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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-K**

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**Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the Fiscal Year Ended December 31, 2017**

**Commission File Number 001-33805**

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**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State of Incorporation)

**26-0354783**  
(I.R.S. Employer Identification Number)

**9 West 57th Street, New York, New York 10019**  
(Address of Principal Executive Offices)

**Registrant's telephone number: (212) 790-0000**

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

**Class A Shares**  
(Title of each class)

**New York Stock Exchange**  
(Name of each exchange on which registered)

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2017 was approximately \$462.2 million. As of February 23, 2018, there were 190,781,536 Class A Shares and 304,339,478 Class B Shares outstanding.

**Documents Incorporated by Reference**

Portions of the definitive proxy statement for the 2018 annual meeting of Och-Ziff Capital Management Group LLC's shareholders to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this Form 10-K.

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## Defined Terms

<b><i>2007 Offerings</i></b>	Refers collectively to our IPO and the concurrent private offering of approximately 38.1 million Class A Shares to DIC Sahir Limited, a wholly owned indirect subsidiary of Dubai Holdings LLC
<b><i>active executive managing directors</i></b>	Executive managing directors who remain active in our business
<b><i>Class A Shares</i></b>	Our Class A Shares, representing Class A limited liability company interests of Och-Ziff Capital Management Group LLC, which are publicly traded and listed on the NYSE
<b><i>Class B Shares</i></b>	Class B Shares of Och-Ziff Capital Management Group LLC, which are not publicly traded, are currently held solely by our executive managing directors and have no economic rights but entitle the holders thereof to one vote per share together with the holders of our Class A Shares
<b><i>CLOs</i></b>	Collateralized loan obligations
<b><i>Exchange Act</i></b>	Securities Exchange Act of 1934, as amended
<b><i>executive managing directors</i></b>	The current limited partners of the Oz Operating Partnerships other than our intermediate holding companies, including our founder, Daniel S. Och, and, except where the context requires otherwise, include certain limited partners who are no longer active in our business
<b><i>funds</i></b>	The multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles for which we provide asset management services
<b><i>GAAP</i></b>	U.S. generally accepted accounting principles
<b><i>Group A Units</i></b>	Refers collectively to one Class A operating group unit in each of the Oz Operating Partnerships. Group A Units are equity interests held by our executive managing directors
<b><i>Group B Units</i></b>	Refers collectively to one Class B operating group unit in each of the Oz Operating Partnerships. Group B Units are equity interests held by our intermediate holding companies
<b><i>Group D Units</i></b>	Refers collectively to one Class D operating group unit in each of the Oz Operating Partnerships. Group D Units are non-equity, limited partner profits interests held by our executive managing directors
<b><i>Group P Units</i></b>	Refers collectively to one Class P operating group unit in each of the Oz Operating Partnerships. Group P Units are equity interests held by our executive managing directors
<b><i>Institutional Credit Strategies</i></b>	Our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs and other customized solutions
<b><i>intermediate holding companies</i></b>	Refers collectively to Oz Corp and Oz Holding, both of which are wholly owned subsidiaries of Och-Ziff Capital Management Group LLC
<b><i>IPO</i></b>	Our initial public offering of 36.0 million Class A Shares that occurred in November 2007
<b><i>NYSE</i></b>	New York Stock Exchange

<b><i>the Company, the firm, we, us, our</i></b>	Refers, unless the context requires otherwise, to Och-Ziff Capital Management Group LLC, a Delaware limited liability company, and its consolidated subsidiaries, including the Oz Operating Group
<b><i>Oz Corp</i></b>	Och-Ziff Holding Corporation, a Delaware corporation
<b><i>Oz Holding</i></b>	Och-Ziff Holding LLC, a Delaware limited liability company
<b><i>Oz Operating Group</i></b>	Refers collectively to the Oz Operating Partnerships and their consolidated subsidiaries
<b><i>Oz Operating Partnerships</i></b>	Refers collectively to OZ Management LP, OZ Advisors LP and OZ Advisors II LP
<b><i>Partner Equity Units</i></b>	Refers collectively to the Group A Units and Group P Units.
<b><i>Preferred Units</i></b>	One Class A cumulative preferred unit in each of the Oz Operating Partnerships collectively represents one “Preferred Unit.” Certain of our executive managing directors collectively own 100% of the Preferred Units
<b><i>Registrant</i></b>	Och-Ziff Capital Management Group LLC, a Delaware limited liability company
<b><i>SEC</i></b>	U.S. Securities and Exchange Commission
<b><i>Securities Act</i></b>	Securities Act of 1933, as amended
<b><i>Special Investments</i></b>	Investments that we, as investment manager, believe lack a readily ascertainable market value, are illiquid or should be held until the resolution of a special event or circumstance
<b><i>Ziffs</i></b>	Refers collectively to Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons

### **Available Information**

We file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. We make available free of charge on our website ( [www.ozm.com](http://www.ozm.com) ) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those filings as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcast. The contents of our website are not, however, a part of this report.

Also posted on our website in the “Public Investors – Corporate Governance” section are charters for our Audit Committee; Compensation Committee; Nominating, Corporate Governance and Conflicts Committee and Corporate Responsibility and Compliance Committee, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report or any other SEC filing. Copies of our SEC filings or corporate governance materials are available without charge upon written request to Och-Ziff Capital Management Group LLC, 9 West 57 th Street, New York, New York 10019, Attention: Office of the Secretary.

Any materials we file with the SEC are also publicly available through the SEC’s website ( [www.sec.gov](http://www.sec.gov) ) or may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

No statements herein, available on our website or in any of the materials we file with the SEC constitute, or should be viewed as constituting, an offer of any fund.

### **Forward-Looking Statements**

Some of the statements under “Item 1. Business,” “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which we refer to as “MD&A,” “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” and elsewhere in this annual report may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that reflect our current views with respect to, among other things, future events and financial performance. We generally identify forward-looking statements by terminology such as “outlook,” “believe,” “expect,” “potential,” “continue,” “may,” “will,” “should,” “could,” “seek,” “approximately,” “predict,” “intend,” “plan,” “estimate,” “anticipate,” “opportunity,” “comfortable,” “assume,” “remain,” “maintain,” “sustain,” “achieve,” “see,” “think,” “position” or the negative version of those words or other comparable words.

Any forward-looking statements contained herein are based upon historical information and on our current plans, estimates and expectations. The inclusion of this or other 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.

We caution that forward-looking statements are subject to numerous assumptions, estimates, risks and uncertainties, including but not limited to the following: global economic, business, market and geopolitical conditions; U.S. and foreign regulatory developments relating to, among other things, financial institutions and markets, government oversight, fiscal and tax policy; the outcome of third-party litigation on us; the consequences of the Foreign Corrupt Practices Act (the “FCPA”) settlements with the SEC and the U.S. Department of Justice (the “DOJ”); conditions impacting the alternative asset management industry; our ability to retain existing investor capital; our ability to successfully compete for fund investors, assets, professional talent and investment opportunities; our ability to retain our active executive managing directors, managing directors and other investment professionals; our successful formulation and execution of our business and growth strategies; our ability to appropriately manage conflicts of interest and tax and other regulatory factors relevant to our business; and assumptions relating to our operations, investment performance, financial results, financial condition, business prospects, growth strategy and liquidity.

If one or more of these or other risks or uncertainties materialize, or if our assumptions or estimates prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors are not and should not be

construed as exhaustive and should be read in conjunction with the other cautionary statements and risks that are included in our filings with the SEC, including but not limited to those described in “Item 1A. Risk Factors.”

There may be additional risks, uncertainties and factors that we do not currently view as material or that are not known. The forward-looking statements contained in this report are made only as of the date of this report. We do not undertake to update any forward-looking statement because of new information, future developments or otherwise.

## PART I

### Item 1. Business

#### Business Description

Oz Management is a leading global institutional alternative asset manager, with approximately \$33.3 billion in assets under management as of February 1, 2018. We provide asset management services through our funds, which pursue a broad range of global investment opportunities, and by developing new, carefully considered investment products. We also offer customized solutions within and across our product platforms to help our fund investors meet their investment objectives. Our funds invest across numerous asset classes and geographies, with a breadth we believe is offered by few alternative asset management firms.

Our approach to asset management is based on the same fundamental elements that we have employed since Oz Management was founded in 1994. Our objectives are to create long-term value for our fund investors through a disciplined investment philosophy that focuses on delivering consistent, positive, risk-adjusted returns across market cycles. Our extensive experience, combined with the consistency of our approach to investing and managing risk, have been integral to the growth of our assets under management. We currently manage multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles.

**Multi-Strategy** - Our multi-strategy funds combine global investment strategies, including long/short equity special situations, structured credit, corporate credit, convertible and derivative arbitrage, merger arbitrage and private investments. Our focus is on investing in value opportunities based on detailed, research-based analysis and thorough due diligence. Our multi-strategy funds allocate capital across strategies and geographies opportunistically based on market conditions and opportunities, with no predetermined capital allocations by strategy or asset class.

**Credit** - Our dedicated credit funds are comprised of opportunistic credit funds and our Institutional Credit Strategies products. Our opportunistic credit funds seek to generate risk-adjusted returns by capturing value in mispriced investments across disrupted, dislocated and distressed corporate, structured and private credit markets globally. Institutional Credit Strategies is our asset management platform that invests in performing credits via CLOs and other customized solutions for clients.

**Real Estate** - Our real estate funds generally make investments in commercial and residential real estate, including real property, multi-property portfolios, real estate-related joint ventures, real estate operating companies and other real estate-related assets. These funds typically seek to preserve capital and mitigate risk by limiting competitive bidding. The real estate funds focus on proprietary sourcing, discretion in deal selection, thorough due diligence, intensive asset management, multiple defined exit strategies and structured downside protection to seek and manage investments.

We have built an experienced investment management team with a well-established presence in the United States, Europe and Asia. As of December 31, 2017, we had 483 employees worldwide, including 147 investment professionals, 22 active executive managing directors and 62 managing directors working from our offices in New York, London, Hong Kong, Mumbai, Beijing, Shanghai and Houston. Our New York office was established in 1994 and has been operational for over 20 years. Our London office, established in 1998, houses our European investment team. Our Hong Kong office, established in 2001, houses the majority of our Asian investment team. See “—Employees” for additional information on our global headcount.

We currently have two operating segments: the Oz Funds Segment and our real estate business. The Oz Funds Segment is currently our only reportable operating segment under GAAP and provides asset management services to our multi-strategy funds, dedicated credit funds and other alternative investment vehicles. Our real estate business, which provides asset management services to our real estate funds, is included within Other Operations, as it does not meet the threshold of a reportable operating segment under GAAP. See Note 16 to our consolidated financial statements included in this annual report for additional information regarding the Oz Funds Segment.

Our primary sources of revenues are management fees, which are based on the amount of our assets under management, and incentive income, which is based on the investment performance of our funds. Accordingly, for any given

period, our revenues will be driven by the combination of assets under management and the investment performance of our funds.

## **Our Assets Under Management**

Our assets under management are a function of the capital that is allocated to us by the investors in our funds and the investment performance of our funds. For additional information regarding assets under management, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Assets Under Management and Fund Performance.”

## **Overview of Our Funds**

### **Multi-Strategy**

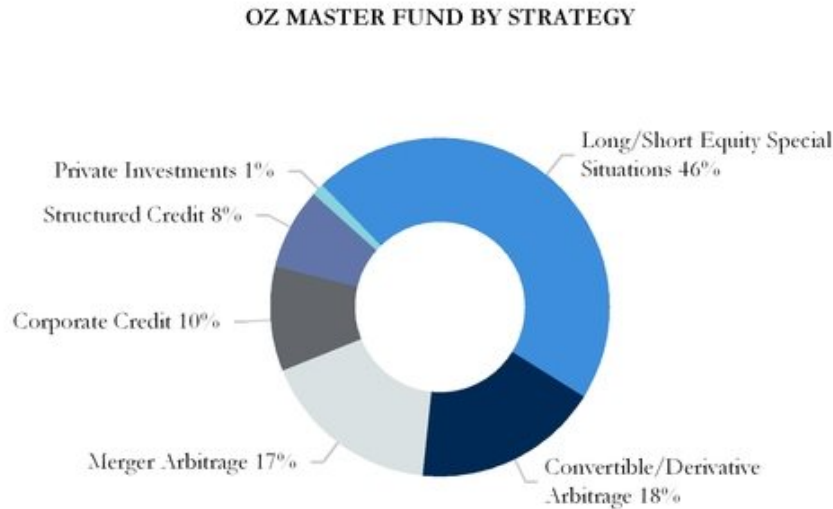
As of December 31, 2017, we managed approximately \$13.7 billion of assets under management in our multi-strategy funds, or 42% of our total assets under management. The portfolio composition of our multi-strategy funds is determined by evaluating what we believe are the best market opportunities for each fund, consistent with each fund’s goal of generating consistent, positive, risk-adjusted returns while protecting fund investor capital. The primary investment strategies we employ in our multi-strategy funds include the following:

- **Long/short equity special situations**, which consists of fundamental long/short and event-driven investing. Fundamental long/short investing involves analyzing companies and assets to profit where we believe mispricing or undervaluation exists. Event-driven investing attempts to realize gain from corporate events such as spin-offs, recapitalizations and other corporate restructurings, whether company specific or due to industry or economic conditions.
- **Structured credit**, which involves investments in residential and commercial mortgage-backed securities and other asset-backed securities. This strategy also includes investments in collateralized loan obligations and collateralized debt obligations.
- **Corporate credit**, which includes a variety of credit-based strategies, such as high-yield debt investments in distressed businesses and investments in bank loans and senior secured debt. Corporate credit also includes providing mezzanine financing and structuring creative capital solutions.
- **Convertible and derivative arbitrage**, which takes advantage of price discrepancies between convertible and derivative securities and the underlying equity or other security. These investments may be made at multiple levels of an entity’s capital structure to profit from valuation or other pricing discrepancies. This strategy also includes volatility trades in equities, interest rates, currencies and commodities.
- **Merger arbitrage**, which is an event-driven strategy involving multiple investments in entities contemplating a merger or similar business combination. This strategy seeks to realize a profit from pricing discrepancies among the securities of the entities involved in the event.
- **Private investments**, which encompasses investments in a variety of special situations that seek to realize value through strategic sales or initial public offerings.



The Oz Master Fund, our global multi-strategy fund, opportunistically allocates capital between our investment strategies in North America, Europe and Asia based on market conditions and attractive investment opportunities. The Oz Master Fund generally employs every strategy and geography in which our funds invest and constituted approximately 35% of our assets under management as of December 31, 2017 . Our other funds implement geographical- or strategy-focused investment programs. The investment performance for our other funds may vary from those of the Oz Master Fund, and that variance may be material.

The chart below presents the composition, by strategy (excluding residual assets attributable to redeeming investors), of the Oz Master Fund as of January 1, 2018 :



The table below sets forth, as of December 31, 2017 , the net annualized return, volatility and Sharpe Ratio of the Oz Master Fund, the Oz Multi-Strategy Composite (as defined below), the S&P 500 Index and the MSCI World Index. This table is provided for illustrative purposes only. The performance reflected in the table below is not necessarily indicative of the future results of the Oz Master Fund. There can be no assurance that any fund will achieve comparable results. An investment in our Class A Shares is not an investment in any of our funds. See “Item 1A. Risk Factors—Risks Related to Our Business—An investment in our Class A Shares is not an alternative to an investment in any of our funds, and the returns of our funds should not be considered as indicative of any returns expected on our Class A Shares, although poor investment performance of, or lack of capital flows into, the funds we manage could have a materially adverse impact on our revenues and, therefore, the returns on our Class A Shares.”

**Past performance is no indication or guarantee of future results.**

Net Annualized Return through December 31, 2017	1 Year	3 Years	5 Years	Since Oz Master Fund Inception (January 1, 1998)	Since Oz Multi-Strategy Composite Inception (April 1, 1994)
Oz Master Fund Composite (1)	10.4%	4.5%	6.5%	8.9%	n/a
Oz Multi-Strategy Composite (2)	10.4%	4.5%	6.5%	8.9%	11.8%
S&P 500 Index (3)	21.8%	11.4%	15.8%	7.2%	10.0%
MSCI World Index (3)	19.1%	10.3%	13.9%	6.3%	7.8%
<b>Volatility - Standard Deviation (Annualized) (4)</b>					
Oz Master Fund Composite (1)	3.4%	4.9%	4.6%	5.0%	n/a
Oz Multi-Strategy Composite (2)	3.4%	4.9%	4.6%	5.0%	5.4%
S&P 500 Index (3)	3.9%	10.1%	9.5%	14.9%	14.4%
MSCI World Index (3)	3.1%	9.9%	9.2%	14.1%	13.6%
<b>Sharpe Ratio (5)</b>					
Oz Master Fund Composite (1)	2.70	0.80	1.32	1.32	n/a
Oz Multi-Strategy Composite (2)	2.70	0.80	1.32	1.32	1.66
S&P 500 Index (3)	5.25	1.07	1.62	0.33	0.49
MSCI World Index (3)	5.78	0.98	1.47	0.28	0.36

- (1) The returns shown represent the composite performance of all feeder funds that comprise the Oz Master Fund since the inception of the Oz Master Fund on January 1, 1998 (collectively, the “Oz Master Fund Composite”). The Oz Master Fund Composite is calculated using the total return of all feeder funds net of all fees and expenses, except incentive income on Special Investments that could reduce returns on these investments at the time of realization, and includes the reinvestment of all dividends and other income. Performance includes realized and unrealized gains and losses attributable to Special Investments and initial public offering investments that are not allocated to all investors in the feeder funds. Investors that were not allocated Special Investments and/or initial public offering investments may experience materially different returns. The Oz Master Fund Composite is not available for direct investment.
- (2) The Oz Multi-Strategy Composite is provided as supplemental information to the Oz Master Fund Composite. The Oz Multi-Strategy Composite represents the composite performance of all accounts that were managed in accordance with our broad multi-strategy mandate that were not subject to portfolio investment restrictions or other factors that limited our investment discretion since our inception on April 1, 1994. Performance is calculated using the total return of all such accounts net of all investment fees and expenses of such accounts, except incentive income on unrealized gains attributable to Special Investments that could reduce returns in these investments at the time of realization, and the returns include the reinvestment of all dividends and other income. For the period from April 1, 1994 through December 31, 1997, the returns are gross of certain overhead expenses that were reimbursed by the accounts. Such reimbursement arrangements were terminated at the inception of the Oz Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies we followed. Furthermore, the composition of the investment strategies we follow is subject to our discretion and has varied materially since inception and is expected to vary materially in the future.
- (3) These comparisons show the returns of the S&P 500 Index (SPTR) and the MSCI World Index (GDDLWI) (collectively, the “Broader Market Indices”) against the Oz Master Fund Composite and the Oz Multi-Strategy Composite. These comparisons are intended solely for illustrative purposes to show a historical comparison of the Oz Master Fund Composite and the Oz Multi-Strategy Composite to the broader equity markets, as represented by the Broader Market Indices, and should not be considered as an indication of how the Oz Master Fund or the feeder funds will perform relative to the Broader Market Indices in the future. The Broader Market Indices are not performance benchmarks of the Oz Master Fund or the feeder funds. Neither the Oz Master Fund nor the feeder funds are managed to correlate in any way with the returns or composition of the Broader Market Indices, which are unmanaged. It is not possible to invest in an unmanaged index. You should not assume that there is any material overlap between the securities underlying the Oz Master Fund Composite or the Oz Multi-Strategy Composite and those that comprise the Broader Market Indices. The S&P 500 Index is an equity index owned and maintained by Standard & Poor’s, a division of McGraw-Hill, whose value is calculated as the free float-weighted average of the share prices of 500 large-capitalization corporations listed on the NYSE and NASDAQ. The MSCI World Index is a free float-adjusted market capitalization weighted index owned and maintained by MSCI Inc. that is designed to measure the equity market performance of developed markets. Returns of the Broader Market Indices have not been reduced by fees and expenses associated with investing in securities and include the reinvestment of dividends.
- (4) Standard Deviation is a statistical measure of volatility that measures the fluctuation of the monthly rates of return against the average return.
- (5) Sharpe Ratio represents a measure of the risk-adjusted return of the composite returns, or benchmark returns, as applicable. The Sharpe Ratio is calculated by subtracting the risk-free rate from the composite returns, or benchmark returns, as applicable, and dividing that amount by the standard deviation of the applicable returns. The risk-free rate of return used in computing the Sharpe Ratio is the one-month U.S. dollar London Interbank Offered Rate compounded monthly throughout the periods presented.

## **Credit**

As of December 31, 2017, we managed approximately \$15.7 billion of assets under management in our dedicated credit funds, or 48% of our total assets under management. Our dedicated credit funds are comprised of our opportunistic credit funds and our Institutional Credit Strategies products.

### *Opportunistic Credit Funds*

As of December 31, 2017, we managed approximately \$5.5 billion of assets under management in our opportunistic credit funds. Our opportunistic credit funds seek to generate risk-adjusted returns by capturing value in mispriced investments across disrupted, dislocated and distressed corporate, structured and private credit markets globally. As of December 31, 2017, assets under management in the Oz Credit Opportunities Master Fund, our global opportunistic credit fund, totaled \$1.7 billion. The remainder of the assets under management in our opportunistic credit funds was comprised of various open-end and closed-end funds, as well as customized solutions structured to meet our fund investors' needs.

### *Institutional Credit Strategies*

As of December 31, 2017, we managed approximately \$10.1 billion of assets under management in our Institutional Credit Strategies products. Institutional Credit Strategies is our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs and other customized solutions for clients.

## **Real Estate**

As of December 31, 2017, we managed approximately \$2.5 billion of assets under management in our real estate funds, or 8% of our total assets under management. Our real estate funds employ a situation-specific, opportunistic investment strategy, combined with a disciplined risk assessment process. These funds seek to diversify investments across geography, asset types and transaction structures to actively balance the portfolios within each of the funds.

## **Other**

Our other assets under management are comprised of funds that are generally strategy-specific, including our equity funds and other dedicated strategy funds. Our equity funds' investment objective is to achieve consistent, absolute returns with low volatility primarily by seeking to exploit pricing inefficiencies in equity securities. Investment strategies include, but may not be limited to, merger arbitrage and long/short equity special situations.

## **Investment and Risk Management Process**

Our extensive experience and consistent approach to investing and risk management are essential to our strong performance history. Risk management is central to the investment process in all of our funds and the operations of our business. Our investment and risk management processes benefit from our dedicated and experienced investment teams operating out of our offices worldwide.

Our approach to investing and managing risk is defined by certain common elements:

- *Proactive risk management with a focus on risk-adjusted returns.* Our risk management practices are at the core of our investment philosophy, playing a crucial role in the asset allocation within our funds and in the operation of our business. Quantitative and qualitative analyses are utilized at both the individual position and total portfolio levels, and they have been integrated into our daily investment process. Our portfolio managers adhere to a research-driven, bottom-up approach to identifying and managing investments, using strong in-house investment and risk control teams. We employ a disciplined process to evaluate the risk-adjusted return on capital from existing and new investments.
- *Preservation of capital.* Preservation of capital is our top priority and critical to delivering attractive returns to fund investors. Our goal is to preserve capital during periods of market decline and generate competitive investment performance in rising markets. We use sophisticated risk tools and active portfolio management to govern

exposures to market and other risk factors. We adhere strictly to each fund’s mandate and provisions with respect to leverage. We are knowledgeable about the risks of fund leverage, respectful of its limits, and judicious in our application.

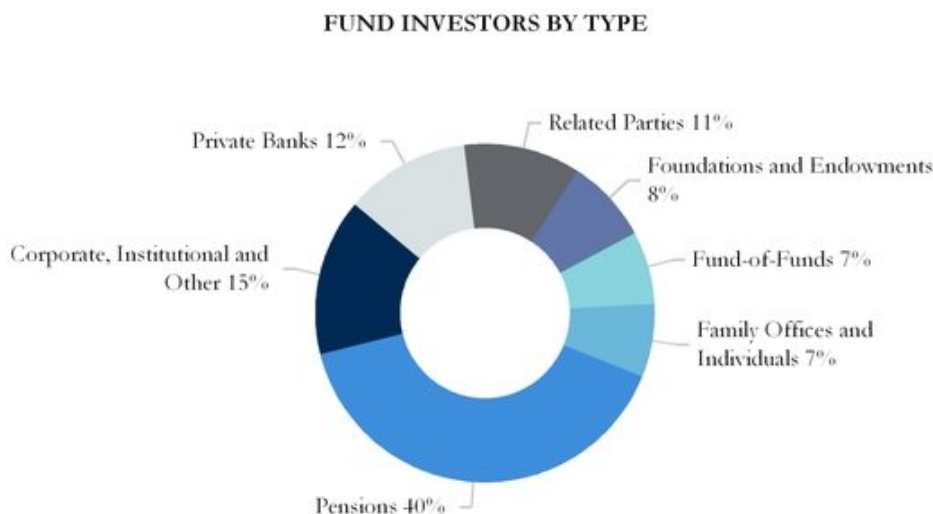
- *Dynamic capital allocation.* We allocate capital dynamically across strategies and geographies, consistent with the investment objectives for each of our funds. Opportunities and market conditions determine portfolio composition rather than preset, rigid capital allocations. At the same time, we maintain an active focus on portfolio diversification and risk management.
- *Expertise across strategies and geographies.* We leverage our capital allocation philosophy and investment expertise across capital structures, industries and geographies to anticipate, identify and capitalize on investment trends across multiple disciplines. We have fostered a culture that allows us to allocate capital and evaluate investment opportunities on a firm-wide basis, focusing on the best ideas and opportunities available.

## Our Fund Investors

We focus on developing and maintaining long-term relationships with a global base of institutional investors, which includes many of the largest, most sophisticated investors in the world. Excluding CLOs, we currently have over 1,200 investors in our funds, including pension funds, private banks, corporates and other institutions, fund-of-funds, foundations and endowments, and family offices and individuals. Our investors value our funds’ consistent performance history, our global investing expertise, our diverse investment strategies and our ability to develop investment capabilities in areas where we see opportunities evolve. As a result, a number of our fund investors invest in more than one of our funds.

Investments by our executive managing directors and employees collectively comprised approximately 11% of our total assets under management as of January 1, 2018 . The single largest unaffiliated investor in our funds accounted for approximately 14% of our total assets under management as of January 1, 2018 , and the top five unaffiliated fund investors accounted for approximately 31% . Approximately 27% of our investors were from outside North America as of January 1, 2018 . These percentages, as well as those presented in the chart below, exclude assets under management in our CLOs, which are held by various types of investors.

The following chart presents the composition of our fund investors by type across our funds as of January 1, 2018 :



## Competitive Environment

The asset management industry is intensely competitive, and we expect that it will remain so. We compete globally and regionally with other investment managers, including hedge funds, public and private investment firms, distressed debt funds, mezzanine funds and other CLO issuers, real estate development companies, business development companies, investment banks and other financial institutions worldwide. We compete for both investors in our funds and attractive investment opportunities based on a number of factors, including investment performance, brand recognition, business reputation, pricing, innovation, the quality of services we provide to the investors in our funds, the range of products we offer, and our ability to attract and retain qualified professionals in all aspects of our business while managing our operating costs. We face competitors that are larger than we are and have greater financial, technical and marketing resources. Certain of our competitors may continue to raise capital to pursue investment strategies that may be similar to ours, which may create additional competition for investment opportunities. In addition, some of these competitors may have higher risk tolerances or make different risk assessments than we do, or may have lower return thresholds, allowing them to consider a wider variety of investments and establish broader networks of business relationships. They may also be subject to different regulatory requirements, which may give them greater flexibility to pursue investment opportunities or attract new capital to their funds. For additional information regarding the competitive risks that we face, see “Item 1A. Risk Factors—Risks Related to Our Business—Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations.”

## Competitive Strengths

Our business was built on certain fundamental elements that we believe are differentiating competitive strengths. They continue to define Oz Management today. As such, we view these elements as important to our ability to retain and attract new assets under management and, over time, increase our market share of new capital flows to the alternative asset management industry.

- *Alignment of interests.* We structure our business to align our executive managing directors’ and employees’ interests with those of the investors in our funds and our Class A Shareholders. Our 22 active executive managing directors and 62 managing directors have a compensation structure that includes receiving a portion of any bonus compensation in a combination of equity and/or deferred cash interests that vest over time.
- *One-firm philosophy.* Our “one-firm” philosophy creates a collaborative environment that encourages internal cooperation and the sharing of information, industry expertise and transaction experience gained over our history spanning over 20 years. We are a global organization and have fostered a culture that allows us to allocate capital and evaluate investment opportunities on a firm-wide basis, focusing on the best ideas and opportunities available. This collaborative approach emphasizes the success of our firm as a whole.
- *Synergies among investment strategies.* Our funds invest across a broad range of asset classes and geographies. Our investment professionals have extensive experience and many are specialized by strategy, industry sector or asset class. Our one-firm culture and collaborative approach encourage investment professionals to leverage the experience of our global investment teams across strategies and geographies. This creates synergies that add to our market insight, enhance our due diligence efforts, and improve our ability to identify attractive investment opportunities.
- *Global presence.* Our ability to opportunistically invest worldwide is an important element of diversifying our portfolios and managing risk. Our investment professionals operate from our various offices globally and have a long history of investing on an international scale.
- *Experience.* We have a history of hiring highly talented and experienced employees across all areas of our business, and developing them into senior roles as managing directors and executive managing directors. The depth and breadth of experience of our senior management team enables us to source, structure, execute and monitor a broad range of investments worldwide.
- *Focus on infrastructure.* Since our firm’s inception, we have focused on building a robust infrastructure with an emphasis on strong financial, operational and compliance-related controls. As of December 31, 2017, of the firm’s 84 active executive managing directors and managing directors, 34 are dedicated to our global infrastructure, reinforcing our commitment to this important part of our business. As a public company, we are required to identify and document key processes and controls, which are subject to independent review. Additionally, we have

added a number of independent, third-party processes to our fund operations that provide independent information to our fund investors.

- *Transparency.* We believe that our fund investors should be provided with qualitative and quantitative information about our investment process, operational procedures and portfolio exposures in order to understand and evaluate our investment performance. We provide our fund investors with comprehensive reporting about each portfolio on a regular basis, and our senior management team and portfolio managers regularly meet with them to address their questions.

## **Our Structure**

### ***Och-Ziff Capital Management Group LLC***

Och-Ziff Capital Management Group LLC is a publicly traded holding company, and its primary assets are ownership interests in the Oz Operating Group entities, which are held indirectly through two intermediate holding companies, Oz Corp and Oz Holding. We conduct our business through the Oz Operating Group. Och-Ziff Capital Management Group LLC currently has two classes of shares outstanding: Class A Shares and Class B Shares.

***Class A Shares*** . Class A Shares represent Class A limited liability company interests in Och-Ziff Capital Management Group LLC. The holders of Class A Shares are entitled to one vote per share held of record on all matters submitted to a vote of our shareholders and, as of December 31, 2017, represent 35.8% of our total combined voting power. The holders of Class A Shares are entitled to any distribution declared by our Board of Directors, subject to any statutory or contractual restrictions on the payment of distributions and to any restrictions on the payment of distributions imposed by the terms of any outstanding preferred shares we may issue in the future. Additional Class A Shares are issuable upon exchange of Group A Units by our executive managing directors, as described below, and upon vesting of equity awards granted under our Amended and Restated 2007 Equity Incentive Plan or 2013 Incentive Plan.

***Class B Shares*** . Class B Shares have no economic rights and are not publicly traded, but rather entitle the holders of record to one vote per share on all matters submitted to a vote of our shareholders. The Class B Shares are held solely by our executive managing directors and provide them with a voting interest in Och-Ziff Capital Management Group LLC commensurate with their economic interest in our business in the form of Group A Units and Group P Units (assuming such Group P Units are participating). Each executive managing director holding Group A Units or Group P Units holds an equal number of Class B Shares. Upon a grant of Group A Units or Group P Units to an executive managing director, an equal number of Class B Shares is also granted to such executive managing director. Upon the exchange by an executive managing director of a Group A Unit or a Group P Unit for a Class A Share as further discussed below, the corresponding Class B Share is canceled.

As of December 31, 2017, the Class B Shares represent 64.2% of our total combined voting power. Our executive managing directors have granted an irrevocable proxy to vote all of their Class B Shares to the Class B Shareholder Committee, the sole member of which is currently Mr. Och, as it may determine in its sole discretion. As a result, Mr. Och is currently able to control all matters requiring the approval of our shareholders. This proxy will terminate on the “Transition Date,” which will be December 31, 2019, subject to extension if either (i) we have advised Mr. Och that he may not withdraw any capital that he may request to withdraw or (ii) Mr. Och is advised by counsel that he is prohibited by law from withdrawing any capital he has requested to withdraw. Following the termination of the proxy, each Class B Shareholder will be entitled to one vote per share held of record on all matters submitted to a vote of our shareholders.

### ***Oz Operating Group Entities***

We conduct our business through the Oz Operating Group. Historically, we have used more than one Oz Operating Group entity to segregate our operations for business, financial, tax and other reasons. We may increase or decrease the number of our Oz Operating Group entities and intermediate holding companies based on our views as to the appropriate balance between administrative convenience and business, financial, tax and other considerations.

The Oz Operating Group currently consists of OZ Management LP, OZ Advisors LP and OZ Advisors II LP. All of our interests in OZ Management LP and OZ Advisors LP are held through Oz Corp. All of our interests in OZ Advisors II LP are held through Oz Holding. Each intermediate holding company is the sole general partner of the applicable Oz Operating

Group entity and, therefore, generally controls the business and affairs of such entity. The Oz Operating Group currently has the following units outstanding: Group A Units, Group B Units, Group D Units, Group P Units and Preferred Units.

The Preferred Units have an aggregate liquidation preference of \$1,000 per Preferred Unit, plus accrued and unpaid distributions. After the Preferred Units liquidation preference is satisfied, the Group A Units and Group B Units have no preference or priority over other securities of the Oz Operating Group (other than the Group D Units and Group P Units to the extent described below) and, upon liquidation, dissolution or winding up, will be entitled to any assets remaining after payment of all debts and liabilities of the Oz Operating Group (together with the Group D Units and Group P Units to the extent described below).

**Group A Units.** Our executive managing directors own 100% of the Group A Units, which as of December 31, 2017, represent a 58.5% equity interest in the Oz Operating Group. Currently, Group A Units are exchangeable for our Class A Shares at the discretion of the Exchange Committee (which consists of the members of the Partner Management Committee), on a one-for-one basis, subject to minimum retained ownership and vesting requirements by our executive managing directors and certain exchange rate adjustments for splits, unit distributions and reclassifications. Following the Transition Date, the Exchange Committee will be disbanded and thereafter, any of our executive managing directors may exchange his or her vested Group A Units over a period of two years in three equal installments.

**Group B Units.** Each intermediate holding company holds a general partner interest and Group B Units in each Oz Operating Group entity that it controls. Our intermediate holding companies own 100% of the Group B Units, which, as of December 31, 2017, represent a 41.5% equity interest in the Oz Operating Group. The Group B Units are economically identical to the Group A Units held by our executive managing directors and represent common equity interests in our business, but are not exchangeable for Class A Shares and are not subject to vesting, forfeiture or minimum retained ownership requirements.

**Group D Units.** Group D Units are non-equity, limited partner profits interests issued to certain executive managing directors that are only entitled to share in residual assets upon liquidation, dissolution or winding up, and become eligible to participate in any exchange right or tag along right in a change of control transaction to the extent that there has been a threshold amount of appreciation. The Group D Units convert into Group A Units to the extent we determine that they have become economically equivalent to Group A Units. Allocations to these interests are recorded within compensation and benefits in our consolidated statements of comprehensive income (loss).

**Group P Units.** On March 1, 2017, we issued Group P Units to certain executive managing directors. Group P Units entitle holders to receive distributions of future profits of the Oz Operating Group, and each Group P Unit becomes exchangeable for one Class A Share (or the cash equivalent), in each case upon satisfaction of certain service and performance conditions and at such time we determine that a Group P Unit has become economically equivalent to a Group A Unit. The Group P Units are entitled to share in residual assets upon liquidation, dissolution or winding up only to the extent that certain performance conditions are met and to the extent that there has been a threshold amount of appreciation. The terms of the Group P Units may be varied for certain executive managing directors. Group P Units grants are accounted for as equity-based compensation. See Note 10 to our consolidated financial statements included in this report for additional information regarding the terms of the Group P Units.

**Preferred Units.** Preferred Units represent ownership interests in each of the Oz Operating Group entities and are held by certain executive managing directors (the “EMD Purchasers”). Preferred Units are a class of non-voting preferred equity interests in the Oz Operating Group entities with an aggregate liquidation preference of \$1,000, plus accrued and unpaid distributions. See Note 9 to our consolidated financial statements included in this report for additional information regarding the terms of the Preferred Units.

**Profit Sharing Interests (PSIs).** In 2016, we began to issue profit sharing interests (“PSIs”) to certain executive managing directors. PSIs are non-equity, limited partner profits interests in the Oz Operating Group that participate in distributions of future profits of the Oz Operating Group on a pro rata basis with the Oz Operating Group A, B and D Units and may share in residual assets upon liquidation, dissolution or winding up to the extent that there has been a threshold amount of appreciation subsequent to issuance of the PSIs. Subject to the discretion of the Chairman of the Partner Management Committee (the “PMC Chairman”), distributions on the PSIs are made in a combination of cash, Group D Units, RSUs or deferred cash interests (“DCIs”). PSIs are subject to forfeiture upon the departure of an executive managing director, and the

number of PSIs held by an executive managing director can be increased or decreased each year at the PMC Chairman's discretion.

### **Restricted Share Units**

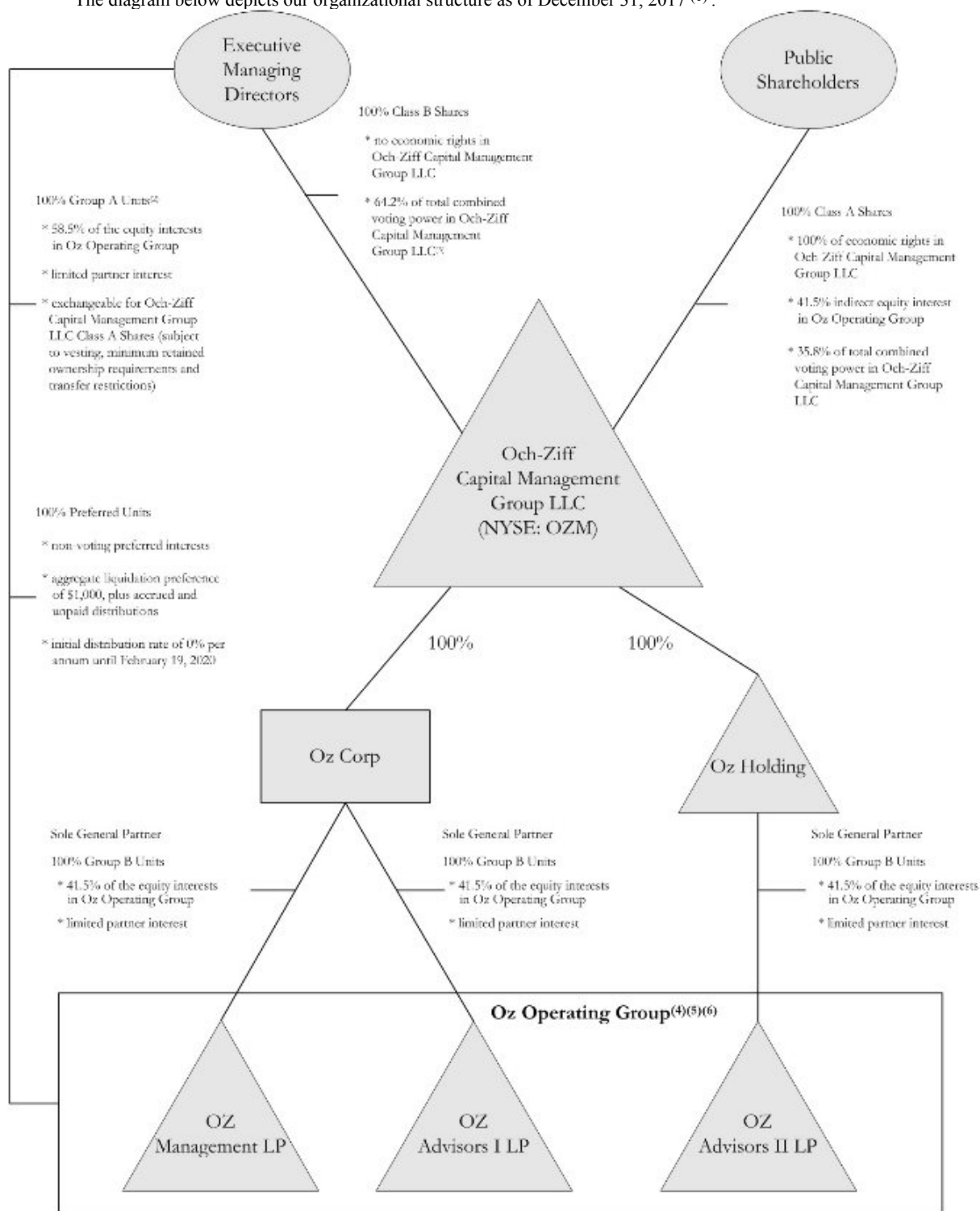
We grant Class A restricted share units ("RSUs") as a form of compensation to our employees and executive managing directors. An RSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board of Directors, upon completion of the requisite service period. All of the RSUs granted to date accrue dividend equivalents equal to the dividend amounts paid on our Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs that also accrue additional dividend equivalents. Delivery of dividend equivalents on outstanding RSUs is contingent upon the vesting of the underlying RSUs.

In 2018, we began granting Class A performance-based RSUs ("PSUs"). A PSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board of Directors, upon completion of the requisite service period, as well as satisfying certain performance conditions based on achievement of targeted total shareholder return on Class A Shares. PSUs do not begin to accrue dividend equivalents until the requisite service period has been completed and performance conditions have been achieved.

See Note 10 to our consolidated financial statements included in this report for additional information regarding RSUs and Note 17 for additional information regarding PSUs.



The diagram below depicts our organizational structure as of December 31, 2017 <sup>(1)</sup>:



- (1) This diagram does not give effect to 14,530,602 Class A restricted share units, or “RSUs,” that were outstanding as of December 31, 2017, and were granted to our executive managing directors, managing directors, other employees and the independent members of our Board of Directors.
- (2) Mr. Och and the other executive managing directors hold Group A Units representing 27.9% and 30.7%, respectively, of the equity in the Oz Operating Group, excluding the 8,333,838 Class A Shares collectively owned directly by Mr. Och and certain other executive managing directors. Our executive managing directors also hold Class C Non-Equity Interests and Group D Units as described below in notes (4) and (5).
- (3) Mr. Och holds Class B Shares representing 24.1% of the voting power of our Company and the other executive managing directors hold Class B Shares representing 40.1% of the voting power of our Company. Our executive managing directors have granted an irrevocable proxy to vote all of their Class B Shares to the Class B Shareholder Committee, the sole member of which is currently Mr. Och, as it may determine in its sole discretion. In addition, Mr. Och controls an additional 0.4% of our total combined voting power through his direct ownership of 1,957,071 Class A Shares.
- (4) Not presented in the diagram above are Class C Non-Equity Interests, which are non-equity interests in the Oz Operating Group entities. No holder of Class C Non-Equity Interests will have any right to receive distributions on such interests. Our executive managing directors hold all of the Class C Non-Equity Interests, which may be used for discretionary income allocations, including the cash element of any discretionary annual performance awards paid to our executive managing directors. References to bonuses throughout this annual report include any Class C Non-Equity Interests distributions.
- (5) Not presented in the diagram above are Group D Units, which represent an approximately 14.5% profits interest in the Oz Operating Group, and are not considered equity interests for GAAP purposes. Our executive managing directors hold all of the Group D Units.
- (6) Not presented in the diagram above are Group P Units issued and held by our executive managing directors. The Group P Units are not participating in the economics of Oz Operating Group, as the applicable Service Condition and Performance Condition (as defined in Note 10 to our consolidated financial statements) have not yet been met as of December 31, 2017.

## Employees

As of December 31, 2017, our worldwide headcount was 483 (including 60 in the United Kingdom and 33 in Asia), with 147 investment professionals (including 34 in the United Kingdom and 16 in Asia). As of this date, we had 22 active executive managing directors and 62 managing directors.

## Regulatory Matters

Our business is subject to extensive regulation, including periodic examinations and regulatory investigations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Since 1999, we have been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended, which we refer to as the “Advisers Act.” We are also a company subject to the registration and reporting provisions of the Exchange Act, and therefore subject to regulation and oversight by the SEC. As a company with a class of securities listed on the NYSE, we are subject to the rules and regulations of the NYSE. In addition, we are subject to regulation by the Department of Labor under the U.S. Employee Retirement Income Security Act of 1974, which we refer to as “ERISA.” As a registered commodity pool operator and a registered commodity trading advisor, we are subject to regulation and oversight by the Commodity Futures Trading Commission, which we refer to as the “CFTC.” We are also subject to regulation and oversight by the National Futures Association in the U.S., as well as other regulatory bodies.

Our European and Asian operations, and our investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country, including the U.K. Financial Conduct Authority, the Securities and Futures Commission in Hong Kong and the Securities and Exchange Board of India. Currently, governmental authorities in the United States and in the other countries in which we operate have proposed additional disclosure requirements and regulation of hedge funds and other alternative asset managers.

See “Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business.”

## Global Compliance Program

We have implemented a global compliance program to address the legal and regulatory requirements that apply to our company-wide operations. We have structured our global compliance program to address the requirements of each of our regulators, as described above, as well as the requirements necessary to support our global securities, commodities and loan trading operations.

Our compliance program includes comprehensive policies and supervisory procedures that have been designed and implemented to monitor compliance with these requirements. All employees attend mandatory annual compliance training to remain informed of our policies and procedures related to matters such as the handling of material non-public information, conflicts of interest and employee securities trading. Annual training specifically targeted at ensuring the understanding of and compliance with the Foreign Corrupt Practices Act (the “FCPA”) and, as applicable, other foreign anti-corruption laws and regulations is mandatory for employees and executives responsible for structuring, supervising, ensuring compliance of and executing accounting functions for private deals, as well as for employees who interact with or provide reporting to investors. In addition to a robust internal compliance framework, we have strong relationships with a global network of local attorneys specializing in compliance matters to help us quickly identify regulatory changes and address compliance issues as they arise.

## **Our Executive Officers**

Set forth below is certain information regarding our executive officers as of the date of this filing.

**Daniel S. Och**, 57, is the founder of Oz Management. Mr. Och serves as Chairman of the Board of Directors and the Partner Management Committee. Prior to founding Oz Management in 1994, Mr. Och spent eleven years at Goldman, Sachs & Co. He began his career in the Risk Arbitrage Department, and later responsibilities included Head of Proprietary Trading in the Equities Division and Co-Head of U.S. Equities Trading. Mr. Och holds a B.S. in Finance from the Wharton School of the University of Pennsylvania.

