | \$ 73 | 2 | \$ 85,553 | \$ — | \$ 56 | (D) |
| Permanent Capital Vehicles | 6 | 6 | 23,355,456 | 15,656,129 | 92,566 | 5 | 14,539,141 | 10,336,207 | 154,346 | (C) |
| Liquid Hedge Funds | 5 | 5 | 1,246,796 | 82,256 | 41,235 | 2 | 3,070,203 | 432,580 | 7,094 | (D) (E) |
| Credit Hedge Funds | 8 | 8 | 1,918,167 | 416,402 | 3,399 | 8 | 1,976,328 | 152,806 | 25,474 | (D) (E) |
| Credit PE Funds | 36 | 36 | 1,019,855 | 286,897 | 9,564 | 30 | 735,855 | 143,743 | 5,897 | (D) (E) |

| Business | Fortress is Primary Beneficiary | | | | December 31, 2014 | | | | Notes | |
|----------------------|---------------------------------|----------------|------------------|---------------------------|-------------------------|----------------|------------------|---------------------------|-----------|-------------------------|
| | September 30, 2015 | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | Fortress Investment (B) | Number of VIEs | Gross Assets (A) | Financial Obligations (A) | | Fortress Investment (B) |
| Private Equity Funds | 9 | 9 | \$ 67,200 | \$ — | \$ 19,664 | 9 | \$ 90,723 | \$ — | \$ 20,368 | (F) (G) |
| Liquid Hedge Funds | 1 | 1 | 8,099 | — | 3,762 | 3 | 8,714 | — | 4,125 | (F) |
| Credit PE Funds | 3 | 3 | 35,830 | — | 34,299 | 2 | 434 | — | 22 | (F) |
| Logan Circle | 1 | 1 | 4,651 | — | 4,430 | 1 | 6,566 | — | 4,783 | (F) |

Represents financial obligations of the VIEs which are not recourse to Fortress and assets of the VIEs which Fortress does not have the right to make use of to satisfy its obligations. Financial obligations include financial borrowings, derivative liabilities and short securities. In many cases, these VIEs have additional debt within (A)unconsolidated subsidiaries. The debt obligations of the VIEs are not cross collateralized with the debt obligations of Fortress. Fortress has no obligation to satisfy the liabilities of the VIEs. The VIE's debt obligations have no impact on Fortress's cash flows and its ability to borrow or comply with its debt covenants under its revolving credit agreement.

Represents Fortress's maximum exposure to loss with respect to these entities, which includes investments in these entities, plus any receivables due from these entities. In addition to the table above, Fortress is exposed to potential (B)changes in cash flow and revenues attributable to the management fees and/or incentive income Fortress earns from those entities. For VIEs where Fortress is deemed to be the primary beneficiary, these investments and receivables are eliminated in consolidation but still represent Fortress's economic exposure to the VIEs.

(C)

Includes permanent capital vehicles that are a VIE because the entity's at-risk equity holders as a group lack the characteristics of a controlling financial interest because the group of at-risk equity holders does not have the power, through voting rights or similar rights, to direct the activities that most significantly affect the success of the entity or impact the entity's economic performance. Fortress is not the primary beneficiary of these entities. Fortress and its related parties under common control as a group, where applicable, do not have the obligation to absorb losses or the right to receive benefits that could potentially be significant to these entities.

(D) Includes entities, primarily investing vehicles set up on behalf of the Fortress Funds to make investments, that are a VIE because the entity's at-risk equity holders as a group lack the characteristics of a controlling financial interest because either (i) the group of at-risk equity holders does not have the power, through voting rights or similar rights, to direct the activities that most significantly affect the success of the entity or impact the entity's economic performance and/or (ii) the voting rights of an investor are not proportional to its obligation to absorb the income or loss of the entity and substantially all of the entity's activities either involve or are conducted on behalf of that investor and its related parties. Fortress is not the primary beneficiary of these entities. Fortress and its related parties under common control as a group, where applicable, do not have the obligation to absorb losses or the right to receive benefits that could potentially be significant to these entities. Due to a reconsideration event in January 2015, Fortress no longer has the power to direct the activities that most significantly impact the economic performance of certain VIEs in the liquid hedge fund business. Therefore, Fortress is no longer deemed to be the primary beneficiary of these VIEs as of the reconsideration date.