**Robert Shafir**, 59, is Chief Executive Officer and a Director of the Board of Directors. Prior to joining Oz Management in 2018, Mr. Shafir served in various capacities at Credit Suisse Group AG, including as the CEO of Credit Suisse Americas from 2008 to 2016 and Co-Head of Private Banking & Wealth Management, which included oversight of Asset Management, from 2012 to 2016. He also served on the Executive Board from 2007 until 2015. Prior to joining Credit Suisse in 2007, Mr. Shafir held several senior positions at Lehman Brothers Inc. for over 17 years, including Head of Global Equities and a member of the Executive Board. Mr. Shafir received a B.A. in Economics from Lafayette College and an M.B.A. from Columbia Business School.

**Alesia J. Haas**, 41, is Chief Financial Officer and a member of the Partner Management Committee. Prior to joining Oz Management in 2016, Ms. Haas was the Chief Financial Officer and Head of Strategy for OneWest Bank. Prior to that, she spent time in senior finance, investment and strategy roles at Merrill Lynch, General Electric, and Infinity Point. Ms. Haas holds a B.S. from California Polytechnic State University.

**David Windreich**, 60, is Co-Chief Investment Officer of Oz Management and a member of Oz Management’s Board of Directors and Partner Management Committee. Prior to joining Oz Management at its inception in 1994, Mr. Windreich was a Vice President in the Equity Derivatives Department of Goldman, Sachs & Co. He began his career at Goldman, Sachs & Co. in 1983 and became a Vice President in 1988. Mr. Windreich holds both a B.A. in Economics and an M.B.A. in Finance from the University of California, Los Angeles.

**Zoltan Varga**, 43, is Head of Asian Investing for Oz Management, is a member of Oz Management’s Partner Management Committee and helps manage Oz’s Hong Kong office. Prior to joining Oz Management in 1998, Mr. Varga was with Goldman, Sachs & Co. as an Investment Banking Analyst in the Mergers and Acquisitions Department. Mr. Varga holds a B.A. in Economics from DePauw University.

**Harold A. Kelly**, 54, is Head of Global Convertible and Derivative Arbitrage for Oz Management and is a member of Oz Management’s Partner Management Committee. Prior to joining Oz Management in 1995, Mr. Kelly spent seven years trading various financial instruments and held positions at Cargill Financial Services Corporation, Eagle Capital Management, Merrill Lynch International, Ltd. and Buchanan Partners, Ltd. Mr. Kelly holds a B.B.A. in Finance and also holds an M.B.A. and a Ph.D. in Business Administration from The University of Georgia.

**James S. Levin**, 34, is Co-Chief Investment Officer and Head of Global Credit for Oz Management, and a member of Oz Management’s Partner Management Committee. Prior to joining Oz Management in 2006, Mr. Levin was an Associate at Dune Capital Management LP. Prior to that, Mr. Levin was an analyst at Sagamore Hill Capital Management, L.P. Mr. Levin holds a B.A. in Computer Science from Harvard University.

**Wayne Cohen**, 43, is President and Chief Operating Officer of Oz Management and is a member of Oz Management's Partner Management Committee. Prior to joining Oz Management in 2005, Mr. Cohen was an Associate at Schulte Roth & Zabel. Mr. Cohen holds a B.A. in International Relations from Tulane University and a J.D. from New York University School of Law.

**David M. Levine**, 50, is Chief Legal Officer of Oz Management and is a member of Oz Management's Partner Management Committee. Prior to joining Oz Management in 2017, Mr. Levine spent 15 years at Deutsche Bank in various positions with increasing responsibilities, most recently, Global Head of Litigation and Regulatory Enforcement. Prior to that, he spent eight years in various roles at the SEC including as Chief of Staff. Mr. Levine holds a B.S. from the State University of New York at Albany and a J.D. from Hofstra University.

## **Item 1A. Risk Factors**

### **Risks Related to Our Business**

*In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to or otherwise impact the alternative asset management business. Any of the risk factors we describe below have affected or could materially adversely affect our business, results of operations, financial condition and liquidity. The market price of our Class A Shares could decline, possibly significantly or permanently, if one or more of these risks and uncertainties occur. Certain statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Statements."*

***Difficult global market, economic or geopolitical conditions may materially adversely affect our business and cause significant volatility in equity and debt prices, interest rates, exchange rates, commodity prices and credit spreads. These factors can materially adversely affect our business in many ways, including by reducing the value or performance of the investments made by our funds and by reducing the ability of our funds to raise or deploy capital, each of which could materially adversely affect our financial condition and results of operations.***

The success and growth of our business are highly dependent upon conditions in the global financial markets and economic and geopolitical conditions throughout the world that are outside of our control and difficult to predict. Factors such as equity prices, equity market volatility, asset or market correlations, interest rates, counterparty risks, availability of credit, inflation rates, economic uncertainty, changes in laws or regulation (including laws relating to the financial markets generally or the taxation or regulation of the hedge fund industry), trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances (including governmental instability or dysfunction, wars, terrorist acts or security operations) can have a material impact on the value of our funds' portfolio investments or our general ability to conduct business. Difficult market, economic and geopolitical conditions can negatively impact those valuations and our ability to conduct business, which in turn would reduce or even eliminate our revenues and profitability, thereby having a material adverse effect on our business, financial condition or results of operations. As a global alternative asset manager, we seek to generate consistent, positive, absolute returns across all market cycles for the investors in our funds. Our ability to do this has been, and in the future may be, materially impacted by conditions in the global financial markets and economic and geopolitical conditions worldwide.

Interest rates have been at historically low levels in recent years. However, from December 2015 through 2017, the Federal Reserve raised its benchmark interest rate five separate times, in each case by a quarter of a percentage point. The Federal Reserve has indicated it may continue raising interest rates in the coming twelve months. Interest rates could have an adverse impact on our business, financial condition or results of operations.

Unpredictable or unstable market, economic or geopolitical conditions have resulted and may in the future result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult to exit and realize value from our existing investments, which could materially adversely affect our ability to raise new funds and increase our assets under management and, therefore, may have a material adverse effect on our business, financial condition or results of operations. In addition, during such periods, financing and merger and acquisition activity may be greatly reduced, making it harder and more competitive for asset managers to find suitable investment opportunities and to obtain funding for such opportunities. If we fail to react appropriately to difficult market, economic and geopolitical conditions, our funds could incur material losses.

### ***Potential impact of the United Kingdom's decision to leave the European Union.***

On June 23, 2016, the UK held an advisory referendum in which UK voters approved the UK's exit from the European Union (the "EU"), commonly referred to as "Brexit." On March 29, 2017 the UK government gave formal notice to the

European Council under Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the EU. This notice began a period of negotiation between the EU and the UK ahead of the UK's exit from the EU which is currently expected to take place on March 30, 2019. The negotiations are expected to focus on an agreement for the terms of the UK's withdrawal from the EU, the terms of a potential transitional period from March 30, 2019, and a framework for the UK's future relationship with the EU after the UK's exit. Nevertheless, the timing and the outcome of those negotiations remain highly uncertain and information regarding the long-term consequences of the UK's withdrawal is expected to become clearer over time. The announcement of the result of the Brexit referendum and news concerning the progress of the EU's and UK's Brexit negotiations has caused significant volatility in global financial and foreign exchange markets, including volatility in the value of the Euro and the British Pound, which may impair the investment performance of our funds. In addition, Brexit could lead to political, legal and economic uncertainty and potentially divergent national laws and regulations, particularly from a tax perspective, as the UK determines which EU laws to replace or replicate. Changes made by the UK to its domestic or international tax system and its implementation after the UK has withdrawn from the EU could have a material adverse effect on our business, financial condition or results of operations.

***An investment in our Class A Shares is not an alternative to an investment in any of our funds, and the returns of our funds should not be considered as indicative of any returns expected on our Class A Shares, although poor investment performance of, or lack of capital flows into, the funds we manage could have a materially adverse impact on our revenues and, therefore, the returns on our Class A Shares.***

The returns on our Class A Shares are not directly linked to the historical or future performance of the funds we manage or the manager of those funds. Even if our funds experience positive performance and our assets under management increase, holders of our Class A Shares may not experience a corresponding positive return on their Class A Shares.

However, poor performance of the funds we manage will cause a decline in our revenues from such funds, and may therefore have a negative effect on our performance and the returns on our Class A Shares. If we fail to meet the expectations of our fund investors or otherwise experience poor investment performance, whether due to difficult economic and financial conditions or otherwise, our ability to retain existing assets under management and attract new investors and capital flows could be materially adversely affected. In turn, the management fees and incentive income that we would earn would be reduced and our business, financial condition or results of operations would suffer, thus negatively impacting the price of our Class A Shares. Furthermore, even if the investment performance of our funds is positive, our business, financial condition or results of operations and the price of our Class A Shares could be materially adversely affected if we are unable to attract and retain additional assets under management consistent with our past experience, industry trends or investor and market expectations.

***Investors in our funds have the right to redeem their investments in our funds on a regular basis and could redeem a significant amount of assets under management during any given quarterly period, which would result in significantly decreased revenues.***

Subject to any specific redemption provisions applicable to a fund, investors in our multi-strategy hedge funds may generally redeem their investments in our funds on an annual or quarterly basis following the expiration of a specified period of time (typically between one and three years), although certain investors generally may redeem capital during such specified period upon the payment of a redemption fee and upon giving proper notice. In a declining market, during periods when the hedge fund industry generally experiences outflows, or in response to specific events that occur at the Company (including any uncertainty related to our recently announced succession plans), we could experience increased redemptions and a consequent reduction in our assets under management. Recently, our assets under management have declined and we believe this trend will likely continue to some extent for some period of time following the settlement of the FCPA investigation. Furthermore, investors in our funds may also invest in funds managed by other alternative asset managers that have restricted or suspended redemptions or may in the future do so. Such investors may redeem capital from our funds, even if our performance is superior to such other alternative asset managers' performance if they are restricted or prevented from redeeming capital from those other managers.

The decrease in revenues that would result from significant redemptions in our funds could have a material adverse effect on our business, financial condition or results of operations. During 2017, we experienced redemptions of approximately \$10.5 billion from our funds. We may continue to experience elevated redemption levels and, if economic and market conditions remain uncertain or worsen, we may once again experience significant redemptions.

***Our business, financial condition or results of operations may be materially adversely impacted by the highly variable nature of our revenues, results of operations and cash flows. In a typical year, a substantial portion of our incentive income and a large portion of our annual discretionary cash bonus expense is determined and recorded in the fourth quarter each year, which means that our interim results are not expected to be indicative of our results for a full year, causing increased volatility in the price of our Class A Shares.***

Our revenues are influenced by the combination of the amount of assets under management and the investment performance of our funds. Asset flows, whether inflows or outflows, can be highly variable from month-to-month and quarter-to-quarter. Furthermore, our funds' investment performance, which affects the amount of assets under management and the amount of incentive income we may earn in a given year, can be volatile due to, among other things, general market and economic conditions. Accordingly, our revenues, results of operations and cash flows are all highly variable. This variability is exacerbated during the fourth quarter of each year, primarily due to the fact that a substantial portion of our revenues historically has been and we expect will continue to be derived from incentive income from our funds. Such incentive income is contingent on the investment performance of the funds as of the relevant commitment period, which generally is as of the end of each calendar year; however, as of December 31, 2017, with respect to 54% of assets under management, the initial commitment period can be three years or longer depending on how the assets are invested. The expiration of these commitment periods may occur on dates other than December 31, which, in certain circumstances, may cause increased volatility in our results. Moreover, in a typical year, we determine a large portion of our annual discretionary cash bonus during the fourth quarter based on fund performance for the year. Because this bonus is variable and discretionary, it can exacerbate the volatility of our results. We may also experience fluctuations in our results from quarter to quarter due to a number of other factors, including changes in management fees resulting from changes in the management fee rates we charge our fund investors or due to changes in the values of our funds' investments, as well as capital inflows or outflows. Changes in our operating expenses, unexpected business developments and initiatives and, as discussed above, general economic and market conditions may also cause fluctuations in our results from quarter to quarter. Such variability and unpredictability may lead to volatility or declines in the price of our Class A Shares and cause our results for a particular period not to be indicative of our performance in a future period or particularly meaningful as a basis of comparison against results for a prior period. Note, on the other hand, as of December 31, 2017, 31% of our assets under management are in Institutional Credit Strategies, which includes our CLOs, and have not historically generated a material amount of incentive income.

The amount of incentive income that may be generated by our funds is uncertain until it is actually crystallized. The commitment period for most of our multi-strategy assets under management is for a period of one year on a calendar-year basis, and therefore we generally crystallize incentive income annually on December 31. We may also recognize incentive income related to fund investor redemptions at other times during the year, as well as on assets under management subject to commitment periods that are longer than one year. We may also recognize incentive income from tax distributions relating to assets with longer-term commitment periods. As a result of these and other factors, our interim results may not be indicative of historical performance or any results that may be expected for a full year.

In addition, all of our hedge funds have "perpetual high-water marks." This means that if a fund investor experiences losses in a given year, we will not be able to earn incentive income with respect to such investor's investment unless and until our investment performance surpasses the perpetual high-water mark. For example, the incentive income we earn is dependent on the net asset value of each fund investor's investment in the fund. However, failure to earn incentive income as a result of any high-water marks that do arise may adversely impact our business, financial condition or results of operations and our ability to make distributions to our Class A Shareholders. In addition, incentive income distributions from our real estate and certain other funds is subject to clawback obligations generally measured as of the end of the life of a fund, and therefore we currently defer this revenue until we are no longer required to repay amounts to a fund to the extent we have received excess incentive income distributions during the life of the fund relative to the aggregate performance of the fund. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. We cannot predict when realization events will occur or whether, upon occurrence, these investments will be profitable.

As a result of quarterly fluctuations in, and the related unpredictability of, our revenues and profits, the price of our Class A Shares can be significantly volatile.

***Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations.***

The asset management business remains intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service and level of desired information provided to fund investors, brand recognition and business reputation. We compete for fund investors, highly qualified talent, including investment professionals, and for investment opportunities with a number of hedge funds, private equity firms, specialized funds, traditional asset managers, commercial banks, investment banks and other financial institutions.

A number of factors create competitive risks for us:

- We compete in an international arena and, to remain competitive, we may need to further expand our business into new geographic regions or new business areas where our competitors may have a more established presence or greater experience and expertise.
- A number of our competitors have greater financial, technical, marketing and other resources and more personnel than we do.
- Several of our competitors have raised and continue to raise significant amounts of capital, and many of them have or may pursue investment objectives that are similar to ours, which would create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit.
- Some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we may want to make.
- Some of our competitors may be subject to less extensive regulation and thus may be better positioned to pursue certain investment objectives and/or be subject to lower expenses related to compliance and regulatory investigations than us.
- Other industry participants will from time to time seek to recruit our active executive managing directors, investment professionals and other professional talent away from us.

We may lose fund investors in the future if we do not match or provide more attractive management fees, incentive income arrangements, structures and terms than those offered by competitors. However, we may experience decreased revenues if we match or provide more attractive management fees, incentive income arrangements, structures and terms offered by competitors. In addition, changes in the global capital markets could diminish the attractiveness of our funds relative to investments in other investment products. This competitive pressure could materially adversely affect our ability to make successful investments and limit our ability to raise future successful funds, either of which would materially adversely impact our business, financial condition or results of operations.

If our investment performance, including the level and consistency of returns or other performance criteria, does not meet the expectations of our fund investors, it will be difficult for our funds to retain or raise capital and for us to grow our business. Additionally, even if our fund performance is strong, it is possible that we will not be able to attract additional capital. Further, the allocation of increasing amounts of capital to alternative investment strategies over the long term by institutional and individual investors may lead to a reduction in profitable investment opportunities, including by driving prices for investments higher and increasing the difficulty of achieving consistent, positive, absolute returns.

Competition for fund investors is based on a variety of factors, including:

- Investment performance.
- Investor liquidity and willingness to invest.
- Investor perception of investment managers' ability, drive, focus and alignment of interest with them.
- Investor perception of robustness of business infrastructure and financial controls.
- Transparency with regard to portfolio composition.

- Investment and risk management processes.
- Quality of service provided to and duration of relationship with investors.
- Business reputation, including the reputation of a firm's investment professionals.
- Level of fees and incentive income charged for services.

If we are not able to compete successfully based on these and other factors, our assets under management, earnings and revenues may be significantly reduced and our business, financial condition or results of operations may be materially adversely affected. Furthermore, if we are forced to compete with other alternative asset managers on the basis of fees, we may not be able to maintain our current management fee and incentive income structures, which drive our revenues and earnings. We have historically competed for fund investors primarily on the investment performance of our funds and our reputation, and not on the level of our fees or incentive income relative to those of our competitors. However, as the alternative asset management sector continues to mature and addresses current market and competitive conditions, there is increasing downward pressure on management fees and a risk that incentive income rates will decline, without regard to the historical performance of a manager. Management fee or incentive income rate reductions on existing or future funds, particularly without corresponding increases in assets under management or decreases in our operating costs, could materially adversely affect our business, financial condition or results of operations.

In addition to the competitive pressures described above, as we diversify by offering new or enhanced products and investment platforms, the average management fee rate we earn on our assets under management may fall as a result of a larger proportion of our assets under management being invested in products that earn lower management fee rates. For example, our average management fee rate has fallen during the period 2015 to 2017 from 1.39% to 0.93% of weighted-average assets under management. The rate decline was driven primarily by lower assets under management in our multi-strategy funds as a percentage of our total assets under management. Additionally, effective October 1, 2016, we reduced the management fee rate for existing fund investors in virtually all of our multi-strategy assets under management further contributing to the decline in our management fee income. Our average management fee will vary from period to period based on the mix of products that comprise our assets under management.

Even if we are able to compete successfully based on the factors noted above, it is possible we could lose assets under management to our competitors. It is possible that similar circumstances could cause us to experience unusually high redemptions or a decrease in inflows, even if our investment performance and other business attributes are otherwise competitive or superior.

***Damage to our reputation could harm our business.***

Our business is highly competitive and we benefit from being highly regarded in our industry. Maintaining our reputation is critical to attracting and retaining fund investors and for maintaining our relationships with our regulators. Negative publicity regarding our company or actual, alleged or perceived issues regarding our recently announced succession plan could give rise to reputational risk which could significantly harm our existing business and business prospects.

***Our indebtedness and Preferred Units may restrict our current and future operations, particularly our ability to respond to certain changes or to take future actions.***

On November 20, 2014, OZ Management LP, as borrower, and certain of our other subsidiaries, as guarantors (collectively, with certain of their respective subsidiaries, the "Oz Operating Group Credit Parties"), entered into a \$150 million unsecured revolving credit and guaranty agreement which was subsequently amended on December 29, 2015 (as amended, the "Revolving Credit Facility"), with certain financial institutions, as lenders, JPMorgan Chase Bank, N.A., as administrative agent, and certain other parties party thereto. On November 20, 2014, Och-Ziff Finance Co. LLC ("Oz Finance"), an indirect subsidiary of the Company, issued \$400 million in aggregate principal amount of its 4.50% Senior Notes due 2019 (the "Senior Notes") pursuant to an indenture (as supplemented by a supplemental indenture, the "Indenture") among Oz Finance and the Oz Operating Partnerships (excluding Oz Finance, collectively, the "Senior Notes Guarantors") and Wilmington Trust, National Association, as trustee. Also, pursuant to a securities purchase agreement, dated September 29, 2016 (the "Purchase Agreement"), the Company completed a \$250.0 million issuance and sale of 250,000 Preferred Units on October 5, 2016, and an additional \$150.0 million issuance and sale of 150,000 Preferred Units on January 23, 2017.



The Revolving Credit Facility provides for a revolving credit facility with a maturity of five years and contains a number of restrictive covenants that collectively impose significant operating and financial restrictions on the Oz Operating Group Credit Parties, including restrictions that may limit their ability to engage in acts that may be in our long-term best interests.

The restrictions in the Revolving Credit Facility include, among other things, limitations on the ability of the Oz Operating Group Credit Parties to:

- Incur certain additional indebtedness or issue certain equity interests.
- Create liens.
- Pay dividends or make other restricted payments.
- Merge, consolidate, or sell or otherwise dispose of all or any part of their assets.
- Engage in certain transactions with shareholders or affiliates.
- Engage in substantially different lines of business.
- Amend their organizational documents in a manner materially adverse to the lenders.

Additionally, our Revolving Credit Facility includes two financial maintenance covenants relating to assets under management and an economic income leverage ratio.

The Indenture includes certain covenants, including limitations on Oz Finance's and the Senior Notes Guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their respective subsidiaries or merge, consolidate or sell, transfer or lease all or substantially all assets.

The Revolving Credit Facility also identifies a number of events that, if they occur or are continuing, would constitute an event of default under this agreement. The events of default include a change of control, which would occur if any person or group, other than certain permitted holders (including, but not limited to, Daniel S. Och, our other executive managing directors, and each of their respective related entities), becomes the beneficial owner, directly or indirectly, of at least 50% (on a fully diluted basis) of the voting interests in the Oz Operating Group. Similarly, the Indenture provides for customary events of default and, if a change of control repurchase event occurs, Oz Finance will be required to offer to repurchase the Senior Notes at a price in cash equal to 101% of the aggregate principal amount of the Senior Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

The terms of the Preferred Units contain certain operational limitations, a change in control provision and other mandatory repurchase provisions. Without the consent of the holders' committee, which initially consists of Daniel S. Och as sole member, the Operating Group entities, their respective subsidiaries and the other subsidiaries of the Company may not, subject to limited exceptions, sell or otherwise dispose of any businesses, business lines or divisions, or any significant assets thereof. Under the terms of the Preferred Units, the Company, the Operating Group entities, their respective subsidiaries and the funds are also prohibited from any transaction with any Designated Officer (as defined in the exhibit to the Purchase Agreement), any holder of at least 10% of the outstanding equity of the Company, the Operating Group entities, their respective subsidiaries or their respective affiliates (other than Daniel S. Och or his related parties) other than transactions in the ordinary course of business with any person (other than a Designated Officer) relating to such person's service to any Operating Group entity or consistent with past practice as of the date of the initial closing, including in connection with granting any direct or indirect carry or capital interest in the funds to such Person, which matters shall be determined by the Company's board of directors or compensation committee.

Pursuant to the terms of the Preferred Units, distributions on the Preferred Units will be payable on the liquidation preference amount on a cumulative basis at an initial distribution rate of 0% per annum until the Step Up Date of February 19, 2020, after which the distribution rate will increase in stages thereafter to a maximum of 10% per annum on and after the eighth anniversary of the Step Up Date. In addition, following the occurrence of a change of control event, the Operating Group entities will redeem the Preferred Units as a redemption price equal to the liquidation preference plus all accumulated but unpaid distributions (collectively, the "liquidation value"). For so long as the Operating Group entities do not redeem all of the outstanding Preferred Units, the distribution rate will increase by 7.00% per annum, beginning on the 31st day

following such event. If we do not have sufficient cash to make such distributions or to repurchase the Preferred Units when required, we may be forced to sell assets, borrow additional funds or enter into new debt facilities. No assurance can be given that we would be able to complete such transactions on favorable terms, or at all, or that our borrowing costs would not increase.

A failure by any of the Oz Operating Group Credit Parties, Oz Finance or the Senior Notes Guarantors, as applicable, to comply with the covenants and other obligations—or upon the occurrence of other defaults—specified in the Revolving Credit Facility, or the Indenture, as the case may be, could result in an event of default under the Revolving Credit Facility, or the Indenture, as the case may be, which would give the lenders under the Revolving Credit Facility, or the holders of the Senior Notes, the right to declare all indebtedness and other obligations outstanding under the Revolving Credit Facility, if any, or the Senior Notes, as the case may be, together with accrued and unpaid interest and fees, to be immediately due and payable. If the indebtedness outstanding under the Revolving Credit Facility, if any, or the Senior Notes were to be accelerated, the Oz Operating Group Credit Parties, Oz Finance or the Senior Notes Guarantors, as applicable, may not have sufficient cash on hand or be able to sell sufficient assets to repay this indebtedness, which may have an immediate material adverse effect on our business, results of operations and financial condition. For more detail about risks relating to any refinancing, repurchasing or repayment of our Revolving Credit Facility and the Senior Notes, see “—Changes in the credit markets may negatively impact our ability to refinance our outstanding indebtedness or our ability to otherwise obtain attractive financing for our business, and may increase the cost of such financing if it is obtained, which would lead to higher interest expense or, with respect to our funds, lower-yielding investments, either of which would decrease our earnings. An increase in our borrowing costs may materially adversely affect our business, financial condition or results of operations.” For more detail regarding the Revolving Credit Facility, and Senior Notes, their respective terms and the current status of compliance with the Revolving Credit Facility by the Oz Operating Group Credit Parties, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “—Debt Obligations.”

***Our business and financial condition may be materially adversely impacted by the loss of any of our key executive managing directors, particularly certain members of our Partner Management Committee.***

The success of our business depends on the efforts, judgment and personal reputations of our key executive managing directors, particularly certain members of our Partner Management Committee. Our key executive managing directors’ reputations, expertise in investing and risk management, relationships with investors in our funds and third parties on which our funds depend for investment opportunities and financing are each critical elements in operating and expanding our business. The loss of any of these individuals could harm our business and jeopardize our relationships with our fund investors and members of the business community. We believe our performance is highly correlated to the performance of these individuals. Accordingly, the retention of our key executive managing directors is crucial to our success, but none of them is obligated to remain actively involved with us. In addition, if any of our key executive managing directors were to join or form a competitor, some of our fund investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our key executive managing directors could have a material adverse effect on our business, financial condition or results of operations, including on the performance of our funds, our ability to retain and attract fund investors and highly qualified employees and our ability to raise new funds. We do not carry any “key man” insurance that would provide us with proceeds in the event of the death or disability of any of our key executive managing directors.

In addition, investors in most of our funds have one-time special redemption rights that are triggered upon the loss of services of Mr. Och. See “—Most of our funds have special withdrawal provisions pursuant to which the failure of Daniel S. Och to be actively involved in the business provides investors with the right to redeem from such funds. The loss of the services of Mr. Och would have a material adverse effect on each of such funds and on our business, financial condition or results of operations” for additional information. Further, we negotiate other key man provisions in certain of our funds, which could provide for earlier redemption rights, in the event that one or more of certain of our key executive managing directors cease to provide services to such funds. Accordingly, the loss of such key executive managing directors could also result in significant or earlier redemptions from our funds, which could have a material adverse impact on our business, financial condition or results of operations.

Mr. Och resigned as CEO of the Company effective February 5, 2018. Mr. Och will remain Chairman of the Board until March 31, 2019, at which time he will resign and be replaced by a successor non-executive Chairman of the Board selected from the existing Board members and mutually agreed upon by the Nominating, Corporate Governance and Conflicts Committee and the Class B Shareholder Committee.

As Chairman of the Board, Mr. Och will oversee and be involved with the overall direction and vision of the Company. Following Mr. Och's resignation as Chairman of the Board, Mr. Och will have the right to continue to serve as a director on the Board for so long as he continues to own interests in Oz Management representing at least 33% of either his current Preferred Units or current common equity units in the Oz Operating Partnerships.

Mr. Och will continue to serve as the (i) sole member of the Class B Shareholder Committee and (ii) Chairman of the Exchange Committee relating to the Group A Units until each is disbanded (which will coincide with the termination of the Class B Shareholders Agreement), which will occur on the Transition Date (as defined in the following sentence). The "Transition Date" will be December 31, 2019, subject to extension if either (i) the Company has advised Mr. Och that he may not withdraw any capital that he may request to withdraw or (ii) Mr. Och is advised by counsel that he is prohibited by law from withdrawing any capital he has requested to withdraw. We will develop a transition plan with respect to Mr. Och's other roles and responsibilities and, to the extent necessary, we will seek consents or waivers with respect to certain of Mr. Och's roles in order to effect such transition. As part of the transition, Mr. Och expects to continue to support Oz Management in its initiatives and remain involved with Oz Management to ensure its future success. After the Committee Dissolutions, Mr. Och will generally resign from other officer positions and from the boards of directors of our subsidiaries and will not become director of any future funds.

***Our ability to retain and attract executive managing directors, managing directors and other investment professionals is critical to the success and growth of our business.***

Our investment performance and ability to successfully manage and expand our business, including into new geographic areas, is largely dependent on the talents and efforts of highly skilled individuals, including our active executive managing directors, managing directors and other investment professionals. Accordingly, our future success and growth depend on our ability to retain and motivate our active executive managing directors and other key personnel and to strategically recruit, retain and motivate new talent. We may not be successful in our efforts to recruit, retain and motivate the required personnel as the global market for qualified investment professionals is extremely competitive, particularly in cases where we are competing for qualified personnel in geographic or business areas where our competitors have a significantly greater presence or more extensive experience. We compete intensely with businesses both within and outside the alternative asset management industry for highly talented and qualified personnel. Accordingly, in order to retain and attract talent, our total compensation and benefits expense could increase to a level that may materially adversely affect our profitability and reduce our cash available for distribution to our executive managing directors and Class A Shareholders.

It may be difficult for us to retain and motivate our active executive managing directors after their interests in our business are fully vested and they are permitted to exchange their interests for Class A Shares that they can sell. The Group A Units granted to our executive managing directors who were executive managing directors before our IPO (our "Pre-IPO Partners") in connection with the Reorganization have now generally become fully vested. Many of the Group A and Group D Units granted to executive managing directors since then are now also fully vested. Oz Operating Group Units otherwise granted to our executive managing directors, including awards granted under our Incentive Program established in 2017 (the "2017 Incentive Program"), continue to vest over time. See Note 10 to our consolidated financial statements included in this report for additional information on the 2017 Incentive Program.

If we are unable to retain the services of any of our active executive managing directors, the loss of their services could have a material adverse effect on our business, financial condition or results of operations, including by harming our ability to maintain or grow assets under management in existing funds or raise additional funds in the future.

In any year where our funds experience losses and we do not earn incentive income, bonuses for that year (and in subsequent years until such losses are recouped) may be significantly reduced. Reduced bonuses, particularly during subsequent years, could have a material adverse impact on our ability to motivate and retain our investment professionals and other employees.

Furthermore, our active executive managing directors and investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities, and in certain cases have strong relationships with our fund investors. Therefore, if our active executive managing directors or investment professionals join competitors or

form competing businesses, we could experience a loss of investment opportunities and existing fund investor relationships, which if significant, would have a material adverse effect on our business, financial condition or results of operations.

The Oz Operating Partnerships' limited partnership agreements and other agreements entered into with our executive managing directors provide that the ownership interests in our business that are held by our executive managing directors are subject to various transfer restrictions and vesting and forfeiture conditions. In addition, the RSUs that have been awarded to our managing directors, certain executive managing directors and certain other employees are also subject to certain vesting and forfeiture requirements. Further, all of our active executive managing directors and managing directors are subject to certain restrictions with respect to competing with us, soliciting our employees and fund investors and disclosing confidential information about our business. These restrictions, however, may not be enforceable in all cases and can be waived by us at any time. There is no guarantee that these requirements and agreements, or the forfeiture provisions of the Oz Operating Partnerships' limited partnership agreements (which are relevant to our executive managing directors) or the agreements we have with our managing directors will prevent any of these professionals from leaving us, joining our competitors or otherwise competing with us. Any of these events could have a material adverse effect on our business, financial condition or results of operations.

***Most of our assets under management are in funds that have special withdrawal provisions pursuant to which the failure of Daniel S. Och to be actively involved in the business provides investors with the right to redeem from such funds. The loss of the services of Mr. Och could have a material adverse effect on each of such funds and on our business, financial condition or results of operations.***

Most of our assets under management are in funds that give investors a one-time special redemption right (not subject to redemption fees) if Daniel S. Och dies or ceases to perform his duties with respect to the fund for 90 consecutive days or otherwise ceases to be involved in the activities of the Oz Operating Group. The death or inability of Mr. Och to perform his duties with respect to any of our funds for 90 consecutive days, or termination of Mr. Och's involvement in the activities of the Oz Operating Group for any reason, could result in substantial redemption requests from investors in certain of our funds. Any such event would have a direct material adverse effect on our revenues and earnings, and would likely harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. Such withdrawals could lead to a liquidation of certain funds and a corresponding elimination of our management fees and potential to earn incentive income. The loss of Mr. Och could, therefore, ultimately have a material adverse effect on our business, financial condition or results of operations, including a loss of substantially all of our revenues and earnings.

Mr. Och resigned as CEO of the Company effective February 5, 2018, but will remain Chairman of the Board. See “—Our business and financial condition may be materially adversely impacted by the loss of any of our key executive managing directors, particularly certain members of our Partner Management Committee.” above for additional details regarding Mr. Och's transition.

***We have experienced and may again experience periods of rapid growth and significant declines in assets under management, which place significant demands on our legal, compliance, accounting, risk management, administrative and operational resources.***

Rapid changes in our assets under management may impose substantial demands on our legal, compliance, accounting, risk management, administrative and operational infrastructures. The complexity of these demands, and the time and expense required to address them, is a function not simply of the size of the increase or decrease, but also of significant differences in the investing strategies employed within our funds and the time periods during which these changes occur. For example, expanding our product offerings and entering into new lines of business places additional demands on our infrastructure. Furthermore, our future growth will depend on, among other things, our ability to maintain and develop highly reliable operating platforms, management systems and financial reporting and compliance infrastructures that are also sufficiently flexible to promptly and appropriately address our business needs, applicable legal and regulatory requirements and relevant market and other operating conditions, all of which can change rapidly.

Addressing the matters described above may require us to incur significant additional expenses and to commit additional senior management and operational resources, even if we are experiencing declines in assets under management.

There can be no assurance that we will be able to manage our operations effectively without incurring substantial additional expense or that we will be able to grow our business and assets under management, and any failure to do so could materially adversely affect our ability to generate revenues and control our expenses.

***We are highly dependent on information systems and other technology, including those used or maintained by third parties with which we do business. Any failure in any such systems or infrastructure, or breach of the same, could materially impair our business, financial condition or results of operations.***

Our business is highly dependent on information systems and technology. We rely heavily on our financial, accounting, trading, risk management and other data processing and information systems to, among other things, execute, confirm, settle and record a very large number of transactions, which can be highly complex and involve multiple parties across multiple financial markets and geographies, and to facilitate financial reporting and legal and regulatory compliance all in an extremely time-sensitive, efficient and accurate manner. We must continually update these systems to properly support our operations and growth, which creates risks associated with implementing new systems and integrating them into existing ones. We also use and rely upon third-party information systems and technology to perform certain business functions. Such third-party technology may be integrated with our own. Therefore, we face additional significant risks that would arise from the failure, disruption, termination or constraints in the information systems and technology of such third parties, including financial intermediaries such as exchanges and other service providers whose information systems and technology we use. Any of these information systems or technology infrastructures could fail, become disrupted (including by unauthorized security breaches) or otherwise not operate properly or as intended. In addition, our systems may be subject to cyberattacks. Breaches of our network security systems could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer malware, cyberattacks and other means and could originate from a wide variety of sources, including unknown third parties outside the firm. Although we take various measures to ensure the integrity of our systems, there can be no assurance that these measures will always provide sufficient protection. If any of these failures occur, particularly those that directly affect our New York headquarters, we could suffer a disruption or cessation in our business operations, an interception of confidential or proprietary information, liability to our funds, regulatory intervention, legal action or reputational damage, any or all of which could materially impair our business, financial condition or results of operations. We could also be significantly affected if the information systems and technology of third parties with whom we conduct business are subject to unauthorized security breaches or other tampering.

We depend on our headquarters in New York and our London and Hong Kong offices, where most of our personnel are located. Although, we have taken important precautions to limit the impact of failures or disruptions in the information systems and technology infrastructures that we use, as well as the impact of physical disruptions to our New York headquarters, London and Hong Kong offices, these precautions, including our disaster recovery programs, may not be sufficient to adequately mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for any losses, if at all.

***We are subject to third-party litigation that could result in significant legal and other liabilities and reputational harm, which could materially adversely affect our business, financial condition or results of operations.***

We face significant risks in our business that subject us to third-party litigation and legal liability. In general, we will be exposed to litigation risk in connection with any allegations of misconduct, negligence, dishonesty or bad faith arising from our management of any fund. We may also be subject to litigation arising from investor dissatisfaction with the performance of our funds, including certain losses due to the failure of a particular investment strategy or improper trading activity, if we violate restrictions in our funds' organizational documents or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. In addition, we are exposed to risks of litigation relating to claims that we have not properly addressed conflicts of interest. Any litigation arising in such circumstances is likely to be protracted, expensive and surrounded by circumstances that could be materially damaging to our reputation and our business. Moreover, in such cases, we would be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. In addition, although we are indemnified by our funds, our rights to indemnification may be challenged. If we are required to incur all or a portion of the costs arising out of any litigation or investigation as a result of inadequate insurance proceeds, if any, or fail to obtain indemnification from our funds, our business, financial condition or results of operations could be materially adversely affected.

Now that the FCPA investigation has been settled, it is possible that we will be exposed to increased civil litigation risk arising out of the events investigated by the SEC and DOJ as part of the FCPA matter.

It is possible that we would be made a party to any lawsuit involving any of the fund-related litigation described above. As with the funds, while we maintain insurance, there can be no assurance that our insurance will prove to be adequate. If we are required to incur all or a portion of the costs arising out of litigation, our business, financial condition or results of operations could be materially adversely affected. Furthermore, any such litigation could be protracted, expensive and highly damaging to our reputation, which could result in a significant decline in our assets under management and revenues, even if the underlying claims are without merit. In addition, we may participate in transactions that involve litigation (including the enforcement of property rights) from time to time, and such transactions may expose us to reputational risk and increased risk from countersuits.

***Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues.***

Our business is subject to extensive and complex regulation, including periodic examinations and regulatory investigations, by governmental and self-regulatory organizations in the jurisdictions in which we operate and trade around the world. As an investment adviser registered under the Advisers Act and a company subject to the registration and reporting provisions of the Exchange Act, we are subject to regulation and oversight by the SEC. As a company with a class of securities listed on the NYSE, we are subject to the rules and regulations of the NYSE. As a registered commodity pool operator and a registered commodity trading advisor, we are subject to regulation and oversight by the United States Commodity Futures Trading Commission (“CFTC”) and the National Futures Association. In addition, we are subject to regulation by the Department of Labor under ERISA. In the UK, our UK sub-adviser is subject to regulation by the UK Financial Conduct Authority. Our Asian operations, and our investment activities around the globe, are subject to a variety of other regulatory regimes that vary country by country, including the Securities and Futures Commission in Hong Kong, and the Securities and Exchange Board of India.

The regulatory bodies with jurisdiction over us have the authority to grant, and in specific circumstances to cancel, permissions to carry on our business and the authority to conduct investigations and administrative proceedings. Such investigations and administrative proceedings can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of an investment adviser from registration or memberships. For example, a failure to comply with the obligations imposed by the Exchange Act or Advisers Act, including recordkeeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or a failure to maintain our funds’ exemption from compliance with the 1940 Act could result in investigations, sanctions and reputational damage, which could adversely affect our business, financial condition or results of operations. Our funds are involved regularly in trading activities that implicate a broad number of U.S. and foreign securities law regimes, including laws governing trading on inside information, market manipulation, anti-corruption, including the FCPA, and a broad number of technical trading requirements that implicate fundamental market regulation policies. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or to fail to gain new investors. Furthermore, the legal, technology and other costs associated with regulatory investigations could increase to such a level that they could have a material impact on our business, financial condition or results of operations.

These global financial services regulators affect us not only with their regulations, but also with their examination, inspection and enforcement functions as well. We are routinely subject to examination and inspection and, although we make reasonable efforts to maintain effective compliance programs, there can be no assurances that any such inquiry would not result in a finding or sanction that would adversely affect our business, financial condition or results of operations. Likewise, enforcement investigations and administrative inquiries can be sweeping in nature. Cooperating with these investigations, as is our practice, can be expensive and time-consuming and could distract us from our business operations. In particular, U.S. regulators routinely investigate potentially serious matters such as possible insider trading, market manipulation, misleading disclosure, conflicts of interest, fraud, foreign corruption, including under the FCPA; lesser potential violations, such as books and records inaccuracies, weaknesses in internal controls; and compliance with general reporting and advertising regulations. For the past several years, we have cooperated with a number of ongoing regulatory investigations and examinations, both domestically and internationally, and we expect to be the subject of investigations and examinations in the future. There can be no assurances that ongoing or future investigations will not adversely affect our business, financial condition or results of operations. Enforcement actions and

administrative proceedings can result in fines, or other sanctions, including censure, the issuance of a cease-and-desist order, suspension or expulsion of persons or firms from the industry. Such sanctions can harm our reputation and cause us to lose existing investors or fail to gain new investors, which could adversely affect our business, financial condition or results of operations.

On September 29, 2016, we reached settlements with the DOJ and the SEC, resolving their investigations into our former private investment business in Africa and a 2007 investment by the Libyan Investment Authority in certain of our funds. As part of the settlements, we entered into a Deferred Prosecution Agreement with the DOJ, and our subsidiary, OZ Africa, agreed to plead guilty to one count of conspiracy to violate the anti-bribery provisions of the FCPA. We also agreed to settle an administrative proceeding with the SEC involving violations of the FCPA and the Advisers Act.

Pursuant to the settlement agreements with the regulators, we agreed to pay \$412.1 million in settlement charges and to implement enhanced internal accounting controls and policies, to separate the chief compliance officer from other officer positions, and to engage an independent compliance monitor for three years, subject to early termination or extension. The settlements could have a material adverse effect on our business, financial condition or results of operations as described below in “-The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds.”

In addition, we regularly rely on exemptions or exclusions from various requirements of the Securities Act, the Exchange Act, the 1940 Act, the Commodity Exchange Act and ERISA in conducting our asset management activities. These exemptions or exclusions are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties whom we do not control. If for any reason these exemptions or exclusions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business, financial condition or results of operations could be materially adversely affected. Certain of the requirements imposed under the 1940 Act, the Advisers Act, ERISA and by non-U.S. regulatory authorities are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect holders of our Class A Shares. At any time, the regulations applicable to us may be amended or expanded by the relevant regulatory authorities. If we are unable to correctly interpret and timely comply with any amended or expanded regulatory requirements, our business, financial condition or results of operations could be adversely impacted in a material way.

We may also be adversely affected if additional legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. See “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business” for additional information. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with additional new laws or regulations could be difficult and expensive and affect the manner in which we conduct business, and we may be unable to correctly interpret and timely comply with any amended or expanded regulatory requirements, which could have adverse impacts on our business, financial condition or results of operations.

***The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds.***

As described above under “-Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” we recently settled investigations by the SEC and the DOJ concerning violations of the FCPA and other laws, which could have a material adverse effect on our business, financial condition or results of operations. In addition to the financial cost of the settlements, the investigation and settlements may harm our reputation and cause us to lose existing investors or fail to gain new investors, which could further adversely affect our business, financial condition or results of operations. Prior to the settlements, many of our funds raised capital relying on the exemption from registration provided by Rule 506 of Regulation D under the Securities Act (“Rule 506”) in connection with a securities offering structured as a private placement. As a consequence of the settlements, many of our funds are currently disqualified from raising capital using Rule 506 offerings. This could negatively affect our ability to raise capital for these funds, and our ability to offer and sell fund interests to certain investors in certain U.S. states may be impaired. The inability of many of our funds to raise capital in Rule 506 offerings may also result in additional expenses. The potential negative impact of the FCPA settlements on our ability to raise or retain capital for our funds could adversely affect our business, financial condition or results of operations.

***Increased regulatory focus in the United States could result in additional burdens on our business.***

The financial industry has become more highly regulated. Legislation has been introduced in recent years in the U.S. relating to financial markets and institutions, including alternative asset management firms, which would result in increased oversight and taxation. There has been, and may continue to be, a related increase in regulatory investigations of the trading and other investment activities of alternative investment funds, including our funds. Such investigations may impose additional expenses on us, may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations.

We are subject to numerous regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Title VII of the Dodd-Frank Act (the “Derivatives Title”) imposes a comprehensive regulatory regime on over-the-counter (“OTC”) derivatives and the operations of the markets for, and the activities of the dealers in and users of, OTC derivatives. The Derivatives Title, among other things: (i) could require certain OTC derivatives, including “swaps” (such as rate, credit, equity and commodity swaps) and “security-based swaps” (swaps and security-based swaps, collectively, “Swaps”), to be traded on a regulated exchange and cleared through a regulated clearing entity, potentially increasing significantly the collateral costs associated with such activities; (ii) imposes initial and variation margin requirements on certain entities whose derivatives are not cleared through a regulated clearing entity; (iii) creates several new classes of CFTC and SEC registrants, including “swap dealers,” “security-based swap dealers,” “major swap participants” and “major security-based swap participants,” that are subject to comprehensive regulation, including minimum net capital, margin, disclosure, reporting and recordkeeping requirements, conflicts of interest policies and procedures, new business conduct standards and other regulatory requirements; and (iv) expands the CFTC’s authority to impose speculative position limits with respect to derivative instruments, including Swaps on certain physical commodities (such as Swaps based on oil, gas, precious metals and agricultural commodities) and aggregate position limits for those instruments (including futures and options contracts and other listed instruments that are economically equivalent to such contracts) based on the same underlying physical commodity.

We are and may be directly and indirectly affected by the Derivatives Title and its rules, including but not limited to potential results such as increased clearing and margin costs and decreased liquidity. Although many of the regulations under the Derivative Title have been adopted, certain issues under the Derivatives Title that were to be addressed by the regulators have not yet been addressed in final form. At this time we still cannot fully predict what impact the Derivatives Title will have on us, the funds we manage, our counterparties, the financial services industry or the markets, although we have already seen meaningful impacts on the financial services industry and the markets, both positive and negative.

On December 18, 2014, the Financial Stability Oversight Council (the “Council”) released a notice seeking public comment regarding potential risks to U.S. financial stability from asset management products and activities and on February 4, 2015, the Council approved supplemental procedures for reviewing nonbank financial companies for potential designation as systematically important financial institutions (“SIFI”). If we or any of our funds were to be designated as a SIFI, or otherwise designated by the Council as presenting systemic risk, we would be subject to limitations on our ability to conduct certain activities, along with increased costs of doing business in the form of fees and assessments associated with such designation as



well as by virtue of increased regulatory compliance costs, all of which would be likely to adversely affect our competitive position.

On December 10, 2013, U.S. financial regulators adopted final regulations to implement the statutory mandate of the “Volcker Rule” contained in Section 619 of the Dodd-Frank Act. Under the Volcker Rule, the ability of certain banking entities to acquire as principal, directly or indirectly, ownership interests in certain private investment funds (referred to in the Volcker Rule as “covered funds”) will be limited. As a result, banking entities and their affiliates that would otherwise invest in our funds may choose not to invest in our funds, or to invest less capital in our funds. In addition, banking entities that are invested in our funds may be required to reduce or eliminate such investments due to the requirements of the Volcker Rule. The Volcker Rule also includes a general prohibition on banking entities engaging in activities defined as “proprietary trading.” The effectiveness of the Volcker Rule could negatively impact our business, financial condition or results of operations.

The Dodd-Frank Act also requires increased disclosure of executive compensation and provides shareholders with the right to a non-binding vote on executive compensation. In addition, the Dodd-Frank Act empowers federal regulators to prescribe regulations or guidelines to prohibit any incentive-based payment arrangements that the regulators determine encourage covered financial institutions to take inappropriate risks by providing officers, employees, directors or principal shareholders with excessive compensation or that could lead to a material financial loss by such financial institutions. Until all of the relevant regulations and guidelines have been established, we cannot predict what effect, if any, these developments may have on our business or the markets in which we operate.

Furthermore, the Dodd-Frank Act required the SEC and the CFTC to implement more expansive regulations concerning whistleblowers. The SEC and the CFTC have each adopted rules under this requirement, establishing reward programs for persons who bring information to the SEC or the CFTC. To receive a reward under these programs, the information must lead to the successful enforcement or resolution of a judicial or administrative action brought by the SEC or CFTC that results in a monetary sanction of more than \$1 million for a violation of the securities laws or the Commodity Exchange Act, respectively. These rules may result in increased regulatory inquiries or investigations by the SEC or the CFTC. Such inquiries or investigations could impose significant additional expense on us, require the attention of senior management and result in negative publicity and harm to our reputation.

Effective September 23, 2013, and pursuant to a mandate under the Dodd-Frank Act, the SEC adopted amendments to Rule 506 that disqualify issuers, such as our funds, from relying on the exemption from registration provided by Rule 506 in connection with a securities offering structured as a private placement if any “covered persons” are deemed to be “bad actors.” Specifically, an issuer generally will be precluded from conducting offerings that rely on the registration exemption provided by Rule 506 if a “covered person” has been subject to a relevant criminal conviction, regulatory or court order or other disqualifying event that occurred on or after September 23, 2013. For these purposes, the “covered persons” of an issuer include directors, certain officers, various entities related to the issuer, solicitors and promoters of the issuer and 20% beneficial owners of the issuer’s voting securities. For more detail about risks relating to the FCPA settlement and the related disqualification event which prevents many of our funds from raising capital using Rule 506, see “—The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds.”

These and other outstanding rulemakings mandated by the Dodd-Frank Act will be completed by various regulatory bodies and other groups over the next several years, and the Dodd-Frank Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action). As a result of the regulatory and other action yet to be taken, we do not know what the remaining final regulations under the Dodd-Frank Act will require and it is difficult to predict how significantly the Dodd-Frank Act will affect us. The Dodd-Frank Act will likely increase our administrative costs and could impose additional restrictions on our business.

In early February 2017, the new Trump administration issued an executive order calling for a review of laws and regulations affecting the U.S. financial industry in order to determine their consistency with a set of core principles identified in the executive order. Several bills are pending in Congress that, if enacted, would amend the Dodd-Frank Act, including the Financial CHOICE Act (the “CHOICE Act”), which was approved by the House of Representatives and the Economic Growth, Regulatory Relief and Consumer Protection Act which is awaiting consideration in the Senate. The Administration has expressed support for these proposals and encouraged the House and Senate to work together to present legislation to the President as quickly as possible. The House and Senate legislation, while different, could change the process and criteria for designating

systemically important financial institutions, modify the Volcker Rule and make reforms to the Consumer Financial Protection Bureau, among other amendments to the Dodd-Frank Act. The CHOICE Act would also significantly enhance the SEC's enforcement capabilities and increase the maximum civil penalties and criminal sanctions under federal securities laws, including under the Investment Company Act (the "1940 Act") and the Advisers Act. Both the House and Senate proposals are still subject to amendment and possible reconciliation into a single proposal, the scope of which is not possible to determine at this time nor is it possible to determine if and when such a proposal may be presented to the President for enactment.

Recently enacted tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "TCJA") made significant changes to the taxation of U.S. business entities, including by reducing the corporate income tax rate from 35% to 21%, eliminating the corporate alternative minimum tax, restricting deductions allowed for net operating losses to 80% of current year taxable income, permitting net operating losses to be carried forward indefinitely, and limiting the deductibility of business interest, among other changes. In addition, the TCJA changed the treatment of certain carried interests held by us by denying long-term capital gain treatment for gains recognized with respect to assets held for three years or less. We have not yet fully determined the effect the TCJA will have on us. See Note 11 for additional information regarding the effects of the TCJA on our consolidated financial statements.

***Risk retention rules could adversely affect our CLO management business.***

On October 21 and October 22, 2014, the U.S. federal interagency credit risk retention rules codified at 17 CFR Part 246 (the "U.S. Risk Retention Rules") were issued. Effective as of December 24, 2015 (in the case of securitizations collateralized by residential mortgages) or December 24, 2016 (the "Risk Retention Compliance Date"), the U.S. Risk Retention Rules promulgated by U.S. federal regulators under the Dodd-Frank Act generally require a "sponsor" of a "securitization transaction" to retain either directly or through a "majority-owned affiliate" an economic interest in the "credit risk" of "securitized assets" (as such terms are defined in the U.S. Risk Retention Rules), in one or more prescribed forms.

The U.S. Risk Retention Rules provide that "sponsor" means "a person who organizes and initiates a securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuing entity". For purposes of CLO transactions, the preamble to the rule text in the U.S. Risk Retention Rules states that the agencies believe that the U.S. Risk Retention Rules apply to CLOs and managers of CLOs. Thus, to the extent required by applicable law, subject to further developments relating to the LSTA Risk Retention Decision described below and other changes in circumstances, any CLO transaction that issues securities after such Risk Retention Compliance Date (including as a result of "deemed" issuances of securities resulting from refinancing, re-pricings or material amendments) will typically be required to satisfy the U.S. Risk Retention Rules. At this time, however, there is uncertainty with respect to what is required to comply with the U.S. Risk Retention Rules in certain circumstances. In addition, there are a number of future uncertainties surrounding the U.S. Risk Retention Rules, particularly for certain collateral managers in certain CLO transactions, including: (i) as discussed in greater detail below, the ultimate results of litigation currently in process brought by the Loan Syndications and Trading Association (the "LSTA"), a major industry trade association, challenging, among other things, the regulators' application of U.S. Risk Retention Rules to certain collateral managers of certain CLOs, (ii) proposed legislation designed to exclude from U.S. Risk Retention Rules qualified CLOs that meet certain criteria and (iii) future directives and interpretations by governmental authorities with respect to the U.S. Risk Retention Rules.

On February 9, 2018, the United States Court of Appeals for the District of Columbia (the "DC Circuit Court") ruled in favor of an appeal brought by the LSTA and reversed a lower court decision in favor of the Securities and Exchange Commission and the Board of Governors of the Federal Reserve System (the "Applicable Governmental Agencies") with instructions to grant summary judgment in favor of the LSTA on the issue of whether the U.S. Risk Retention Rules apply to certain collateral managers of certain CLOs under Section 941 of the Dodd-Frank Act (the "LSTA Risk Retention Decision"). If this decision stands and is implemented, certain CLO managers of certain CLOs will no longer be required to comply with the risk retention requirements of the U.S. Risk Retention Rules.

Subject to further developments relating to the LSTA Risk Retention Decision and other changes in circumstances, the U.S. Risk Retention Rules have caused, and may continue to cause, significant and potentially adverse changes to the CLO management business generally, and to our business specifically. Since the applicable Risk Retention Compliance Date, we have retained an "eligible vertical interest" (as such term is defined in the U.S. Risk Retention Rules) in a number of CLOs (the "Risk

Retention Interests” and each a “Risk Retention Interest”) directly through a standalone, self-managed collateral manager entity that is a wholly owned subsidiary of OZ Management LP, OZ CLO Management LLC (the “Retention Holder”). The Retention Holder has financed its acquisition of each Risk Retention Interest through a third party financing arrangement which provides for the Retention Holder to make additional borrowings to finance its purchase of notes issued by other CLO issuers for which the Retention Holder may become the collateral manager in the future. Subject to further developments relating to the LSTA Risk Retention Decision and other changes in circumstances, we may seek to retain additional risk retention interests directly through the Retention Holder, Och-Ziff Loan Management LP or through any other majority-owned affiliate. We may also seek to establish an additional standalone, self-managed collateral manager entity that will manage CLOs and retain risk retention interests directly or through a majority-owned affiliate. There can be no assurance that applicable regulatory or governmental authorities will agree that any of the approaches we adopt in order to comply with the requirements of the U.S. Risk Retention Rules satisfy such requirements. In addition, subject to further developments relating to the LSTA Risk Retention Decision and other changes in circumstances, in the event that the Retention Holder determines that it is no longer required to retain the Retention Interests under applicable law, and subject to any financing arrangements then in place, it may dispose of such Retention Interests.

Our efforts to undertake compliance with the U.S. Risk Retention Rules have required, and, subject to further developments relating to the LSTA Risk Retention Decision and other changes in circumstances, will continue to require additional costs and expenses, which may be significant, and are further expected to require tying up capital that could potentially be deployed in another manner in order to generate better risk-adjusted returns. In addition, in the event applicable regulatory or governmental authorities disagree that any of our adopted compliance approaches satisfy any applicable requirements of the U.S. Risk Retention Rules, this may expose us to additional costs and expenses, in addition to potential liability. Furthermore, we may be required to agree to certain undertakings and covenants in connection with complying with the U.S. Risk Retention Rules, breaches of which may cause us to incur liability. The Retention Holder’s third party recourse financing arrangement has imposed, and such financing arrangement, together with any additional third party recourse financing arrangement obtained in connection with retaining any future risk retention interest, may continue to impose, additional limitations or restrictions on our business that could adversely alter the way in our business is operated, reduce the value of our managing CLOs to us and to our shareholders, or otherwise adversely affect our business and operations generally, or the value of our shares. Generally, managing CLOs following the Risk Retention Compliance Date may be less valuable to us and our shareholders relative to managing CLOs prior to the Risk Retention Compliance Date.

The U.S. Risk Retention Rules are subject to varying interpretations, and one or more regulatory or governmental authorities could take positions with respect to the U.S. Risk Retention Rules that conflict with, or are inconsistent with, the U.S. Risk Retention Rules as understood or interpreted by us, the CLO management industry generally, or past or current regulatory or governmental authorities. Subject to further developments relating to the LSTA Risk Retention Decision and other changes in circumstances, available interpretive authority to date addressing the U.S. Risk Retention Rules applicable to CLOs is limited. Accordingly, no assurance can be made that the U.S. Risk Retention Rules, as understood or interpreted by us, by the CLO management industry generally, or by past or current regulatory or governmental authorities, will not be interpreted differently by applicable regulatory or governmental authorities, now or in the future, or that there will not be a change in applicable law or rules and regulations in the future that could adversely affect us or the CLOs we manage, including by making any structural changes or financing arrangements undertaken to facilitate compliance with the U.S. Risk Retention Rules obsolete, unnecessarily burdensome or otherwise economically or administratively disadvantageous.

In addition to any potential direct effects on us or the CLOs we manage, the U.S. Risk Retention Rules also may have an adverse effect on the leveraged loan markets or credit markets generally, which may in turn adversely affect the CLOs we manage or our business generally.

No assurance can be given that the U.S. Risk Retention Rules will not have a material adverse effect on our business and operations.

***Regulatory changes in jurisdictions outside the United States could adversely affect our business.***

Similar to the United States, jurisdictions outside the United States in which we operate, in particular Europe, have become subject to further regulation. Governmental regulators and other authorities in Europe have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business.

The EU's Alternative Investment Fund Managers Directive (2011/61/EU) (the "AIFMD") became effective on July 21, 2011, but with implementation taking place between July 22, 2013 and July 22, 2014. As of January 1, 2017, all EU Member States had transposed the AIFMD into their domestic law. The AIFMD is complex and key aspects of it remain subject to further consultation and interpretation.

The AIFMD imposes significant regulatory requirements on alternative investment fund managers ("AIFMs"), operating within the EU, as well as prescribing certain conditions with regard to regulatory standards, cooperation and transparency that need to be satisfied for non-EU AIFMs to market alternative investment funds ("AIFs") into EU Member States. Should any member of our group be treated as an AIFM operating within the EU, AIFMD rules would impose significant additional costs on the operation of our business in the EU and limit our operating flexibility. In any event, in order to market one of our AIFs to investors in the EU, the non-EU investment adviser of that AIF will be required to comply with the marketing conditions in the AIFMD and any additional national restrictions, assuming that national private placement is available. The AIFMD conditions are that the AIFM complies with specific notification or registration requirements and certain additional transparency requirements requiring disclosures to investors in the AIF and to EU regulators; the AIFM also complies with requirements relating to the acquisition of substantial stakes in EU companies; and the jurisdictions in which the non-EU AIFM and the relevant AIF are organized satisfy certain conditions with regard to regulatory standards, cooperation and transparency.

If the AIFMD's marketing passport is made available to non-EU AIFMs, it is possible that national private placement regimes will be phased out, in which case such persons would, thereafter, need to comply with the AIFMD in full in order to be able to continue to market their AIFs within the EU. Again, such rules could, if they start to apply in full to our business, potentially impose significant additional costs on the operation of our business in the EU and could limit our operating flexibility and our ability to raise funds within the EU. There is also no requirement for EU Member States to make the private placement regimes available to non-EU AIFMs and consequently, individual EU Member States could, theoretically, seek to apply the rules set out in the AIFMD in full to non-EU AIFMs at any time, even before the marketing passport is made available to such non-EU AIFMs.

Separately to the AIFMD, the EU has also introduced significant changes to its regulation of EU securities and derivatives markets through new legislation known as "MiFID II" which came into force on January 3, 2018. MiFID II replaces the original MiFID I regime which had been in force since November 2007. MiFID II, which is comprised of the Markets in Financial Instruments Directive (2014/65/EU), the Markets in Financial Instruments Regulation ((EU)600/2014) and a number of regulatory and implementing technical standards that take the form of EU Delegated Acts, is the foundational legislation for investment firms operating in the EU, including our UK affiliates Och-Ziff Management Europe Limited ("OZME") and Och-Ziff Europe Loan Management Limited ("OZELM"), both of which are authorized and regulated in the UK as MiFID investment firms.

MiFID II has imposed significant new organizational, conduct, governance, operational and reporting requirements on OZME and OZELM, including new requirements around the receipt of inducements and the use of soft dollars / dealing commissions, enhanced transaction reporting and pre and post-trade transparency requirements, formal telephone taping requirements, and new best execution rules. Further, new MiFID II rules may restrict the ability of other Oz entities domiciled outside of the EU (known as "third-country firms") to provide investment services to clients domiciled in the EU. Other changes resulting from MiFID II may have an impact (indirectly) on any Oz entity or client that trades on EU markets or trading venues, or does business with EU-regulated banks or brokers. These impacts may include venue trading requirements for certain categories of shares and derivatives, restrictions on so-called "dark pool" trading, product banning powers, algorithmic trading restrictions, and enhanced requirements around the provision of direct market access / direct electronic access services.

In addition to the AIFMD and MiFID II, the EU has implemented, or is in the process of implementing, a number of measures in response to the financial crisis or as part of an ongoing program of legislative change. These include, but are not limited to:

- The European Markets Infrastructure Regulation ((EU) No 648/2012) (known as EMIR), which, together with EU Delegated Acts, imposes clearing, risk mitigation, margining and trade reporting requirements on OTC derivatives counterparties.
- The Solvency II directive, which applies capital charges on insurers in respect of their fund investments.

- The Market Abuse Regulation ((EU) No. 596/2014) (known as MAR) and a directive designed to harmonize criminal sanctions for market abuse (called CSMAD) which came into force in July 2016 and which extended the EU's market abuse regime to behavior in respect of financial instruments traded on a wider variety of trading venues and EU emission allowances, refined the definition of inside information, introduced a new offense of "attempted market manipulation" and strengthened regulatory authorities' investigative and sanctioning powers.
- A European Commission proposed Directive and Regulation on regulatory capital requirements for non-systemically important investment firms which, if implemented as planned in 2020, may result in OZME and OZELM needing to increase the amount of regulatory capital that they are currently required to set aside.
- The General Data Protection Regulation ((EU) 2016/679) (the "GDPR"), which will come into effect on May 25, 2018, replacing the EU existing data protection regime, will introduce new enhanced requirements in respect of the processing of personal data (that will include amongst other things investor and employee data). The GDPR is expected to have a significant impact on those who act as data controllers and processors and those who intend to send personal data outside the EU.

Each or all of these measures could have direct and indirect effects on our business.

In the U.K., the Financial Conduct Authority (the "FCA") is expected in the latter half of 2018 to formally extend the Senior Managers and Certification Regime (the "SMCR") to "solo-regulated" firms such as OZME and OZELM. The SMCR will replace the existing FCA approved person regime and is expected to result in a significant increase in the requirements that will apply to certain OZME and OZELM staff and in the documentation and record-keeping needed to demonstrate compliance with the new regime.

In addition, the UK introduced a tax on "diverted profits," effective April 1, 2015. The tax requirement remains controversial and, in some parts, unclear as to its operation. According to the UK government's publications, the rules are intended to counteract "contrived arrangements" to divert profits from the UK by avoiding a UK taxable presence or by other contrived arrangements between connected entities. A 25% rate of tax will apply to diverted profits relating to UK activity, targeting foreign companies that are perceived as exploiting the UK's permanent establishment rules or creating other tax advantages by using transactions or entities that lack economic substance. Credit will be available in some circumstances for foreign taxes incurred on the same profits. Statements by the UK government indicate that the legislation was not primarily focused on investment funds such as our funds, or non-UK investment managers of such funds such as Oz Management. While it is not possible to reach a definitive conclusion that the funds or the management entities will not be affected, we consider there to be sufficiently strong arguments as to why neither our funds nor the management entities should self-report for this tax. It is worth noting in this regard that the UK government is of the view that the tax is not within the terms of the U.S.-UK double taxation treaty, potentially limiting the availability of credit in the U.S., as well as treaty-based dispute resolution procedures.

***If third-party investors in our funds exercise their right to remove us as investment manager or general partner of the funds, we would lose the assets under management in such funds, which would eliminate our management fees and incentive income derived from such funds.***

The governing agreements of most of our funds provide that, subject to certain conditions, third-party investors in those funds have the right, without cause, to vote to remove us as investment manager or general partner of the fund by a simple majority vote, resulting in the elimination of the assets under management by those funds and the management fees and incentive income derived from those funds. In addition to having a significant negative impact on our business, financial condition or results of operations, the occurrence of such an event would likely result in significant reputational damage to us.

In addition, because our funds generally have an adviser that is registered under the Advisers Act, the management agreements of all of our funds would be terminated upon an "assignment" of these agreements without investor consent, which assignment may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. "Assignment" of these agreements without investor consent could cause us to lose the fees we earn from such funds.

***Our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business, financial condition or results of operations.***

The Sarbanes-Oxley Act and the related rules require our management to conduct annual assessments of the effectiveness of our internal control over financial reporting and require a report by our independent registered public accounting firm, as well as an independent audit of our internal control over financial reporting. If our independent registered public accounting firm is unable to opine on the effectiveness of our internal control over financial reporting for any reason or we are unable to report our financial information on a timely basis due to matters impacting our internal controls, as has occurred in the past, we may become subject to adverse regulatory or other consequences, including sanctions or investigations by the SEC, and some of these consequences could have a material adverse effect on our business, financial condition or results of operations.

***Our failure to deal appropriately with conflicts of interest could damage our reputation and materially adversely affect our business, financial condition or results of operations.***

As we expand the scope of our business, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds have overlapping investment objectives and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among or even within those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to buy or sell securities in the public markets. In addition, fund investors and holders of our Class A Shares may perceive conflicts of interest regarding investment decisions for funds in which our executive managing directors and employees, who have and may continue to make significant personal investments, are personally invested.

It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which would materially adversely affect our business, financial condition or results of operations in a number of ways, including an inability to raise additional funds and a reluctance of counterparties to do business with us.

***Misconduct by our executive managing directors, employees or agents could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm.***

There is a risk that our executive managing directors, employees, joint venture partners, consultants or agents could engage in misconduct that materially adversely affects our business. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets we manage, as well as our status as a public company with securities listed on the NYSE. The violation of these obligations and standards by any of our executive managing directors, employees, joint venture partners, consultants or agents could materially adversely affect our investors, both in our funds and in our Class A Shares, and us. In addition to these numerous and complex obligations, our business requires that we properly deal with confidential matters of great significance to companies in which we may invest or with which we otherwise do business. If our executive managing directors, employees, joint venture partners, consultants or agents were improperly to use or disclose confidential information, we could be subject to litigation, regulatory investigations or sanctions and suffer serious harm to our reputation, financial position and current and future business relationships. Furthermore, there have been a number of recent highly publicized cases involving fraud or other misconduct by employees in the financial services industry generally and there can be no assurance that we will not suffer from similar employee misconduct. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity have not been and may not be effective in all cases. If one of our executive managing directors, employees, joint venture partners, consultants or agents were to engage in misconduct or were to be accused of such misconduct, even if such allegations were unsubstantiated, our reputation and our business, financial condition or results of operations could be materially adversely affected.

In recent years, the DOJ and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the UK has recently significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures previously have not been, and in the future may not be effective in all instances to prevent violations. Any determination that we have

violated the FCPA or other applicable anti-bribery laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business, financial condition or results of operations.

***We may enter into new businesses, make future strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties in our business.***

We intend, to the extent that market conditions warrant, to grow our business by increasing assets under management and creating new investment platforms and businesses. Accordingly, we may pursue growth through strategic investments, acquisitions or joint ventures, which may include entering into new lines of business in which we may not have extensive experience, including sponsoring business development companies. It is also possible that, from time to time, we may need to make payments in order to resolve commercial disputes. In addition, we expect opportunities will arise to acquire, or enter into joint ventures with, other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, enter into joint ventures, or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with the required investment of capital and other resources, the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, combining or integrating operational and management systems and controls, or loss of investors in our funds due to the perception that we are no longer focusing on our core fund management duties. Entry into certain lines of business may subject us to more complex or extensive new laws and regulations with which we may not be familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business that we enter into generates insufficient revenues or if we are unable to efficiently manage any expansion of our operations, our business, financial condition or results of operations could be materially adversely affected. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

***Changes in the credit markets may negatively impact our ability to refinance our outstanding indebtedness or our ability to otherwise obtain attractive financing for our business, and may increase the cost of such financing if it is obtained, which would lead to higher interest expense or, with respect to our funds, lower-yielding investments, either of which would decrease our earnings. An increase in our borrowing costs may materially adversely affect our business, financial condition or results of operations.***

In November 2019, our Revolving Credit Facility will expire and our Senior Notes will mature. At those times, we will be required to either refinance or replace any outstanding indebtedness under the Revolving Credit Facility (or to obtain a new revolving line of credit), and the Senior Notes, as applicable, by entering into one or more new credit facilities or issuing debt securities, which could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. We could also repay any outstanding loans under the Revolving Credit Facility, or the Senior Notes, by using cash on hand or cash from the sale of our assets, which would reduce amounts available for compensation of our employees or distribution to our Class A Shareholders and our executive managing directors. No assurance can be given that we will be able to enter into new credit facilities, issue debt securities or issue equity in the future on attractive terms, or at all. Loans under the Revolving Credit Facility may be subject to a base rate plus a margin or a LIBOR-based floating rate plus a margin, and the interest expense we incur may vary with changes in the applicable LIBOR reference rate. See “Item 7A. Qualitative and Quantitative Disclosures about Market Risk—Interest Rate Risk,” for additional information regarding the impact that a change in LIBOR would have on our annual interest expense associated with our debt obligations.

As our Revolving Credit Facility, the Senior Notes and, with respect to our funds, other committed secured credit facilities expire, or if our lenders fail, we will need to replace them by entering into new facilities or finding other sources of liquidity. Furthermore, to the extent that the debt financing markets make it difficult or impossible for us to refinance or replace our Revolving Credit Facility or the Senior Notes, we may be unable to repay the loans outstanding under the Revolving Credit Facility, if any, or the aggregate principal amount of the Senior Notes upon maturity, our liquidity may be reduced in a manner that may restrict or otherwise prevent us from funding or operating our general business affairs. We may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection, and substantial doubt may be raised as to our status as a going concern. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “—Debt Obligations” for a discussion of our Revolving Credit Facility and overall liquidity position.

Furthermore, depending on the facts and circumstances, we may want to use significant borrowings to finance our business operations or growth. If we incur additional substantial indebtedness, we will be exposed to risks associated with the use of substantial borrowings, including those discussed below under “— Risks Related to Our Funds—Our funds may determine to use leverage in investments, which could materially adversely affect our ability to achieve positive rates of return on those investments.”

## **Risks Related to Our Funds**

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

***Difficult market conditions can adversely affect our funds in many ways, including by negatively impacting their performance and reducing their ability to raise or deploy capital, which could materially reduce our revenues and adversely affect our business, financial condition or results of operations.***

A recurrence of significant disruption and volatility in the global financial markets and economies could impair the investment performance of our funds. Additionally, we may not be able to raise capital for existing or new funds during, or even following, periods of market instability. Although we seek to generate consistent, positive, absolute returns across all market cycles, our funds have been and may be materially affected by conditions in the global financial markets and economic conditions. The global market and economic climate may become increasingly uncertain due to numerous factors beyond our control, including but not limited to, concerns related to unpredictable global market and economic factors, regulatory uncertainty, rising interest rates, inflation or deflation, the availability of credit, performance of financial markets, terrorism or political uncertainty.

A general market downturn, a specific market dislocation or deteriorating economic conditions may cause a material reduction in our revenues and adversely affect our business, financial condition or results of operations by causing:

- A decline in assets under management, resulting in lower management fees and incentive income.
- An increase in the cost of financial instruments, executing transactions or otherwise doing business.
- Lower or negative investment returns, which may reduce assets under management and potential incentive income.
- Reduced demand for assets held by our funds, which would negatively affect our funds’ ability to realize value from such assets.
- Increased investor redemptions or greater demands for enhanced liquidity or other terms, resulting in a reduction in assets under management, lower revenues and potential increased difficulty in raising new capital.

Furthermore, while difficult market and economic conditions and other factors can potentially increase investment opportunities over the long term, including with respect to the competitive landscape for the hedge fund industry, such conditions and factors also increase the risk of increased investment losses and additional regulation, which may impair our business model and operations. Our funds may also be materially adversely affected by difficult market conditions if our investment professionals fail to assess the adverse effect of such conditions on our investments, resulting in a significant reduction in the value of those investments. Moreover, challenging market conditions may prompt alternative asset managers to reduce the management fee and incentive income rates they charge in order to retain assets. In response to competitive pressures or for any other reason, we may reduce or change the fee structures of our funds, which could reduce the amount of fees and income that we may earn relative to assets under management.

Most of our funds utilize investment strategies that depend on our ability to appropriately react to, or accurately assess, the occurrence of, certain events, including market and corporate events. If we fail to do so, our funds’ investment performance could be adversely affected in a material way.



***The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or any future funds we may raise.***

We have presented throughout this report the net composite returns relating to the historical performance of our most significant funds, and we have also referred to other metrics associated with historical returns, such as risk and correlation measures. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in prior periods and are not indicative of any future fund returns.

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

- The historical returns of our funds should not be considered indicative of the future results that should be expected from such funds or from any future funds we may raise.
- Our funds' returns, particularly during periods of more extreme market and economic conditions, have benefited from or been impaired by the existence or lack of investment opportunities and such general market and economic conditions, which may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities.
- The historical rates of return of our funds reflect such funds' historical expenses, which may vary in the future due to factors beyond our control, including changes in laws or regulations.

***We are subject to counterparty default risks.***

Our funds enter into numerous types of financial arrangements with a wide array of counterparties around the world, including loans, swaps, repurchase agreements, securities lending agreements and other derivative and non-derivative contracts. The terms of these contracts are often customized and complex and these arrangements may occur in markets or relate to products that are not currently subject to experienced regulatory oversight. In particular, certain of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

Our funds are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, under the contract. Any such default may occur rapidly and without prior notice to us. Moreover, if a counterparty defaults, we may be unable to take action to recover our assets or any amounts due to us, either because we lack the contractual ability or because market conditions make it difficult to take effective action. This inability could occur at any time, but particularly in times of market stress, which are precisely the times when defaults may be most likely to occur.

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

In the event of a counterparty default, particularly a default by a major commercial bank or other financial institution, one or more of our funds could incur material losses, and the resulting market impact of a major counterparty default could harm our business, results of operation and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

The counterparty risks that we face have increased in complexity and magnitude as a result of the financial crisis, including the sovereign debt crisis in Europe, and resulting impairment or insolvency of a number of major financial institutions that serve as counterparties for derivative contracts and other financial instruments with our funds. The consolidation or elimination of counterparties may also result in concentration of counterparty risk. In addition, counterparties have generally reacted to the ongoing market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available to our funds and increasing the costs of borrowing.

***Poor performance of our funds would cause a decline in our revenues, results of operations and cash flows and could materially adversely affect our ability to retain capital or attract additional capital.***

If our funds perform poorly, our revenues, results of operations and cash flows decline because the value of our assets under management decreases, which in turn results in a reduction in management fees. To the extent that our funds perform poorly and such performance is continuing at the end of a relevant commitment period, we would experience a reduction in incentive income and, if such reduction was substantial, could result in the elimination of incentive income for a given year and future years until that decrease has been surpassed by positive performance. Poor performance of our funds would make it more difficult for us to raise new capital and may cause investors in our funds to redeem their investments. Investors and potential investors in our funds continually assess our funds' performance, as well as our ability to raise capital for existing and future funds. Our ability to avoid excessive redemption levels will depend in part on our funds' continued satisfactory performance. Moreover, poor performance, particularly in our most significant funds, would harm our reputation and competitive standing, which would further impair our ability to retain or attract fund capital. These factors may cause us to reduce or change the fee structure of our funds in order to retain or continue to attract assets under management, which could further reduce the amounts of management fees and incentive income that we may earn relative to assets under management.

***Our funds may determine to use leverage in investments, which could materially adversely affect our ability to achieve positive rates of return on those investments.***

Our funds use or may choose to use leverage, either directly or through the use of derivative instruments, to increase the yield on certain of their investments. The use of leverage poses a significant degree of risk, most notably by significantly increasing the risk of loss associated with leveraged investments that decline in value, and enhances the possibility of a significant loss in the value of the investments in our funds. Our funds may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities. Volatility in the credit markets increases the degree of risk associated with such borrowing. Gains realized with borrowed funds may cause a fund's net asset value to increase at a faster rate than would be the case without borrowings. If investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. Increases in interest rates could also decrease the value of fixed-rate debt investments made by our funds. To the extent our funds determine to significantly increase their use of leverage, any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flows.

***The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with making an investment.***

Before investments are made by our funds, particularly investments in securities that are not publicly traded, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment bankers may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, and such an evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to a particular investment will vary and we may not properly assess the appropriate amount of diligence for each investment, which may result in losses.

***Our funds may invest in relatively high-risk, illiquid assets, including structured products, and may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal investments.***

Our funds invest in securities that are not publicly traded or that are otherwise illiquid, including complex structured products. There may be no readily available liquidity in these securities, particularly at times of market stress or where many participants may be seeking liquidity at the same time. In many cases, our funds may be prohibited, whether by contract, by applicable securities laws or by the lack of a liquid market, from selling such securities for a period of time. Moreover, even if the

securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the required holding period. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investment in illiquid assets involves considerable risk and our funds may lose some or all of the principal amount of such investments.

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

There are no readily ascertainable market prices for the large number of the illiquid investments held by our funds. The fair value of the investments of our funds is determined periodically by us using a number of methodologies permitted by our funds' valuation policies. These methodologies involve a significant degree of judgment and are based on a number of factors, which may include, without limitations, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the length of time the investment has been held, the trading price of securities (in the case of publicly traded securities), restrictions on transfer and other recognized valuation methodologies. In addition, because certain of the illiquid investments held by our funds may be in industries or sectors that are under distress or undergoing some uncertainty, such investments may be subject to rapid changes in value caused by sudden company-specific or industry-specific developments.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that may actually be realized because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance.

Because there is significant uncertainty in the valuation of and in the stability of the value of illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that might actually be obtained when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in fund net asset values would result in losses for the applicable fund, a decline in management fees and the loss of potential incentive income. Also, a situation where asset values turn out to be materially different from values reflected in fund net asset values may cause investors to lose confidence in us, which could, in turn, result in redemptions from our funds, difficulties in our ability to raise additional capital or an increased risk of litigation by investors or governmental or self-regulatory organizations. These issues could result in regulatory scrutiny of our valuation methodologies, policies and related disclosures.

***Our funds make investments in companies that we do not control, exposing us to the risk of decisions made by others with whom we may not agree.***

Investments by our funds will include investments in debt or equity of companies that we do not control. Such investments may be acquired by our funds through trading activities or through purchases of securities from the issuer. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions contrary to our expectations, with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. In addition, we may make investments in which we share control over the investment with co-investors, which may make it more difficult for us to implement our investment approach or exit the investment when we otherwise would. If any of the foregoing were to occur with respect to one or more significant investments, the values of such investments by our funds could decrease and our business, financial condition or results of operations could suffer as a result.

***Our funds make investments in companies that are based outside of the United States, exposing us to additional risks not typically associated with investing in companies that are based in the United States.***

Many of our funds may invest a significant portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to the following:

- Currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another.
- Less developed or efficient financial markets than in the United States, which may not enable or permit appropriate hedging techniques or other developed trading activities, leading to potential price volatility and relative illiquidity.
- The absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation.
- Differences in the legal and regulatory environment, including less-developed or less-comprehensive bankruptcy laws.
- Fewer investor protections and less stringent requirements relating to fiduciary duties.
- Difficulties in enforcing contracts and filing claims under foreign legal systems.
- Less publicly available information in respect of companies in non-U.S. markets.
- Certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments.
- The possible imposition of non-U.S. taxes or withholding on income and gains recognized with respect to such securities.

There can be no assurance that adverse developments with respect to such risks will not materially adversely affect our funds' investments that are held in certain countries or the returns from these investments.

***Risk management activities may materially adversely affect the return on our funds' investments.***

When managing our funds' exposure to market risks, we may from time to time use hedging strategies and various forms of derivative instruments to limit the funds' exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging transactions generally will depend on our ability to correctly assess the degree of correlation between price movements of the hedging instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. For a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of our investment because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

***If our risk management processes and systems are ineffective, we may be exposed to material unanticipated losses.***

We continue to refine and implement our risk management techniques, strategies and assessment methods, such as the use of statistical and other quantitative and qualitative tools to identify, observe, measure and analyze the risks to which our funds are exposed. These methods, even if properly implemented, may not allow us to fully mitigate the risk exposure of our funds in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Some

of our strategies for anticipating and managing risk in our funds are based upon our use of historical market behavior statistics, which may not be an accurate predictor of current or future market risks. We apply statistical and other tools to these observations to measure and analyze the risks to which our funds are exposed. Any failure in our risk management systems, whether in design or implementation, to accurately identify and quantify such risk exposure could limit our ability to manage risks in the funds, identify appropriate investment opportunities or realize positive, risk-adjusted returns. Because neither our quantitative nor qualitative risk management processes can anticipate for every investment the economic and financial outcome or timing and other specifics of the outcome, we will, in the course of our activities, incur losses.

***Our funds' investments are subject to numerous additional risks.***

Our funds' investments are subject to numerous additional risks, including the following:

- The funds may engage in short selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.
- Our funds may be limited in their ability to engage in short selling or other activities as a result of regulatory mandates. Such regulatory actions may limit our ability to engage in hedging activities and therefore impair our investment strategies. In addition, our funds may invest in securities and other assets for which appropriate market hedges do not exist or cannot be acquired on attractive terms.
- Our funds may invest in companies with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems or that are involved in bankruptcy or reorganization proceedings. In such "distressed" situations, it may be difficult to obtain full information as to the exact financial and operating condition of the issuer. Depending on the specific fund's investment profile, a fund's exposure to distressed investments may be substantial in relation to the market for those investments and the investments may be illiquid and difficult to transfer. As a result, it may take a number of years for the fair value of our funds' distressed investments to reflect their intrinsic value as perceived by us.
- Distressed investments may be involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions and may purchase high-risk receivables. Additionally, the fair values of such investments may be subject to abrupt and erratic market movements and significant price volatility if they are widely traded securities and significant uncertainty in general if they are not widely traded securities or have no recognized market. Moreover, a major economic recession could have a materially adverse impact on the value of such securities. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, the fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a fund of its entire investment in each such company.
- Investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of securities rated below investment grade or otherwise adversely affect our reputation.
- Credit risk may be exacerbated by a default by any one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" could have a further material adverse effect on the financial intermediaries (such as prime brokers, clearing agencies, clearing houses, banks, securities firms and exchanges) with which the funds transact on a daily basis. Although the U.S. government, including the U.S. Treasury Department

and the Federal Reserve, has taken significant actions to prevent a systemic collapse, no assurance can be given that such actions will be sufficient or successful in all cases.

- The effectiveness of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds may only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the investment manager or general partner of such funds, and might incur a loss in liquidating their position.
- Fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs; and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the securities underlying them. In addition, the funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.
- Our funds may make real estate investments, including, without limitation, the acquisition of real estate assets, the purchase of loans secured directly or indirectly by real estate and the purchase of securities backed by mortgage loans secured by real estate, which will be subject to the risks incident to the lending, ownership and operation of commercial and residential real estate, including (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks relating to the decline in value of the real estate properties in question; (v) risks and operating problems arising out of the absence of certain construction materials; (vi) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vii) the financial condition of tenants, buyers and sellers of properties; (viii) risks relating to the absence of debt financing or changes in its availability; (ix) energy and supply shortages; (x) laws assigning liability to the owners of real estate properties for environmental hazards existing on such properties; (xi) laws relating to real estate lending, management and/or ownership that are complex or unclear or otherwise difficult to comply with; (xii) changes in the tax, real estate, environmental and zoning laws and regulations; (xiii) various uninsured or uninsurable risks; (xiv) natural disasters; and (xv) the ability of the fund or third party borrowers to develop and manage the real properties. With respect to investments in equity or debt securities, the fund will in large part be dependent on the ability of third parties to successfully manage the underlying real estate assets. In addition, the fund may invest in mortgage loans that are structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. The fund's investment strategy, which may involve the acquisition of distressed or underperforming assets in a leveraged capital structure, will involve a high degree of legal and financial risk, and there can be no assurance that the fund's rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid.

#### **Risks Related to Our Organization and Structure**

***Control by Mr. Och of the total combined voting power of our shares could cause or prevent us from engaging in certain transactions, which could materially adversely affect the market price of the Class A Shares or deprive our Class A Shareholders of an opportunity to receive a premium as part of a sale of our Company.***

As of December 31, 2017, our executive managing directors control approximately 65.7% of the total combined voting power of our Class A Shares and Class B Shares through their ownership of 100% of our Class B Shares and Mr. Och's and certain other executive managing directors' ownership of Class A Shares purchased on the open market. Our executive managing directors will receive additional Class B Shares resulting in additional control upon the conversion of any Group D Units into Group A Units. In addition, our executive managing directors received Class B Shares in connection with the grant of Group P Units under the 2017 Incentive Program. See Note 10 to our consolidated financial statements included in this report for additional information on the 2017 Incentive Program.

Each of our executive managing directors that owns Class B Shares has granted to the Class B Shareholder Committee, the sole member of which is currently our founder, Mr. Och, an irrevocable proxy to vote all of their Class B Shares as the Committee may determine in its sole discretion. Mr. Och will continue to serve as the sole member of the Class B Shareholder Committee until it is disbanded upon the termination of the Class B Shareholders Agreement, which will occur on the Transition Date. If the Class B Shareholders Agreement has not already been terminated as described above, this proxy will terminate upon the later of Mr. Och's withdrawal, death or disability, or such time as our executive managing directors hold less than 40% of our total combined voting power.

Accordingly, Mr. Och currently has the ability to elect all of the members of our Board of Directors and thereby control our management and affairs. In addition, he currently is able to determine the outcome of all matters requiring shareholder approval and will be able to cause or prevent a change of control of our Company or a change in the composition of our Board of Directors, and could preclude any unsolicited acquisition of our Company. Mr. Och's current control of voting power could deprive Class A Shareholders of an opportunity to receive a premium for their Class A Shares as part of a sale of our Company, and might ultimately affect the market price of the Class A Shares. If the Class B Shareholders Agreement has not already been terminated as described above, upon Mr. Och's withdrawal, death or disability, the Class B Shareholder Committee will consist of either the remaining members of the Partner Management Committee, who shall act by majority vote in such capacity, or an executive managing director elected by majority vote of the remaining members of the Partner Management Committee to serve as the sole member of the Class B Shareholder Committee until the Transition Date.

In addition, the Class B Shareholders Agreement provides the Class B Shareholder Committee, so long as our executive managing directors and their permitted transferees continue to hold more than 40% of the total combined voting power of our outstanding Class A Shares and Class B Shares and prior to the Transition Date, with approval rights over a variety of significant Board actions, including:

- Any incurrence of indebtedness, other than intercompany indebtedness, in one transaction or a series of related transactions, by us or any of our subsidiaries or controlled affiliates in an amount in excess of approximately 10% of the then existing long-term indebtedness of us and our subsidiaries.
- Any issuance by us or any of our subsidiaries or controlled affiliates, in any transaction or series of related transactions, of equity or equity-related shares which would represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 10% of the total combined voting power of our outstanding Class A Shares and Class B Shares other than (i) pursuant to transactions solely among us and our wholly owned subsidiaries, (ii) upon issuances of securities pursuant to the Plan, (iii) upon the exchange by our executive managing directors of Group A Units for our Class A Shares pursuant to the exchange agreement or (iv) upon conversion of any convertible securities or upon exercise of warrants or options, which convertible securities, warrants or options may be issued and are either outstanding on the date of, or issued in compliance with, the shareholders' agreement.
- Any equity or debt commitment or investment or series of related equity or debt commitments or investments by us or any of our subsidiaries or controlled affiliates in an unaffiliated entity or related group of entities in an amount greater than \$250 million.
- Any entry by us, any subsidiary or controlled affiliate into a new line of business that does not involve investment management and that requires a principal investment in excess of \$100 million.
- The adoption of a shareholder rights plan.
- Any appointment or removal of a chief executive officer or co-chief executive officer.
- The termination of the employment of an executive officer or the active involvement of an executive managing director with us or any of our subsidiaries or controlled affiliates without cause.

In addition, until the Transition Date, our operating agreement requires that we obtain the consent of the Class B Shareholder Committee for specified actions primarily relating to our structure so long as any Class B Shares are outstanding. Our structure is intended to ensure that we maintain exchangeability of Group A Units for Class A Shares on a one-for-one basis. Accordingly, until the Transition Date, the Class B Shareholder Committee will have the right to approve or consent to actions that could result in an economic disparity between holders of our Class A Shares and other classes of equity, such as the issuance

of certain securities, making certain capital contributions, owning or disposing of certain assets, incurring certain indebtedness and conducting business outside of the Oz Operating Group.

***Our operating agreement contains provisions that reduce fiduciary duties of our directors and officers with respect to potential conflicts of interest against such individuals and limit remedies available to our Class A Shareholders against such individuals for actions that might otherwise constitute a breach of duty.***

Our operating agreement provides that in the event a potential conflict of interest exists or arises between any of our executive managing directors, our officers, our directors or their respective affiliates, on the one hand, and us, any of our subsidiaries or any of our shareholders, on the other hand, a resolution or course of action by our Board of Directors shall be deemed approved by all of our shareholders, and shall not constitute a breach of the fiduciary duties of members of the Board to us or our shareholders, if such resolution or course of action is: (i) approved by our Nominating, Corporate Governance and Conflicts Committee, which is composed of independent directors; (ii) approved by shareholders holding a majority of our shares that are disinterested parties; (iii) on terms no less favorable than those generally provided to or available from unrelated third parties; or (iv) fair and reasonable to us. Accordingly, if such a resolution or course of action is approved by our Nominating, Corporate Governance and Conflicts Committee or otherwise meets one or more of the above criteria, shareholders will not be able to successfully assert a claim that such resolution or course of action constituted a breach of fiduciary duties owed to our shareholders by our officers, directors and their respective affiliates. Under the Delaware General Corporation Law, which we refer to as the “DGCL,” in contrast, a corporation is not permitted to automatically exempt Board members from claims of breach of fiduciary duty under such circumstances.

***Our operating agreement contains provisions limiting the liability of our officers and directors to us, which also reduces remedies available to our Class A Shareholders for certain acts by such persons.***

Our operating agreement also provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us other than in instances of fraud, gross negligence and willful misconduct. Accordingly, unless our officers or directors commit acts of fraud, gross negligence or willful misconduct, our shareholders may not have remedies available against such individuals under applicable law. Under the DGCL, in contrast, a director or officer would be liable to us for: (i) breach of duty of loyalty to us or our shareholders; (ii) intentional misconduct or knowing violations of the law that are not done in good faith; (iii) improper redemption of stock or declaration of a dividend; or (iv) a transaction from which the director derived an improper personal benefit.

Our operating agreement also provides that we will indemnify our directors and officers for acts or omissions to the fullest extent permitted by law other than in instances of fraud, gross negligence and willful misconduct, against all expenses and liabilities (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Company and counsel fees and disbursements) arising from the performance of any of their obligations or duties in connection with their service to us or the operating agreement, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made party by reason of being or having been one of our directors or officers. Under the DGCL, in contrast, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in a criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful.

***In the future, we may elect to rely on exceptions from certain corporate governance and other requirements under the rules of the NYSE.***

Our executive managing directors control more than 50% of our voting power. We are therefore eligible for the “controlled company” exception from NYSE requirements that our Board of Directors be comprised of a majority of independent directors and that our Compensation Committee and Nominating, Corporate Governance and Conflicts Committee consist solely of independent directors. Although we do not currently intend to utilize this exception, we may in the future determine to do so.



***Because our executive managing directors hold their economic interest in our business directly in the Oz Operating Group, conflicts of interest may arise between them and holders of our Class A Shares, particularly with respect to tax considerations.***

As of December 31, 2017, our executive managing directors held 58.5% of the equity in the Oz Operating Group directly through Group A Units, rather than through ownership of our Class A Shares. In addition, as of December 31, 2017, our executive managing directors held a 14.5% interest in the Oz Operating Group in the form of Group D Units, which are non-equity profit interests. Because they hold their economic interests in our business directly through the Oz Operating Group, our executive managing directors may have conflicting interests with holders of Class A Shares or with us. For example, our executive managing directors will have different tax positions from holders of our Class A Shares which could influence decisions of the Class B Shareholder Committee (until disbanded effective as of the Transition Date) and also our Board of Directors regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement. Decisions with respect to these and other operational matters could affect the timing and amounts of payments due to our executive managing directors and the Ziffs under the tax receivable agreement. In addition, the structuring of future transactions and investments may take into consideration our executive managing directors' tax considerations even where no similar benefit would accrue to us or the holders of Class A Shares.