(E) Includes entities that are a VIE because the entity's equity investment at-risk is determined to be insufficient. Fortress is not the primary beneficiary of these entities because Fortress does not have the power to direct the activities that most significantly impact the economic performance of these entities. These entities represent an insignificant portion of the amounts presented in the table.

(F) Includes entities that are a VIE because the entity's at-risk equity holders as a group lack the characteristics of a controlling financial interest because either (i) the group of at-risk equity holders does not have the power, through voting rights or similar rights, to direct the activities that most significantly affect the success of the entity or impact the entity's economic performance and/or (ii) the voting rights of an investor are not proportional to its obligation to absorb the income or loss of the entity and substantially all of the entity's activities either involve or are conducted on behalf of that investor and its related parties. Fortress is the investment manager of these entities. Fortress is determined to be the primary beneficiary of these entities since it has both power over the activities that most significantly

Table of Contents

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

affect the success of the entity or impact the entity's economic performance and has the right to receive benefits or the obligation to absorb losses from the VIE that potentially could be significant to the entity. Due to a reconsideration in January 2015, Fortress no longer has the power to direct the activities that most significantly impact the economic performance of certain VIEs in the liquid hedge fund business. Therefore, Fortress is no longer deemed to be the primary beneficiary of these VIEs as of the reconsideration date.

Includes an entity that is a VIE because the entity's equity investment at risk is determined to be insufficient. (G) Fortress, as a result of directing the operations of the entity through its management contracts with certain funds, and providing financial support to the entity, was deemed to be its primary beneficiary.

Fair Value of Financial Instruments

The following table presents information regarding Fortress's financial instruments that are recorded at fair value. Investments denominated in foreign currencies have been translated at the period end exchange rate. Changes in fair value are recorded in Gains (Losses).

| | Fair Value | | Valuation Method |
|--|--------------------|-------------------|---|
| | September 30, 2015 | December 31, 2014 | |
| Assets (within Investments) | | | |
| Common shares of publicly traded permanent capital vehicles (A) | \$22,127 | \$14,172 | Level 1 - Quoted prices in active markets for identical assets |
| Common stock of publicly traded private equity portfolio companies | 1,150 | 1,035 | Level 1 - Quoted prices in active markets for identical assets |
| Total equity method investments carried at fair value | \$23,277 | \$15,207 | |
| Options in equity method investees | \$33,849 | \$71,844 | Level 2 - Option valuation models using significant observable inputs |
| Assets (within Other Assets) | | | |
| Derivatives | \$25,619 | \$27,105 | Level 2 - See below |
| Equity Securities (B) | \$— | \$17,627 | Level 1 - Quoted prices in active markets for identical assets |
| Liabilities (within Accrued Compensation and Benefits) | | | |
| Options in affiliates granted to employees | \$(4,770) | \$(8,356) | Level 2 - Option valuation models using significant observable inputs |
| Liabilities (within Other Liabilities) | | | |
| Derivatives | \$(2,900) | \$(932) | Level 2 - See below |

(A) FTAI completed its IPO in May 2015 and Fortress elected to record its interest at fair value pursuant to the fair value option for financial instruments.

(B) Equity securities were held at fair value and classified as trading. All equity securities were sold in 2015.

See Note 4 regarding the fair value of outstanding debt.

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In January 2015, New Media issued 7.0 million shares of its common stock in a public offering at a price to the public of \$21.70 per share. In connection with this offering, New Media compensated Fortress for its successful efforts in raising capital for New Media by granting options to Fortress to purchase 0.7 million shares of New Media's common stock at the public offering price, which were valued at \$4.1 million. The options were fully vested upon issuance, become exercisable over thirty months and have a ten-year term.

In April 2015, New Residential issued 57.5 million shares of its common stock. For the purpose of compensating Fortress for its successful efforts in raising capital, New Residential granted options to Fortress to purchase 5.8 million shares of New Residential's common stock at a price of \$15.25, which had a fair value of \$9.0 million as of the grant date. The options were fully vested upon issuance, become exercisable over thirty months and have a ten-year term.

In April 2015, Eurocastle issued 39.8 million shares of its common stock in a public offering at a price to the public of €7.85 per share. In connection with this offering, Eurocastle compensated Fortress for its successful efforts in raising capital for Eurocastle

Table of Contents

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

by granting options to Fortress to purchase 4.0 million shares of Eurocastle's c