***We intend to pay regular quarterly distributions but our ability to do so may be limited by our holding company structure, as we are dependent on distributions from the Oz Operating Group to make distributions and to pay taxes and other expenses.***

As a holding company, our ability to make distributions or to pay taxes and other expenses is subject to the ability of our subsidiaries to provide cash to us. We intend to make quarterly distributions to our Class A Shareholders. Accordingly, we expect to cause the Oz Operating Group to make distributions to the direct owners of Oz Operating Group Units, currently our intermediate holding companies, and our executive managing directors, pro rata in an amount sufficient to enable us to pay corresponding distributions to our Class A Shareholders and make required tax payments and payments under the tax receivable agreement; however, no assurance can be given that such distributions will or can be made. Our Board of Directors can change our distribution policy or reduce or eliminate our distributions at any time, in its discretion. In addition, the Oz Operating Group is required to make minimum tax distributions to its direct unit holders, to which our Class A Shareholders may not be entitled, as distributions on Group B Units to our intermediate holding companies may be used to settle tax liabilities, if any, or other obligations. In addition, the Oz Operating Group may make distributions to our executive managing directors in respect of their Class C Non-Equity Interests with respect to cash awards granted to them from time to time. As a result, Class A Shareholders may not receive any distributions at a time when our executive managing directors are receiving distributions on their ownership interests. If the Oz Operating Group has insufficient funds to make such distributions, we may have to borrow additional funds or sell assets, which could have a material adverse effect on our business, financial condition or results of operations.

Furthermore, by paying cash distributions rather than investing that cash in our business, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

There may be circumstances under which we are restricted from making distributions under applicable law or regulation (for example, due to Delaware limited partnership act or limited liability company act limitations on making distributions if liabilities of the entity after the distribution would exceed the fair value of the entity's assets) or under our Revolving Credit Facility.

***The declaration and payment of any future distributions will be at the sole discretion of our Board of Directors, which may change our distribution policy or reduce or eliminate our distributions at any time, in its discretion.***

Because we have historically earned and recognized most of our incentive income in the fourth quarter of each year, we anticipate that quarterly distributions in respect of the first three calendar quarters will be disproportionate to distributions in respect of the last calendar quarter, which will typically be paid in the first calendar quarter of the following year. Our Board of Directors will take into account such factors as it may deem relevant, including general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; our financial condition and operating results; working capital requirements and anticipated cash needs; contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our Revolving Credit Facility; legal, tax and regulatory restrictions; and other restrictions and implications on the payment of distributions by us to our Class A Shareholders or by our subsidiaries to us.

and such other factors as our Board of Directors may deem relevant. Any compensatory payments made to our employees, as well as payments that Oz Corp makes under the tax receivable agreement and distributions to holders of ownership interests in respect of their tax liabilities arising from their direct ownership of ownership interests, will reduce amounts that would otherwise be available for distribution on our Class A Shares. In addition, discretionary income allocations on Class C Non-Equity Interests as determined by the Chairman of the Partner Management Committee (or, in the event there is no Chairman, the full Partner Management Committee acting by majority vote) in conjunction with our Compensation Committee, relating to cash awards granted to our executive managing directors will also reduce amounts available for distribution to our Class A Shareholders. We have granted RSUs that may settle in Class A Shares to certain of our executive managing directors, managing directors and other employees, and to independent members of our Board of Directors. All of these RSUs accrue distributions to be paid if and when the underlying RSUs vest. Distributions may be paid in cash or in additional RSUs that accrue additional distributions and will be settled at the same time the underlying RSUs vest.

The declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware limited liability company, we are not permitted to make distributions if and to the extent that after giving effect to such distributions, our liabilities would exceed the fair value of our assets. In addition, we may not be permitted to make certain distributions if we are in default under our Revolving Credit Facility. Our cash needs and payment obligations may fluctuate significantly from quarter to quarter, and we may have material unexpected expenses in any period. This may cause amounts available for distribution to significantly fluctuate from quarter to quarter or may reduce or eliminate such amounts.

***There are a number of risks involving the tax receivable agreement we are party to, including the risk that the Internal Revenue Service may challenge all or part of the tax basis increases and related increased deductions, and a court could sustain such a challenge, even with respect to amounts for which we have made payments pursuant to the tax receivable agreement.***

The actual increase in tax basis of the Oz Operating Group assets resulting from an exchange or from payments under the tax receivable agreement, as well as the amortization thereof and the timing and amount of payments under the tax receivable agreement, will vary based upon a number of factors including the law in effect at the time of an exchange or a payment under the tax receivable agreement, the timing of future exchanges, the timing and amount of prior payments under the tax receivable agreement, the price of our Class A Shares at the time of any exchange, the composition of the Oz Operating Group's assets at the time of any exchange, the extent to which such exchanges are taxable and the amount and timing of the income of Oz Corp and our other intermediate corporate taxpayers that hold Group B Units in connection with an exchange, if any. Depending upon the outcome of these factors, payments that we may be obligated to make to our executive managing directors and the Ziffs under the tax receivable agreement in respect of exchanges are likely to be substantial. In light of the numerous factors affecting our obligation to make payments under the tax receivable agreement, however, the timing and amounts of any such actual payments are not reasonably ascertainable. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Tax Receivable Agreement."

The Internal Revenue Service ("IRS") may challenge all or part of increased deductions and tax basis increase, and a court could sustain such a challenge, which could result in a substantial increase in our tax liabilities. Were the IRS to challenge a tax basis increase, our executive managing directors and the Ziffs who have received payments under the tax receivable agreement will not reimburse the corporate taxpayers for any such payments that have been previously made. As a result, in certain circumstances, payments could be made to our executive managing directors and the Ziffs under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income.

Decisions made by our executive managing directors in the course of running our business, in particular decisions made with respect to the sale or disposition of assets or change of control, may influence the timing and amount of payments that are payable to an exchanging or selling executive managing director or the Ziffs under the tax receivable agreement. In general, earlier disposition of assets following an exchange or acquisition transaction will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets before an exchange or acquisition transaction will tend to increase the tax liability of our executive managing directors or the Ziffs without giving rise to any rights to receive payments under the tax receivable agreement.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain prescribed assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. Accordingly, obligations under the tax receivable agreement may make it more expensive for third parties to acquire control of us and make it more difficult for the holders of Class A Shares to recognize a premium in connection with any such transaction. Finally, we may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement, which may or may not be available on favorable terms, if at all.

***If we are deemed an investment company under the 1940 Act, the applicable restrictions could make it impracticable for us to continue our business as contemplated and would have a material adverse impact on the market price of our Class A Shares.***

We do not believe that we are an "investment company" under the 1940 Act because the nature of our assets and the sources of our income exclude us from the definition of an investment company under the 1940 Act. In addition, we believe our Company is not an investment company under Section 3(b)(1) of the 1940 Act because we are primarily engaged in a non-investment company business. We intend to continue to conduct our operations so that we will not be deemed an investment company. If we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated. In addition, we would no longer be treated, for U.S. federal income tax purposes, as a partnership and our earnings would become taxable as a corporation, which could have a material adverse effect on our business, financial condition or results of operations and the price of our Class A Shares.

### **Risks Related to Our Shares**

***The market price and trading volume of our Class A Shares has been and may continue to be highly volatile, which could result in rapid and substantial losses for our shareholders.***

The market price of our Class A Shares has been and may continue to be highly volatile and subject to wide fluctuations. In addition, the trading volume in our Class A Shares can be highly variable, which has caused and may continue to cause significant price variations to occur. The market price of our Class A Shares may fluctuate or decline significantly in the future.

Some of the primary factors that could negatively affect the price of our Class A Shares or result in fluctuations in the price or trading volume of our Class A Shares include:

- Reductions or lack of growth in our assets under management, whether due to poor investment performance by our funds or redemptions by investors in our funds.
- Difficult global market and economic conditions.
- Loss of investor confidence in the global financial markets and investing in general and in alternative asset managers in particular.
- Competitively adverse actions taken by other hedge fund managers with respect to pricing, fund structure, redemptions, employee recruiting and compensation.
- Inability to attract, retain or motivate our active executive managing directors, investment professionals, managing directors or other key personnel.
- Inability to refinance or replace our Revolving Credit Facility or the Senior Notes either on acceptable terms or at all.
- Public or other offerings of additional Class A Shares.
- Inability to develop or successfully execute on business strategies or plans.
- Unanticipated variations in our quarterly operating results or dividends.

- Failure to meet analysts' earnings estimates.
- Publication of negative or inaccurate research reports about us or the asset management industry or the failure of securities analysts to provide adequate coverage of our Class A Shares in the future.
- Adverse market reaction to any indebtedness we may incur, Oz Operating Group Units or cash awards we may grant under our 2017 Incentive Program or otherwise, or any other securities we may issue in the future.
- Changes in market valuations of similar companies.
- Speculation in the press or investment community about our business.
- Additional or unexpected changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters.
- Increases in compliance or enforcement inquiries and investigations by regulatory authorities, including as a result of regulations mandated by the Dodd-Frank Act and other initiatives of various regulators that have jurisdiction over us related to the alternative asset management industry.
- Adverse publicity about the asset management industry generally or scandals involving hedge funds specifically.

***The price of our Class A Shares may decline due to the large number of shares eligible for future sale and for exchange into Class A Shares.***

The market price of our Class A Shares could decline as a result of sales of a large number of our Class A Shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. As of December 31, 2017, 189,573,210 Class A Shares were outstanding and 30,724,645 interests were outstanding pursuant to our Amended and Restated 2007 Equity Incentive Plan, with approximately 6,209,679 Class A Shares and other plan interests that remain available for future grant under that plan. The Class A Shares reserved under the Amended and Restated 2007 Equity Incentive Plan are increased on the first day of each fiscal year during the plan's term by the positive difference, if any, of (i) 15% of the number of outstanding Class A Shares (assuming the exchange of all outstanding Group A Units for Class A Shares) on the last day of the immediately preceding fiscal year over (ii) the number of shares reserved for issuance under the plan as of such date. As of December 31, 2017, 164,475,461 interests were outstanding pursuant to our 2013 Incentive Plan, and approximately 58,406,776 Class A Shares and other plan interests remain available for future grant under that plan. The Class A Shares reserved under our 2013 Incentive Plan are increased on the first day of each fiscal year during the plan's term by 15% of any increase in the number of outstanding Class A Shares (assuming the exchange of all outstanding Oz Operating Group Units (other than Group B Units) for Class A Shares) from the number outstanding on the first day of the immediately preceding fiscal year.

As of December 31, 2017, our executive managing directors owned an aggregate of 345,222,691 Group A and D Units. The holder of any Group A Units generally has the right to exchange each of its Group A Units for one of our Class A Shares (or, at our option, a cash equivalent), subject to vesting, minimum retained ownership requirements and transfer restrictions. The Group D Units convert into Group A Units to the extent we determine that they have become economically equivalent to Group A Units. Promptly following the Transition Date, the Exchange Committee will be disbanded and the Exchange Agreement relating to the Group A Units will be terminated. Thereafter, any of our executive managing directors, including any Class B Shareholders, may exchange his or her vested Group A Units over a period of two years in three equal installments.

As of December 31, 2017, our executive managing directors owned an aggregate of 71,850,000 Group P Units. The holder of any Group P Unit generally has the right to exchange each of its Group P Units for one of our Class A Shares (or, at our option, a cash equivalent), subject to service and performance criteria, and only to the extent that we determine that they have become economically equivalent to Group A Units. See Note 10 to our consolidated financial statements included in this report for additional information regarding the terms of the Group P Units.

We are party to a registration rights agreement, as amended, with our executive managing directors pursuant to which we granted them certain demand and "piggyback" registration rights with respect to the resale of all Class A Shares delivered in exchange for Group A Units or otherwise held from time to time by executive managing directors that would be deemed affiliates (as such term is defined in Rule 144 of the Securities Act) of the Company, including after an exchange of Group P Units.

RSUs may be settled at the election of a majority of our Board of Directors in Class A Shares or cash. Subject to continued employment over the vesting period, the underlying Class A Shares will be issued, or cash in lieu thereof will be paid, as such RSUs vest. We filed registration statements on Form S-8 to register an aggregate of 67,188,267 Class A Shares reserved for issuance under our Amended and Restated 2007 Equity Incentive Plan and registration statements on Form S-8 to register an aggregate of 231,250,788 Class A Shares reserved for issuance under our 2013 Incentive Plan (in each case, not including automatic annual increases thereto). As a result, any Class A Shares issued in respect of the RSUs will be freely transferable by non-affiliates upon issuance and by affiliates under Rule 144, without regard to holding period limitations.

As of December 31, 2017, DIC Sahir Limited (“DIC”) owned 29,953,094 of our Class A Shares, which it purchased from us concurrent with the consummation of our IPO pursuant to a Securities Purchase and Investment Agreement. The transfer restrictions originally imposed by such agreement no longer apply to any of DIC’s Class A Shares, and DIC will be able to sell these Class A Shares.

***Our executive managing directors’ beneficial ownership of Class B Shares, our shareholders’ agreement, the tax receivable agreement and anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.***

Our executive managing directors own all of our Class B Shares, which as of December 31, 2017, represent approximately 64.2% of the total combined voting power of our Company. In addition, our executive managing directors have granted an irrevocable proxy to vote all of such shares to the Class B Shareholder Committee (the sole member of which is currently Mr. Och) as it may determine in its sole discretion. As a result, Mr. Och is currently able to control all matters requiring the approval of shareholders and will be able to prevent a change in control of our Company. In addition, under the Class B Shareholders Agreement, the Class B Shareholder Committee has approval rights with respect to certain actions of our Board of Directors, including actions relating to a potential change in control, so long as our executive managing directors continue to hold at least 40% of our total combined voting power, and has the ability to initially designate five of the seven nominees to our Board of Directors, and, under our operating agreement, the Class B Shareholder Committee will have certain consent rights with respect to structural and other changes involving our Company. The Class B Shareholder Committee will be disbanded and the Class B Shareholders Agreement will be terminated on the Transition Date and, until such date, Mr. Och will remain the sole member of the Class B Shareholder Committee. See “—Risks Related to Our Organization and Structure—Control by Mr. Och of the total combined voting power of our shares could cause or prevent us from engaging in certain transactions, which could materially adversely affect the market price of the Class A Shares or deprive our Class A Shareholders of an opportunity to receive a premium as part of a sale of our Company.”

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, the corporate taxpayers’ (or any successors’) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain prescribed assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. The provisions may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders.

Further, provisions in our operating agreement may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement provides for a staggered board of directors, requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our Board of Directors to thwart a takeover attempt. The market price of our Class A Shares could be materially adversely affected to the extent that Mr. Och’s control over us, as well as provisions of our operating agreement, discourage potential takeover attempts that our shareholders may favor.

Finally, some provisions of Delaware law may delay or prevent a transaction that would cause a change in our control. In this regard, Section 203 of the DGCL restricts certain business combinations with interested stockholders in certain situations. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested

stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock. While Section 203 does not apply to limited liability companies, such companies may elect to utilize it. Although we currently have elected not to utilize Section 203, we may in the future determine to do so.

## **Risks Related to Taxation**

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

The U.S. federal income tax treatment of holders of the Class A Shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS, and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in the Class A Shares may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible to meet the qualifying income exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, change the character or treatment of portions of our income (including, for instance, treating carried interest income as entirely ordinary income), affect the tax considerations of an investment in us and adversely affect an investment in our Class A Shares. “Carried interest” is a term often used in the marketplace as a general reference to describe a general partner’s right to receive its incentive income in the form of a profit allocation eligible for capital gains tax treatment (to the extent that the carried interest consists of capital gains). See “—Legislation changing the treatment of carried interest has been considered that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules. Our structure also is subject to other potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.”

Our organizational documents and agreements permit the Board of Directors to modify our operating agreement from time to time, without the consent of the holders of Class A Shares, in order to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of the holders of our Class A Shares. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to holders in a manner that reflects such holders’ beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, these assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated, or disallowed, in a manner that adversely affects holders of the Class A Shares.

### ***U.S. federal income tax reform could have uncertain effects.***

The TCJA made significant changes to the taxation of U.S. business entities, including reducing the corporate income tax rate from 35% to 21%, eliminating the corporate alternative minimum tax, restricting deductions allowed for net operating losses beginning in 2018 to 80% of current year taxable income, permitting those net operating losses to be carried forward indefinitely, and limiting the deductibility of business interest, among other changes. In addition, the TCJA changed the treatment of certain carried interests by denying long-term capital gain treatment for gains recognized with respect to assets held for three years or less. We have not yet fully determined the effects the TCJA will have on us. See Note 11 for additional information regarding the effects of the TCJA.

***Our structure is subject to other potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.***

As described above, the TCJA made significant changes to the taxation of U.S. business entities, including the treatment of certain carried interests by denying long-term capital gain treatment for gains recognized with respect to assets held for three years or less. A number of more sweeping legislative proposals have been considered in the past that would have precluded us from qualifying for treatment as a partnership for U.S. federal income tax purposes but such proposals were not included in the TCJA. States, including New York, have also considered legislation to increase taxes with respect to carried interests and, as a result of widespread budget deficits, several states have evaluated proposals to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any change in the tax laws, rules, regulations or interpretations were to preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules or otherwise impose additional taxes, Class A Shareholders could be negatively affected because we could incur a material increase in our tax liability as a public company from the date any such changes applied to us, which could result in a reduction in the value of our Class A Shares.

***You may be subject to U.S. federal income tax on your share of our taxable income, regardless of whether you receive any cash distributions from us.***

So long as we are not required to register as an investment company under the 1940 Act and 90% of our gross income for each taxable year constitutes “qualifying income” within the meaning of the Code on a continuing basis, we will be treated, under current law, as a partnership for U.S. federal income tax purposes and not as an association or a publicly traded partnership taxable as a corporation. You may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow-through basis) for each of our taxable years ending with or within your taxable year, regardless of whether or not you receive cash distributions from us. You may not receive cash distributions equal to your allocable share of our net taxable income or even the tax liability that results from that income. Even in cases where we make cash distributions, our taxable income and losses will be apportioned among Class A Shareholders in a manner that may not correspond with the timing of cash distributions. In addition, certain of our holdings, including holdings, if any, in a Controlled Foreign Corporation, which we refer to as “CFC,” and a Passive Foreign Investment Company, which we refer to as “PFIC,” may produce taxable income prior to the receipt of cash relating to such income, and holders of our Class A Shares that are United States persons will be required to take such income into account in determining their taxable income. Under our operating agreement, in the event of an inadvertent partnership termination in which the IRS has granted us limited relief, each holder of our Class A Shares also is obligated to make such adjustments as are required by the IRS to maintain our status as a partnership. Such adjustments may require persons who hold our Class A Shares to recognize additional amounts in income during the years in which they hold such shares. We may also be required to make payments to the IRS.

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

Any distributions paid on Class A Shares will not take into account your particular tax situation (including the possible application of the alternative minimum tax) and, therefore, because of the foregoing as well as other possible reasons, may not be sufficient to pay your full amount of tax based upon your share of our net taxable income. In addition, the actual amount and timing of distributions will always be subject to the discretion of our Board of Directors and we cannot assure you that we will in fact pay cash distributions as currently intended. In particular, the amount and timing of distributions will depend upon a number of factors, including, among others:

- General business and economic conditions and our strategic plans and prospects.
- Amounts necessary or appropriate to provide for the conduct of our business, including to pay operating and other expenses.
- Amounts necessary to make appropriate investments in our business and our funds and the timing of such investments.
- Our actual results of operations and financial condition.

- Restrictions imposed by our operating agreement and Delaware law.
- Contractual restrictions, including restrictions imposed by our Revolving Credit Facility and payment obligations under our tax receivable agreement.
- Cash payments to our executive managing directors, including distributions in respect of their Class C Non-Equity Interests, and compensatory payments made to our employees.
- The amount of cash that is generated by our investments.
- Cash needed to fund liquidity requirements.
- Contingent liabilities.
- Other factors that our Board of Directors deems relevant.

Even if we do not distribute cash in an amount that is sufficient to fund your tax liabilities, you will still be required to pay income taxes on your share of our taxable income.

***If we were to be treated as a corporation for U.S. federal income tax purposes, the value of the Class A Shares may be materially adversely affected.***

We have not requested, and do not plan to request, a ruling from the IRS on our treatment as a partnership for U.S. federal income tax purposes, or on any other matter affecting us. Under current law and assuming full compliance with the terms of our operating agreement (and other relevant documents), we believe that we would be treated as a partnership, and not as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

In general, if an entity that would otherwise be classified as a partnership for U.S. federal income tax purposes is a “publicly traded partnership” (as defined in the Code) it will be nonetheless treated as a corporation for U.S. federal income tax purposes, unless the exception described below, and upon which we intend to rely, applies. A publicly traded partnership will, however, be treated as a partnership, and not as a corporation for U.S. federal income tax purposes, so long as 90% or more of its gross income for each taxable year constitutes “qualifying income” within the meaning of the Code and it is not required to register as an investment company under the 1940 Act. We refer to this exception as the “qualifying income exception.”

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

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

If you sell your Class A Shares, you will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those Class A Shares. Prior distributions to you in excess of the total net taxable income allocated to you, which decreased the tax basis in your Class A Shares, will in effect become taxable income to you if the Class A Shares are sold at a price greater than your tax basis in those Class A Shares, even if the price is less than the original cost.



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

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

***New rules regarding U.S. federal income tax liability arising from IRS audits could adversely affect shareholders.***

For taxable years of the Company beginning on or after January 1, 2018, U.S. federal income tax liability arising from an IRS audit will be borne by the Company, unless certain alternative methods are available and the Company elects to utilize them. Under the new rules, it is possible that shareholders or the Company itself may bear responsibility for taxes attributable to adjustments to the taxable income of the Company with respect to tax years that closed before the shareholder owned shares in the Company. Accordingly, this new legislation may adversely affect certain shareholders in certain cases. These new rules differ from the prior rules, which generally provided that tax adjustments only affected the persons who were shareholders in the tax year in which the item was reported on the Company's tax return. The changes created by these new rules are uncertain and in many respects depend on the promulgation of future regulations or other guidance by the IRS or the U.S. Treasury.

***As we currently do not intend to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of OZ Advisors II LP, a holder of Class A Shares could be allocated more taxable income in respect of those shares prior to disposition than if such an election were made.***

We have not made and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Code with respect to the Registrant or OZ Advisors II LP. Without such an election, there will generally be no adjustment to the basis of the assets of OZ Advisors II LP upon our acquisition of interests in OZ Advisors II LP in connection with an exchange of Group A Units for Class A Shares, or to the assets of the Registrant or of OZ Advisors II LP upon a subsequent transferee's acquisition of Class A Shares from a prior holder of such shares, even if the purchase price for those interests or shares, as applicable, is greater than the share of the aggregate tax basis of the assets of the Registrant or OZ Advisors II LP attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by the Registrant or OZ Advisors II LP, gain allocable to a holder of Class A Shares could include built-in gain in the asset existing at the time the Registrant acquired those interests, or such holder acquired such shares, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made.

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

In order for us to be treated as a partnership for U.S. federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and we must not be required to register as an investment company under the 1940 Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we may not have otherwise entered into. This may materially adversely affect our ability to operate solely to maximize our cash flows. Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Oz Operating Group. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax free to our holders if we were a corporation. To the extent we hold assets other than through the Oz Operating Group, we will make appropriate adjustments to the Oz Operating Group agreements so that distributions to our executive managing directors and us would be the same as if such assets were held at that level.

***We may not be able to invest in certain assets, other than through a taxable corporation.***

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

***The IRS could assert that we are engaged in a U.S. trade or business and that some portion of our income is properly treated as effectively connected income, which we refer to as “ECI,” with respect to non-U.S. holders of Class A Shares. Moreover, certain REIT dividends and other stock gains may be treated as effectively connected income with respect to non-U.S. holders of Class A Shares.***

While we expect that our method of operation will not result in a determination that we are engaged in a U.S. trade or business, there can be no assurance that the IRS will not assert successfully that we are engaged in a U.S. trade or business and that some portion of our income is properly treated as ECI with respect to non-U.S. holders. Moreover, dividends paid by an investment that we make in a Real Estate Investment Trust, which we refer to as a “REIT,” that is attributable to gains from the sale of U.S. real property interests will, subject to certain exceptions, and sales of certain investments in the stock of U.S. corporations owning significant U.S. real property may, be treated as effectively connected income with respect to non-U.S. holders. In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income and would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are treated as corporations for U.S. federal income tax purposes may also be subject to a 30% branch profits tax on such income.

***Class A Shareholders may be subject to foreign, state and local taxes and return filing requirements as a result of investing in our Class A Shares.***

While it is expected that our method of operation will not result in a determination that the holders of our Class A Shares, solely on account of their ownership of Class A Shares, are engaged in trade or business so as to be taxed on any part of their allocable shares of our income or subjected to tax return filing requirements in any jurisdiction in which we conduct activities or own property, there can be no assurance that the Class A Shareholders, on account of owning Class A Shares, will not be subject to certain taxes, including foreign, state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes, imposed by the various jurisdictions in which we conduct activities or own property now or in the future, even if the Class A Shareholders do not reside, or are not otherwise subject to such taxes, in any of those jurisdictions. Consequently, Class A Shareholders also may be required to file foreign, state and local income tax returns in some or all of these jurisdictions. Furthermore, Class A Shareholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Class A Shareholder to file all United States federal, foreign, state and local tax returns that may be required of such Class A Shareholder.

***Our delivery of required tax information for a taxable year may be subject to delay, which may require a Class A Shareholder to request an extension of the due date for their income tax returns.***

We have agreed to use reasonable efforts to furnish to you tax information (including Schedule K-1) which describes your allocable share of our income, gains, losses and deductions for our preceding taxable year. Delivery of this information by us will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in any taxable year, our shareholders will need to apply for extensions of time to file their tax returns.

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

Due to ownership interests we will hold in entities that are treated as partnerships, or are otherwise subject to tax on a flow-through basis, which will incur indebtedness or may engage in a trade or business, we will derive unrelated business taxable income, which we refer to as “UBTI,” from “debt-financed” property or from such trade or business, as applicable, and, thus, an investment in Class A Shares will give rise to UBTI to certain tax-exempt holders of Class A Shares. Och-Ziff Holding may borrow funds from Oz Corp or third parties from time to time to make investments. These investments will give rise to UBTI from “debt-financed” property.

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

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

***Special tax considerations may apply to mutual fund investors.***

U.S. mutual funds that are treated as regulated investment companies, or RICs, for U.S. federal income tax purposes are required, among other things, to meet an annual 90% gross income and a quarterly 50% asset value test under Section 851(b) of the Code to maintain their favorable U.S. federal income tax status. The treatment of an investment by a RIC in Class A Shares for purposes of these tests will depend on whether our partnership will be treated as a “qualified publicly traded partnership.” If our partnership is so treated, then the Class A Shares themselves are the relevant assets for purposes of the 50% asset value test and the net income from the Class A Shares is the relevant gross income for purposes of the 90% gross income test. If, however, our partnership is not so treated, then the relevant assets are the RIC’s allocable share of the underlying assets held by our partnership and the relevant gross income is the RIC’s allocable share of the underlying gross income earned by our partnership. Whether our partnership will qualify as a “qualified publicly traded partnership” depends on the exact nature of its future investments, but we believe our partnership is not a “qualified publicly traded partnership.” We expect, however, that at least 90% of our annual gross income from the underlying assets held by our partnership will consist of dividends, interest and gains from the sale of securities or other income that qualifies for the RIC gross income test described above. As discussed above under “—You may be subject to U.S. federal income tax on your share of our taxable income, regardless of whether you receive any cash distributions from us,” RICs investing in Class A Shares may recognize income for U.S. federal income tax purposes without receiving a corresponding cash distribution. RICs should consult their own tax advisors about the U.S. tax consequences of an investment in Class A Shares.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our principal executive offices are located in leased office space in New York. We also lease space for our operations in London, Hong Kong, Mumbai, Beijing, Shanghai and Houston. We believe that our existing facilities are adequate to meet our current requirements and we anticipate that suitable additional or substitute space will be available, as necessary, upon favorable terms. See Note 15 to our consolidated financial statements included in this report for additional information regarding our leases.

**Item 3. Legal Proceedings**

We are from time to time involved in litigation, investigations, inquiries, disputes, and other potential claims incidental to the conduct of our business. Like other businesses in our industry, we are subject to extensive scrutiny by regulatory agencies globally that have, or may in the future have, regulatory authority over us and our business activities. This has resulted in, or may in the future result in, regulatory agency investigations, litigation and subpoenas, and related sanctions and costs. See “Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation of our business affects our activities and creates the potential

for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business.” See Note 15 to our consolidated financial statements included in this report for additional information.

**Item 4. Mine Safety Disclosures**

None.

## PART II

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

#### Market for Registrant’s Common Equity

Our Class A Shares are listed and traded on the NYSE under the symbol “OZM.” The following table presents information on the high and low last reported sales prices, as reported on the NYSE for our Class A Shares for the periods presented:

	Price Range of Our Class A Shares	
	High	Low
<b>2017</b>		
First quarter	\$ 3.63	\$ 2.20
Second quarter	\$ 2.56	\$ 2.16
Third quarter	\$ 3.22	\$ 2.82
Fourth quarter	\$ 3.92	\$ 2.50
<b>2016</b>		
First quarter	\$ 6.45	\$ 3.48
Second quarter	\$ 4.24	\$ 3.30
Third quarter	\$ 4.49	\$ 3.29
Fourth quarter	\$ 4.08	\$ 2.84

Our Class B Shares are not listed on the NYSE and there is no, and we do not expect there would be any, other established trading market for these shares. All of our Class B Shares are owned by our executive managing directors and have no economic rights, but entitle holders to one vote per share on all matters submitted to a vote of our Class A Shareholders.

As of February 16, 2018, there were 9 holders of record of our Class A Shares. A substantially greater number of holders of our Class A Shares are “street name” or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

#### Dividends

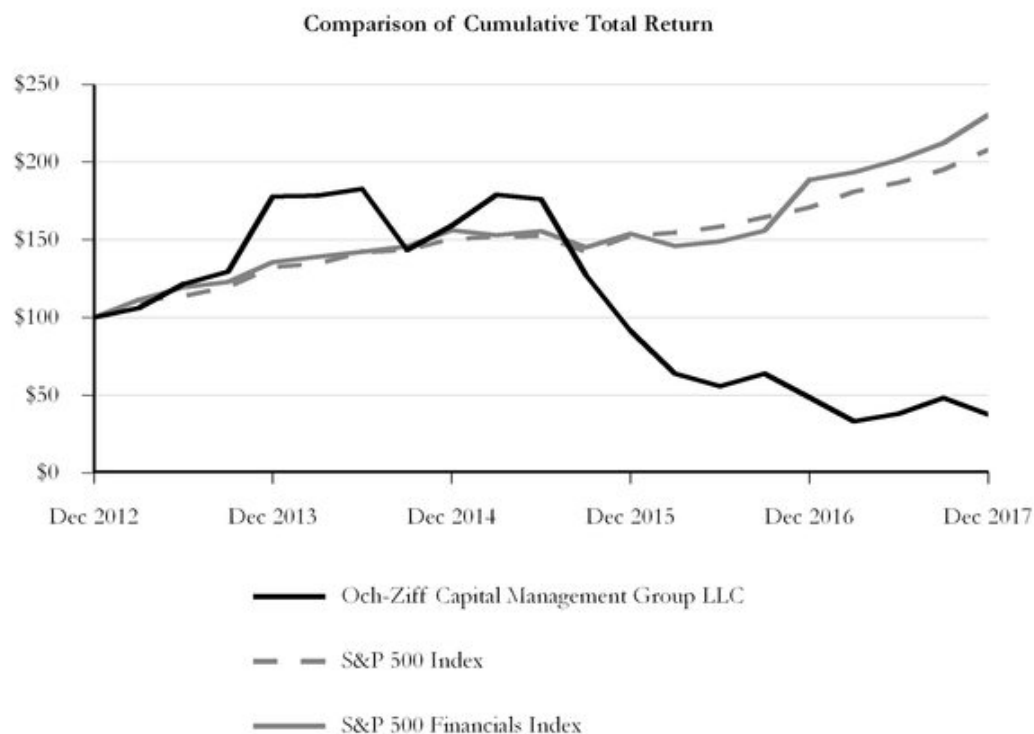
Please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends and Distributions” for information regarding dividends paid on our Class A Shares, as well as information on the declaration and payment of future dividends.

#### Recent Sales of Unregistered Securities

None.

## OZM Stock Performance

The line graph and table below compares the cumulative total return on our Class A Shares with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P 500 Financials Index for the period of December 31, 2012 through December 31, 2017. The graph and table assume that \$100 was invested simultaneously on December 31, 2012 in our Class A Shares, the S&P 500 Index and the S&P 500 Financials Index, respectively, that these investments were held until December 31, 2017, and that all dividends were reinvested. The past performance of our Class A Shares is not an indication of future performance.



	Period Ended December 31,					
	2012	2013	2014	2015	2016	2017
Och-Ziff Capital Management Group LLC	\$ 100.00	\$ 177.79	\$ 159.11	\$ 91.48	\$ 48.60	\$ 37.62
S&P 500 Index	\$ 100.00	\$ 132.37	\$ 150.48	\$ 152.55	\$ 170.78	\$ 208.05
S&P 500 Financials Index	\$ 100.00	\$ 135.59	\$ 156.17	\$ 153.73	\$ 188.69	\$ 230.47

## Item 6. Selected Financial Data

As of and for the Year Ended December 31,					
	2017	2016	2015	2014	2013
(dollars in thousands)					
<b>Selected Operating Statement Data</b>					
Total revenues	\$ 858,337	\$ 770,364	\$ 1,322,981	\$ 1,542,284	\$ 1,895,923
Total expenses	621,202	1,080,477	1,009,792	876,032	835,393
Total other income	234,796	5,012	(13,652)	184,108	290,982
Income taxes	317,559	10,886	132,224	139,048	95,687
<b>Consolidated and Comprehensive Net Income (Loss)</b>	<b>154,372</b>	<b>(315,987)</b>	<b>167,313</b>	<b>711,312</b>	<b>1,255,825</b>
Less: (Income) loss attributable to noncontrolling interests	(131,630)	193,757	(191,177)	(535,288)	(985,823)
Less: (Income) loss attributable to redeemable noncontrolling interests	(1,667)	(2,450)	49,604	(33,579)	(8,235)
<b>Net Income (Loss) Attributable to Och-Ziff Capital Management Group LLC—GAAP</b>	<b>21,075</b>	<b>(124,680)</b>	<b>25,740</b>	<b>142,445</b>	<b>261,767</b>
Less: Change in redemption value of Preferred Units	(2,853)	(6,082)	—	—	—
<b>Net Income (Loss) Attributable to Class A Shareholders</b>	<b>\$ 18,222</b>	<b>\$ (130,762)</b>	<b>\$ 25,740</b>	<b>\$ 142,445</b>	<b>\$ 261,767</b>
<b>Earnings (Loss) per Class A Share</b>					
Income (Loss) per Class A Share - basic	\$ 0.10	\$ (0.72)	\$ 0.14	\$ 0.82	\$ 1.68
Income (Loss) per Class A Share - diluted	\$ 0.10	\$ (0.73)	\$ 0.14	\$ 0.80	\$ 1.62
Weighted-average Class A Shares outstanding - basic	186,423,793	182,670,173	177,935,977	172,843,926	155,994,389
Weighted-average Class A Shares outstanding - diluted	187,181,760	479,987,268	180,893,947	178,179,112	468,442,690
<b>Dividends Paid per Class A Share</b>	<b>\$ 0.07</b>	<b>\$ —</b>	<b>\$ 0.87</b>	<b>\$ 1.72</b>	<b>\$ 1.42</b>
<b>Selected Balance Sheet Data</b>					
Cash and cash equivalents	\$ 469,513	\$ 329,813	\$ 254,070	\$ 250,603	\$ 189,974
Investments	238,974	37,980	24,750	40,822	9,938
Assets of consolidated funds	56,697	55,205	9,416,702	7,559,180	4,711,189
Total assets	1,639,433	1,485,555	10,685,643	9,295,696	6,868,426
Debt obligations	569,379	577,128	443,069	440,697	383,329
Liabilities of consolidated funds	11,340	15,197	7,315,917	5,580,010	3,042,395
Total liabilities	1,289,745	1,495,526	8,612,791	7,057,848	4,576,819
Redeemable noncontrolling interests	445,617	284,121	832,284	545,771	76,583
Shareholders' deficit attributable to Class A Shareholders	(453,831)	(466,021)	(415,830)	(290,759)	(133,721)
Shareholders' equity attributable to noncontrolling interests	357,902	171,929	1,656,398	1,982,836	2,348,745
Total shareholders' (deficit) equity	(95,929)	(294,092)	1,240,568	1,692,077	2,215,024
<b>Economic Income Data</b>					
Economic Income Revenues— Non-GAAP	\$ 832,987	\$ 730,178	\$ 849,276	\$ 1,209,756	\$ 1,630,487
Economic Income—Non-GAAP	337,735	(211,575)	345,216	729,943	1,098,696
<b>Assets Under Management</b>					
Balance—beginning of period	\$ 37,880,303	\$ 45,494,861	\$ 47,534,415	\$ 40,238,812	\$ 32,603,930
Inflows / (outflows)	(7,612,108)	(7,993,589)	(1,176,435)	6,134,745	3,380,622
Distributions / other reductions	(273,315)	(888,265)	(907,879)	(943,997)	(277,111)
Appreciation / (depreciation)	2,433,682	1,267,296	44,760	2,104,855	4,531,371
<b>Balance—End of Period</b>	<b>\$ 32,428,562</b>	<b>\$ 37,880,303</b>	<b>\$ 45,494,861</b>	<b>\$ 47,534,415</b>	<b>\$ 40,238,812</b>

As a result of the adoption of ASU 2015-02 in 2016, we deconsolidated the majority of our previously consolidated funds. This resulted in a substantial decrease as compared to prior periods in assets of consolidated funds, liabilities of

consolidated funds, redeemable noncontrolling interests, appropriated retained deficit and shareholders' equity attributable to non-controlling interests in our consolidated balance sheet. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015".

Our non-GAAP financial measures supplement, and should not be considered alternatives to, revenues, net income (loss) or cash flow from operations that have been prepared in accordance with GAAP, and are not necessarily indicative of liquidity or the cash available to fund operations. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Income Analysis" for important information about these non-GAAP measures.



## Item 7 . Management’s Discussion and Analysis of Financial Condition and Results of Operations

*This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in “Part I—Item 1A. Risk Factors” of this report. Actual results may differ materially from those contained in any forward-looking statements. This MD&A should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report . An investment in our Class A Shares is not an investment in any of our funds.*

### Overview

#### **Overview of Our Financial Results**

We reported GAAP net income attributable to Class A Shareholders of \$18.2 million for the full year 2017 , compared to net loss of \$130.8 million for the 2016 full year . The year-over-year improvement was primarily due to settlements expense of \$412.1 million taken in 2016, as well as higher incentive income, lower non-compensation expenses, lower salaries and benefits, and a reduction in the tax receivable agreement liability. These improvements were partially offset by lower management fees, higher bonus expense, and higher income tax expense due to a reduction of our deferred tax assets as a result of the TCJA.

We reported Economic Income of \$337.7 million for the full year 2017 , compared to net loss of \$211.6 million for the 2016 full year . The increase was mainly driven by the settlements expense of \$412.1 million taken in 2016, as well as higher incentive income, lower non-compensation expenses, and lower salaries and benefits. These improvements were partially offset by lower management fees and higher bonus expense.

Economic Income is a non-GAAP measure. For additional information regarding non-GAAP measures, as well as for a discussion of the drivers of the year over year change in Economic Income, please see “—Economic Income Analysis.”

#### **Overview of Assets Under Management and Fund Performance**

Assets under management totaled \$32.4 billion as of December 31, 2017 . Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were \$17.4 billion , comprising 54% of our total assets under management as of December 31, 2017 . Assets under management in our dedicated credit, real estate and other strategy-specific funds were \$18.7 billion , comprising 58% of assets under management as of December 31, 2017 .

Assets under management in our multi-strategy funds totaled \$13.7 billion as of December 31, 2017 , decreasing \$7.4 billion , or 35% , year-over-year. This change was driven by net capital outflows of \$9.2 billion , primarily in the Oz Master Fund, our largest multi-strategy fund, partially offset by performance-related appreciation of \$1.8 billion . Our multi-strategy funds experienced elevated redemptions and reduced inflows during 2017, which were driven in-part by the investigation matter and the related inability to rely on Regulation D.

Our assets under management increased to \$33.3 billion as of February 1, 2018 , an increase of 3% since December 31, 2017, as capital net outflows from our multi-strategy funds were offset by launches of two CLOs in January 2018, as well as positive fund performance in January 2018.

Oz Master Fund generated a gross return of 15.0% and a net return of 10.4% year-to-date through December 31, 2017 . The largest positive contributors to the fund’s performance by strategy were merger arbitrage, structured credit, corporate credit long/short equity special situations. Convertible and derivative arbitrage reported a modest loss in 2017. The fund also reported positive performance across all regions: the U.S., Europe and Asia. Please see “—Assets Under Management and Fund Performance—Multi-Strategy Funds” for additional information regarding the returns of the Oz Master Fund.

Assets under management in our dedicated credit products totaled \$15.7 billion as of December 31, 2017 , increasing \$2.3 billion , or 17% , year-over-year. This change was driven by capital net inflows of \$1.8 billion and performance-related appreciation of \$535.8 million , partially offset by \$58.0 million of distributions and other reductions in our closed-end opportunistic credit funds.

Assets under management in our opportunistic credit funds totaled \$5.5 billion as of December 31, 2017 , increasing \$137.5 million , or 3% , year-over-year. Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a

gross return of 16.9% and a net return of 11.0% year-to-date through December 31, 2017 . Performance was broad-based with gains across both the structured and corporate credit strategies, and geographies. Similar to credit strategy performance in the Oz Master Fund, these returns were driven in part by realizations in structured credit and successful resolutions in various distressed situations in corporate credit . We continue to be focused on process-oriented and event-driven investments that are not correlated with the broader markets. Assets under management for the fund were \$1.7 billion as of December 31, 2017 .

Assets under management in Institutional Credit Strategies totaled \$10.1 billion as of December 31, 2017 , increasing \$2.1 billion , or 26% , year-over-year. The increase was primarily driven by four new CLOs . 2017 was a strong year for Institutional Credit Strategies, which closed over \$6.1 billion in CLOs, including refinancings.

Assets under management in our real estate funds totaled \$2.5 billion as of December 31, 2017 , increasing \$281.8 million , or 13% , year-over-year. Since inception through December 31, 2017 , the gross internal rate of return (“IRR”) was 33.2% and 21.8% net for Och-Ziff Real Estate Fund II (for which the investment period ended in 2014), and 25.1% gross and 15.7% net for Och-Ziff Real Estate Fund I (for which the investment period ended in 2010).

### **Assets Under Management and Fund Performance**

Our financial results are primarily driven by the combination of our assets under management and the investment performance of our funds. Both of these factors directly affect the revenues we earn from management fees and incentive income. Growth in assets under management due to capital placed with us by investors in our funds and positive investment performance of our funds drive growth in our revenues and earnings. Conversely, poor investment performance slows our growth by decreasing our assets under management and increasing the potential for redemptions from our funds, which would have a negative effect on our revenues and earnings.

We typically accept capital from new and existing investors in our funds on a monthly basis on the first day of each month. Investors in our multi-strategy and our open-end opportunistic credit funds (other than with respect to capital invested in Special Investments) typically have the right to redeem their interests in a fund following an initial lock-up period of one to three years. Following the expiration of these lock-up periods, subject to certain limitations, investors may redeem capital generally on a quarterly or annual basis upon giving 30 to 90 days’ prior written notice. However, upon the payment of a redemption fee to the applicable fund and upon giving 30 days’ prior written notice, certain investors may redeem capital during the lock-up period. The lock-up requirements for our funds may generally be waived or modified at the sole discretion of each fund’s general partner or board of directors, as applicable.

With respect to investors with quarterly redemption rights, requests for redemptions submitted during a quarter generally reduce assets under management on the first day of the following quarter. Accordingly, quarterly redemptions generally will have no impact on management fees during the quarter in which they are submitted. Instead, these redemptions will reduce management fees in the following quarter. With respect to investors with annual redemption rights, redemptions paid prior to the end of a quarter impact assets under management in the quarter in which they are paid, and therefore impact management fees for that quarter.

Investors in our closed-end credit funds, CLOs, real estate and certain other funds are not able to redeem their investments. In those funds, investors generally make a commitment that is funded over an investment period (or at launch for our CLOs). Upon the expiration of the investment period, the investments are then sold or realized over time, and distributions are made to the investors in the fund.

In a declining market, during periods when the hedge fund industry generally experiences outflows, or in response to specific company events, we could experience increased redemptions and a consequent reduction in our assets under management. Recently, our assets under management have declined and this trend may continue to some extent for some period of time in light of the 2016 settlements and the related inability to rely on Regulation D. Throughout the latter part of 2017 and into early 2018, net outflows from our multi-strategy funds began to normalize and were partially offset by growth in our CLOs business, as well as positive fund performance. We believe that strong fund performance should translate to inflows, although we cannot pinpoint the timing.

Information with respect to our assets under management throughout this report, including the tables set forth below, includes investments by us, our executive managing directors, employees and certain other related parties. As of December 31, 2017, approximately 8% of our assets under management represented investments by us, our executive managing directors, employees and certain other related parties in our funds. As of that date, approximately 71% of these affiliated assets under management are not charged management fees and are not subject to an incentive income calculation. Additionally, to the extent that a fund is an investor in another fund, we waive or rebate a corresponding portion of the management fees charged to the fund.

As further discussed below in “—Understanding Our Results—Revenues,” we generally calculate management fees based on assets under management as of the beginning of each quarter. The assets under management in the tables below are presented net of management fees and incentive income as of the end of the period. Accordingly, the assets under management presented in the tables below are not the amounts used to calculate management fees for the respective periods.

### *Summary of Changes in Assets Under Management*

The tables below present the changes to our assets under management for the respective periods based on the type of funds or investment vehicles we manage. During the second quarter of 2017, we reclassified a certain fund from other credit funds into real estate funds. Prior period amounts have been reclassified to conform to the current presentation.

Year Ended December 31, 2017					
	December 31, 2016	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	December 31, 2017
(dollars in thousands)					
Multi-strategy funds	\$ 21,084,548	\$ (9,236,044)	\$ —	\$ 1,846,536	\$ 13,695,040
Credit					
Opportunistic credit funds	5,376,080	(337,114)	(58,013)	532,665	5,513,618
Institutional Credit Strategies	8,019,510	2,114,320	—	3,161	10,136,991
Real estate funds	2,213,364	462,862	(181,586)	550	2,495,190
Other	1,186,801	(616,132)	(33,716)	50,770	587,723
<b>Total</b>	<b>\$ 37,880,303</b>	<b>\$ (7,612,108)</b>	<b>\$ (273,315)</b>	<b>\$ 2,433,682</b>	<b>\$ 32,428,562</b>

Year Ended December 31, 2016					
	December 31, 2015	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	December 31, 2016
(dollars in thousands)					
Multi-strategy funds	\$ 29,510,248	\$ (8,962,296)	\$ —	\$ 536,596	\$ 21,084,548
Credit					
Opportunistic credit funds	5,383,629	(81,612)	(685,327)	759,390	5,376,080
Institutional Credit Strategies	7,241,680	784,165	—	(6,335)	8,019,510
Real estate funds	2,048,559	324,826	(152,655)	(7,366)	2,213,364
Other	1,310,745	(58,672)	(50,283)	(14,989)	1,186,801
<b>Total</b>	<b>\$ 45,494,861</b>	<b>\$ (7,993,589)</b>	<b>\$ (888,265)</b>	<b>\$ 1,267,296</b>	<b>\$ 37,880,303</b>

Year Ended December 31, 2015					
	December 31, 2014	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	December 31, 2015
(dollars in thousands)					
Multi-strategy funds	\$ 34,100,390	\$ (4,719,269)	\$ —	\$ 129,127	\$ 29,510,248
Credit					
Opportunistic credit funds	5,098,600	1,121,104	(727,190)	(108,885)	5,383,629
Institutional Credit Strategies	5,166,734	2,077,404	—	(2,458)	7,241,680
Real estate funds	2,022,399	197,887	(165,587)	(6,140)	2,048,559
Other	1,146,292	146,439	(15,102)	33,116	1,310,745
<b>Total</b>	<b>\$ 47,534,415</b>	<b>\$ (1,176,435)</b>	<b>\$ (907,879)</b>	<b>\$ 44,760</b>	<b>\$ 45,494,861</b>

In the year ended December 31, 2017, our funds experienced performance-related appreciation of \$2.4 billion and net outflows of \$7.6 billion, which was comprised of \$2.9 billion of gross inflows and \$10.5 billion of gross outflows due to redemptions. We also had \$273.3 million in distributions and other reductions related to investors in our real estate, closed-end opportunistic credit and other funds. We experienced elevated redemptions and reduced inflows in our multi-strategy funds during 2017 as a result of the investigation matter and the related inability to rely on Regulation D. In the full year 2017, excluding CLOs, our largest source of gross inflows was from corporate, institutional and other, while pensions and foundations and endowments were our largest sources of gross outflows.

In 2016, our funds experienced performance-related appreciation of \$1.3 billion and net outflows of \$8.0 billion, which was comprised of \$1.6 billion of gross inflows and \$9.6 billion of gross outflows due to redemptions. We also had \$888.3 million in distributions and other reductions, which were primarily related to investors in our closed-end opportunistic credit and real estate funds. Our largest sources of gross inflows related primarily to two additional CLOs launched in Institutional Credit Strategies, as well as additional commitments to Och-Ziff Real Estate Credit Fund I. We experienced elevated redemptions in our multi-strategy funds during 2016 as a result of the settlements, as well as the overall redemption cycle currently affecting the hedge fund industry. Our capital net outflows continued to be elevated in early 2017, due to additional redemptions in our multi-strategy funds as a result of the same factors identified above, resulting in assets under management decreasing to an estimated \$33.6 billion as of February 1, 2017. Excluding CLOs, pensions and fund-of-funds were the largest sources of our gross inflows, while fund-of-funds, pensions and private banks were our largest sources of gross outflows during 2016.

In 2015, our funds experienced performance-related appreciation of \$44.8 million and net outflows of \$1.2 billion, which was comprised of \$5.5 billion of gross inflows and \$6.7 billion of gross outflows due to redemptions. Distributions and other reductions were \$907.9 million, which was driven by \$740.3 million in distributions to investors in our closed-end opportunistic credit and real estate funds, and a \$152.4 million reduction in the Oz European Credit Opportunities Fund as a result of the expiration of the fund's investment period. Our gross inflows included \$2.4 billion within Institutional Credit Strategies primarily related to four CLOs that closed during 2015. Excluding CLOs, pension funds were the largest source of our gross inflows and gross outflows during 2015.

### **Weighted-Average Assets Under Management and Average Management Fee Rates**

The table below presents our weighted-average assets under management and average management fee rates. Weighted-average assets under management exclude the impact of fourth quarter investment performance for the periods presented, as these amounts generally do not impact management fees calculated for those periods. The average management fee rates presented below take into account the effect of non-fee paying assets under management. Please see the respective sections below for average management fee rates by fund type.

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Weighted-average assets under management	\$ 32,149,591	\$ 40,405,332	\$ 46,094,097
Average management fee rates	0.93%	1.22%	1.39%

The decline in our average management fee rate for the periods presented occurred primarily because of a change in the mix of products that comprise our assets under management, as well as due to reductions in the management fee rates in certain of our multi-strategy assets under management that took effect during the fourth quarter of 2016. Our average management fee will vary from period to period based on the mix of products that comprise our assets under management.

### **Fund Performance Information**

The tables below present performance information for the funds we manage. All of our funds are managed by the Oz Funds segment with the exception of our real estate funds, which are managed by the real estate management business included in Other Operations.

The performance information presented in this report is not indicative of the performance of our Class A Shares and is not necessarily indicative of the future results of any particular fund, including the accrued unrecognized amounts of incentive income. An investment in our Class A Shares is not an investment in any of our funds. There can be no assurance that any of our existing or future funds will achieve similar results. The timing and amount of incentive income generated from our funds are inherently uncertain. Incentive income is a function of investment performance and realizations of investments, which vary period-to-period based on market conditions and other factors. We cannot predict when, or if, any realization of investments will occur. Incentive income recognized for any particular period is not a reliable indicator of incentive income that may be earned in subsequent periods.

The return information presented in this report represents, where applicable, the composite performance of all feeder funds that comprise each of the master funds presented. Gross return information is generally calculated using the total return of all feeder funds, net of all fees and expenses except management fees and incentive income of such feeder funds and master funds and the returns of each feeder fund include the reinvestment of all dividends and other income. Net return information is generally calculated as the gross returns less management fees and incentive income (except incentive income on unrealized gains attributable to Special Investments in certain funds that could reduce returns on these investments at the time of realization). Return information also includes realized and unrealized gains and losses attributable to Special Investments and initial public offering investments that are not allocated to all investors in the feeder funds. Investors that were not allocated Special Investments and initial public offering investments may experience materially different returns.

### **Multi-Strategy Funds**

The table below presents assets under management and investment performance for our multi-strategy funds. Assets under management are generally based on the net asset value of these products. Management fees generally range from 0.97% to 2.50% of assets under management. For the fourth quarter of 2017, our multi-strategy funds had an average management fee rate of 1.26%.

We generally crystallize incentive income from the majority of our multi-strategy funds on an annual basis. Incentive income is generally equal to 20% of the realized and unrealized profits attributable to each investor. A portion of the assets under

management in each of the Oz Master Fund and our other multi-strategy funds is subject to initial commitment periods of three years, and for certain of these assets, we only earn incentive income once profits attributable to an investor exceed a preferential return, or “hurdle rate,” which is generally equal to the 3-month T-bill or LIBOR rate for our multi-strategy funds. Once the investment performance has exceeded the hurdle rate for these assets, we may receive a “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these assets.

Fund	Assets Under Management as of December 31,			Returns for the Year Ended December 31,						Annualized Returns Since Inception Through December 31, 2017	
				2017		2016		2015			
	2017	2016	2015	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(dollars in thousands)										
Oz Master Fund <sup>(1)</sup>	\$ 11,386,541	\$ 17,671,856	\$ 24,297,106	15.0%	10.4%	6.5 %	3.8 %	1.6%	-0.4 %	16.8% <sup>(1)</sup>	11.7% <sup>(1)</sup>
Oz Asia Master Fund	607,178	937,232	1,200,213	30.7%	23.1%	-3.8 %	-5.4 %	13.8%	9.6 %	10.5%	6.3%
Oz Europe Master Fund	245,179	425,203	899,388	8.3%	4.8%	5.8 %	3.7 %	8.9%	5.8 %	11.5%	7.5%
Oz Enhanced Master Fund	635,197	817,971	1,130,747	27.8%	20.2%	10.2 %	6.8 %	0.9%	-1.1 %	15.1%	10.3%
Other funds	820,945	1,232,286	1,982,794	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m
	<b>\$ 13,695,040</b>	<b>\$ 21,084,548</b>	<b>\$ 29,510,248</b>								

n/m not meaningful

(1) The annualized returns since inception are those of the Oz Multi-Strategy Composite, which represents the composite performance of all accounts that were managed in accordance with our broad multi-strategy mandate that were not subject to portfolio investment restrictions or other factors that limited our investment discretion since inception on April 1, 1994. Performance is calculated using the total return of all such accounts net of all investment fees and expenses of such accounts, except incentive income on unrealized gains attributable to Special Investments that could reduce returns in these investments at the time of realization, and the returns include the reinvestment of all dividends and other income. The performance calculation for the Oz Master Fund excludes realized and unrealized gains and losses attributable to currency hedging specific to certain investors investing in Oz Master Fund in currencies other than the U.S. Dollar. For the period from April 1, 1994 through December 31, 1997, the returns are gross of certain overhead expenses that were reimbursed by the accounts. Such reimbursement arrangements were terminated at the inception of the Oz Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies followed. Furthermore, the composition of the investment strategies we follow is subject to our discretion, has varied materially since inception and is expected to vary materially in the future. As of December 31, 2017, the gross and net annualized returns since the Oz Master Fund’s inception on January 1, 1998 were 13.1% and 8.9% , respectively.

The \$7.4 billion , or 35% , year-over-year decrease in assets under management in our multi-strategy funds was primarily due to capital net outflows of \$9.2 billion , primarily from the Oz Master Fund, our largest multi-strategy fund, partially offset by performance-related appreciation of \$1.8 billion . We continued to experience redemptions in 2017 as a result of the investigation matter and the related inability to rely on Regulation D; however, our net outflows have begun to decrease over the latter part of 2017 and into 2018. In 2017 , the largest sources of gross outflows from our multi-strategy funds were attributable to pensions and private banks.

For the full year 2017 , the Oz Master Fund generated a gross return of 15.0% and a net return of 10.4% . The largest positive contributors to the fund’s performance by strategy were merger arbitrage, structured credit, corporate credit long/short equity special situations. Convertible and derivative arbitrage reported a modest loss in 2017. The fund also reported positive performance across all regions: the U.S., Europe and Asia.

Performance in merger arbitrage was strong in 2017 and driven by a wide range of positions. Structured credit delivered strong performance as our differentiated process-driven style of investing continued to deliver attractive and uncorrelated returns. In corporate credit, we experienced positive developments in a number of relatively long-held, late-stage restructuring positions. Losses in the convertible and derivative arbitrage strategy were primarily related to weakness in commodities positions. In long/short equity, a number of our largest positions played out according to plan, and we have meaningfully adjusted the portfolio to reflect our best ideas for 2018.

In 2016 , the Oz Master Fund generated a gross return of 6.5% and a net return of 3.8% . These returns were driven by the fund’s merger arbitrage, credit-related and convertible and derivative arbitrage strategies, partially offset by weaker performance in long/short equity special situations due to losses during the first quarter.

Despite a challenging start to 2016, Oz Master Fund saw the positive momentum that began in the second quarter carry through to the end of the year, generating positive performance in each of the last six months of the year. Oz Master Fund's merger arbitrage, convertible and derivative arbitrage, corporate credit and structured credit investment strategies each generated strong year-to-date gains through December 31, 2016. In merger arbitrage, Oz Master Fund benefited from positive performance in a number of positions, contributing to the investment strategy's year-to-date gross return of +2.0%. As we demonstrated throughout 2016, we are drawn to arbitrage situations where we have strong fundamental or industry views and where we have a differentiated view on the risk/reward dynamics. In general, while merger arbitrage spreads remain tight, deal activity is robust and we continue to find select situations that we think are materially mispriced.

Convertible and derivative arbitrage also performed well during the year, driven by profitable trades on certain core positions and positive performance in a handful of existing exposures. Year-to-date, convertible and derivative arbitrage has generated a gross return of +2.0%.

In Oz Master Fund's credit strategies, we added selectively to high-conviction positions, capitalized on the strength of certain sectors and resolved a number of idiosyncratic situations over the course of 2016. Year-to-date, the corporate credit and structured credit strategies were both up +3.8% on a gross basis.

Oz Master Fund's long/short equity special situations strategy recovered some of its first quarter losses during the second half of 2016, with gains being driven by a mix of situation-specific events and market factors. Year-to-date, performance in long/short equity special situations was -1.5%. While long/short equity special situations still detracted from Oz Master Fund's performance for the year, the magnitude of the losses were reduced materially over the last few months of the year.

## Credit

	Assets Under Management as of December 31,		
	2017	2016	2015
	(dollars in thousands)		
Opportunistic credit funds	\$ 5,513,618	\$ 5,376,080	\$ 5,383,629
Institutional Credit Strategies	10,136,991	8,019,510	7,241,680
	<b>\$ 15,650,609</b>	<b>\$ 13,395,590</b>	<b>\$ 12,625,309</b>

### Opportunistic Credit Funds

Our opportunistic credit funds seek to generate risk-adjusted returns by capturing value in mispriced investments across disrupted, dislocated and distressed corporate, structured and private credit markets globally.

Certain of our opportunistic credit funds are open-end and allow for contributions and redemptions (subject to initial lock-up and notice periods) on a periodic basis similar to our multi-strategy funds. Our remaining opportunistic credit funds are closed-end, whereby investors make a commitment that is funded over an investment period. Upon the expiration of an investment period, the investments are then sold or realized over a period of time, and distributions are made to the investors in the fund.

Assets under management for our opportunistic credit funds are generally based on the net asset value of those funds plus any unfunded commitments. Management fees for our opportunistic credit funds generally range from 0.75% to 1.75% of the net asset value of these funds. For the fourth quarter of 2017, our opportunistic credit funds had an average management fee rate of 0.86%.

The table below presents assets under management and investment performance information for certain of our opportunistic credit funds. Incentive income related to these funds (excluding the closed-end opportunistic fund, which is explained further below) is generally equal to 20% of realized and unrealized profits attributable to each investor, and a portion of these assets under management is subject to hurdle rates, which are generally 5% to 8% for our open-end opportunistic credit funds. Once the cumulative investment performance has exceeded the hurdle rate, we may receive a "catch-up" allocation,

resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. The measurement periods for these assets under management generally range from one to five years.

Fund	Assets Under Management as of December 31,			Returns for the Year Ended December 31,						Annualized Returns Since Inception Through December 31, 2017	
	2017	2016	2015	2017		2016		2015		Gross	Net
				Gross	Net	Gross	Net	Gross	Net		
	(dollars in thousands)										
Oz Credit Opportunities Master Fund	\$ 1,728,910	\$ 1,818,649	\$ 1,486,241	16.9%	11.0%	21.1%	18.0%	-4.4 %	-5.2 %	17.4%	12.8%
Customized Credit Focused Platform	3,001,740	2,762,882	2,460,716	14.6%	10.9%	26.3%	19.8%	— %	-0.6 %	19.5%	14.7%
Closed-end opportunistic credit funds	325,312	316,360	919,786	See below for return information on our closed-end opportunistic credit funds.							
Other funds	457,656	478,189	516,886	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m
	\$ 5,513,618	\$ 5,376,080	\$ 5,383,629								

n/m not meaningful

Assets under management in our opportunistic credit funds increased by \$137.5 million, year-over-year. This change was driven by \$532.7 million of performance-related appreciation, partially offset by \$337.1 million of net outflows and \$58.0 million of distributions in the Company's closed-end opportunistic credit funds.

For the full year 2017, the Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 16.9% and a net return of 11.0%. Performance was broad-based with gains across both the structured and corporate credit strategies, and geographies. Similar to credit strategy performance in the Oz Master Fund, these returns were driven in part by realizations in structured credit and successful resolutions in various distressed situations in corporate credit. We continue to be focused on process-oriented and event-driven investments that are not correlated with the broader markets.

In 2016, the assets under management in our opportunistic credit funds decreased by \$7.5 million year over year, essentially flat year-over-year, as \$759.4 million of performance-related appreciation was mostly offset by \$685.3 million of distributions and other reductions in the Company's closed-end opportunistic credit funds. In 2016, the Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 21.1% and a net return of 18.0%. These returns were driven in part by realizations in structured credit and successful resolutions in various distressed situations in corporate credit.

The table below presents assets under management, investment performance and other information for our closed-end opportunistic credit funds. Our closed-end opportunistic credit funds follow a European-style waterfall, whereby incentive income may be paid to us only after a fund investor receives distributions in excess of their total contributed capital and a preferential return, which is generally 6%. Incentive income related to these funds is generally equal to 20% of the cumulative realized profits in excess of the preferential return attributable to each investor over the life of the fund. Once the investment performance has exceeded the preferential return, we may receive a "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds.

Once we begin to collect incentive income from our closed-end opportunistic credit funds, such amounts are generally not subject to clawback, and are therefore recognized as revenue by us when collected. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. As a result, beginning in 2018, we will generally recognize incentive income revenue from certain funds earlier than under existing guidance.



Fund (Investment Period)	Assets Under Management as of December 31,			Inception to Date as of December 31, 2017				
	2017	2016	2015	Total Commitments	Total Invested Capital <sup>(1)</sup>	IRR		Gross MOIC <sup>(4)</sup>
						Gross <sup>(2)</sup>	Net <sup>(3)</sup>	
(dollars in thousands)								
Oz European Credit Opportunities Fund (2012-2015) <sup>(5)</sup>	\$ 46,116	\$ 79,760	\$ 230,662	\$ 459,600	\$ 305,487	16.5%	12.5%	1.5x
Oz Structured Products Domestic Fund II (2011-2014) <sup>(5)</sup>	130,090	110,538	301,534	326,850	326,850	20.1%	15.8%	2.0x
Oz Structured Products Offshore Fund II (2011-2014) <sup>(5)</sup>	136,687	108,822	267,429	304,531	304,531	17.6%	13.7%	1.9x
Oz Structured Products Offshore Fund I (2010-2013) <sup>(5)</sup>	5,748	6,033	23,495	155,098	155,098	24.0%	19.2%	2.1x
Oz Structured Products Domestic Fund I (2010-2013) <sup>(5)</sup>	5,187	4,836	14,621	99,986	99,986	22.8%	18.2%	2.0x
Other funds	1,484	6,371	82,045	298,250	298,250	n/m	n/m	n/m
	<u>\$ 325,312</u>	<u>\$ 316,360</u>	<u>\$ 919,786</u>	<u>\$ 1,644,315</u>	<u>\$ 1,490,202</u>			

n/m not meaningful

- (1) Represents funded capital commitments net of recallable distributions to investors.
- (2) Gross IRR for our closed-end opportunistic credit funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the fund as of December 31, 2017, including the fair value of unrealized investments as of such date, together with any appreciation or depreciation from related hedging activity. Gross IRR does not include the effects of management fees or incentive income, which would reduce the return, and includes the reinvestment of all fund income.
- (3) Net IRR is calculated as described in footnote (2), but is reduced by all management fees, as well as paid incentive and accrued incentive income that will be payable upon the distribution of each fund's capital in accordance with the terms of the relevant fund. Accrued incentive income may be higher or lower at such time. The net IRR represents a composite rate of return for a fund and does not reflect the net IRR specific to any individual investor.
- (4) Gross MOIC for our closed-end opportunistic credit funds is calculated by dividing the sum of the net asset value of the fund, accrued incentive income, life-to-date incentive income and management fees paid and any non-recallable distributions made from the fund by the invested capital.
- (5) These funds have concluded their investment periods, and therefore we expect assets under management for these funds to decrease as investments are sold and the related proceeds are distributed to the investors in these funds.

### *Institutional Credit Strategies*

Institutional Credit Strategies is our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs and other customized solutions for clients.

Assets under management for our CLOs are generally based on the par value of the collateral and cash held in the CLOs. However, assets under management are reduced for any investments in our CLOs held by our other funds in order to avoid double counting these assets. Management fees for the CLOs are generally range from 0.43% to 0.50% of assets under management. For the fourth quarter of 2017, our Institutional Credit Strategies products had an average management fee rate of 0.41%.

Incentive income from our CLOs is generally equal to 20% of the excess cash flows due to the holders of the subordinated notes issued by the CLOs, and is generally subject to a 12% hurdle rate. Because of the hurdle rate and structure of our CLOs, we do not expect to earn a meaningful amount of incentive income from these entities, and therefore no return information is presented for these vehicles. The OZLM CLOs presented below are our U.S. CLOs, whereas the OZLME CLOs are our European CLOs.

	Initial Closing Date (Most Recent Refinance Date)	Deal Size	Assets Under Management as of December 31,		
			2017	2016	2015
(dollars in thousands)					
CLOs					
OZLM I	July 19, 2012 (July 24, 2017)	\$ 523,550	\$ 496,283	\$ 497,633	\$ 499,344
OZLM II	November 1, 2012 (October 31, 2016)	560,100	508,533	510,557	517,301
OZLM III	February 20, 2013 (December 15, 2016)	653,250	608,383	611,608	613,827
OZLM IV	June 27, 2013 (September 15, 2017)	615,500	540,283	540,979	543,297
OZLM V	December 17, 2013 (March 16, 2017)	501,250	466,719	468,465	470,335
OZLM VI	April 16, 2014 (January 17,2017)	621,250	594,986	597,161	598,438
OZLM VII	June 26, 2014 (April 17, 2017)	824,750	792,776	796,547	798,289
OZLM VIII	September 9, 2014 (May 30, 2017)	622,250	595,096	597,194	597,988
OZLM IX	December 22, 2014 (March 2, 2017)	510,208	498,924	495,532	495,643
OZLM XI	March 12, 2015 (August 18, 2017)	541,532	515,782	491,949	491,366
OZLM XII	May 28, 2015	565,650	548,606	550,642	548,452
OZLM XIII	August 6, 2015	511,600	494,941	496,758	493,012
OZLM XIV	December 21, 2015	507,420	502,130	502,862	495,798
OZLM XV	December 20, 2016	409,250	395,864	396,489	—
OZLME I	December 15, 2016	430,490	478,142	422,982	—
OZLM XVI	June 8, 2017	410,250	401,172	—	—
OZLM XVII	August 3, 2017	512,000	497,108	—	—
OZLME II	September 14, 2017	494,708	476,090	—	—
OZLM XIX	November 21, 2017	610,800	599,644	—	—
		10,425,808	10,011,462	7,977,358	7,163,090
Other funds	n/a	n/a	125,529	42,152	78,590
		\$ 10,425,808	\$ 10,136,991	\$ 8,019,510	\$ 7,241,680

The year-over-year increase in assets under management was driven primarily by the closing of four new CLOs . 2017 was a strong year for Institutional Credit Strategies, which closed over \$6.1 billion in CLOs, including refinancings.

In 2016, the year over year increase in assets under management was driven primarily by two new CLOs that closed in the fourth quarter of 2016, including our first European CLO. The Company also successfully refinanced two existing deals during the fourth quarter of 2016.

### ***Real Estate Funds***

Our real estate funds generally make investments in commercial and residential real estate, including real property, multi-property portfolios, real estate-related joint ventures, real estate operating companies and other real estate-related assets.

Assets under management for our real estate funds are generally based on the amount of capital committed by our fund investors during the investment period and the amount of actual capital invested for periods following the investment period. However, assets under management are reduced for unfunded commitments by our executive managing directors that will be funded through transfers from other funds in order to avoid double counting these assets. Management fees for our real estate funds generally range from 0.75% to 1.50% of assets under management; however, management fees for Och-Ziff Real Estate Credit Fund I are based on invested capital. For the fourth quarter of 2017 , our real estate funds had an average management fee rate of 0.83% .

The table below presents assets under management, investment performance and other information for our real estate funds. Our real estate funds generally follow an American-style waterfall, whereby incentive income may be paid to us after a fund investment is realized if a fund investor receives distributions in excess of the capital contributed for such investment, as well as a preferential return on such investment, which is generally 6% to 10%. Upon each subsequent realization, incentive income, which is generally 20% of realized profits, is recalculated based on the cumulative realized profits in excess of the preferential return attributable to each investor over the life of the fund. Once the investment performance has exceeded the hurdle rate, we may receive a “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the realized net profits attributable to investors in these funds.

Due to the recalculation of cumulative realized profits upon each realization, the fund may clawback incentive income previously paid to us. As a result, we currently record incentive income paid to us by the real estate funds as unearned revenue in our consolidated balance sheets until such amounts are no longer subject to clawback. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. As a result, beginning in 2018, we will generally recognize incentive income revenue from certain funds earlier than under existing guidance.

	Assets Under Management as of December 31,		
	2017	2016	2015
<b>Fund</b>	<b>(dollars in thousands)</b>		
Och-Ziff Real Estate Fund I	\$ 13,257	\$ 15,871	\$ 33,752
Och-Ziff Real Estate Fund II	184,639	303,528	343,679
Och-Ziff Real Estate Fund III	1,455,200	1,457,722	1,447,770
Och-Ziff Real Estate Credit Fund I	695,371	288,344	130,150
Other funds	146,723	147,899	93,208
	<u>\$ 2,495,190</u>	<u>\$ 2,213,364</u>	<u>\$ 2,048,559</u>

Inception to Date as of December 31, 2017										
Fund (Investment Period)	Total Commitments	Total Investments					Realized/Partially Realized Investments <sup>(1)</sup>			
		Invested Capital <sup>(2)</sup>	Total Value <sup>(3)</sup>	Gross IRR <sup>(4)</sup>	Net IRR <sup>(5)</sup>	Gross MOIC <sup>(6)</sup>	Invested Capital	Total Value	Gross IRR <sup>(4)</sup>	Gross MOIC <sup>(6)</sup>
(dollars in thousands)										
Och-Ziff Real Estate Fund I <sup>(7)</sup> (2005-2010)	\$ 408,081	\$ 385,977	\$ 814,152	25.1%	15.7%	2.1x	\$ 372,720	\$ 810,101	26.6%	2.2x
Och-Ziff Real Estate Fund II <sup>(7)</sup> (2011-2014)	839,508	762,588	1,464,572	33.2%	21.8%	1.9x	586,815	1,234,065	37.7%	2.1x
Och-Ziff Real Estate Fund III <sup>(8)</sup> (2014-2019)	1,500,000	678,729	1,020,848	n/m	n/m	n/m	209,984	368,778	n/m	n/m
Och-Ziff Real Estate Credit Fund I <sup>(8)</sup> (2015-2019)	736,225	97,396	118,100	n/m	n/m	n/m	48,771	57,636	n/m	n/m
Other funds	293,003	172,998	235,717	n/m	n/m	n/m	59,030	105,262	n/m	n/m
	\$ 3,776,817	\$ 2,097,688	\$ 3,653,389				\$ 1,277,320	\$ 2,575,842		

	Unrealized Investments as of December 31, 2017		
	Invested Capital	Total Value	Gross MOIC <sup>(6)</sup>
<b>Fund (Investment Period)</b>	<b>(dollars in thousands)</b>		
Och-Ziff Real Estate Fund I (2005-2010) <sup>(7)</sup>	\$ 13,257	\$ 4,051	0.3x
Och-Ziff Real Estate Fund II (2011-2014) <sup>(7)</sup>	175,773	230,506	1.3x
Och-Ziff Real Estate Fund III (2014-2019) <sup>(8)</sup>	468,745	652,071	n/m
Och-Ziff Real Estate Credit Fund I (2015-2019) <sup>(8)</sup>	48,625	60,464	n/m
Other funds	113,968	130,455	n/m
	<b>\$ 820,368</b>	<b>\$ 1,077,547</b>	

n/m not meaningful

- (1) An investment is considered partially realized when the total amount of proceeds received, including dividends, interest or other distributions of income and return of capital, represents at least 50% of invested capital.
- (2) Invested capital represents total aggregate contributions made for investments by the fund.
- (3) Total value represents the sum of realized distributions and the fair value of unrealized and partially realized investments as of December 31, 2017. Total value will be impacted (either positively or negatively) by future economic and other factors. Accordingly, the total value ultimately realized will likely be higher or lower than the amounts presented as of December 31, 2017.
- (4) Gross IRR for our real estate funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the aggregated investments as of December 31, 2017, including the fair value of unrealized and partially realized investments as of such date, together with any unrealized appreciation or depreciation from related hedging activity. Gross IRR is not adjusted for estimated management fees, incentive income or other fees or expenses to be paid by the fund, which would reduce the return.
- (5) Net IRR is calculated as described in footnote (4), but is reduced by all management fees and other fund-level fees and expenses not adjusted for in the calculation of gross IRR. Net IRR is further reduced by paid incentive and accrued incentive income that will be payable upon the distribution of each fund's capital in accordance with the terms of the relevant fund. Accrued incentive income may be higher or lower at such time. The net IRR represents a composite rate of return for a fund and does not reflect the net IRR specific to any individual investor.
- (6) Gross MOIC for our real estate funds is calculated by dividing the value of a fund's investments by the invested capital, prior to adjustments for incentive income, management fees or other expenses to be paid by the fund.
- (7) These funds have concluded their investment periods, and therefore we expect assets under management for these funds to decrease as investments are sold and the related proceeds are distributed to the investors in these funds.
- (8) These funds recently launched and have only invested a small portion of their committed capital; therefore, IRR and MOIC information is not presented, as it is not meaningful.

The \$281.8 million, or 13%, increase year-over-year in assets under management in our real estate funds was driven primarily by additional commitments to Och-Ziff Real Estate Credit Fund I, which had its final closing during the second quarter of 2017, and which was partially offset by distributions, primarily related to Och-Ziff Real Estate Fund II. We continue to deploy capital in our real estate funds, while also realizing investments. In 2017, the real estate funds invested over \$200 million and had full or partial realizations of 21 investments at an average multiple of invested capital in excess of 2.2x. In total, we have committed approximately 60% of Och-Ziff Real Estate Fund III and 18% of the recently closed Och-Ziff Real Estate Credit Fund I.

In 2016, the \$164.8 million year-over-year increase in assets under management in our real estate funds was driven primarily by additional closings in Och-Ziff Real Estate Credit Fund I, partially offset by distributions from Och-Ziff Real Estate Funds I and II. Och-Ziff Real Estate Funds I and II continue to harvest investments, realizing six investments during 2016 at 2.2x of invested capital and a gross IRR of 23.6%.

#### **Other**

Our other assets under management are comprised of funds that are generally strategy-specific, including our equity and energy funds. Management fees for these funds range from 0.75% to 1.50% of assets under management, generally based on the amount of capital committed to these platforms by our fund investors. For the fourth quarter of 2017, our other funds had an average management fee rate of 0.65%.

Incentive income for our equity funds is generally 20% of realized and unrealized annual profits attributable to each investor. Incentive income related to the energy funds is generally 20% of cumulative realized profits attributable to each investor.

and is subject to hurdle rates (generally 3% to 8%). Incentive income for the energy funds is currently not recognized as revenue until near the end of the life of the fund when it is no longer subject to clawback. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. As a result, beginning in 2018, we will generally recognize incentive income revenue from these funds earlier than under existing guidance.

### Longer-Term Assets Under Management

As of December 31, 2017, approximately 54% of our assets under management were subject to initial commitment periods of three years or longer. We earn incentive income on these assets based on the cumulative investment performance generated over this commitment period. The table below presents the amount of these assets under management, as well as the gross amount of incentive income accrued at the fund level but for which the commitment period has not concluded. These amounts have not yet been recognized in our revenues, as we recognize incentive income at the end of the commitment period when amounts are no longer subject to clawback. Further, these amounts may ultimately not be recognized as revenue by us in the event of future losses in the respective funds. See “—Understanding Our Results—Incentive Income” for additional information.

	December 31, 2017	
	Longer-Term Assets Under Management	Accrued Unrecognized Incentive Income
(dollars in thousands)		
Multi-strategy funds	\$ 547,291	\$ 11,547
Credit		
Opportunistic credit funds	4,010,757	231,488
Institutional Credit Strategies	10,091,527	—
Real estate funds	2,495,189	192,767
Other	290,517	1,620
	<b>\$ 17,435,281</b>	<b>\$ 437,422</b>

We recognize incentive income on our longer-term assets under management in our multi-strategy funds and open-end opportunistic credit funds at the end of their respective commitment periods, which are generally three to five years. Incentive income related to assets under management in our closed-end opportunistic credit funds and our real estate funds is generally recognized near the end of the life of each fund. These funds generally begin to make distributions after the conclusion of their respective investment period, as presented in the tables above. However, these investment periods may generally be extended for an additional one to two years.

Beginning in 2018, as a result of the adoption of new GAAP revenue recognition guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. As a result, beginning in 2018, we will generally recognize incentive income revenue from certain funds earlier than under the existing guidance. On an Economic Income basis, the incentive income recognized on adoption will be partially offset by the related compensation and benefits. Compensation and benefits for incentive income profit-sharing arrangements are generally recognized at the same time as the related incentive income revenue is recognized for Economic Income. We do not expect any impact to compensation and benefits on a GAAP basis, as such amounts have generally already been recognized as expense.

### Understanding Our Results

#### Revenues

Our operations historically have been financed primarily by cash flows generated by our business. Our principal sources of revenues are management fees and incentive income. For any given period, our revenues are influenced by the amount of our assets under management, the investment performance of our funds and the timing of when we recognize incentive income for certain assets under management as discussed below.

The ability of investors to contribute capital to and redeem capital from our funds causes our assets under management to fluctuate from period to period. Fluctuations in assets under management also result from our funds' investment performance. Both of these factors directly impact the revenues we earn from management fees and incentive income. For example, a \$1 billion increase or decrease in assets under management subject to a 1% management fee would generally increase or decrease annual management fees by \$10 million. If profits, net of management fees, attributable to a fee-paying fund investor were \$10 million in a given year, we generally would earn incentive income equal to \$2 million, assuming a 20% incentive income rate, a one-year commitment period, no hurdle rate and no high-water marks from prior years.

For any given quarter, our revenues are influenced by the combination of assets under management and the investment performance of our funds. For the first three quarters of each year, our revenues are primarily comprised of the management fees we have earned for each respective quarter. In addition, we may recognize incentive income for assets under management for which the measurement period expired in that quarter, such as longer-term assets under management, or incentive income related to fund investor redemptions, and these amounts may be significant. In the fourth quarter, our revenues are primarily comprised of the management fees we have earned for the quarter, as well as incentive income related to the full-year investment performance generated on assets under management that are subject to one-year commitment periods, or for other assets under management for which the commitment period expired in that quarter.

**Management Fees.** Management fees are generally calculated and paid to us on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. Management fees are prorated for capital inflows and redemptions during the quarter. Accordingly, changes in our management fee revenues from quarter to quarter are driven by changes in the quarterly opening balances of assets under management, the relative magnitude and timing of inflows and redemptions during the respective quarter, as well as the impact of differing management fee rates charged on those inflows and redemptions. See “—Weighted-Average Assets Under Management and Average Management Fee Rates” for information on our average management fee rate.

**Incentive Income.** We earn incentive income based on the cumulative performance of our funds over a commitment period. Incentive income is typically equal to 20% of the realized and unrealized profits, net of management fees, attributable to each fund investor in our multi-strategy funds, open-end opportunistic credit funds and certain other funds, but it excludes unrealized gains and losses attributable to Special Investments. For our closed-end opportunistic credit funds, real estate funds and certain other funds, incentive income is typically equal to 20% of the realized profits, net of management fees, attributable to each fund investor. For our CLOs, incentive income is typically 20% of the excess cash flows available to the holders of the subordinated notes. Our ability to earn incentive income from some of our funds may be impacted by hurdle rates as further discussed below.

Currently, incentive income is generally recognized at the end of the applicable commitment period when the amounts are contractually payable, or “crystallized,” and when no longer subject to clawback. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we will recognize incentive income when such amounts are probable of not significantly reversing. As a result, beginning in 2018, we will generally recognize incentive income revenue from certain funds earlier than under existing guidance.

All of our multi-strategy funds and open-end opportunistic credit funds are subject to a perpetual loss carry forward, or a perpetual “high-water mark,” meaning we would not be able to earn incentive income with respect to positive investment performance we generate for a fund investor in any year following negative investment performance until that loss is recouped, at which point a fund investor's investment surpasses the high-water mark. We earn incentive income on any profits, net of management fees, in excess of the high-water mark.

The commitment period for most of our multi-strategy assets under management is for a period of one year on a calendar-year basis, and therefore we generally crystallize incentive income annually on December 31. We may also recognize incentive income related to fund investor redemptions at other times during the year, as well as on assets under management subject to commitment periods that are longer than one year. We may also recognize incentive income for tax distributions related to these assets. Tax distributions are amounts distributed to us to cover tax liabilities related to incentive income that has been accrued at the fund level but will not be recognized by us until the end of the relevant commitment period (if at all). These tax distributions are not subject to clawback once distributed to us.

Incentive income related to our longer-term assets under management is based on the cumulative investment performance over a specified commitment period (in the case of CLOs, based on the excess cash flows available to the holders of the subordinated notes), and is not earned until it is no longer subject to repayment to the respective fund. Our ability to earn incentive income on these longer-term assets is also subject to hurdle rates whereby we do not earn any incentive income until the investment returns exceed an agreed upon benchmark. However, for a portion of these assets subject to hurdle rates, once the investment performance has exceeded the hurdle rate, we may receive a preferential “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the profits, net of management fees, attributable to investors in these assets.

**Other Revenues.** Other revenues consist primarily of interest income on investments in CLOs and cash and cash equivalents. Interest income is recognized on an effective yield basis. Additionally, prior to the sale of our aircraft in the first half of 2017, revenue related to non-business use of the corporate aircraft by certain executive managing directors was also included within other revenues. Revenues earned from non-business use of the corporate aircraft were recognized on an accrual basis based on actual flight hours.

**Income of Consolidated Funds.** Revenues recorded as income of consolidated funds consist of interest income, dividend income and other miscellaneous items.

## **Expenses**

**Compensation and Benefits.** Compensation and benefits consist of salaries, benefits, payroll taxes, and discretionary and guaranteed cash bonus expenses. We generally recognize compensation and benefits expenses over the related service period.

On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. We accrue minimum annual discretionary cash bonus on a straight-line basis during the year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year. Prior to 2017, annual discretionary bonuses were generally determined and expensed in the fourth quarter of each year.

Compensation and benefits also includes equity-based compensation expense, which is primarily in the form of RSUs granted to our independent board members, employees and executive managing directors, as well as Partner Equity Units granted to executive managing directors. In February 2018, we also issued PSUs. See Note 10 to our consolidated financial statements included in this report for additional information regarding RSUs and Note 17 for additional information regarding PSUs.

We also issue Group D Units to executive managing directors. Group D Units are not considered equity under GAAP, and therefore no equity-based compensation expense is recognized related to these units when they are granted. Distributions to holders of Group D Units are included within compensation and benefits in the consolidated statements of comprehensive income (loss). These distributions are accrued in the quarter in which the related income was earned and are paid out the following quarter at the same time distributions on the Group A Units and dividends on the Company's Class A Shares are paid. A Group D Unit converts into a Group A Unit to the extent the Company determines that it has become economically equivalent to a Group A Unit, at which point it is considered a grant of equity-based compensation for GAAP purposes. Upon the conversion of Group D Units into Group A Units, we recognize a one-time charge for the grant-date fair value of the vested units and begin to amortize the grant-date fair value of the unvested units over the vesting period. As additional Group D Units are converted into Group A Units in the future, we may see increasing non-cash equity-based compensation expense related to these units.

Effective March 1, 2017, the Board of Directors approved amendments to the Limited Partnership Agreements of the Oz Operating Partnerships to adjust the measurement thresholds used in calculating the appreciation necessary to permit a determination that Group D Units issued prior to March 1, 2017 have become economically equivalent to Group A Units, making it more likely that outstanding Group D Units (and, due to the fact that economic equivalence is determined chronologically based on order of issuance, subsequently issued Group D Units) will convert to Group A Units.

We also have profit-sharing arrangements whereby certain employees or executive managing directors are entitled to a share of incentive income distributed by certain funds. This incentive income is typically paid to us, and a portion is paid to the

participant, as investments held by these funds are realized. We defer the recognition of any portion of this incentive income to the extent it is subject to clawback and relates to a fund that is not consolidated. See “—Incentive Income” above. To the extent that the payments to the employees or executive managing directors are probable and reasonably estimable, we accrue these payments as compensation expense for GAAP purposes, which may occur prior to the recognition of the related incentive income.

Deferred cash interest (“DCIs”) are also granted to certain employees and executive managing directors as a form of compensation. DCIs reflect notional fund investments made by us on behalf of an employee or executive managing director. DCIs generally vest over a three year period, subject to an employee’s or executive managing director’s continued service. Upon vesting, we pay the employee or executive managing director an amount in cash equal to the notional investment represented by the DCIs, as adjusted for notional fund performance. Except as otherwise provided in the relevant deferred cash interest plan or in an award agreement, in the event of a termination of the employee’s or executive managing director’s service, any portion of the DCIs that are unvested as of the date of termination will be forfeited.

**Interest Expense.** Amounts included within interest expense relate primarily to indebtedness outstanding under our Senior Notes, CLO Investments Loans, Revolving Credit Facility, and Aircraft Loan. See “—Liquidity and Capital Resources—Debt Obligations” for a summary of the terms related to these borrowings. We repaid the outstanding balance under our Revolving Credit Facility and our Aircraft Loan in the first quarter of 2017.

**General, Administrative and Other.** General, administrative and other expenses are comprised of professional services, occupancy and equipment, information processing and communications, recurring placement and related service fees, business development, insurance and other miscellaneous expenses. In addition, the settlements expense incurred in 2016 is also included in this line item.

**Expenses of Consolidated Funds.** Expenses recorded as expenses of consolidated funds consist of interest expense and other miscellaneous expenses.

#### **Other Income (Loss)**

**Changes in Tax Receivable Agreement Liability.** Changes in tax receivable agreement liability consists of changes in our estimate of the future payments related to the tax receivable agreement that result from changes in future income tax savings due to changes in tax rates. See Note 15 to our consolidated financial statements included in this report for additional information.

**Net Gains on Investments in Funds and Joint Ventures.** Net gains on investments in funds and joint ventures primarily consist of net gains and losses on investments in our funds made by us and net gains and losses on investments in joint ventures established to expand certain of our private investments platforms.

**Net Gains of Consolidated Funds.** Net gains of consolidated funds consist of net realized and unrealized gains on investments held by the consolidated funds.

#### **Income Taxes**

Income taxes consist of our provision for federal, state and local income taxes in the United States and foreign income taxes, including provisions for deferred income taxes resulting from temporary differences between the tax and GAAP bases. The computation of the provision requires certain estimates and significant judgment, including, but not limited to, the expected taxable income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent differences between the tax and GAAP bases and the likelihood of being able to fully utilize deferred income tax assets existing as of the end of the period.

The Registrant and the Oz Operating Partnerships are partnerships for U.S. federal income tax purposes. Due to our legal structure, only a portion of the income we earn is subject to corporate-level income taxes in the United States and foreign jurisdictions. The amount of incentive income we earn in a given year, the resultant flow of revenues and expenses through our legal entity structure, the effect that changes in our Class A Share price may have on the ultimate deduction we are able to take



related to the settlement of RSUs, and any changes in future enacted income tax rates may have a significant impact on our income tax provision and effective income tax rate.

### ***Net Income (Loss) Attributable to Noncontrolling Interests***

Noncontrolling interests represent ownership interests in our subsidiaries held by parties other than us and are primarily made up of Group A Units and fund investors' interests in the consolidated funds. Increases or decreases in net income (loss) attributable to the Group A Units are driven by the earnings of the Oz Operating Group. Increases or decreases in the net income attributable to fund investors' interests in consolidated funds are driven by the earnings of those funds as allocated under the contractual terms of the relevant fund agreements.

See Note 3 for a description of factors that historically have, and in the future may, impact our ownership interest in the Oz Operating Group.

We also consolidate certain of our opportunistic credit funds, wherein investors are able to redeem their interests after an initial lock-up period of up to three years. Allocations of earnings to these interests are reflected within net income attributable to redeemable noncontrolling interests in the consolidated statements of comprehensive income (loss).

## **Results of Operations**

### **Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

#### ***Revenues***

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Management fees	\$ 319,458	\$ 533,156	\$ (213,698)	-40 %
Incentive income	528,000	233,440	294,560	126 %
Other revenues	6,777	2,006	4,771	238 %
Income of consolidated funds	4,102	1,762	2,340	133 %
<b>Total Revenues</b>	<b>\$ 858,337</b>	<b>\$ 770,364</b>	<b>\$ 87,973</b>	<b>11 %</b>

Total revenues increased by a net \$88.0 million , primarily due to the following:

- A \$213.7 million decrease in management fees, driven primarily by lower assets under management in our multi-strategy funds, as well as lower average management fee rates. See “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate” above for information regarding our average management fee rate.
- A \$294.6 million increase in incentive income driven overall by higher relative fund performance .
  - *Multi-strategy funds.* A \$271.6 million increase in incentive income from our multi-strategy funds, which was driven by: (i) an increase of \$163.0 million driven by fund investors with annual commitment periods that matured during the period; (ii) an increase of \$65.4 million related to fund investor redemptions; and (iii) an increase of \$48.0 million related to longer-term assets under management.
  - *Opportunistic credit funds.* A \$22.0 million increase in incentive income from our opportunistic credit funds, primary due to: (i) an increase of \$25.4 million related to fund investors with annual commitment periods that matured during the period; (ii) an increase of \$3.7 million from tax distributions; and (iii) an increase of \$1.7 million related to crystallization of incentive from fund investor redemptions. These increases were partially offset by a decrease of \$8.8 million related to longer-term assets under management.
  - *Other funds.* An \$11.2 million increase due to higher incentive income from our equity funds.

- *Real estate funds.* An offsetting \$10.3 million decrease in incentive income from our real estate funds, primarily due to lower realizations in one of our real estate co-investment vehicles as compared to the prior year period.
- A \$4.8 million increase in other revenues primarily due to higher interest income from our investments in CLOs.

## Expenses

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Compensation and benefits	\$ 436,549	\$ 409,883	\$ 26,666	7 %
Interest expense	23,191	23,776	(585)	-2 %
General, administrative and other	152,071	646,468	(494,397)	-76 %
Expenses of consolidated funds	9,391	350	9,041	NM
<b>Total Expenses</b>	<b>\$ 621,202</b>	<b>\$ 1,080,477</b>	<b>\$ (459,275)</b>	<b>-43 %</b>

Total expenses decreased by \$459.3 million , primarily due to the following:

- A \$26.7 million increase in compensation and benefits expenses primarily driven by a \$25.4 million increase in bonus expense which was due to higher relative fund performance . Also contributing to the increase was a \$9.0 million increase in equity-based compensation expense primarily driven by a \$20.8 million increase in Group P Units amortization, which units were granted in 2017, partially offset by a \$12.5 million decrease in Group A Units amortization due to a lower number of unvested units outstanding. Further contributing to the increase in compensation and benefits expenses was a \$6.7 million increase in distributions accrued on the Group D Units. These increases were partially offset by a \$14.4 million decrease in salaries and benefits, as our worldwide headcount decreased to 483 as of December 31, 2017 , from 524 as of December 31, 2016 .
- A \$494.4 million decrease in general, administrative and other expenses driven primarily by \$412.1 million of settlements expense incurred in 2016. Also contributing to the decline was a \$31.5 million decrease in professional services, driven by lower legal fees, an \$18.3 million decrease in recurring placement and related service fees, due to lower assets under management subject to these agreements, as well as reductions across various other expenses as a result of expense savings initiatives.
- A \$9.0 million increase in expenses of consolidated funds was primarily due to consolidation of a CLO in warehouse during the second and third quarters of 2017. The CLO was deconsolidated at launch in September of 2017.

## Other Income

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Changes in tax receivable agreement liability	\$ 222,859	\$ (1,663)	\$ 224,522	NM
Net gains on investments in funds and joint ventures	3,465	3,760	(295)	-8 %
Net gains of consolidated funds	8,472	2,915	5,557	191 %
<b>Total Other Income</b>	<b>\$ 234,796</b>	<b>\$ 5,012</b>	<b>\$ 229,784</b>	<b>NM</b>

Total other income increased for the year-to-date period by \$229.8 million , primarily due to a change in the tax receivable agreement liability due to the decrease in future U.S. Federal corporate income tax rate pursuant to the TCJA.

## Income Taxes

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Income taxes	\$ 317,559	\$ 10,886	\$ 306,673	NM

For the year-to-date period, income taxes increased by \$306.7 million , primarily due to a \$280.8 million reduction of deferred income tax assets as a result of the TCJA. The remaining increase in income taxes was primarily due to a change in state tax rates and an increase in the valuation allowance related to foreign tax credits.

## Net Income (Loss) Attributable to Noncontrolling Interests

The following table presents the components of the net income (loss) attributable to noncontrolling interests and to redeemable noncontrolling interests:

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Group A Units	\$ 130,730	\$ (195,087)	\$ 325,817	167 %
Consolidated funds	—	262	(262)	-100 %
Other	900	1,068	(168)	-16 %
<b>Total</b>	<b>\$ 131,630</b>	<b>\$ (193,757)</b>	<b>\$ 325,387</b>	<b>168 %</b>
Redeemable noncontrolling interests	\$ 1,667	\$ 2,450	\$ (783)	-32 %

Net income (loss) allocated to noncontrolling interests increased by \$325.4 million . The increase was primarily due to improved earnings of the Oz Operating Group, a portion of which was allocable to the Group A Units. The improvement was driven by the settlements expense taken in 2016, as well as higher incentive income, lower salaries and benefits, and lower non-compensation expenses, partially offset by lower management fees and higher bonus expense.

## Net Income (Loss) Attributable to Class A Shareholders

	Year Ended December 31,		Change	
	2017	2016	\$	%
(dollars in thousands)				
Net Income (Loss) Attributable to Class A Shareholders	\$ 18,222	\$ (130,762)	\$ 148,984	114%

Net income (loss) attributable to Class A Shareholders increased by \$149.0 million . The year-over-year improvement was primarily due to investigation-related settlements expense of \$412.1 million taken in 2016, as well as higher incentive income, lower non-compensation expenses, lower salaries and benefits, and a reduction in the tax receivable agreement liability. These improvements were partially offset by lower management fees, higher bonus expense, and higher income tax expense due to a reduction of our deferred tax assets as a result of the TCJA.

## Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

### Deconsolidation on Adoption of ASU 2015-02

As a result of the adoption of ASU 2015-02, we deconsolidated the majority of our previously consolidated funds. This resulted in a substantial decrease in assets of consolidated funds, liabilities of consolidated funds, redeemable noncontrolling interests, appropriated retained deficit and shareholders' equity attributable to non-controlling interests in our consolidated balance sheet. Additionally, the deconsolidation has caused a significant decrease in the amount of income of consolidated funds, expenses of consolidated funds, and net gains of consolidated funds in our consolidated statement of comprehensive income (loss). Management fees and incentive income from the previously consolidated funds are also no longer eliminated in consolidation.

We adopted ASU 2015-02 using the modified retrospective method of transition, which resulted in an effective date of adoption of January 1, 2016, and a cumulative effect adjustment to opening equity to reflect the impacts of adoption. We did not restate prior-period results. The impact to our opening retained earnings was driven by the cumulative effect of a change in incentive income recognition for the funds no longer consolidated as further discussed below.

The net impact on our results is that incentive income from these funds will now be recognized when such amounts are no longer subject to clawback. Prior to deconsolidation, incentive income from these previously consolidated funds was recognized by allocating a portion of the net income of these funds to us rather than to the fund investors (noncontrolling interests) based on the contractual terms of the relevant fund agreements. This resulted in incentive income being recognized that was subject to clawback in the event of future losses in the respective funds.

The adoption of ASU 2015-02 and the resulting deconsolidation of the majority of the previously consolidated funds had no impact on our Economic Income or other non-GAAP measures discussed throughout this MD&A.

### Revenues

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Management fees	\$ 533,156	\$ 643,991	\$ (110,835)	-17 %
Incentive income	233,440	187,563	45,877	24 %
Other revenues	2,006	2,077	(71)	-3 %
Income of consolidated funds	1,762	489,350	(487,588)	-100 %
<b>Total Revenues</b>	<b>\$ 770,364</b>	<b>\$ 1,322,981</b>	<b>\$ (552,617)</b>	<b>-42 %</b>

Total revenues decreased by \$552.6 million , primarily due to the following:

- A \$110.8 million decrease in management fees, primarily due to the following:
  - *Multi-strategy funds.* A \$154.0 million decrease in management fees due to increased redemptions, as well as due to a fee rate cut that went into effect on October 1, 2016, for existing fund investors in virtually all of our multi-strategy assets under management.
  - *Opportunistic credit funds.* An \$8.0 million increase in management fees, primarily due to the effects of deconsolidation of our funds, as fees in the prior year would have been eliminated in consolidation. See “—Economic Income Analysis” where we discuss management fees excluding the effects of consolidation for the comparative periods.
  - *Institutional Credit Strategies.* A \$35.6 million increase in management fees, primarily due to the effects of deconsolidation of our funds, as fees in the prior year would have been eliminated in consolidation. See “—Economic Income Analysis” where we discuss management fees excluding the effects of consolidation for the comparative periods.

- *Real estate funds.* Management fees in our real estate funds remained relatively flat year over year.

For information regarding our average assets under management and management fee rates, see “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates.”

- A \$487.6 million decrease in income of consolidated funds driven primarily by the deconsolidation of the majority of our funds during the first quarter of 2016.
- This decrease in revenues was partially offset by a \$45.9 million increase in incentive income, primarily due to the following:
  - *Multi-strategy funds.* A \$5.5 million decrease in incentive income from our multi-strategy funds, which was driven by a decrease of \$32.5 million related to longer-term assets under management, a decrease of \$27.8 million related to fund investor redemptions, and a decrease of \$4.4 million related to lower tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management, but that will not be realized until the end of the relevant commitment period. These decreases were partially offset by an increase of \$59.2 million related to assets subject to annual crystallization which was driven by improved performance of the funds.
  - *Opportunistic credit funds.* A \$44.5 million increase in incentive income from our opportunistic credit funds, which was driven primarily by an increase of \$29.1 million earned from our open-end funds due to higher fund performance and an increase of \$15.4 million earned from our closed-end funds due to higher realizations from funds out of their investment period, as well as due to the deconsolidation of funds, as incentive income from these funds would have been eliminated in consolidation. See “—Economic Income Analysis” where we discuss incentive income excluding the effects of consolidation for the comparative periods.
  - *Real estate funds.* A \$14.6 million increase in incentive income from our real estate funds, primarily due to the effects of deconsolidation of funds, as incentive income in the prior year would have been eliminated in consolidation. See “—Economic Income Analysis” where we discuss incentive income excluding the effects of consolidation for the comparative periods.
  - *Other funds.* An \$8.6 million decrease due to lower incentive income from our equity funds.

## Expenses

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Compensation and benefits	\$ 409,883	\$ 430,526	\$ (20,643)	-5 %
Reorganization expenses	—	14,064	(14,064)	-100 %
Interest expense	23,776	21,441	2,335	11 %
General, administrative and other	646,468	239,991	406,477	169 %
Expenses of consolidated funds	350	303,770	(303,420)	-100 %
<b>Total Expenses</b>	<b>\$ 1,080,477</b>	<b>\$ 1,009,792</b>	<b>\$ 70,685</b>	<b>7 %</b>

Total expenses increased by \$70.7 million , primarily due to the following:

- A \$406.5 million increase in general, administrative and other expenses, driven by the \$412.1 million settlements expense in 2016. The increase was partially offset by a decrease of \$10.3 million in recurring placement and related service fees due to lower assets under management subject to these arrangements.
- A \$2.3 million increase in interest expense primarily due to the draw down on our Revolving Credit Facility in April 2016.

This increase was partially offset by certain decreases in expenses, primarily the following:

- A \$20.6 million decrease in compensation and benefits expenses, primarily due to the following: (i) a \$37.4 million decrease in equity based compensation driven by lower average grant date fair values due to our lower stock price; (ii) a \$12.7 million decrease in the allocation to Group D Units due to no Oz Operating Group distributions being declared in 2016; and (iii) a \$2.8 million decrease in salary and benefits, as our worldwide headcount decreased to 524 as of December 31, 2016, compared to 659 as of December 31, 2015. These decreases were partially offset by a \$32.2 million increase in bonus expense, which was due to improved fund performance.
- A \$14.1 million decrease in Reorganization expenses, as the amortization period for these IPO-related grants ended in 2015. As part of the Reorganization, interests in the Oz Operating Group held by our executive managing directors and the Ziffs were reclassified Group A Units, resulting in non-cash Reorganization expenses. Substantially all of those Group A Units were expensed on a straight-line basis over a five-year vesting period following the IPO, which concluded in November 2012. However, certain of these units had vesting periods through 2015.
- A \$303.4 million decrease in expenses of consolidated funds driven primarily by the deconsolidation of the majority of our funds during the first quarter of 2016.

#### ***Other Income (Loss)***

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Changes in tax receivable agreement liability	\$ (1,663)	\$ 55,852	\$ (57,515)	-103 %
Net gains on investments in funds and joint ventures	3,760	68	3,692	NM
Net gains (losses) of consolidated funds	2,915	(69,572)	72,487	104 %
<b>Total Other Income (Loss)</b>	<b>\$ 5,012</b>	<b>\$ (13,652)</b>	<b>\$ 18,664</b>	<b>137 %</b>

Total other income (loss) increased by \$18.7 million, primarily due to the \$57.5 million increase due to a change in tax receivable agreement liability, which resulted from updated estimated future income tax savings due to changes in state and local income apportionment factors that resulted in lower expenses in 2015 as compared to 2016, the increase was partially offset by a decrease in net gains of consolidated funds, which was driven primarily by the deconsolidation of the majority of our funds during the first quarter of 2016.

#### ***Income Taxes***

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Income taxes	\$ 10,886	\$ 132,224	\$ (121,338)	-92 %

Income tax expense decreased by \$121.3 million, primarily driven by a \$69.3 million decrease in deferred income tax expenses due to prior year changes in state and local income apportionment factors and a \$38.8 million decrease due to lower profitability. The remaining variance was due to various miscellaneous items.

### ***Net (Loss) Income Attributable to Noncontrolling Interests***

The following table presents the components of the net income attributable to noncontrolling interests and to redeemable noncontrolling interests:

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Group A Units	\$ (195,087)	\$ 136,449	\$ (331,536)	-243 %
Consolidated funds	262	54,357	(54,095)	-100 %
Other	1,068	371	697	188 %
<b>Total</b>	<b>\$ (193,757)</b>	<b>\$ 191,177</b>	<b>\$ (384,934)</b>	<b>-201 %</b>
Redeemable noncontrolling interests	\$ 2,450	\$ (49,604)	\$ 52,054	105 %

Net (loss) income attributable to noncontrolling interests decreased \$384.9 million primarily due to the following:

- A \$331.5 million decrease in the amounts attributable to the Group A Units due lower profitability of the Oz Operating Group, which was driven by the settlements expense, as well as lower management fees, partially offset by higher incentive income and lower compensation and benefits expenses.
- A \$54.1 million decrease in the amounts attributable to the consolidated Oz funds was driven primarily by deconsolidation of the majority of our funds during the first quarter of 2016.

The \$52.1 million increase in amounts attributable to redeemable noncontrolling interests was driven primarily by the deconsolidation of the majority of our funds during the first quarter of 2016.

### ***Net (Loss) Income Attributable to Class A Shareholders***

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
Net (loss) income attributable to Class A Shareholders	\$ (130,762)	\$ 25,740	\$ (156,502)	NM

Net (loss) income attributable to Class A Shareholders decreased by \$156.5 million , primarily driven by the settlements expense, as well as lower management fees, partially offset by higher incentive income, lower income tax expense and lower compensation and benefits expenses.

### **Economic Income Analysis**

In addition to analyzing our results on a GAAP basis, management also reviews our results on an “Economic Income” basis. Economic Income excludes the adjustments described below that are required for presentation of our results on a GAAP basis, but that management does not consider when evaluating operating performance in any given period. Management uses Economic Income as the basis on which it evaluates our financial performance and makes resource allocation and other operating decisions. Management considers it important that investors review the same operating information that it uses.

Economic Income is a measure of pre-tax operating performance that excludes the following from our results on a GAAP basis:

- Income allocations to our executive managing directors on their direct interests in the Oz Operating Group. Management reviews operating performance at the Oz Operating Group level, where our operations are performed, prior to making any income allocations.
- Equity-based compensation expenses, depreciation and amortization expenses, changes in the tax receivable agreement liability, gains and losses on fixed assets and investments in funds, and reorganization expenses related to the IPO, as management does not consider these items to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Amounts related to the consolidated funds, including the related eliminations of management fees and incentive income, as management reviews the total amount of management fees and incentive income earned in relation to total assets under management and fund performance. We also defer the recognition of incentive income allocations from the consolidated funds until all clawback contingencies are resolved, consistent with the revenue recognition policy for the funds we do not consolidate.

In addition, expenses related to incentive income profit-sharing arrangements are generally recognized at the same time the related incentive income revenue is recognized, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Further, deferred cash compensation is expensed in full in the year granted for Economic Income, rather than over the service period for GAAP.

As a result of the adjustments described above, as well as an adjustment to present management fees net of recurring placement and related service fees (rather than considering these fees an expense), management fees, incentive income, other revenues, compensation and benefits, non-compensation expenses and net income (loss) attributable to noncontrolling interests as presented on an Economic Income basis are also non-GAAP measures.

For reconciliations of our non-GAAP measures to the respective GAAP measures, please see “—Economic Income Reconciliations” at the end of this MD&A.

Our non-GAAP financial measures should not be considered as alternatives to our GAAP net income allocated to Class A Shareholders or cash flow from operations, or as indicative of liquidity or the cash available to fund operations. Our non-GAAP measures may not be comparable to similarly titled measures used by other companies.

We currently have two operating segments: the Oz Funds Segment and our real estate business. The Oz Funds Segment, which provides asset management services to our multi-strategy funds, dedicated credit funds and other alternative investment vehicles, is currently our only reportable operating segment under GAAP. Our real estate business, which provides asset management services to our real estate funds, is included within Other Operations as it does not meet the threshold of a reportable operating segment under GAAP.

#### Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

##### *Economic Income Revenues (Non-GAAP)*

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)						
<b>Economic Income Basis</b>						
Management fees	\$ 278,396	\$ 20,911	\$ 299,307	\$ 473,982	\$ 20,750	\$ 494,732
Incentive income	521,716	6,284	528,000	224,990	8,450	233,440
Other revenues	5,522	158	5,680	1,978	28	2,006
<b>Total Economic Income Revenues</b>	<b>\$ 805,634</b>	<b>\$ 27,353</b>	<b>\$ 832,987</b>	<b>\$ 700,950</b>	<b>\$ 29,228</b>	<b>\$ 730,178</b>



Economic Income revenues increased by a net \$102.8 million , primarily due to the following:

- A \$195.4 million decrease in management fees, driven primarily by lower assets under management in our multi-strategy funds, as well as lower average management fee rates. See “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate” above for information regarding our average management fee rate.
- A \$294.6 million increase in incentive income driven overall by higher relative fund performance , primarily due to the following:
  - *Multi-strategy funds.* A \$271.6 million increase in incentive income from our multi-strategy funds, which was driven by: (i) an increase of \$163.0 million driven by fund investors with annual commitment periods that matured during the period; (ii) an increase of \$65.4 million related to fund investor redemptions; and (iii) an increase of \$48.0 million related to longer-term assets under management.
  - *Opportunistic credit funds.* A \$22.0 million increase in incentive income from our opportunistic credit funds, primary due to: (i) an increase of \$25.4 million related to fund investors with annual commitment periods that matured during the period; (ii) an increase of \$3.7 million from tax distributions; and (iii) an increase of \$1.7 million related to crystallization of incentive from fund investor redemptions. These increases were partially offset by a decrease of \$8.8 million related to longer-term assets under management.
  - *Real estate funds.* An offsetting \$10.3 million decrease in incentive income from our real estate funds, primarily due to lower realizations in one of our real estate co-investment vehicles as compared to the prior year period.
  - *Other funds.* An \$11.2 million increase due to higher incentive income from our equity funds.
- A \$3.7 million increase in other revenues primarily due to higher interest income from our investments in CLOs.

We earned approximately 78%, 19%, 1% and 2% of our incentive income in 2017 from our multi-strategy, opportunistic credit, real estate and other funds, respectively, compared to 59%, 33%, 8% and 0%, respectively, in 2016.

#### ***Economic Income Expenses (Non-GAAP)***

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)						
<b>Economic Income Basis</b>						
Compensation and benefits	\$ 331,712	\$ 20,049	\$ 351,761	\$ 309,170	\$ 20,596	\$ 329,766
Non-compensation expenses	141,317	2,172	143,489	608,737	3,201	611,938
<b>Total Economic Income Expenses</b>	<b>\$ 473,029</b>	<b>\$ 22,221</b>	<b>\$ 495,250</b>	<b>\$ 917,907</b>	<b>\$ 23,797</b>	<b>\$ 941,704</b>

Economic Income expenses decreased by \$446.5 million , primarily due to the following:

- A \$22.0 million increase in compensation and benefits expenses driven by a \$36.4 million increase in bonus expense due to higher relative fund performance . Partially offsetting the increase was a \$14.4 million decrease in salaries and benefits due to lower headcount.
- A \$468.4 million decrease in non-compensation expenses driven primarily by \$412.1 million of settlements expense incurred in 2016. Also contributing to the decline was a \$31.5 million decrease in professional services, driven by lower legal fees, as well as reductions across various other operating expenses as a result of expense savings initiatives.

**Other Economic (Loss) Income Items (Non-GAAP)**

Year Ended December 31, 2017			Year Ended December 31, 2016		
Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company

(dollars in thousands)

<b>Economic Income Basis</b>					
Net losses on joint ventures	\$ (4)	\$ —	\$ (4)	\$ (63)	\$ —
Net loss attributable to noncontrolling interests	\$ (2)	\$ —	\$ (2)	\$ (14)	\$ —

Net losses on joint ventures represent the net losses on joint ventures established to expand certain of our private investments platforms. Net loss attributable to noncontrolling interests represents the amount of loss that was reduced from Economic Income and attributed to residual interests in certain businesses not owned by us.

**Economic Income (Non-GAAP)**

Year Ended December 31,		Change	
2017	2016	\$	%

(dollars in thousands)

<i>Economic Income:</i>			
Oz Funds Segment	\$ 332,603	\$ (217,006)	\$ 549,609
Other Operations	5,132	5,431	(299)
<b>Total Company</b>	<b>\$ 337,735</b>	<b>\$ (211,575)</b>	<b>\$ 549,310</b>

The year-over-year improvement in Economic Income was mainly driven by the settlements expense of \$412.1 million taken in 2016, as well as higher incentive income, lower non-compensation expenses, and lower salaries and benefits. These improvements were partially offset by lower management fees and higher bonus expense.

**Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

**Economic Income Revenues (Non-GAAP)**

Year Ended December 31, 2016			Year Ended December 31, 2015		
Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company

(dollars in thousands)

<b>Economic Income Basis</b>					
Management fees	\$ 473,982	\$ 20,750	\$ 494,732	\$ 622,065	\$ 20,122
Incentive income	224,990	8,450	233,440	197,795	7,217
Other revenues	1,978	28	2,006	2,045	32
<b>Total Economic Income Revenues</b>	<b>\$ 700,950</b>	<b>\$ 29,228</b>	<b>\$ 730,178</b>	<b>\$ 821,905</b>	<b>\$ 27,371</b>

Economic Income revenues decreased by \$119.1 million , primarily due to the following:

- A \$147.5 million decrease in management fees, primarily due to the following:
  - *Multi-strategy funds.* A \$143.8 million decrease in management fees due to increased redemptions, as well as due to a rate cut that went into effect during on October 1, 2016, for existing fund investors in virtually all of our multi-strategy assets under management.
  - *Opportunistic credit funds.* A \$5.7 million decrease in management fees, primarily due to distributions from closed-end opportunistic funds that are out of their investment periods.

- *Institutional Credit Strategies*. A \$4.6 million increase in management fees due to increased assets under management.
- *Real estate funds*. Management fees in our real estate funds remained relatively flat year over year.

For information regarding our average assets under management and management fee rates, see “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates.”

- This decrease was partially offset by a \$28.4 million increase in incentive income, primarily due to the following:
  - *Multi-strategy funds*. A \$5.5 million decrease in incentive income from our multi-strategy funds, which was driven by a decrease of \$32.5 million related to longer-term assets under management, a decrease of \$27.8 million related to fund investor redemptions, and a decrease of \$4.4 million related to lower tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management, but that will not be realized until the end of the relevant commitment period. These decreases were partially offset by a \$59.2 million increase in assets subject to annual crystallization, which was driven by improved performance of the funds.
  - *Opportunistic credit funds*. A \$35.6 million increase in incentive income from our opportunistic credit funds, which was driven primarily by an increase of \$28.1 million earned from our open-end funds due to higher fund performance and an increase of \$7.5 million from our closed-end funds due to higher realizations from funds out of their investment period.
  - *Real estate funds*. A \$7.4 million increase in incentive income from our real estate funds, primarily due to higher amounts realized on certain long term assets.
  - *Other funds*. An \$8.6 million decrease due to lower incentive income from our equity funds.

We earned approximately 59%, 33%, 8% and 0% of our incentive income in 2016 from our multi-strategy, opportunistic credit, real estate and other funds, respectively, compared to 70%, 21%, 5% and 4%, respectively, in 2015.

#### ***Economic Income Expenses (Non-GAAP)***

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)						
<b>Economic Income Basis</b>						
Compensation and benefits	\$ 309,170	\$ 20,596	\$ 329,766	\$ 282,398	\$ 20,276	\$ 302,674
Non-compensation expenses	608,737	3,201	611,938	199,362	2,036	201,398
<b>Total Economic Income Expenses</b>	<b>\$ 917,907</b>	<b>\$ 23,797</b>	<b>\$ 941,704</b>	<b>\$ 481,760</b>	<b>\$ 22,312</b>	<b>\$ 504,072</b>

Economic Income expenses increased by \$437.6 million , primarily due to the following:

- A \$27.1 million increase in compensation and benefit expenses driven by a \$29.8 million increase in bonus expense due to improved fund performance. Partially offsetting these increases was a \$2.8 million decrease in salaries and benefits, as our worldwide headcount decreased to 524 as of December 31, 2016 as compared to 659 as of December 31, 2015 .
- A \$410.5 million increase in non-compensation expenses, primarily driven by the \$412.1 million settlements expense.

### Other Economic Income Items (Non-GAAP)

Year Ended December 31, 2016			Year Ended December 31, 2015		
Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)					
<b>Economic Income Basis</b>					
Net losses on joint ventures	\$ (63)	\$ —	\$ (63)	\$ —	\$ —
Net loss attributed to noncontrolling interests	\$ (14)	\$ —	\$ (14)	\$ (12)	\$ (12)

Net losses on joint ventures represent the net losses on joint ventures established to expand certain of our private investments platforms. Net loss attributable to noncontrolling interests represents the amount of loss that was reduced from Economic Income and attributed to residual interests in certain businesses not owned by us.

### Economic Income (Non-GAAP)

	Year Ended December 31,		Change	
	2016	2015	\$	%
(dollars in thousands)				
<i>Economic Income:</i>				
Oz Funds Segment	\$ (217,006)	\$ 340,157	\$ (557,163)	-164 %
Other Operations	5,431	5,059	372	7 %
<b>Total Company</b>	<b>\$ (211,575)</b>	<b>\$ 345,216</b>	<b>\$ (556,791)</b>	<b>-161 %</b>

Economic Income decreased by \$556.8 million , primarily due to lower incentive income and higher non-compensation expenses, partially offset by lower bonus expense.

### Liquidity and Capital Resources

In September 2016, we entered into the Purchase Agreement with the EMD Purchasers, including Daniel S. Och, to issue up to \$400.0 million of Preferred Units. Pursuant to the agreement, in October 2016, we completed a \$250.0 million issuance and sale of Preferred Units to the EMD Purchasers and completed an additional \$150.0 million issuance and sale of Preferred Units to EMD Purchasers in January 2017. We used the proceeds from the Preferred Units issued in October 2016, as well as cash on hand, to pay the \$412.1 million in penalties and disgorgement related to the settlements with the SEC and the DOJ discussed above. We used the proceeds from the second sale of the Preferred Units in January 2017 to pay the outstanding balance under our Revolving Credit Facility. See Note 9 to our consolidated financial statements included in this report for details regarding the terms of the Preferred Units.

The working capital needs of our business have historically been met, and we anticipate will continue to be met, through cash generated from management fees and incentive income earned by the Oz Operating Group from our funds, as well as other sources of liquidity noted above and below.

Over the next 12 months, we expect that our primary liquidity needs will be to:

- Pay our operating expenses, primarily consisting of compensation and benefits and non-compensation expenses.
- Pay interest on our debt obligations.
- Provide capital to facilitate the growth of our business, including making risk retention investments in CLOs managed by us.
- Pay income taxes as well as compensation-related tax withholding obligations.
- Make cash distributions in accordance with our distribution policy as discussed below under “—Dividends and Distributions.”

Historically, management fees have been sufficient to cover all of our “fixed” operating expenses, which we define as salaries, benefits, a minimum discretionary bonus and our non-compensation costs incurred in the ordinary course of business. In the fourth quarter of 2016, we reduced our management fee rates for existing investors in virtually all of our multi-strategy assets under management. These rate reductions combined with year-over-year net capital outflows have resulted in lower management fees, and while we are making every effort to scale our operations so that management fees are sufficient to cover our fixed operating expenses, our current management fees do not cover our current fixed operating expenses. No assurances can be given that our management fees ultimately will be sufficient for these purposes in future periods.

In the event that management fees do not cover fixed operating expenses, we would rely on cash on hand and incentive income to cover any shortfall, as well as to fund any other liabilities. We cannot predict the amount of incentive income, if any, that we may earn in any given year. Total annual revenues, which are heavily influenced by the amount of incentive income we earn, historically have been sufficient to fund both our fixed operating expenses and all of our other working capital needs, including annual discretionary cash bonuses. These cash bonuses, which historically have comprised our largest cash operating expense, are variable such that in any year where total annual revenues are greater or less than the prior year, cash bonuses may be adjusted accordingly. Our ability to scale our largest cash operating expense to our total annual revenues helps us manage our cash flow and liquidity position from year to year.

Based on our past results, management’s experience and our current level of assets under management, we believe that our existing cash resources, together with the cash generated from management fees will be sufficient to meet our anticipated fixed operating expenses and other working capital needs for at least the next 12 months.

Historically, we have determined the amount of discretionary cash bonuses, including discretionary annual cash awards under the PIP, during the fourth quarter of each year, based on our total annual revenues. We have historically funded these amounts through fourth quarter management fees and incentive income crystallized on December 31, which represents the majority of the incentive income we typically earn each year. Starting in the first quarter of 2017, we began to accrue a minimum amount of discretionary cash bonuses on a pro rata basis throughout the year. To the extent our funds generate incentive income in the fourth quarter, we may elect to increase the amount of cash bonuses paid to employees over the amount already accrued, with any incremental amounts recognized as expense in the fourth quarter. Although we cannot predict the amount, if any, of incentive income we may earn, we are able to regularly monitor expected management fees and we believe that we will be able to adjust our expense infrastructure, including discretionary cash bonuses, as needed to meet the requirements of our business and in order to maintain positive operating cash flows. Nevertheless, if we generate insufficient cash flows from operations to meet our short-term liquidity needs, we may have to borrow funds or sell assets, subject to existing contractual arrangements.

We may use cash on hand to repay all or a portion of our outstanding indebtedness or any other liabilities prior to their respective maturity or due dates, which would reduce amounts available to distribute to our Class A Shareholders. For any amounts unpaid as of a maturity or due date, we will be required to repay the remaining balance by using cash on hand, refinancing the remaining balance by issuing new notes or entering into new credit facilities, which could result in higher borrowing costs, or by issuing equity or other securities, which would dilute existing shareholders. No assurance can be given that we will be able to issue new notes, enter into new credit facilities or issue equity or other securities in the future on attractive terms or at all. Any new notes or new credit facilities that we may be able to issue or enter into may have covenants that impose additional limitations on us, including with respect to making distributions, entering into business transactions or other matters, and may result in increased interest expense. If we are unable to meet our debt obligations on terms that are favorable to us, our business may be adversely impacted. See “—Debt Obligations” for more information.

Since the CLO risk retention requirements went into effect, we have used a combination of cash on hand and CLO Investments Loans to fund our 5% risk retention investments in newly launched and recently refinanced CLOs. Currently, we expect to continue relying on a combination of cash on hand and CLO Investments Loans to fund future CLO risk retention investments.

For our other longer-term liquidity requirements, we expect to continue to fund our fixed operating expenses through management fees and to fund discretionary cash bonuses and the repayment of our debt obligations through a combination of management fees and incentive income. We may also decide to meet these requirements by borrowing funds under our Revolving Credit Facility or by issuing additional debt, equity or other securities.

Over the long term, we believe we will be able to grow our assets under management and generate positive investment performance in our funds, which we expect will allow us to grow our management fees and incentive income in amounts sufficient to cover our long-term liquidity requirements.

To maintain maximum flexibility to meet demands and opportunities both in the short and long term, and subject to existing contractual arrangements, we may want to retain cash, issue additional equity or borrow additional funds to:

- Support the future growth in our business.
- Create new or enhance existing products and investment platforms.
- Repay borrowings.
- Pursue new investment opportunities.
- Develop new distribution channels.
- Cover potential costs incurred in connection with the legal and regulatory matters described in the notes to our consolidated financial statements included in this report.

Market conditions and other factors may make it more difficult or costly to raise or borrow additional funds. Excessive costs or other significant market barriers may limit or prevent us from maximizing our growth potential and flexibility.

### ***Debt Obligations***

#### ***Senior Notes***

On November 20, 2014, we issued \$400.0 million of 4.50% Senior Notes due November 20, 2019, unless earlier redeemed or repurchased. Please see Note 8 to our consolidated financial statements included in this report for additional details on the Senior Notes.

#### ***Revolving Credit Facility***

On November 20, 2014, we entered into the \$150.0 million, five-year unsecured Revolving Credit Facility, which was subsequently amended on December 29, 2015 and on June 13, 2017, the proceeds of which may be used for working capital, general corporate purposes or other liquidity needs. The facility matures on November 20, 2019. In March 2017, we repaid our outstanding obligation under the Revolving Credit Facility, and as a result we currently have \$150.0 million available to us under the facility as of December 31, 2017. Please see Note 8 to our consolidated financial statements included in this report for additional details on the Revolving Credit Facility, including financial maintenance covenants we are subject to under the Revolving Credit Facility. As of December 31, 2017, we were in compliance with the financial maintenance covenants.

#### ***Aircraft Loan***

In February 2014, we entered into a loan to finance installment payments towards the purchase of a corporate aircraft ("Aircraft Loan"). In March 2017, we sold the aircraft and repaid the outstanding balance of the loan in the amount of \$46.4 million.

#### ***CLO Investments Loans***

We enter into loans to finance portions of our investments in CLOs (collectively "the CLO Investments Loans"). In general, we will make interest and principal payments on the loans at such time interest payments are received on our investments in the CLOs, and will make principal payments on the loans to the extent principal payments are received on its investments in the CLOs. See Note 8 to our consolidated financial statements included in this report for additional details on our CLO Investments Loans.

### ***Tax Receivable Agreement***

We have made, and may in the future be required to make, payments under the tax receivable agreement that we entered into with our executive managing directors and the Ziffs. The purchase by the Oz Operating Partnerships of Group A Units from our executive managing directors and the Ziffs with proceeds from the IPO and concurrent private Class A Share offering in 2007 (collectively, the “2007 Offerings”), and subsequent taxable exchanges by them of Group A Units for our Class A Shares on a one-for-one basis (or, at our option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the assets of the Oz Operating Partnerships that would not otherwise have been available. We anticipate that any such tax basis adjustment resulting from an exchange will be allocated principally to certain intangible assets of the Oz Operating Partnerships, and we will derive our tax benefits principally through amortization of these intangibles over a 15-year period from the date of the 2007 Offerings or the date of any subsequent exchange. Consequently, these tax basis adjustments will increase, for tax purposes, our depreciation and amortization expenses and will therefore reduce the amount of tax that Oz Corp and any other corporate taxpaying entities that hold Group B Units in connection with an exchange, if any, would otherwise be required to pay in the future. Accordingly, pursuant to the tax receivable agreement, such corporate taxpaying entities (including Och-Ziff Capital Management Group LLC if it is treated as a corporate taxpayer) have agreed to pay our executive managing directors and the Ziffs 85% of the amount of cash savings, if any, in federal, state and local income taxes in the United States that these entities actually realize related to their units as a result of such increases in tax basis.

In connection with the departure of certain former executive managing directors since the IPO, the right to receive payments under the tax receivable agreement by those former executive managing directors was contributed to the Oz Operating Partnerships. As a result, we expect to pay to the other executive managing directors and the Ziffs approximately 78% (from 85% at the time of the IPO) of the amount of cash savings, if any, in federal, state and local income taxes in the United States that we actually realize as a result of such increases in tax basis. To the extent that we do not realize any cash savings, we would not be required to make corresponding payments under the tax receivable agreement.

Payments under the tax receivable agreement are anticipated to increase the tax basis adjustment of intangible assets resulting from a prior exchange, with such increase being amortized over the remainder of the amortization period applicable to the original basis adjustment of such intangible assets resulting from such prior exchange. It is anticipated that this will result in increasing annual amortization deductions in the taxable years of and after such increases to the original basis adjustments, and potentially will give rise to increasing tax savings with respect to such years and correspondingly increasing payments under the tax receivable agreement.

As of December 31, 2017, assuming no material changes in the relevant tax law and that we generate sufficient taxable income to realize the full tax benefit of the increased amortization resulting from the increase in tax basis of our assets, we expect to pay our executive managing directors and the Ziffs approximately \$280.0 million as a result of the cash savings to our intermediate holding companies from the purchase of Group A Units from our executive managing directors and the Ziffs with proceeds from the 2007 Offerings and the exchange of Group A Units for Class A Shares. Future cash savings and related payments to our executive managing directors under the tax receivable agreement in respect of subsequent exchanges would be in addition to these amounts. The obligation to make payments under the tax receivable agreement is an obligation of Oz Corp, and any other corporate taxpaying entities that hold Group B Units, and not of the Oz Operating Group. We may need to incur debt to finance payments under the tax receivable agreement to the extent the Oz Operating Partnerships do not distribute cash to our intermediate corporate tax paying entities in an amount sufficient to meet our obligations under the tax receivable agreement.

The actual increase in tax basis of the Oz Operating Partnerships assets resulting from an exchange or from payments under the tax receivable agreement, as well as the amortization thereof and the timing and amount of payments under the tax receivable agreement, will vary based upon a number of factors, including the following:

- The amount and timing of the income of Oz Corp will impact the payments to be made under the tax receivable agreement. To the extent that Oz Corp does not have sufficient taxable income to utilize the amortization deductions available as a result of the increased tax basis in the Oz Operating Partnerships’ assets, payments required under the tax receivable agreement would be reduced.
- The price of our Class A Shares at the time of any exchange will determine the actual increase in tax basis of the Oz Operating Partnerships’ assets resulting from such exchange; payments under the tax receivable agreement resulting from future exchanges, if any, will be dependent in part upon such actual increase in tax basis.

- The composition of the Oz Operating Partnerships' assets at the time of any exchange will determine the extent to which Oz Corp may benefit from amortizing its increased tax basis in such assets and thus will impact the amount of future payments under the tax receivable agreement resulting from any future exchanges.
- The extent to which future exchanges are taxable will impact the extent to which Oz Corp will receive an increase in tax basis of the Oz Operating Partnerships' assets as a result of such exchanges, and thus will impact the benefit derived by Oz Corp and the resulting payments, if any, to be made under the tax receivable agreement.
- The tax rates in effect at the time any potential tax savings are realized, which would affect the amount of any future payments under the tax receivable agreement.

Depending upon the outcome of these factors, payments that we may be obligated to make to our executive managing directors and the Ziffs under the tax receivable agreement in respect of exchanges could be substantial. In light of the numerous factors affecting our obligation to make payments under the tax receivable agreement, the timing and amounts of any such actual payments are not reasonably ascertainable.

### ***Dividends and Distributions***

The table below presents the cash dividends paid on our Class A Shares in 2017, and the related cash distributions to our executive managing directors on their Group A Units and Group D Units.

Payment Date	Class A Shares		Related Distributions to Executive Managing Directors (dollars in thousands)
	Record Date	Dividend per Share	
November 20, 2017	November 13, 2017	\$ 0.02	\$ 6,904
August 21, 2017	August 14, 2017	\$ 0.02	\$ 6,904
May 19, 2017	May 12, 2017	\$ 0.02	\$ 6,904
March 6, 2017	February 27, 2017	\$ 0.01	\$ 3,228

We intend to distribute to our Class A Shareholders substantially all of their pro rata share of our annual Economic Income (as described above under “—Economic Income Analysis”) in excess of amounts determined by us to be necessary or appropriate to provide for the conduct of our business, to pay income taxes, to pay any amounts owed under the tax receivable agreement, to make appropriate investments in our business and our funds, to make payments on any of our other obligations, to fund the repurchase of Class A Shares or interests in the Oz Operating Group, as well as to fund distributions on the Preferred Units starting in 2020. Subject to certain exceptions, unless distributions on the Preferred Units are declared and paid in cash for the then current distribution period and all preceding periods after the initial closing of the Preferred Units, the Oz Operating Partnerships may not declare or pay distributions on or repurchase any of their equity securities that rank equal with or junior to the Preferred Units. See Note 9 to our consolidated financial statements included in this report for additional information regarding the terms of the Preferred Units.

When we pay dividends on our Class A Shares, we also intend to make distributions to our executive managing directors on their interests in the Oz Operating Group, subject to the terms of the limited partnership agreements of the Oz Operating Partnerships.

The declaration and payment of future distributions will be at the sole discretion of our Board of Directors, which may change our distribution policy or reduce or eliminate our distributions at any time in its discretion. Our Board of Directors will take into account such factors as it may deem relevant, including general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; our financial condition and operating results; working capital requirements and anticipated cash needs; contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our term loan; legal, tax and regulatory restrictions; other restrictions and limitations on the payment of distributions by us to our Class A Shareholders or by our subsidiaries to us; and such other factors as our Board of Directors may deem relevant.



The declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware limited liability company, Och-Ziff Capital Management Group LLC is not permitted to make distributions if and to the extent that after giving effect to such distributions, its liabilities would exceed the fair value of its assets. Our cash needs and payment obligations may fluctuate significantly from quarter to quarter, and we may have material unexpected expenses in any period. This may cause amounts available for distribution to significantly fluctuate from quarter to quarter or may reduce or eliminate such amounts.

Additionally, RSUs outstanding accrue dividend equivalents equal to the dividend amounts paid on our Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs, which accrue additional dividend equivalents. The dividend equivalents will only be paid if the related RSUs vest and will be settled at the same time as the underlying RSUs. Our Board of Directors has the right to determine whether the RSUs and any related dividend equivalents will be settled in Class A Shares or in cash. We currently withhold shares to satisfy the tax withholding obligations related to vested RSUs and dividend equivalents held by our employees, which results in the use of cash from operations or borrowings to satisfy these tax-withholding payments.

In accordance with the Oz Operating Partnerships' limited partnership agreements, we may cause the applicable Oz Operating Partnerships to distribute cash to the intermediate holding companies and our executive managing directors in an amount at least equal to the presumed maximum tax liabilities arising from their direct ownership in these entities. The presumed maximum tax liabilities are based upon the presumed maximum income allocable to any such unit holder at the maximum combined U.S. federal, New York State and New York City tax rates. Holders of our Class A Shares may not always receive distributions at a time when our intermediate holding companies and our executive managing directors are receiving distributions on their interests, as distributions to our intermediate holding companies may be used to settle tax liabilities, if any, or other obligations. Such tax distributions will take into account the disproportionate income allocation (but not a disproportionate cash allocation) to the unit holders with respect to "built-in gain assets," if any, at the time of the IPO. Consequently, Oz Operating Partnership tax distributions may be greater than if such assets had a tax basis equal to their value at the time of the IPO.

Our cash distribution policy has certain risks and limitations, particularly with respect to our liquidity. Although we expect to pay distributions according to our policy, we may not make distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the distribution. Moreover, if the Oz Operating Group's cash flows from operations are insufficient to enable it to make required minimum tax distributions discussed above, the Oz Operating Group may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our obligations, operations, new investments or unanticipated capital expenditures, should the need arise. In such event, we may not be able to execute our business and growth strategy to the extent intended.

#### ***Our Funds' Liquidity and Capital Resources***

Our funds have access to liquidity from our prime brokers and other counterparties. Additionally, our funds may have committed facilities in addition to regular financing from our counterparties. These sources of liquidity provide our funds with additional financing resources, allowing them to take advantage of opportunities in the global marketplace.

Our funds' current liquidity position could be adversely impacted by any substantial, unanticipated investor redemptions from our funds that are made within a short time period. As discussed above in "—Assets Under Management and Fund Performance," capital contributions from investors in our multi-strategy and open-end opportunistic credit funds generally are subject to initial lock-up periods of one to three years. Following the expiration of these lock-up periods, subject to certain limitations, investors may redeem capital generally on a quarterly or annual basis upon giving 30 to 90 days' prior written notice. These lock-ups and redemption notice periods help us to manage our liquidity position. However, upon the payment of a redemption fee to the applicable fund and upon giving 30 days' prior written notice, certain investors may redeem capital during the lock-up period. Investors in our other funds are generally not allowed to redeem until the end of the life of the fund.

We also follow a rigorous risk management process and regularly monitor the liquidity of our funds' portfolios in relation to economic and market factors and the timing of potential investor redemptions. As a result of this process, we may determine to reduce exposure or increase the liquidity of our funds' portfolios at any time, whether in response to global

economic and market conditions, redemption requests or otherwise. For these reasons, we believe we will be well prepared to address market conditions and redemption requests, as well as any other events, with limited impact on our funds' liquidity position. Nevertheless, significant redemptions made during a single quarter could adversely affect our funds' liquidity position, as we may meet redemptions by using our funds' available cash or selling assets (possibly at a loss). Such actions would result in lower assets under management, which would reduce the amount of management fees and incentive income we may earn. Our funds could also meet redemption requests by increasing leverage, provided we are able to obtain financing on reasonable terms, if at all. We believe our funds have sufficient liquidity to meet any anticipated redemptions for the foreseeable future.

### **Cash Flows Analysis**

**Operating Activities.** Net cash from operating activities for the years ended December 31, 2017, 2016 and 2015 was \$(283.7) million, \$(281.5) million and \$442.3 million, respectively. Our net cash flows from operating activities are generally comprised of current-year management fees, the collection of incentive income earned during the fourth quarter of the previous year, less cash used for operating expenses. Additionally, net cash from operating activities also includes the investment activities of the funds we consolidate.

The net cash outflows from operating activities for the year ended December 31, 2017 as compared to year ended December 31, 2016 remained relatively flat. In 2017 we generated less revenue from our management fees, offset partially by lower operating expenses, largely due to \$412.1 million paid for penalties and disgorgement related to settlements expense with the SEC and the DOJ in 2016. Additionally, contributing to the increase in net cash outflows were the investment activities of the funds we consolidate. These investment-related cash flows are of the consolidated funds and do not directly impact the cash flows related to our Class A Shareholders.

The decrease in net cash from operating activities in 2016 compared to 2015 was primarily due to higher operating expenses, primarily driven by \$412.1 million payment for settlements expenses described above, and lower management fees in 2016 as compared to 2015, as well as lower incentive income earned in 2015 compared to 2014, partially offset by lower discretionary bonuses in 2015 compared to 2014. The majority of our incentive income is generally collected and the related bonus payments are paid out during the first quarter of the following year. Partially offsetting these decreases were lower cash outflows in 2016 related to the investment activities of the consolidated funds, which was the result of the deconsolidation of the majority of our funds upon the adoption of ASU 2015-02 on January 1, 2016.

**Investing Activities.** Net cash from investing activities for the years ended December 31, 2017, 2016 and 2015 was \$(118.4) million, \$(16.5) million and \$(27.8) million, respectively. Investing cash outflows in the full year 2017 primarily related to purchases of investments in CLOs and in U.S. government obligations, partially offset by the proceeds from the sale of our corporate aircraft. Investment-related cash flows of the consolidated funds are classified within operating activities.

Investing cash flows in 2016 primarily related to the purchases and maturities of U.S. government obligations to manage excess liquidity, and investments made in and returns of capital from our investments in funds.

Investing cash flows in 2015 primarily related to leasehold improvements in our New York headquarters, as well as the final installment payment paid upon delivery of our new corporate aircraft in February, which was financed by borrowings under the Aircraft Loan. The remaining investing-related cash flows in 2015 relate to other fixed asset purchases, as well as proceeds received upon the maturity of United States government obligations.

**Financing Activities.** Net cash from financing activities for the years ended December 31, 2017, 2016 and 2015 was \$541.7 million, \$373.7 million and \$(411.0) million, respectively. Our net cash from financing activities is generally comprised of proceeds from Preferred Units offerings, dividends paid to our Class A Shareholders and borrowings and repayments related to our debt obligations, as well as borrowings and repayments of debt obligations of the CLO consolidated in the second quarter of 2017 and deconsolidated in the third quarter of 2017. Contributions from noncontrolling interests, which relate to fund investor contributions into the consolidated funds, and distributions to noncontrolling interests, which relate to fund investor redemptions and distributions to our executive managing directors on their Group A Units, are also included in net cash from financing activities.

In April 2016, we borrowed and in March 2017, we repaid the balance of \$120.0 million on our Revolving Credit Facility using proceeds from the second offering of Preferred Units. Additionally, in March 2017, we repaid \$46.4 million outstanding on our Aircraft Loan using proceeds from the sale of one of our corporate aircraft. We also paid dividends of \$13.0 million to our Class A Shareholders and \$19.0 million of distributions to our executive managing directors on their Group A Units in the full year 2017. We did not make dividend or distribution payments in 2016.

In October 2016, we sold \$250.0 million of Preferred Units to the EMD Purchasers. We used the proceeds from the Preferred Units issued in October 2016, as well as cash on hand, to pay the \$412.1 million of penalties and disgorgement related to the settlements expenses.

In November 2016, we borrowed \$16 million under our CLO Investment Loan to fund 75% of our investment in a CLO.

In 2016, we paid no dividends to our Class A Shareholders and paid no distributions to our executive managing directors on their Group A Units. In 2015, we paid dividends to our Class A Shareholders of \$153.5 million and paid distributions to our executive managing directors and the Ziffs on the Group A Units of \$337.6 million. As a result of the deconsolidation of most of our funds on January 1, 2016, contributions from and distributions to noncontrolling interests declined substantially.

## Contractual Obligations

During the full year 2017, we entered into eight CLO Investments Loans. During the first quarter of 2017, we repaid the \$120.0 million outstanding on our Revolving Credit Facility and \$46.4 million outstanding on our Aircraft Loan.

The following table summarizes our contractual cash obligations as of December 31, 2017 and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	2018	2019 - 2020	2021 - 2022	2023 - Thereafter	Total
(dollars in thousands)					
Long-term debt (1)	\$ —	\$ 400,000	\$ —	\$ 173,451	\$ 573,451
Estimated interest on long-term debt (2)	23,053	28,106	10,106	30,716	91,981
Operating leases (3)	21,241	37,700	40,034	116,835	215,810
Tax receivable agreement (4)	43,211	58,234	60,490	118,055	279,990
Unrecognized tax benefits (5)	—	—	—	—	—
Incentive income subject to clawback (6)	—	—	—	—	—
<b>Total Contractual Obligations</b>	<b>\$ 87,505</b>	<b>\$ 524,040</b>	<b>\$ 110,630</b>	<b>\$ 439,057</b>	<b>\$ 1,161,232</b>

- (1) Represents indebtedness outstanding under the Senior Notes and the CLO Investments Loans. In relation to CLO Investments Loans, presents our best estimate of the timing of expected payments on investments in CLOs, as the timing of payments on CLO Investments Loans is contingent on principal payments made to us on our investments in CLOs. Amounts presented represent expected cash payments, and have not been reduced for any discounts or deferred debt issuance costs that are netted against these balance for presentation in our consolidated balance sheet.
- (2) Represents expected future interest payments on our Senior Notes which is a fixed-rate borrowing, and on our CLO Investments Loans which are variable rate borrowings, based on the LIBOR and EURIBOR rates that were in effect as of December 31, 2017.
- (3) Represents the minimum rental payments required under our various operating leases for office space.
- (4) Represents the maximum amounts that would be payable to our executive managing directors and the Ziffs under the tax receivable agreement assuming that we will have sufficient taxable income each year to fully realize the expected tax savings resulting from the purchase by the Oz Operating Group of Group A Units with proceeds from the 2007 Offerings, as well as subsequent exchanges as discussed above under the heading “—Liquidity and Capital Resources—Tax Receivable Agreement.” In light of the numerous factors affecting our obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table above. The impact of any net operating losses is included in the table above in the column “2023 - Thereafter.”
- (5) We are not currently able to make a reasonable estimate of the timing of payments in individual years in connection with our unrecognized tax benefits of \$7.0 million, and therefore these amounts are not included in the table above.

- (6) As of December 31, 2017, we had incentive income collected from our real estate funds that is subject to clawback in the event of future losses in the respective fund. We are not currently able to make a reasonable estimate of the timing of payments, if any, as the payments are contingent on future realizations of investments in the respective fund, the timing of which is uncertain.

### **Off-Balance Sheet Arrangements**

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning general partner interests in our funds and retained interests in a CLO we manage. We also have ongoing capital commitment arrangements with certain of our funds. None of our off-balance sheet arrangements require us to fund losses or guarantee target returns to investors in any of our other investment funds. See Notes 4 and 5 of our consolidated financial statements included in this report for information on our retained and variable interests in our funds and CLOs.

### **Critical Accounting Policies and Estimates**

Critical accounting policies are those that require us to make significant judgments, estimates or assumptions that affect amounts reported in our financial statements or the notes thereto. We base our judgments, estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable and prudent. Actual results may differ materially from these estimates. See Note 2 to our consolidated financial statements included in this report for a description of our accounting policies. Set forth below is a summary of what we believe to be our most critical accounting policies and estimates.

### ***Fair Value of Investments***

The valuation of investments held by our funds is the most critical estimate made by management impacting our results. Pursuant to specialized accounting for investment companies under GAAP, investments held by the funds are carried at their estimated fair values. The valuation of investments held by our funds has a significant impact on our results, as our management fees and incentive income are generally determined based on the fair value of these investments.

GAAP prioritizes the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of assets and liabilities and the specific characteristics of the assets and liabilities. Assets and liabilities with readily available, actively quoted prices (Level I) or for which fair value can be measured from actively quoted prices (Level II) generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value than those measured using pricing inputs that are unobservable in the market (Level III). See Note 4 to our consolidated financial statements included in this report for additional information regarding fair value measurements.

As of December 31, 2017, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our CLOs) were classified within the fair value hierarchy as follows: approximately 43% within Level I; approximately 35% within Level II; and approximately 22% within Level III. As of December 31, 2016, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our CLOs) were classified within the fair value hierarchy as follows: approximately 46% within Level I; approximately 32% within Level II; and approximately 22% within Level III. The percentage of our funds' assets and liabilities within the fair value hierarchy will fluctuate based on the investments made at any given time and such fluctuations could be significant. A portion of our funds' Level III assets relate to Special Investments or other investments on which we do not earn any incentive income until such investments are sold or otherwise realized. Upon the sale or realization event of these assets, any realized profits are included in the calculation of incentive income for such year. Accordingly, the estimated fair value of our funds' Level III assets may not have any relation to the amount of incentive income actually earned with respect to such assets.

***Valuation of Investments.*** Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants as of the measurement date. The fair value of our funds' investments is based on observable market prices when available. We, as the investment manager of our funds, determine the fair value of investments that are not actively traded on a recognized securities exchange or otherwise lack a readily ascertainable market value. The methods and procedures to value these investments may include the following: performing comparisons with prices of comparable or similar securities; obtaining valuation-related information from the issuers; calculating the present value of future cash flows; assessing other analytical data and information relating to the investment that is an

indication of value; obtaining information provided by third parties; and evaluating financial information provided by the management of these investments.

Significant judgment and estimation goes into the assumptions that drive our valuation methodologies and procedures for assets that are not actively traded on a recognized securities exchange or otherwise lack a readily ascertainable market value. The actual amounts ultimately realized could differ materially from the values estimated based on the use of these methodologies. Realizations at values significantly lower than the values at which investments have been reflected could result in losses at the fund level and a decline in future management fees and incentive income. Such situations may also negatively impact fund investor perception of our valuation policies and procedures, which could result in redemptions and difficulties in raising additional capital.

We have established an internal control infrastructure over the valuation of financial instruments that includes ongoing oversight by our Valuations Controls Group and Valuation Committee, as well as periodic audits by our Internal Audit Group. These management control functions are segregated from the trading and investing functions.

The Valuation Committee is responsible for establishing the valuation policy and monitors compliance with the policy, ensuring that all of the funds' investments reflect fair value, as well as providing oversight of the valuation process. The valuation policy includes, but is not limited to the following: determining the pricing sources used to value specific investment classes; the selection of independent pricing services; performing due diligence of independent pricing services; and the classification of investments within the fair value hierarchy. The Valuation Committee reviews a variety of reports on a monthly basis, which include the following: summaries of the sources used to determine the value of the funds' investments; summaries of the fair value hierarchy of the funds' investments; methodology changes and variance reports that compare the values of investments to independent pricing services. The Valuation Committee is independent from the investment professionals and may obtain input from investment professionals for consideration in carrying out its responsibilities.

The Valuation Committee has assigned the responsibility of performing price verification and related quality controls in accordance with the valuation policy to the Valuation Controls Group. The Valuation Controls Group's other responsibilities include the following: overseeing the collection and evaluation of counterparty prices, broker-dealer quotations, exchange prices and pricing information provided by independent pricing services. Additionally, the Valuation Control Group is responsible for performing back testing by comparing prices observed in executed transactions to valuations and valuations provided by independent pricing service providers on a bi-weekly and monthly basis; performing stale pricing analysis on a monthly basis; performing due diligence reviews on independent pricing services on an annual basis; and recommending changes in valuation policies to the Valuation Committee. The Valuation Controls Group also verifies that indicative broker quotations used to value certain investments are representative of fair value through procedures such as comparison to independent pricing services, back testing procedures, review of stale pricing reports and performance of other due diligence procedures as may be deemed necessary.

Investment professionals and members of the Valuation Controls Group review a daily profit and loss report, as well as other periodic reports that analyze the profit and loss and related asset class exposure of the funds' investments.

The Internal Audit Group employs a risk-based program of audit coverage that is designed to provide an assessment of the design and effectiveness of controls over the Company's operations, regulatory compliance, valuation of financial instruments and reporting. Additionally, the Internal Audit Group meets periodically with management and the Audit Committee of the Company's Board of Directors to evaluate and provide guidance on the existing risk framework and control environment assessments.

For information regarding the impact that the fair value measurement of assets under management has on our results, please see "Part II—Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

### ***Variable Interest Entities***

The determination of whether or not to consolidate a variable interest entity under GAAP requires a significant amount of judgment concerning the degree of control over an entity by its holders of variable interests. To make these judgments, management has conducted an analysis, on a case-by-case basis, of whether we are the primary beneficiary and are therefore

required to consolidate the entity. Management continually reconsiders whether we should consolidate a variable interest entity. Upon the occurrence of certain events, such as investor redemptions or modifications to fund organizational documents and investment management agreements, management will reconsider its conclusion regarding the status of an entity as a variable interest entity.

### ***Income Taxes***

We use the asset and liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when management believes it is more likely than not that a deferred income tax asset will not be realized.

Substantially all of our deferred income tax assets relate to the goodwill and other intangible assets deductible for tax purposes by Oz Corp that arose in connection with the purchase of Group A Units from our executive managing directors and the Ziffs with proceeds from the 2007 Offerings, subsequent exchanges of Group A Units for Class A Shares and subsequent payments to our executive managing directors and the Ziffs made under the tax receivable agreement, in addition to any related net operating loss carryforward. In accordance with relevant provisions of the Internal Revenue Code, we expect to take these goodwill and other intangible deductions over the 15-year period following the 2007 Offerings, as well as an additional 20-year loss carryforward period available to us for net operating losses generated prior to January 2018 and indefinite carryforward period for net operating losses generated beginning January 2018, in order to fully realize the deferred income tax assets. Our analysis of whether we expect to have sufficient future taxable income to realize these deductions is based solely on estimates over this period.

Oz Corp generated taxable income of \$42.6 million for the year ended December 31, 2017, before taking into account deductions related to the amortization of the goodwill and other intangible assets. We determined that we would need to generate taxable income of at least \$1.3 billion over the remaining six -year weighted-average amortization period, as well as an additional 20-year loss carryforward period available, in order to fully realize the deferred income tax assets. Using the estimates and assumptions discussed below, we expect to generate sufficient taxable income over the remaining amortization and loss carryforward periods available to us in order to fully realize these deferred income tax assets.

To generate \$1.3 billion in taxable income over the remaining amortization and loss carryforward periods available to us, we estimated that, based on estimated assets under management of \$31.9 billion as of January 1, 2018, we would need to generate a minimum compound annual growth rate in assets under management of less than 2% over the period for which the taxable income estimate relates to fully realize the deferred income tax assets, assuming no performance-related growth, and therefore no incentive income. The assumed nature and amount of this estimated growth rate are not based on historical results or current expectations of future growth; however, the other assumptions underlying the taxable income estimate, such as general maintenance of current expense ratios and cost allocation percentages among the Oz Operating Partnerships, which impact the amount of taxable income flowing through our legal structure, are based on our near-term operating budget. If our actual growth rate in assets under management falls below this minimum threshold for any extended time during the period for which these estimates relate and we do not otherwise experience offsetting growth rates in other periods, we may not generate taxable income sufficient to realize the deferred income tax assets and may need to record a valuation allowance.

Management regularly reviews the model used to generate the estimates, including the underlying assumptions. If it determines that a valuation allowance is required for any reason, the amount would be determined based on the relevant circumstances at that time. To the extent we record a valuation allowance against our deferred income tax assets related to the goodwill and other intangible assets, we would record a corresponding decrease in the liability to our executive managing directors and the Ziffs under the tax receivable agreement equal to approximately 78% of such amount; therefore, our net income (loss) allocated to Class A Shareholders would only be impacted by 22% of any valuation allowance recorded against the deferred income tax assets.

Actual taxable income may differ from the estimate described above, which was prepared solely for determining whether we currently expect to have sufficient future taxable income to realize the deferred income tax assets. Furthermore, actual or estimated future taxable income may be materially impacted by significant changes in assets under management, whether as a

result of fund investment performance or fund investor contributions or redemptions, significant changes to the assumptions underlying our estimates, future changes in income tax law, state income tax apportionment or other factors.

As of December 31, 2017, we had \$269.0 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and \$146.0 million of net operating losses available to offset future taxable income for state income tax purposes and \$142.4 million for local income tax purposes that will expire between 2035 and 2037. Based on the analysis set forth above, as of December 31, 2017, we have determined that it is not necessary to record a valuation allowance with respect to our deferred income tax assets related to the goodwill and other intangible assets deductible for tax purposes, and any related net operating loss carryforward. However, we have determined that we may not realize certain foreign income tax credits and accordingly, a valuation allowance of \$12.0 million has been established for these items.

#### ***Impact of Recently Adopted Accounting Pronouncements on Recent and Future Trends***

The Financial Accounting Standards Board (the “FASB”) has issued various Accounting Standards Updates (“ASUs”) that could impact our future trends. For additional details regarding these ASUs, including methods of adoption, see Note 2 to our consolidated financial statements included in this report for additional information.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09. The requirements of ASU 2016-09 were effective for us beginning in the first quarter of 2017. As a result of adopting ASU 2016-09 we elected not to estimate forfeiture rates when calculating its equity-based compensation expense and will account for forfeitures as they occur. Additionally, we no longer maintain and track our APIC pool account, and recognize all excess tax benefits and tax deficiencies as income tax expenses or benefits in the statement of operations. This guidance was adopted on a prospective basis and we do not expect this to have a material impact on our future trends.

None of the other changes to GAAP that went into effect during the year ended December 31, 2017 are expected to impact our future trends.

#### ***Expected Impact of Future Adoption of New Accounting Pronouncements on Future Trends***

Listed below are ASUs that have been issued but that we have not yet adopted that may impact our future trends. For additional details regarding these ASUs, including methods of adoption, see Note 2 to our consolidated financial statements included in this report.

ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 — *Revenue Recognition* and most industry-specific revenue recognition guidance throughout the ASC. We will adopt ASU 2014-09 using a modified retrospective application approach in the first quarter of 2018. In future periods, we generally expect to recognize incentive income from certain funds in periods earlier than under the revenue recognition guidance in effect prior to the adoption of ASU 2014-09. See Note 2 to our consolidated financial statements included in this report for additional information on the adoption.

ASU 2016-02, *Leases*. ASU 2016-02 significantly changes accounting for lease arrangements, in particular from the perspective of the lessee. Upon adoption of the ASU, where we are the lessee, we will likely be required to recognize certain lease arrangements on our balance sheet for the first time, but will continue to recognize associated expenses on our statement of comprehensive income in a manner similar to existing accounting principles. The requirements of ASU 2016-02 are effective for us beginning in the first quarter of 2019. We have determined that most of our operating leases will be reported on our consolidated balance sheet at their present value. We do not expect the adoption of ASU 2016-02 to have a material effect on our future expense trends. See Note 15 to our consolidated financial statements included in this report for details related to our existing operating lease obligations as of December 31, 2017.

None of the other changes to GAAP that have been issued but that we have not yet adopted are expected to impact our future trends.

## Economic Income Reconciliations

The tables below present the reconciliations of Economic Income and its components to the respective GAAP measures for the periods presented in this MD&A.

### Economic Income

	Year Ended December 31, 2017		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
<b>Net Income (Loss) Attributable to Class A Shareholders—GAAP</b>	<b>\$ 38,468</b>	<b>\$ (20,246)</b>	<b>\$ 18,222</b>
Change in redemption value of Preferred Units	2,853	—	2,853
<b>Net Income (Loss) Allocated to Och-Ziff Capital Management Group LLC—GAAP</b>	<b>41,321</b>	<b>(20,246)</b>	<b>21,075</b>
Net income allocated to Group A Units	130,730	—	130,730
Equity-based compensation, net of RSUs settled in cash	81,227	2,812	84,039
Adjustment to recognize deferred cash compensation in the period of grant	(28,893)	—	(28,893)
Income taxes	317,383	176	317,559
Allocations to Group D Units	6,561	113	6,674
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	326	22,641	22,967
Changes in tax receivable agreement liability	(222,859)	—	(222,859)
Depreciation, amortization and net gains and losses on fixed assets	10,334	—	10,334
Other adjustments	(3,527)	(364)	(3,891)
<b>Economic Income—Non-GAAP</b>	<b>\$ 332,603</b>	<b>\$ 5,132</b>	<b>\$ 337,735</b>

	Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
<b>Loss Attributable to Class A Shareholders—GAAP</b>	<b>\$ (126,279)</b>	<b>\$ (4,483)</b>	<b>\$ (130,762)</b>
Change in redemption value of Preferred Units	6,082	—	6,082
<b>Net Loss Allocated to Och-Ziff Capital Management Group LLC—GAAP</b>	<b>(120,197)</b>	<b>(4,483)</b>	<b>(124,680)</b>
Net loss allocated to Group A Units	(195,087)	—	(195,087)
Equity-based compensation	72,650	2,567	75,217
Adjustment to recognize deferred cash compensation in the period of grant	(1,851)	—	(1,851)
Income taxes	10,787	99	10,886
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	6,752	6,752
Changes in tax receivable agreement liability	1,663	—	1,663
Depreciation, amortization and loss on asset held for sale	19,269	613	19,882
Other adjustments	(4,240)	(117)	(4,357)
<b>Economic Income—Non-GAAP</b>	<b>\$ (217,006)</b>	<b>\$ 5,431</b>	<b>\$ (211,575)</b>



Year Ended December 31, 2015			
	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)			
<b>Net (Loss) Income Attributable to Class A Shareholders—GAAP</b>	<b>\$ (13,688)</b>	<b>\$ 39,428</b>	<b>\$ 25,740</b>
Net income allocated to the Group A Units	136,449	—	136,449
Equity-based compensation, net of RSUs settled in cash	103,643	2,922	106,565
Income taxes	132,224	—	132,224
Adjustment for incentive income allocations from consolidated funds subject to clawback	1,165	(46,242)	(45,077)
Allocations to Group D Units	11,974	701	12,675
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	8,612	8,612
Reorganization expenses	14,064	—	14,064
Changes in tax receivable agreement liability	(55,852)	—	(55,852)
Depreciation, amortization and loss on asset held for sale	10,583	748	11,331
Other adjustments	(405)	(1,110)	(1,515)
<b>Economic Income—Non-GAAP</b>	<b>\$ 340,157</b>	<b>\$ 5,059</b>	<b>\$ 345,216</b>

Year Ended December 31, 2014			
	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)			
<b>Net Income Attributable to Class A Shareholders—GAAP</b>	<b>\$ 115,698</b>	<b>\$ 26,747</b>	<b>\$ 142,445</b>
Net income allocated to the Group A Units	365,793	—	365,793
Equity-based compensation, net of RSUs settled in cash	102,505	1,829	104,334
Income taxes	138,938	110	139,048
Adjustment for incentive income allocations from consolidated funds subject to clawback	(21,099)	(11,638)	(32,737)
Allocations to Group D Units	25,360	1,650	27,010
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	2,816	2,816
Reorganization expenses	16,083	—	16,083
Changes in tax receivable agreement liability	(40,383)	—	(40,383)
Depreciation and amortization	6,242	748	6,990
Other adjustments	(1,137)	(319)	(1,456)
<b>Economic Income—Non-GAAP</b>	<b>\$ 708,000</b>	<b>\$ 21,943</b>	<b>\$ 729,943</b>

	Year Ended December 31, 2013		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
<b>Net Income Attributable to Class A Shareholders—GAAP</b>	<b>\$ 260,612</b>	<b>\$ 1,155</b>	<b>\$ 261,767</b>
Net income allocated to the Group A Units	616,843	—	616,843
Equity-based compensation, net of RSUs settled in cash	120,125	—	120,125
Income taxes	95,687	—	95,687
Adjustment for incentive income allocations from consolidated funds subject to clawback	(23,656)	(16,481)	(40,137)
Allocations to Group D Units	19,954	—	19,954
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	7,854	7,854
Reorganization expenses	16,087	—	16,087
Changes in tax receivable agreement liability	(8,514)	—	(8,514)
Depreciation and amortization	7,503	748	8,251
Other adjustments	(405)	1,184	779
<b>Economic Income—Non-GAAP</b>	<b>\$ 1,104,236</b>	<b>\$ (5,540)</b>	<b>\$ 1,098,696</b>

# *Economic Income Revenues*

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	\$ 298,547	\$ 20,911	\$ 319,458	\$ 512,406	\$ 20,750	\$ 533,156
Adjustment to management fees <sup>(1)</sup>	(20,151)	—	(20,151)	(38,424)	—	(38,424)
<b>Management Fees—Economic Income Basis—Non-GAAP</b>	<b>278,396</b>	<b>20,911</b>	<b>299,307</b>	<b>473,982</b>	<b>20,750</b>	<b>494,732</b>
Incentive income—GAAP	521,716	6,284	528,000	224,990	8,450	233,440
Adjustment to incentive income <sup>(2)</sup>	—	—	—	—	—	—
<b>Incentive Income—Economic Income Basis—Non-GAAP</b>	<b>521,716</b>	<b>6,284</b>	<b>528,000</b>	<b>224,990</b>	<b>8,450</b>	<b>233,440</b>
Other revenues—GAAP	6,619	158	6,777	1,978	28	2,006
Adjustment to other revenues <sup>(3)</sup>	(1,097)	—	(1,097)	—	—	—
<b>Other Revenues—Economic Income Basis—Non-GAAP</b>	<b>5,522</b>	<b>158</b>	<b>5,680</b>	<b>1,978</b>	<b>28</b>	<b>2,006</b>
<b>Total Revenues—Economic Income Basis—Non-GAAP</b>	<b>\$ 805,634</b>	<b>\$ 27,353</b>	<b>\$ 832,987</b>	<b>\$ 700,950</b>	<b>\$ 29,228</b>	<b>\$ 730,178</b>

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	\$ 623,869	\$ 20,122	\$ 643,991	\$ 648,945	\$ 15,276	\$ 664,221
Adjustment to management fees <sup>(1)</sup>	(1,804)	—	(1,804)	(14,938)	—	(14,938)
<b>Management Fees—Economic Income Basis—Non-GAAP</b>	<b>622,065</b>	<b>20,122</b>	<b>642,187</b>	<b>634,007</b>	<b>15,276</b>	<b>649,283</b>
Incentive income—GAAP	187,563	—	187,563	507,261	—	507,261
Adjustment to incentive income <sup>(2)</sup>	10,232	7,217	17,449	20,637	31,272	51,909
<b>Incentive Income—Economic Income Basis—Non-GAAP</b>	<b>197,795</b>	<b>7,217</b>	<b>205,012</b>	<b>527,898</b>	<b>31,272</b>	<b>559,170</b>
Other revenues	2,045	32	2,077	1,275	28	1,303
<b>Total Revenues—Economic Income Basis—Non-GAAP</b>	<b>\$ 821,905</b>	<b>\$ 27,371</b>	<b>\$ 849,276</b>	<b>\$ 1,163,180</b>	<b>\$ 46,576</b>	<b>\$ 1,209,756</b>

	Year Ended December 31, 2013		
	Oz Funds Segment	Other Operations	Total Company
Management fees—GAAP	\$ 545,533	\$ 10,894	\$ 556,427
Adjustment to management fees <sup>(1)</sup>	(10,668)	—	(10,668)
<b>Management Fees—Economic Income Basis—Non-GAAP</b>	<b>534,865</b>	<b>10,894</b>	<b>545,759</b>
Incentive income—GAAP	1,076,547	—	1,076,547
Adjustment to incentive income <sup>(2)</sup>	6,031	—	6,031
<b>Incentive Income—Economic Income Basis—Non-GAAP</b>	<b>1,082,578</b>	<b>—</b>	<b>1,082,578</b>
Other revenues	2,130	20	2,150
<b>Total Revenues—Economic Income Basis—Non-GAAP</b>	<b>\$ 1,619,573</b>	<b>\$ 10,914</b>	<b>\$ 1,630,487</b>

- (1) Adjustment to present management fees net of recurring placement and related service fees, as management considers these fees a reduction in management fees, not an expense. The impact of eliminations related to the consolidated funds is also removed.
- (2) Adjustment to exclude the impact of eliminations related to the consolidated funds.
- (3) Adjustment to exclude realized gains on sale of fixed assets.

### *Economic Income Expenses*

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)						
Compensation and benefits—GAAP	\$ 390,934	\$ 45,615	\$ 436,549	\$ 379,968	\$ 29,915	\$ 409,883
Adjustment to compensation and benefits <sup>(1)</sup>	(59,222)	(25,566)	(84,788)	(70,798)	(9,319)	(80,117)
<b>Compensation and Benefits—Economic Income Basis—Non-GAAP</b>	<b>\$ 331,712</b>	<b>\$ 20,049</b>	<b>\$ 351,761</b>	<b>\$ 309,170</b>	<b>\$ 20,596</b>	<b>\$ 329,766</b>
Interest expense and general, administrative and other expenses—GAAP	\$ 173,090	\$ 2,172	\$ 175,262	\$ 666,430	\$ 3,814	\$ 670,244
Adjustment to interest expense and general, administrative and other expenses <sup>(2)</sup>	(31,773)	—	(31,773)	(57,693)	(613)	(58,306)
<b>Non-Compensation Expenses—Economic Income Basis—Non-GAAP</b>	<b>\$ 141,317</b>	<b>\$ 2,172</b>	<b>\$ 143,489</b>	<b>\$ 608,737</b>	<b>\$ 3,201</b>	<b>\$ 611,938</b>

	Year Ended December 31, 2015		
	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)			
Compensation and benefits—GAAP	\$ 398,015	\$ 32,511	\$ 430,526
Adjustment to compensation and benefits <sup>(1)</sup>	(115,617)	(12,235)	(127,852)
<b>Compensation and Benefits—Economic Income Basis—Non-GAAP</b>	<b>\$ 282,398</b>	<b>\$ 20,276</b>	<b>\$ 302,674</b>
Interest expense and general, administrative and other expenses—GAAP	\$ 202,795	\$ 2,785	\$ 205,580
Adjustment to interest expense and general, administrative and other expenses <sup>(2)</sup>	(3,433)	(749)	(4,182)
<b>Non-Compensation Expenses—Economic Income Basis—Non-GAAP</b>	<b>\$ 199,362</b>	<b>\$ 2,036</b>	<b>\$ 201,398</b>

- (1) Adjustment to exclude equity-based compensation, as management does not consider these non-cash expenses to be reflective of our operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement. Further, expenses related to compensation and profit-sharing arrangements based on fund investment performance are generally recognized at the same time as the related incentive income revenue, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Distributions to the Group D Units are also excluded, as management reviews operating performance at the Oz Operating Group level, where our operations are performed, prior to making any income allocations. Further, deferred cash compensation is expensed in full in the year granted for Economic Income, rather than over the service period for GAAP.
- (2) Adjustment to exclude depreciation, amortization and losses on fixed assets as management does not consider these items to be reflective of our operating performance. Additionally, recurring placement and related service fees are excluded, as management considers these fees a reduction in management fees, not an expense.

#### Other Economic Income Items

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
(dollars in thousands)						
Net gains on investments in funds and joint ventures—GAAP	\$ 2,074	\$ 1,391	\$ 3,465	\$ 3,104	\$ 656	\$ 3,760
Adjustment to net gains on investments in funds and joint ventures <sup>(1)</sup>	(2,078)	(1,391)	(3,469)	(3,167)	(656)	(3,823)
<b>Net Losses on Joint Ventures—GAAP</b>	<b>\$ (4)</b>	<b>\$ —</b>	<b>\$ (4)</b>	<b>\$ (63)</b>	<b>\$ —</b>	<b>\$ (63)</b>
Net income (loss) attributable to noncontrolling interests—GAAP	\$ 130,603	\$ 1,027	\$ 131,630	\$ (194,087)	\$ 330	\$ (193,757)
Adjustment to net income (loss) attributable to noncontrolling interests <sup>(2)</sup>	(130,605)	(1,027)	(131,632)	194,073	(330)	193,743
<b>Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ (2)</b>	<b>\$ (14)</b>	<b>\$ —</b>	<b>\$ (14)</b>

	Year Ended December 31, 2015		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net gains on investments in funds and joint ventures—GAAP	\$ 66	\$ 2	\$ 68
Adjustment to net gains on investments in funds and joint ventures (1)	(66)	(2)	(68)
<b>Net Gains on Joint Ventures—GAAP</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Net income attributable to noncontrolling interests—GAAP	\$ 89,057	\$ 102,120	\$ 191,177
Adjustment to net income attributable to noncontrolling interests (2)	(89,069)	(102,120)	(191,189)
<b>Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP</b>	<b>\$ (12)</b>	<b>\$ —</b>	<b>\$ (12)</b>

(1) Adjustment to exclude gains and losses on investments in funds, as management does not consider these items to be reflective of our operating performance.

(2) Adjustment to exclude amounts allocated to our executive managing directors on their interests in the Oz Operating Group, as management reviews operating performance at the Oz Operating Group level. We conduct substantially all of our activities through the Oz Operating Group. Additionally, the impact of the consolidated funds, including the allocation of earnings to investors in those funds, is also removed.

## Item 7A . Quantitative and Qualitative Disclosures about Market Risk

Our predominant exposure to market risk is related to our role as general partner or investment manager for the funds, and the sensitivities to movements in the fair value of their investments that may adversely affect our management fees and incentive income.

Fair value of the financial assets and liabilities of the funds may fluctuate in response to changes in the value of investments, foreign currency exchange rates, commodity prices and interest rates. The fair value changes in the assets and liabilities of the funds may affect the management fees and incentive income we may earn from the funds.

With regards to the consolidated funds, the net effect of these fair value changes primarily impacts the net gains of consolidated funds in our consolidated statements of comprehensive income (loss); however, a large portion of these fair value changes is absorbed by the investors of these funds (noncontrolling interests). We may also be entitled to a portion of these earnings through our incentive income allocation as general partner of these funds.

### Impact on Management Fees

Management fees for our multi-strategy and opportunistic credit funds are generally based on the net asset value of those funds. Accordingly, management fees will generally change in proportion to changes in the fair value of investments held by these funds. Management fees for our real estate funds and certain other funds are generally based on committed capital during the original investment period and invested capital thereafter; therefore, management fees are not impacted by changes in the fair value of investments held by those funds.

### Impact on Incentive Income

Incentive income for our funds is generally based on a percentage of profits generated by our funds over a commitment period, which is impacted by global market conditions and other factors. Major factors that influence the degree of impact include how the investments held by our funds are impacted by changes in the market and the extent to which any high-water marks impact our ability to earn incentive income. Consequently, incentive income cannot be readily predicted or estimated.

### Market Risk

The amount of our assets under management is generally based on the net asset value of multi-strategy and opportunistic credit funds (plus unfunded commitments for certain closed-end opportunistic credit funds), and committed or

invested capital for our real estate funds and certain other funds. A 10% change in the fair value of the net assets held by our funds as of December 31, 2017 and 2016 , would have resulted in a change of approximately \$1.9 billion and \$2.6 billion , respectively, in our assets under management.

A 10% change in the fair value of the net assets held by our funds as of January 1, 2018 (the date management fees are calculated for the first quarter of 2018 ) would impact management fees charged on that day by approximately \$5.1 million . A 10% change in the fair value of the net assets held by our funds as of January 1, 2017 , would have impacted management fees charged on that day by approximately \$5.6 million .

A 10% change in the fair value of the net assets held by our funds as of the end of any year (excluding unrealized gains and losses in Special Investments or other investments on which we do not earn any incentive income until such investments are sold or otherwise realized), could significantly affect our incentive income, as incentive income is generally based on a percentage of annual profits generated by our funds. We do not earn incentive income on unrealized gains attributable to Special Investments and certain other investments, and therefore a change in the fair value of those investments would have no effect on incentive income.

### **Exchange Rate Risk**

Our funds hold investments denominated in non-U.S. dollar currencies, which may be affected by movements in the rate of exchange between the U.S. dollar and foreign currencies. We estimate that as of December 31, 2017 and 2016 , a 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which our funds have exposure to exchange rates would not have a material effect on our revenues, net income attributable to Class A Shareholders or Economic Income.

### **Interest Rate Risk**

Our Senior Notes are fixed-rate borrowings. Any borrowings under the CLO Investments Loans, and the Revolving Credit Facility, if any, and as well as our investments in CLOs accrue interest at variable rates. Our funds also have financing arrangements and hold credit instruments that accrue interest at variable rates. Interest rate changes may therefore impact the amount of interest income and interest expense, future earnings and cash flows.

We estimate that as of December 31, 2017 and 2016 , a 100 basis point increase or decrease in variable rates would not have a material effect on our annual interest income, interest expense, net income attributable to Class A Shareholders or Economic Income. A tightening of credit and an increase in prevailing interest rates could make it more difficult for us to raise capital and sustain the growth rate of the funds.

### **Credit Risk**

Credit risk is the risk that counterparties or debt issuers may fail to fulfill their obligations or that the collateral value may become inadequate to cover our exposure. We manage credit risk by monitoring the credit exposure to and the creditworthiness of counterparties, requiring additional collateral where appropriate.

## **Item 8. Financial Statements and Supplementary Data**

Our financial statements, the related notes thereto and the report of independent auditors are included in this annual report beginning on page F-1.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no changes in and disagreements with accountants on accounting and financial disclosure.

## **Item 9A. Controls and Procedures**

### **Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of December 31, 2017. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment.



Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2017 . We reviewed the results of management’s assessment and re-assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the Company’s internal control over financial reporting. Ernst & Young LLP has audited our financial statements included in this annual report and issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2017 , which is set forth on the following page.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

#### **Partner Agreements Between James Levin and the Och-Ziff Operating Group Entities**

On February 16, 2018, James Levin (including various family trusts as applicable) and each of the three Oz Operating Partnerships entered into a partner agreement (collectively, the “Partner Agreements”), which replaced and superseded all other partner agreements between Mr. Levin and the Oz Operating Partnerships, including partner agreements entered into between Mr. Levin and each of the Oz Operating Partnerships in 2010 (the “2010 Partner Agreements”), in 2013 (the “2013 Partner Agreements”) and in 2017 (the “2017 Partner Agreements”). We believe the Partner Agreements more closely align Mr. Levin’s potential compensation with his co-CIO role and responsibilities and importantly strongly align his economic interests with our clients. Capitalized terms not defined in this report are used as defined in the Partner Agreements.

The following description of the Partner Agreements does not purport to be complete and is qualified in its entirety by the full text of the Partner Agreements.

#### ***Term***

The Partner Agreements are effective as of January 1, 2018, and include provisions that are applicable for the period ending on December 31, 2019 (the “Term”). The Term shall be subject to extension by mutual agreement of Mr. Levin and the intermediate holding companies, as general partners of the Oz Operating Partnerships (the “General Partners”), upon approval by the majority of our Board of Directors.

#### ***Responsibility and Reporting***

Mr. Levin shall serve as a Co-CIO (or sole CIO) of Oz Management, and shall report to the CEO. The CEO shall have ultimate authority over investment activities and the Co-CIOs (or sole CIO) shall have day-to-day management responsibility for such activities.

#### ***Compensation***

Mr. Levin shall be entitled to \$4 million in cash annually (the “Annual Draw”). The Annual Draw shall be distributed in advance on a quarterly basis and shall be treated as a non-refundable credit against the Annual Bonus (as defined below) that Mr. Levin may receive in respect of such fiscal year.

The Annual Bonus shall be calculated as the product of (i) the Gross P&L for such fiscal year based on the performance of certain specified Oz funds and (ii) the Participation Ratio for such fiscal year, subject to a high water mark adjustment. The Participation Ratio shall range from 1.1% to 1.5%, as determined by the Compensation Committee of our Board of Directors based on a recommendation of the CEO. The minimum Annual Bonus for any year shall be \$7.5 million inclusive of the Annual Draw.

The Annual Bonus (including the Annual Draw) shall be paid consistent with the following percentages: 70% in cash, 15% in RSUs under our 2013 Incentive Plan (such RSUs, the “Bonus Equity”), and 15% in DCIs. The Bonus Equity and DCIs shall generally vest over three years from the time of grant, subject to various exceptions. In the event Mr. Levin is terminated or resigns, then all or a portion of these RSUs and DCIs may be forfeited in accordance with the terms of the Partner Agreements as described below.

### ***Equity Interests***

The Partner Agreements provide the following with respect to Mr. Levin’s outstanding equity interests in the Oz Operating Partnerships and the Company:

- i. Mr. Levin shall retain 11 million vested Group A Units and Group D Units that he received under the 2010 Partner Agreements and the 2013 Partner Agreements (the retained units he received under the 2013 Partner Agreements, the “Retained 2013 Units”) and forfeit an aggregate of 48.5 million unvested Group A and D Units that he received under the 2013 and the 2017 Partner Agreements;
- ii. Mr. Levin shall retain 10 million of the Group P Units (the “Retained P Units”) and forfeit 29 million of the Group P Units that he received under the 2017 Partner Agreements;
- iii. Mr. Levin shall receive 13.4 million RSUs, of which 3.9 million shall vest on December 31, 2018 and the remainder generally vest over the next five years, subject to his continued service on the applicable vesting dates and various exceptions;

In the event Mr. Levin is terminated or resigns, then all or a portion of the Group Units and RSUs described above may be forfeited in accordance with the terms of the Partner Agreements as described below.

### ***Treatment of Equity in the Event of Withdrawal***

#### ***Retained 2013 Units***

The Partner Agreements provide that in the event of Mr. Levin’s withdrawal from the Oz Operating Partnerships, the Retained 2013 Units shall be treated as follows:

- i. If Mr. Levin is terminated with Cause, then he forfeits 50% of the Retained 2013 Units and retains the other 50% of the Retained 2013 Units;
- ii. If Mr. Levin resigns (other than due to the General Partners not making a Company Extension Offer), then he forfeits 30% of the Retained 2013 Units and retains the other 70% of the Retained 2013 Units; and
- iii. If Mr. Levin is terminated without Cause or the General Partners elect not to make a Company Extension Offer, then he retains 100% of the Retained 2013 Units.

#### ***Retained P Units***

The Partner Agreements provide that in the event of Mr. Levin’s withdrawal from the Oz Operating Partnerships, the Retained P Units shall be treated as follows:

- i. If Mr. Levin is terminated with Cause during the Term, then he forfeits 100% of his vested and unvested Retained P Units;
- ii. If Mr. Levin resigns (other than due to the General Partners not making a Company Extension Offer), then he forfeits 100% of his unvested Retained P Units;

iii. If Mr. Levin is terminated without Cause prior to March 1, 2020, or the General Partners elect not to make a Company Extension Offer, then he conditionally retains 75% of the Retained P Units; and

iv. In the case of any other withdrawal, the Retained P Units shall be treated the same as other Group P Units under the limited partnership agreements of the Oz Operating Partnerships.

#### *2013 RSUs*

The Partner Agreements provide that in the event of Mr. Levin's withdrawal from the Oz Operating Partnerships, the 2013 RSUs shall be treated as follows:

i. If Mr. Levin is terminated with Cause, then he forfeits 100% of any 2013 RSUs he holds, 50% of any Class A Shares of the Company delivered to him upon settlement of such RSUs (the "Related Class A Shares"), 50% of the after-tax proceeds from any sale of any Related Class A Shares and 50% of any distributions received in respect of any Related Class A Shares;

ii. If Mr. Levin resigns (other than due to the General Partners not making a Company Extension Offer), then he forfeits 30% of any Related Class A Shares, 30% of the after-tax proceeds from any sale of any Related Class A Shares and 30% of any distributions received in respect of any Related Class A Shares;

iii. If Mr. Levin resigns (other than due to the General Partners not making a Company Extension Offer or following a Change in Position), then he forfeits 100% of the 2013 RSUs;

iv. If Mr. Levin is terminated without Cause, resigns following a Change in Position or the General Partners elect not to make a Company Extension Offer, then the next two installments of the 2013 RSUs scheduled to vest shall vest upon the occurrence of such event; and

v. If Mr. Levin does not accept a Company Extension Offer, then he forfeits all 2013 RSUs.

#### *2017 RSUs*

The Partner Agreements provide that in the event of Mr. Levin's withdrawal from the Oz Operating Partnerships, the 2017 RSUs shall be treated as follows:

i. If Mr. Levin is terminated with Cause, then he forfeits 100% of any 2017 RSUs he holds, 50% of any Related Class A Shares, 50% of the after-tax proceeds from any sale of any Related Class A Shares and 50% of any distributions received in respect of any Related Class A Shares;

ii. If Mr. Levin resigns prior to March 1, 2021 (other than due to the General Partners not making a Company Extension Offer), then he forfeits 32.5% of the Related Class A Shares, 32.5% of the after-tax proceeds from any sale of any Related Class A Shares and 32.5% of any distributions received in respect of any Related Class A Shares;

iii. If Mr. Levin resigns for any reason, then he forfeits 100% of any 2017 RSUs he holds; and

iv. If Mr. Levin is terminated without Cause, then the 2017 RSUs continue to vest.

#### *Bonus Equity and DCIs*

The Partner Agreements provide that in the event of Mr. Levin's withdrawal from the Oz Operating Partnerships, unvested Bonus Equity and DCIs shall be treated as follows:

i. If Mr. Levin is terminated with Cause or resigns during the Term (other than following a Change in Position), then he forfeits the Bonus Equity and DCIs;

- ii. If Mr. Levin is terminated without Cause or resigns following a Change in Position, in each case during the Term, then the Bonus Equity and DCIs continue to vest;
- iii. If Mr. Levin is terminated without Cause within twelve months of a Change of Control (as defined for this purpose in the Partner Agreements), then the Bonus Equity fully vests; and
- iv. If Mr. Levin remains with the Oz Operating Partnerships until the end of the Term, then the Bonus Equity and DCIs generally continue to vest.

#### ***Restrictive Covenants***

Mr. Levin shall be prohibited from competing with us or soliciting our fund investors or employees for a two-year period upon Mr. Levin's withdrawal from the Oz Operating Partnerships for any reason prior to December 31, 2019, subject to the provisions described below solely in the case of the non-compete. The non-compete may be reduced to one year upon Mr. Levin's withdrawal from the Oz Operating Partnerships (i) for any reason on or after December 31, 2019 or (ii) as a result of (x) the termination of Mr. Levin during the Term without Cause or (y) a resignation following (A) a Change of Control in which his role or the Partner Agreements are not continued or (B) a Change in Position, unless in the case of this clause (ii) the Oz Operating Partnerships elect to make a \$30 million payment to Mr. Levin payable in installments over a 24-month period. Mr. Levin is also subject to confidentiality and other restrictions that are generally consistent with those applicable to our other executive managing directors. For the avoidance of doubt, the prohibition on Mr. Levin's ability to solicit our fund investors or employees shall continue until the end of the two-year period after his withdrawal from the Oz Operating Partnerships, regardless of when he leaves the firm and under what circumstances.

#### ***Rights in Connection with Liquidity Events***

In connection with a Tag-Along Sale for 50% or less of the Class A Shares and Oz Operating Group Units, all of Mr. Levin's vested Group A Units and 10% of his unvested Group A Units may participate regardless of whether he is offered a Substantially Similar Position following the Tag-Along Sale. In connection with a Tag-Along Sale for more than 50% of the Class A Shares and Oz Operating Group Units, then at the option of the Tag-Along Purchaser either (a) all of Mr. Levin's vested and unvested Group A Units may participate or (b) only vested Group A Units may participate provided that Mr. Levin must be offered a Substantially Similar Position and may be required to enter into an employment contract following the Tag-Along Sale.

In the event of a Drag-Along Sale, at the option of the General Partners, either (a) all of Mr. Levin's vested and unvested Group A Units and Group D Units may participate or (b) only vested Group A Units and Group D Units may participate provided that Mr. Levin must be offered a Substantially Similar Position and may be required to enter into an employment contract following the Drag-Along Sale.

The Tag-Along Sale and Drag-Along Sale provisions above do not apply to the Retained P Units.

Generally in the event of a Change of Control (as defined for this purpose in the Partner Agreements), 75% of Mr. Levin's Group P Units shall be entitled to participate on the same terms and to the same extent as other holders of Group P Units and the remaining 25% of his Group P Units shall vest on the second anniversary of the Change of Control, subject to Mr. Levin's continued service in a Comparable Position. The service condition shall be waived and each Group P Unit shall be entitled to participate pro rata with other Oz Operating Group Units to the extent that (i) the applicable performance condition is deemed satisfied based on the price implied by the Change of Control, and (ii) sufficient appreciation has occurred with respect to each Oz Operating Partnership for such Group P Unit to have become economically equivalent to one Group A Unit.

Generally, in the event of a Change of Control, 50% of Mr. Levin's 2017 RSUs shall vest upon the Change of Control, and the remaining 50% of Mr. Levin's unvested 2017 RSUs shall convert into RSUs relating to the same form of consideration paid to the other Class A Shareholders and shall vest on the second anniversary of the Change of Control, subject to his continued service in a Comparable Position (as defined for this purpose in the Partner Agreements).

### ***Severance***

Upon Mr. Levin's withdrawal from the Oz Operating Partnerships during the Term as a result of (x) the termination of Mr. Levin during the Term without Cause or (y) a resignation following (A) a Change of Control in which his role or the Partner Agreements are not continued or (B) a Change in Position, Mr. Levin shall:

- i. Receive the Annual Bonus for the portion of the year in which the termination occurs;
- ii. Receive vesting of the next two installments of the 2013 RSUs scheduled to vest (as described above);
- iii. Receive either (x) a reduction in his non-compete from two years to one year or (y) a \$30 million cash payment payable in three installments over a 24-month period (as described above);
- iv. Conditionally retain 75% of the Group P Units to the extent provided in the Partner Agreements in the case of a withdrawal without Cause; and
- v. Receive continued vesting of any Bonus Equity and DCIs (as described above), including the Bonus Equity and DCIs granted in respect of the Annual Bonus for the year in which the termination occurs.

### ***End of Term***

Whether or not the Term is extended beyond December 31, 2019, and provided that Mr. Levin has not withdrawn from the Oz Operating Partnerships as of such date, Mr. Levin shall receive his Annual Bonus for 2019 and continued vesting of any Bonus Equity and DCIs (as described above). In addition, (x) if the General Partners elect not to make a Company Extension Offer, then Mr. Levin shall vest in the next two installments of the 2013 RSUs scheduled to vest (as described above), and (y) if the General Partners elect to make a Company Extension Offer and Mr. Levin elects not to accept such offer, then Mr. Levin is not entitled to vest in the next two installments of the 2013 RSUs. Any non-extension of the Term shall be treated as a withdrawal from the Oz Operating Partnerships effective as of the last day of the Term for all purposes under the Partner Agreements.

The payment of severance and the treatment of the equity awards upon a withdrawal from the Oz Operating Partnerships as described above under "Severance," "Equity in the Event of Withdrawal" and "End of Term," in each case, is subject to Mr. Levin's execution of a general release of claims against the Oz Operating Partnerships.

### ***Relinquishment of Group A Units***

The General Partners entered into a Relinquishment Agreement with Daniel S. Och and certain family trusts over which Mr. Och has investment control (the "Och Trusts") effective as of March 1, 2017 (the "Relinquishment Agreement"). Pursuant to the Relinquishment Agreement, Mr. Och and the Och Trusts agreed to cancel, in the aggregate, 30.0 million of their vested Group A Units. The Company accounted for the transaction as a repurchase of Group A Units for no consideration. A corresponding number of Class B Shares were also canceled.

The Relinquishment Agreement provides that if any of the Group D Units granted to James S. Levin on March 1, 2017 are forfeited, such forfeited units (up to an aggregate amount of 30.0 million) shall be reallocated to Mr. Och and the Och Trusts pursuant to the terms of the limited partnership agreements of the Oz Operating Partnerships; however, in February 2018, Mr. Och announced that he is disclaiming his right to receive any forfeited units and instead the Group D Units forfeited by Mr. Levin as described above have been canceled and it is expected that Mr. Och will direct the General Partners to issue up to a corresponding number of new Group Units or RSUs in the future for strategic hires and/or other business initiatives.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors Och-Ziff Capital Management Group LLC

### **Opinion on Internal Control over Financial Reporting**

We have audited Och-Ziff Capital Management Group LLC's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Och-Ziff Capital Management Group LLC (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016 and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2017, and the related notes, and our report dated February 23, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York  
February 23, 2018

## PART III

The information required to be disclosed in this Part III will be included in the definitive proxy statement for our 2018 annual meeting of shareholders, which we refer to as the “Proxy Statement,” and is incorporated into this Part III by reference as indicated below.

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 will be included in the Proxy Statement under the headings “Proposal No. 1 Election of Class II Directors,” “Ownership of Securities—Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance—Committees of the Board—Audit Committee” and is incorporated herein by reference.

Pursuant to Item 401(b) of Regulation S-K, the information required under this Item 10 pertaining to our executive officers is reported in “Item 1. Business—Our Executive Officers,” included in this annual report.

We have adopted a Code of Business Conduct and Ethics applicable to all our directors, officers and employees. Our Code of Business Conduct and Ethics is posted in the “Public Investors” section of our website ( [www.ozm.com](http://www.ozm.com) ). We will provide printed copies of our code free of charge on written request to us at Och-Ziff Capital Management Group LLC, 9 West 57 th Street, New York, New York 10019, Attention: Office of the Secretary. We intend to disclose any amendments to, or waivers from, provisions of our code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing in similar functions, on our website promptly following the date of such amendment or waiver.

### **Item 11. Executive Compensation**

The information required by Item 11 will be included in the Proxy Statement under the heading “Executive and Director Compensation” and is incorporated herein by reference.

The “Compensation Committee Report” contained in our Proxy Statement shall not be deemed “soliciting material” or “filed” with the SEC or otherwise subject to the liabilities of Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate such information by reference into a document filed under the Securities Act or the Exchange Act.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 will be included in the Proxy Statement under the headings “Ownership of Securities—Security Ownership of Certain Beneficial Owners and Management” and “Executive and Director Compensation—Equity Compensation Plans” and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 will be included in the Proxy Statement under the headings “Corporate Governance—Director Independence” and “Certain Matters and Related Person Transactions” and is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

The information required by Item 14 will be included in the sections of the Proxy Statement entitled “Principal Accountant Fees and Services” and “Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” and is incorporated herein by reference.



## PART IV

### Item 15. Exhibits and Financial Statement Schedules

1. The financial statements included in this annual report are listed on page F-1.
2. Financial statement schedules:  
None.
3. Exhibits included or incorporated by reference herein:  
See Exhibit Index following the signatures page below.

### Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 23, 2018

### OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

By: /s/ Alesia J. Haas

Alesia J. Haas

Chief Financial Officer and Executive Managing Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert Shafir</u> Robert Shafir	Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2018
<u>/s/ Alesia J. Haas</u> Alesia J. Haas	Chief Financial Officer and Executive Managing Director (Principal Financial Officer)	February 23, 2018
<u>/s/ Erez Elisha</u> Erez Elisha	Chief Accounting Officer and Managing Director (Principal Accounting Officer)	February 23, 2018
<u>/s/ Daniel S. Och</u> Daniel S. Och	Chairman of the Board of Directors and Executive Managing Director	February 23, 2018
<u>/s/ David Windreich</u> David Windreich	Executive Managing Director and Director	February 23, 2018
<u>/s/ Allan S. Bufferd</u> Allan S. Bufferd	Director	February 23, 2018
<u>/s/ J. Barry Griswell</u> J. Barry Griswell	Director	February 23, 2018
<u>/s/ Jerome P. Kenney</u> Jerome P. Kenney	Director	February 23, 2018
<u>/s/ Georganne C. Proctor</u> Georganne C. Proctor	Director	February 23, 2018

## Exhibit Index

Exhibit No.	Description
<a href="#"><u>3.1</u></a>	<a href="#"><u>Certificate of Formation of Och-Ziff Capital Management Group LLC, dated as of June 6, 2007, incorporated herein by reference to Exhibit 3.1 of Amendment No. 3 to our Registration Statement on Form S-1, filed on October 12, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Second Amended and Restated Limited Liability Company Agreement of Och-Ziff Capital Management Group LLC, dated as of November 13, 2007, incorporated herein by reference to Exhibit 3.2 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Specimen of Class A Specimen Share Certificate (included in Exhibit 3.2).</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Class B Shareholders Agreement by and among Och-Ziff Capital Management Group LLC and the Class B Shareholders, dated as of November 13, 2007, incorporated herein by reference to Exhibit 4.2 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.</u></a>
<a href="#"><u>4.3</u></a>	<a href="#"><u>First Amended and Restated Registration Rights Agreement by and among Och-Ziff Capital Management Group LLC and the Och-Ziff Limited Partners, dated as of August 1, 2012, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed on August 2, 2012.</u></a>
<a href="#"><u>4.4</u></a>	<a href="#"><u>Registration Rights Agreement by and among Och-Ziff Capital Management Group LLC and DIC Sahir Limited, dated as of November 19, 2007, incorporated herein by reference to Exhibit 4.4 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>Indenture, dated as of November 20, 2014, among Och-Ziff Finance Co. LLC, the Guarantors party thereto and Wilmington Trust, National Association, as trustee, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on November 20, 2014.</u></a>
<a href="#"><u>4.6</u></a>	<a href="#"><u>First Supplemental Indenture, dated as of November 20, 2014, among Och-Ziff Finance Co. LLC, the Guarantors party thereto and Wilmington Trust, National Association, as trustee, incorporated herein by reference to Exhibit 4.2 of our Current Report on Form 8-K, filed on November 20, 2014.</u></a>
<a href="#"><u>4.7</u></a>	<a href="#"><u>Form of 4.500% Senior Note due 2019 (included in Exhibit 4.6 hereto).</u></a>
<a href="#"><u>4.8</u></a>	<a href="#"><u>Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units of OZ Management LP, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on October 11, 2016.</u></a>
<a href="#"><u>4.9</u></a>	<a href="#"><u>Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units of OZ Advisors LP, incorporated herein by reference to Exhibit 4.2 of our Current Report on Form 8-K, filed on October 11, 2016.</u></a>
<a href="#"><u>4.10</u></a>	<a href="#"><u>Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units of OZ Advisors II LP, incorporated herein by reference to Exhibit 4.3 of our Current Report on Form 8-K, filed on October 11, 2016.</u></a>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Form of Indemnification Agreement, incorporated herein by reference to Exhibit 10.2 of Amendment No. 4 to our Registration Statement on Form S-1, filed on October 17, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Amended and Restated Tax Receivable Agreement by and among inter alia Och-Ziff Capital Management Group LLC, Oz Holding Corp., Oz Holding LLC, OZ Management LP, OZ Advisors LP, and OZ Advisors II LP, dated as of January 12, 2009, incorporated herein by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 12, 2009.</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Amended and Restated Exchange Agreement by and among the Och-Ziff Capital Management Group LLC, Oz Corp., Oz Holding, OZ Management LP, OZ Advisors, OZ Advisors II, and the Och-Ziff Limited Partners and Class B Shareholders, dated as of August 1, 2012, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed on August 2, 2012.</u></a>

Exhibit No.	Description
<a href="#"><u>10.4+</u></a>	<a href="#"><u>Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 of our Registration Statement on Form S-8, filed on November 12, 2008 (File No. 333-155315).</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Certificate of Incorporation of Oz Holding Corporation, dated as of July 12, 2007, incorporated herein by reference to Exhibit 10.8 of Amendment No. 3 to our Registration Statement on Form S-1, filed on October 12, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Bylaws of Oz Holding Corporation, dated as of July 17, 2007, incorporated herein by reference to Exhibit 10.9 of Amendment No. 3 to our Registration Statement on Form S-1, filed on October 12, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Certificate of Formation of Oz Holding LLC, dated as of June 13, 2007, incorporated herein by reference to Exhibit 10.10 of Amendment No. 3 to our Registration Statement on Form S-1, filed on October 12, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>10.8</u></a>	<a href="#"><u>Second Amended and Restated Operating Agreement of Oz Holding LLC, dated as of November 11, 2007, incorporated herein by reference to Exhibit 10.11 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.</u></a>
<a href="#"><u>10.9+</u></a>	<a href="#"><u>Employment Agreement by and between Zoltan Varga and a subsidiary of the Registrant, dated as of November 5, 2007, incorporated herein by reference to Exhibit 10.15 of Amendment No. 8 to our Registration Statement on Form S-1, filed on November 8, 2007 (File No. 333-144256).</u></a>
<a href="#"><u>10.10+</u></a>	<a href="#"><u>Form of Class A Restricted Share Unit Award Agreement Under the Och-Ziff Capital Management Group LLC 2013 Incentive Plan (for the Independent Directors), amended as of October 29, 2015, incorporated herein by reference to Exhibit 10.13 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.</u></a>
<a href="#"><u>10.11+</u></a>	<a href="#"><u>The Och-Ziff Capital Management Group LLC 2012 Partner Incentive Plan, approved as of August 1, 2012, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on August 2, 2012.</u></a>
<a href="#"><u>10.12</u></a>	<a href="#"><u>Amendment to Amended and Restated Exchange Agreement, dated as of August 1, 2012, by and among Och- Ziff Capital Management Group LLC, Oz Corp., Oz Holding, OZ Management LP, OZ Advisors, OZ Advisors II, and the Och-Ziff Limited Partners and Class B Shareholders, dated as of November 14, 2012, incorporated by reference to Exhibit 10.31 of our Annual Report on Form 10-K for the year ended December 31, 2012 filed, on February 28, 2013.</u></a>
<a href="#"><u>10.13+</u></a>	<a href="#"><u>The Och-Ziff Capital Management Group LLC 2013 Incentive Plan, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on May 8, 2013.</u></a>
<a href="#"><u>10.14</u></a>	<a href="#"><u>Credit and Guaranty Agreement, dated as of November 20, 2014, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Goldman Sachs Bank USA, as syndication agent, and J.P. Morgan Securities LLC and Goldman Sachs Bank USA, as joint lead arrangers and joint bookrunners, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on November 20, 2014.</u></a>
<a href="#"><u>10.15</u></a>	<a href="#"><u>Amendment No. 1 to Credit and Guaranty Agreement, dated as of December 29, 2015, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.18 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.</u></a>
<a href="#"><u>10.16</u></a>	<a href="#"><u>Securities Purchase Agreement, dated September 29, 2016, by and among OZ Management LP, OZ Advisors LP, OZ Advisors II LP and the Purchasers party thereto, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on September 29, 2016.</u></a>

Exhibit No.	Description
<a href="#"><u>10.17</u></a>	<a href="#"><u>Amendment to Tax Receivable Agreement, dated as of September 29, 2016, by and among inter alia Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corp., Och-Ziff Holding LLC, OZ Management LP, OZ Advisors LP, and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on September 29, 2016.</u></a>
<a href="#"><u>10.18</u></a>	<a href="#"><u>Plea Agreement, dated as of September 29, 2016, by and among OZ Africa Management GP, LLC, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of New York, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.</u></a>
<a href="#"><u>10.19</u></a>	<a href="#"><u>Deferred Prosecution Agreement, dated as of September 29, 2016, by and among Och-Ziff Capital Management Group LLC, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of New York, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.</u></a>
<a href="#"><u>10.20</u></a>	<a href="#"><u>Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 and Sections 203(e) and (k) of the Investment Advisers Act of 1940, dated as of September 29, 2016, between Och-Ziff Capital Management Group LLC, et. al and the U.S. Securities and Exchange Commission, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.</u></a>
<a href="#"><u>10.21+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.22+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.23+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.24+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.25+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.6 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.26+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.27+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.8 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.28+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.9 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.29+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.10 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.30+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.11 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.31+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.12 of our Quarterly Report on Form 8-K, filed on May 2, 2014.</u></a>
<a href="#"><u>10.32+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.13 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.</u></a>
<a href="#"><u>10.33+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.33 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.</u></a>

Exhibit No.	Description
<a href="#"><u>10.34+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.34 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.</u></a>
<a href="#"><u>10.35+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.35 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.</u></a>
<a href="#"><u>10.36</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Advisors LP, effective as of December 14, 2015, incorporated herein by reference to Exhibit 10.9 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.</u></a>
<a href="#"><u>10.37</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Advisors II LP, effective as of December 14, 2015, incorporated herein by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.</u></a>
<a href="#"><u>10.38</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Management LP, effective as of December 14, 2015, incorporated herein by reference to Exhibit 10.11 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.</u></a>
<a href="#"><u>10.39+</u></a>	<a href="#"><u>Och-Ziff Deferred Cash Interest Plan, incorporated herein by reference to Exhibit 10.39 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.</u></a>
<a href="#"><u>10.40+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.41+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.42+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.43+</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Management LP, dated as of March 1, 2017, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.44+</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Advisors LP, dated as of March 1, 2017, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.45+</u></a>	<a href="#"><u>Amended and Restated Agreement of Limited Partnership of OZ Advisors II LP, dated as of March 1, 2017, incorporated herein by reference to Exhibit 10.6 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.46+</u></a>	<a href="#"><u>Class P Exchange Agreement by and among the Och-Ziff Capital Management Group LLC, Och-Ziff Corp, Och-Ziff Holding, OZ Management, OZ Advisors, OZ Advisors II, and the Och-Ziff Limited Partners, effective as of March 1, 2017, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.47+</u></a>	<a href="#"><u>Relinquishment Agreement among Och-Ziff Holding Corporation, Och-Ziff Holding LLC, Daniel S. Och, the Family Trust created under Article IV of the Daniel S. Och 2014 Descendants' Trust Agreement, the Family Trust created under Article III of the Jane C. Och 2011 Descendants' Trust Agreement and the Family Trust created under Article IV of the Och Children's Trust 2012 Agreement, effective as of March 1, 2017, incorporated herein by reference to Exhibit 10.8 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.48+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.9 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.49+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.10 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.50+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.11 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>

Exhibit No.	Description
<a href="#"><u>10.51+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.12 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.52+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.13 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.53+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.14 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.54+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.15 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.55+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.16 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.56+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.17 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.57+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.18 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.58+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.19 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.59+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.20 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.6+</u></a>	<a href="#"><u>Partner Agreement between OZ Management LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.21 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.61+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.22 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.62+</u></a>	<a href="#"><u>Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.23 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.</u></a>
<a href="#"><u>10.63</u></a>	<a href="#"><u>Amendment No. 2 to Credit and Guaranty Agreement, dated as of June 13, 2017, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q, filed on August 2, 2017.</u></a>
<a href="#"><u>10.64+</u></a>	<a href="#"><u>Amendment to The Och-Ziff Capital Management LLC 2013 Incentive Plan, effective May 9, 2017, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed May 9, 2017.</u></a>
<a href="#"><u>10.65*+</u></a>	<a href="#"><u>Employment Agreement between OZ Management LP and Robert Shafir, dated as of January 27, 2018.</u></a>
<a href="#"><u>10.66*+</u></a>	<a href="#"><u>Och-Ziff Deferred Cash Interest Plan for Employees</u></a>
<a href="#"><u>21.1*</u></a>	<a href="#"><u>Subsidiaries of the Registrant.</u></a>
<a href="#"><u>23.1*</u></a>	<a href="#"><u>Consent of Ernst &amp; Young LLP.</u></a>
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.</u></a>
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.</u></a>

Exhibit No.	Description
<a href="#"><u>32.1*</u></a>	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
<hr/>	
*	Filed herewith
+	Management contract or compensatory plan or arrangement



**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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<a href="#"><u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2016 and 2015</u></a>	<a href="#"><u>F-4</u></a>
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## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Och-Ziff Capital Management Group LLC

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Och-Ziff Capital Management Group LLC (the Company) as of December 31, 2017 and 2016 , the related consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2017 , and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016 , and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017 , based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2007.  
New York, New York  
February 23, 2018

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 469,513	\$ 329,813
Investments (includes assets measured at fair value of \$224,722 and \$21,341 as of December 31, 2017 and 2016, respectively)	238,974	37,980
Income and fees receivable	354,456	176,638
Due from related parties	28,202	20,494
Deferred income tax assets	375,230	695,441
Other assets, net	116,361	169,984
<i>Assets of consolidated funds:</i>		
Investments of consolidated funds, at fair value	43,366	37,661
Other assets of consolidated funds	13,331	17,544
<b>Total Assets</b>	<b>\$ 1,639,433</b>	<b>\$ 1,485,555</b>
<b>Liabilities and Shareholders' (Deficit) Equity</b>		
<b>Liabilities</b>		
Compensation payable	\$ 208,639	\$ 206,106
Unearned incentive	143,710	96,079
Due to related parties	281,555	522,101
Debt obligations	569,379	577,128
Other liabilities	75,122	78,915
<i>Liabilities of consolidated funds:</i>		
Other liabilities of consolidated funds	11,340	15,197
<b>Total Liabilities</b>	<b>1,289,745</b>	<b>1,495,526</b>
<b>Commitments and Contingencies (Note 15)</b>		
<b>Redeemable Noncontrolling Interests (Note 3)</b>	<b>445,617</b>	<b>284,121</b>
<b>Shareholders' (Deficit) Equity</b>		
Class A Shares, no par value, 1,000,000,000 shares authorized, 189,573,210 and 184,843,255 shares issued and outstanding as of December 31, 2017 and 2016, respectively	—	—
Class B Shares, no par value, 750,000,000 shares authorized, 339,339,478 and 297,317,019 shares issued and outstanding as of December 31, 2017 and 2016, respectively	—	—
Paid-in capital	3,102,074	3,097,431
Accumulated deficit	(3,555,905)	(3,563,452)
Shareholders' deficit attributable to Class A Shareholders	(453,831)	(466,021)
Shareholders' equity attributable to noncontrolling interests	357,902	171,929
<b>Total Shareholders' (Deficit) Equity</b>	<b>(95,929)</b>	<b>(294,092)</b>
<b>Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' (Deficit) Equity</b>	<b>\$ 1,639,433</b>	<b>\$ 1,485,555</b>

See notes to consolidated financial statements.

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
<b>Revenues</b>			
Management fees	\$ 319,458	\$ 533,156	\$ 643,991
Incentive income	528,000	233,440	187,563
Other revenues	6,777	2,006	2,077
Income of consolidated funds	4,102	1,762	489,350
<b>Total Revenues</b>	<b>858,337</b>	<b>770,364</b>	<b>1,322,981</b>
<b>Expenses</b>			
Compensation and benefits	436,549	409,883	430,526
Reorganization expenses	—	—	14,064
Interest expense	23,191	23,776	21,441
General, administrative and other	152,071	646,468	239,991
Expenses of consolidated funds	9,391	350	303,770
<b>Total Expenses</b>	<b>621,202</b>	<b>1,080,477</b>	<b>1,009,792</b>
<b>Other Income (Loss)</b>			
Changes in tax receivable agreement liability	222,859	(1,663)	55,852
Net gains on investments in funds and joint ventures	3,465	3,760	68
Net gains (losses) of consolidated funds	8,472	2,915	(69,572)
<b>Total Other Income (Loss)</b>	<b>234,796</b>	<b>5,012</b>	<b>(13,652)</b>
<b>Income (Loss) Before Income Taxes</b>	<b>471,931</b>	<b>(305,101)</b>	<b>299,537</b>
Income taxes	317,559	10,886	132,224
<b>Consolidated and Comprehensive Net Income (Loss)</b>	<b>154,372</b>	<b>(315,987)</b>	<b>167,313</b>
Less: (Income) loss attributable to noncontrolling interests	(131,630)	193,757	(191,177)
Less: (Income) loss attributable to redeemable noncontrolling interests	(1,667)	(2,450)	49,604
<b>Net Income (Loss) Attributable to Och-Ziff Capital Management Group LLC—GAAP</b>	<b>21,075</b>	<b>(124,680)</b>	<b>25,740</b>
Less: Change in redemption value of Preferred Units	(2,853)	(6,082)	—
<b>Net Income (Loss) Attributable to Class A Shareholders</b>	<b>\$ 18,222</b>	<b>\$ (130,762)</b>	<b>\$ 25,740</b>
<b>Earnings (Loss) per Class A Share</b>			
Income (Loss) per Class A Share - basic	\$ 0.10	\$ (0.72)	\$ 0.14
Income (Loss) per Class A Share - diluted	\$ 0.10	\$ (0.73)	\$ 0.14
Weighted-average Class A Shares outstanding - basic	186,423,793	182,670,173	177,935,977
Weighted-average Class A Shares outstanding - diluted	187,181,760	479,987,268	180,893,947
<b>Dividends Paid per Class A Share</b>	<b>\$ 0.07</b>	<b>\$ —</b>	<b>\$ 0.87</b>

See notes to consolidated financial statements.

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

Och-Ziff Capital Management Group LLC								
	Number of Class A Shares	Number of Class B Shares	Paid-in Capital	Appropriated Retained (Deficit) Earnings	Accumulated Deficit	Shareholders' Deficit Attributable to Class A Shareholders	Shareholders' Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity (Deficit)
(dollars in thousands)								
<b>As of December 31, 2014</b>	<b>175,946,555</b>	<b>301,884,116</b>	<b>\$ 3,004,881</b>	<b>\$ (31,336)</b>	<b>\$ (3,264,304)</b>	<b>\$ (290,759)</b>	<b>\$ 1,982,836</b>	<b>\$ 1,692,077</b>
Capital contributions	—	—	—	—	—	—	261,417	261,417
Capital distributions	—	—	—	—	—	—	(822,570)	(822,570)
Cash dividends declared on Class A Shares	—	—	—	—	(153,452)	(153,452)	—	(153,452)
Dividend equivalents on Class A restricted share units	—	—	4,806	—	(4,806)	—	—	—
Equity-based compensation, net of taxes	5,079,900	(10,110)	31,614	—	—	31,614	56,815	88,429
Group A Unit repurchase (Note 3)	—	(4,556,606)	(6,315)	—	—	(6,315)	(14,161)	(20,476)
Impact of changes in Oz Operating Group ownership (Note 3)	—	—	455	—	—	455	(455)	—
Initial consolidation of CLOs	—	—	—	(35,838)	—	(35,838)	—	(35,838)
Allocation of income of consolidated CLOs	—	—	—	7,511	—	7,511	(7,511)	—
Impact of amortization of Reorganization charges on capital	—	—	5,214	—	—	5,214	8,850	14,064
Comprehensive net income, excluding amounts attributable to redeemable noncontrolling interests	—	—	—	—	25,740	25,740	191,177	216,917
<b>As of December 31, 2015</b>	<b>181,026,455</b>	<b>297,317,400</b>	<b>\$ 3,040,655</b>	<b>\$ (59,663)</b>	<b>\$ (3,396,822)</b>	<b>\$ (415,830)</b>	<b>\$ 1,656,398</b>	<b>\$ 1,240,568</b>

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — (continued)**

Och-Ziff Capital Management Group LLC								
	Number of Class A Shares	Number of Class B Shares	Paid-in Capital	Appropriated Retained Deficit	Accumulated Deficit	Shareholders' Deficit Attributable to Class A Shareholders	Shareholders' Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity (Deficit)
(dollars in thousands)								
<b>As of December 31, 2015</b>	<b>181,026,455</b>	<b>297,317,400</b>	<b>\$ 3,040,655</b>	<b>\$ (59,663)</b>	<b>\$ (3,396,822)</b>	<b>\$ (415,830)</b>	<b>\$ 1,656,398</b>	<b>\$ 1,240,568</b>
Deconsolidation of funds on adoption of ASU 2015-02	—	—	—	59,663	(42,626)	17,037	(1,321,128)	(1,304,091)
Capital contributions	—	—	—	—	—	—	3,015	3,015
Capital distributions	—	—	—	—	—	—	(477)	(477)
Dividend equivalents on Class A restricted share units	—	—	(676)	—	676	—	—	—
Equity-based compensation, net of taxes	3,816,800	(381)	20,848	—	—	20,848	41,292	62,140
Impact of changes in Oz Operating Group ownership (Note 3)	—	—	(2,137)	—	—	(2,137)	2,137	—
Waiver of payments under tax receivable agreement (Note 15)	—	—	44,823	—	—	44,823	(5,590)	39,233
Change in redemption value of Preferred Units	—	—	(6,082)	—	—	(6,082)	(9,961)	(16,043)
Comprehensive net loss, excluding amounts attributable to redeemable noncontrolling interests	—	—	—	—	(124,680)	(124,680)	(193,757)	(318,437)
<b>As of December 31, 2016</b>	<b>184,843,255</b>	<b>297,317,019</b>	<b>\$ 3,097,431</b>	<b>\$ —</b>	<b>\$ (3,563,452)</b>	<b>\$ (466,021)</b>	<b>\$ 171,929</b>	<b>\$ (294,092)</b>

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — (continued)**

	Och-Ziff Capital Management Group LLC				Shareholders' Deficit Attributable to Class A Shareholders	Shareholders' Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity (Deficit)
	Number of Class A Shares	Number of Class B Shares	Paid-in Capital	Accumulated Deficit			
(dollars in thousands)							
<b>As of December 31, 2016</b>	<b>184,843,255</b>	<b>297,317,019</b>	<b>\$ 3,097,431</b>	<b>\$ (3,563,452)</b>	<b>\$ (466,021)</b>	<b>\$ 171,929</b>	<b>\$ (294,092)</b>
Capital contributions	—	—	—	—	—	1,297	1,297
Capital distributions	—	—	—	—	—	(22,526)	(22,526)
Cash dividends declared on Class A Shares	—	—	—	(12,972)	(12,972)	—	(12,972)
Equity-based compensation, net of taxes	4,729,955	172,459	31,411	—	31,411	45,174	76,585
Dividend equivalents on Class A restricted share units	—	—	556	(556)	—	—	—
Relinquishment of Group A Units (Note 3)	—	(30,000,000)	—	—	—	—	—
Class B Shares granted to holders of Group P Units (Note 10)	—	71,850,000	—	—	—	—	—
Impact of changes in Oz Operating Group ownership (Note 3)	—	—	(14,092)	—	(14,092)	14,092	—
Adjustment to 2016 waiver of payments under tax receivable agreement (Note 15)	—	—	10,840	—	10,840	(320)	10,520
Dilution of proceeds from tax receivable agreement waiver (Note 3)	—	—	(21,219)	—	(21,219)	21,219	—
Change in redemption value of Preferred Units	—	—	(2,853)	—	(2,853)	(4,593)	(7,446)
Comprehensive net income, excluding amounts attributable to redeemable noncontrolling interests	—	—	—	21,075	21,075	131,630	152,705
<b>As of December 31, 2017</b>	<b>189,573,210</b>	<b>339,339,478</b>	<b>\$ 3,102,074</b>	<b>\$ (3,555,905)</b>	<b>\$ (453,831)</b>	<b>\$ 357,902</b>	<b>\$ (95,929)</b>

See notes to consolidated financial statements.

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2017	2016	2015
(dollars in thousands)			
<b>Cash Flows from Operating Activities</b>			
Consolidated net income (loss)	\$ 154,372	\$ (315,987)	\$ 167,313
<i>Adjustments to reconcile consolidated net income to net cash provided by operating activities:</i>			
Reorganization expenses	—	—	14,064
Amortization of equity-based compensation	84,169	75,217	112,639
Depreciation, amortization and net gains and losses on fixed assets	10,334	19,882	11,331
Deferred income taxes	312,764	2,236	115,760
Net gains on investments in funds and joint ventures	(3,465)	(3,760)	(68)
<i>Operating cash flows due to changes in:</i>			
Income and fees receivable	(177,819)	(74,077)	346,481
Due from related parties	(7,708)	(10,502)	(3,133)
Other assets, net	(6,388)	(8,376)	23,693
Compensation payable	2,658	29,479	(67,913)
Unearned incentive income	47,631	96,079	—
Due to related parties	(222,563)	1,320	(109,515)
Other liabilities	(3,869)	(88,419)	(8,120)
<i>Consolidated funds related items:</i>			
Net gains of consolidated funds	(8,472)	(2,915)	69,572
Purchases of investments	(423,147)	(242,474)	(4,122,079)
Proceeds from sale of investments	184,783	231,591	4,136,801
Other assets of consolidated funds	(307,379)	3,925	(120,301)
Securities sold under agreements to repurchase	—	—	(111,515)
Other liabilities of consolidated funds	80,421	5,319	(12,731)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(283,678)</b>	<b>(281,462)</b>	<b>442,279</b>
<b>Cash Flows from Investing Activities</b>			
Purchases of fixed assets	(4,990)	(8,808)	(43,801)
Proceeds from sale of fixed assets (Note 6)	57,599	—	—
Purchases of United States government obligations	(112,400)	(59,909)	—
Maturities of United States government obligations	100,000	78,500	18,473
Investments in funds	(165,519)	(40,920)	(2,826)
Return of investments in funds	6,959	14,696	384
Other, net	—	(17)	—
<b>Net Cash Used in Investing Activities</b>	<b>(118,351)</b>	<b>(16,458)</b>	<b>(27,770)</b>



**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS — (continued)**

	Year Ended December 31,		
	2017	2016	2015
(dollars in thousands)			
<b>Cash Flows from Financing Activities</b>			
Issuance and sale of Preferred Units, net of issuance costs	150,054	246,457	—
Contributions from noncontrolling and redeemable noncontrolling interests	3,629	3,019	602,654
Distributions to noncontrolling and redeemable noncontrolling interests	(22,526)	(477)	(824,890)
Group A Unit repurchase	—	—	(22,783)
Dividends on Class A Shares	(12,972)	—	(153,452)
Proceeds from debt obligations	154,490	135,951	3,606
Repayment of debt obligations	(167,516)	(3,667)	(3,089)
Proceeds from debt obligations of consolidated CLO	666,711	—	—
Repayment of debt obligations of consolidated CLO	(222,434)	—	—
Withholding taxes paid on vested RSUs	(7,577)	(7,960)	(15,865)
Other, net	(130)	340	2,777
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>541,729</b>	<b>373,663</b>	<b>(411,042)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>139,700</b>	<b>75,743</b>	<b>3,467</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>329,813</b>	<b>254,070</b>	<b>250,603</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 469,513</b>	<b>\$ 329,813</b>	<b>\$ 254,070</b>

**Supplemental Disclosure of Cash Flow Information**

*Cash paid during the period:*

Interest	\$ 20,904	\$ 19,514	\$ 19,446
Income taxes	\$ 4,156	\$ 9,504	\$ 19,185

*Non-cash transactions:*

Assets related to the initial consolidation of CLOs	\$ 100,156	\$ —	\$ 2,042,463
Liabilities related to the initial consolidation of CLOs	\$ 99,878	\$ —	\$ 2,078,301
Assets related to the deconsolidation of funds	\$ 653,629	\$ 9,351,057	\$ —
Liabilities related to the deconsolidation of funds	\$ 629,282	\$ 7,233,850	\$ —
Increase in paid in capital as a result of waiver of payments under tax receivable agreement (Note 15)	\$ 10,520	\$ 39,233	\$ —

See notes to consolidated financial statements.

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**1. OVERVIEW**

Och-Ziff Capital Management Group LLC (the “Registrant”), a Delaware limited liability company, together with its consolidated subsidiaries (collectively, the “Company” or “Oz Management”), is a global alternative asset management firm with offices in New York, London, Hong Kong, Mumbai, Beijing, Shanghai and Houston. The Company provides asset management services to its investment funds (the “funds”), which pursue a broad range of global investment opportunities. The Company currently manages multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles. Through Institutional Credit Strategies, the Company’s asset management platform that invests in performing credits, the Company manages collateralized loan obligations (“CLOs”) and other customized solutions for clients.

The Company’s primary sources of revenues are management fees, which are based on the amount of the Company’s assets under management, and incentive income, which is based on the investment performance of its funds. Accordingly, for any given period, the Company’s revenues will be driven by the combination of assets under management and the investment performance of the funds.

The Company currently has two operating segments: the Oz Funds Segment and the Company’s real estate business. The Oz Funds Segment is currently the Company’s only reportable operating segment under U.S. generally accepted accounting principles (“GAAP”) and provides asset management services to the Company’s multi-strategy funds, dedicated credit funds and other alternative investment vehicles. The Company’s real estate business, which provides asset management services to its real estate funds, is included within Other Operations, as it does not meet the threshold of a reportable operating segment.

The Company generates substantially all of its revenues in the United States. The liability of the Company’s Class A Shareholders is limited to the extent of their capital contributions.

The Company conducts its operations through OZ Management LP, OZ Advisors LP and OZ Advisors II LP and their consolidated subsidiaries (collectively, the “Oz Operating Group”). References to the Company’s “executive managing directors” refer to the current limited partners of OZ Management LP, OZ Advisors LP and OZ Advisors II LP other than the Company’s intermediate holding companies, and include the Company’s founder, Daniel S. Och, and, except where the context requires otherwise, include certain limited partners who are no longer active in the business of the Company. References to the Company’s “active executive managing directors” refer to executive managing directors who remain active in the Company’s business. References to the “Ziffs” refer collectively to Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons. References to the Company’s “intermediate holding companies” refer, collectively, to Och-Ziff Holding Corporation (“Oz Corp”) and Och-Ziff Holding LLC, each of which are wholly owned subsidiaries of the Registrant.

**Company Structure**

The Registrant is a holding company that, through its intermediate holding companies, holds equity ownership interests in the Oz Operating Group. The Registrant has issued and outstanding the following share classes:

- **Class A Shares** —Class A Shares are publicly traded and entitle the holders thereof to one vote per share on matters submitted to a vote of shareholders. The holders of Class A Shares are entitled to any distributions declared by the Registrant’s Board of Directors (the “Board”).
- **Class B Shares** —Class B Shares are held by the Company’s executive managing directors. These shares are not publicly traded but rather entitle the executive managing directors to one vote per share on matters submitted to a vote of shareholders. These shares do not participate in the earnings of the Registrant, as the executive managing directors participate in the related economics of the Oz Operating Group through their direct ownership of Group A Units, Group D Units and the Preferred Units, as discussed below. The Company’s executive managing directors have granted an irrevocable proxy to vote all of their Class B Shares to the Class B Shareholder

**OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

Committee, the sole member of which is currently Mr. Och, as it may determine in its sole discretion. As a result, Mr. Och is currently able to control all matters requiring the approval of the Company's shareholders. This proxy will terminate on December 31, 2019, subject to extension if either (i) the Company has advised Mr. Och that he may not withdraw any capital from the funds that he may request to withdraw or (ii) Mr. Och is advised by counsel that he is prohibited by law from withdrawing any capital from the funds he has requested to withdraw.

The Company conducts its operations through the Oz Operating Group. The following is a list of the outstanding units of the Oz Operating Group:

- **Group A Units** —The Group A Units are equity interests held by the Company's executive managing directors. Once vested, these units may be exchanged on a one-to-one basis for Class A Shares, subject to minimum ownership requirements and transfer restrictions.
- **Group B Units** —The Group B Units are equity interests held by the Company's intermediate holding companies. These units represent the Company's economic interest in the Oz Operating Group.
- **Group D Units** —The Company also issues Group D Units to executive managing directors. Group D Units receive distributions on a pro rata basis with the Group A Units and the Group B Units. A Group D Unit converts into a Group A Unit to the extent the Company determines that it has become economically equivalent to a Group A Unit, at which point it is considered a grant of equity-based compensation for GAAP purposes. As of December 31, 2017, the Group D Units represented a 14.5% non-equity profits interest in the Oz Operating Group. Group D Units are not considered equity for GAAP purposes, and therefore distributions made to holders of these units are recognized within compensation and benefits in the consolidated statements of comprehensive income (loss).
- **Group P Units** —On March 1, 2017, the Company issued Group P Units to certain executive managing directors. Group P Units entitle holders to receive distributions of future profits of the Oz Operating Group, and each Group P Unit becomes exchangeable for one Class A Share (or the cash equivalent), in each case upon satisfaction of certain service and market conditions and at such time the Company determines that a Group P Unit has become economically equivalent to a Group A Unit. The terms of the Group P Units may be varied for certain executive managing directors. Group P Unit grants are accounted for as equity-based compensation. See Note 10 for additional information.
- **Preferred Units** —The Preferred Units are non-voting preferred equity interests in the Oz Operating Group entities and have an aggregate liquidation preference of \$1,000, plus accrued and unpaid distributions. See Note 9 for additional information regarding the terms of the Preferred Units.

The Company issues its executive managing directors a number of Class B Shares of the Registrant equal to the number of Group A Units and Group P Units held. Upon the exchange of a Group A Unit or a Group P Unit for a Class A Share, the corresponding Class B Share is canceled and a Group B Unit is issued to the intermediate holding companies of the Company.

In addition, the Company issues Class A restricted share units ("RSUs") and, beginning in 2018, performance-based RSUs ("PSUs") to its employees and executive managing directors as a form of compensation. See Note 10 for additional information regard RSUs and Note 17 for additional information regarding PSUs.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

These consolidated financial statements are prepared in accordance with GAAP as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). All intercompany transactions and balances have been eliminated in consolidation.

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**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements of the Company. The most critical of these estimates are related to (i) fair value measurements of the assets and liabilities of the funds, which impacts the Company's management fees and incentive income; (ii) the accounting treatment for variable interest entities; and (iii) the estimate of future taxable income, which impacts the carrying amount of the Company's deferred income tax assets. While management believes that the estimates utilized in preparing the consolidated financial statements are reasonable and prudent, actual results could differ materially from those estimates.

**Reclassifications**

The Company has reclassified the changes in tax receivable agreement liability from general, administrative and other expenses to other income (loss) in the consolidated statements of comprehensive income (loss). The Company also reclassified its investments in funds, joint ventures and United States government obligations from other assets, net to investments in the Company's consolidated balance sheets. In addition, the Company reclassified unearned incentive from other liabilities to a stand-alone line item in the Company's consolidated balance sheets, which had a corresponding reclassification in the consolidated statements of cash flows. These reclassifications had no impact on the Company's financial position or results of operations, and prior period amounts have been reclassified to conform to the current year presentation.

**Foreign Currency**

The functional currency of substantially all of the Company's consolidated subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars at the closing rates of exchange on the balance sheet date. Gains and losses on transactions denominated in foreign currencies due to changes in exchange rates are recorded as other expenses within general, administrative and other in the consolidated statements of comprehensive income (loss).

**Consolidation Policies**

The Company adopted Accounting Standards Update ("ASU") 2015-02, *Amendments to the Consolidation Analysis* as of January 1, 2016 using the modified retrospective method of transition, which resulted in a cumulative effect adjustment to opening equity on the date of adoption. The Company did not restate prior-period results. The impact to the Company's opening retained earnings in 2016 was driven by the cumulative effect of a change in incentive income recognition for the funds no longer consolidated, net of deferred income tax effects. Incentive income from funds not consolidated is generally recognized at the end of the applicable commitment period when the amounts are contractually payable and when no longer subject to clawback. Prior to deconsolidation, incentive income from these previously consolidated funds was recognized by allocating a portion of the net income of these funds to the Company rather than to the fund investors (noncontrolling interests) based on the contractual terms of the relevant fund agreements. This resulted in incentive income being allocated to the Company that was subject to clawback in the event of future losses in the respective funds. The deconsolidation of the majority of the Company's previously consolidated funds resulted in a substantial decrease in assets of consolidated funds, liabilities of consolidated funds, redeemable noncontrolling interests, appropriated retained deficit and shareholders' equity attributable to noncontrolling interests in the Company's consolidated balance sheet. Additionally, the deconsolidation has caused a significant decrease in the amount of income of consolidated funds, expenses of consolidated funds, and net gains of consolidated funds in the Company's consolidated statements of comprehensive income (loss).

The Company's multi-strategy funds, open-end opportunistic credit funds and certain other funds are generally organized using a "master-feeder" structure. Fund investors, including the Company's executive managing directors, employees and other related parties, to the extent they invest in a given fund, generally invest directly into the feeder funds. These feeder funds are typically limited partnerships or limited companies that hold direct or indirect interests in a master fund. The master fund, together with its subsidiaries, is the primary investment vehicle for its feeder funds. The Company generally collects its

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management fees and incentive income from the feeder funds or subsidiaries of the feeder funds (“intermediate funds”), and generally does not collect any management fees or incentive income directly from the master funds.

The Company also organizes certain funds (e.g., its real estate funds and closed-end opportunistic credit funds) without the use of a master-feeder structure. These are typically organized as limited partnerships, in which the Company is the general partner and collects management fees and incentive income directly from these entities; however, in the case of the real estate funds, the Company collects management fees directly from those funds’ investors.

Finally, CLOs are collateralized financing vehicles that issue notes to investors and use those proceeds to acquire various types of credit-related investments that serve as collateral for the notes. Senior notes issued by these vehicles make periodic payments based on a stated interest rate, while the most subordinated notes have no stated interest rate but receive periodic payments from excess cash flows remaining after periodic payments have been made to the other notes and for fees and expenses due.

The Company generally directs the activities of its funds through its role as general partner or as the investment manager or CLO collateral manager with decision-making rights.

The consolidated financial statements include the accounts of the Registrant and entities in which it, directly or indirectly, is determined to have a controlling financial interest under the following set of guidelines:

- **Variable Interest Entities (“VIEs”)**— The Company determines whether, if by design, an entity has any of the following characteristics: (i) equity investors who lack the characteristics of a controlling financial interest; (ii) the entity does not have sufficient equity at risk to finance its expected activities without additional subordinated financial support from other parties; or (iii) substantially all of the activities of the entity are performed on behalf of a party with disproportionately few voting rights. An entity with any one of these characteristics is a VIE. Partnerships, and similarly structured entities, will be considered as VIEs where a simple majority of third party investors with equity at risk are not able to exercise substantive kick-out or participating rights over the general partner.
- **Voting Interest Entities (“VOEs”)**— Where an entity does not have the characteristics of a VIE, it will be a VOE.

The determination of whether a fund is a VIE or a VOE is based on the facts and circumstances for each individual fund in accordance with the guidelines described below. Classification of such entities is reassessed where there is a substantive change in the governing documents or contractual arrangements of the entity, to the capital structure of the entity or in the activities of the entity. The Company continuously reassesses whether it should consolidate a VIE or VOE.

Where the Company holds a variable interest in an entity, it is required to determine whether it should consolidate the entity. Under ASU 2015-02, beginning in 2016, fee arrangements are no longer considered variable interests when they are commensurate with the level of effort required to provide services and include only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm’s length, and where the Company does not hold other interests in the entity that would absorb more than an insignificant amount of the variability of the entity.

Where the Company does not have a variable interest in the entity, it will not consolidate the entity. Where the Company has a variable interest, it is required to determine whether the entity will be considered as a VIE or VOE, the classification of which will determine the analysis that the Company is required to perform when determining whether it should consolidate the entity.

***Funds that are VIEs***

Funds that are VIEs are generally VIEs because fund investors are deemed to lack the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk.

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The party identified as the primary beneficiary of a VIE is required to consolidate the entity. The Company is the primary beneficiary of a VIE where it has a controlling financial interest in the entity, which is defined as (i) the power to direct the activities of the entity that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Where the Company does not have a controlling financial interest, but is part of a related party group under common control that collectively has characteristics of a controlling financial interest, the Company may be required to determine which party within the related party group is more closely associated with the VIE and would therefore consolidate a VIE. This assessment would also be performed where power is shared within a related party group that collectively has characteristics of a controlling financial interest.

The types of funds that are VIEs and not consolidated are generally (i) master funds and intermediate fund vehicles for the Company's multi-strategy funds, as well as opportunistic credit, real estate and certain other fund vehicles, as third party investors in these entities have not been granted substantive removal rights; and (ii) CLOs, as they lack sufficient equity at risk to finance their expected activities without additional subordinated financial support from other parties. The Company does not consolidate VIEs where it does not have a controlling financial interest.

The types of funds that are VIEs consolidated by the Company are certain new funds that the Company has seeded and generally expects to deconsolidate when the fund has a certain level of additional third party capital.

For the purposes of determining whether it is the primary beneficiary of a fund that is a VIE, the Company considers its indirect economic interests in a VIE held through related parties that are under common control on a proportionate basis, consistent with the way it would evaluate its indirect economic interests held through related parties that are not under common control.

***Funds that are VOEs***

Funds that are corporations, or similarly structured entities that are not VIEs, would be consolidated by the Company where the Company has an equity investment of greater than 50% and has control over significant operating, financial and investing decisions of the entity. The Company will generally not consolidate partnerships, or similarly structured entities that are not VIEs, where a single investor or simple majority of third party investors with equity have the ability to exercise substantive kick-out or participating rights over the entity.

The types of funds that are VOEs and not consolidated by the Company are generally feeder funds of the Company's multi-strategy funds, as third party fund investors in these entities have been granted substantive removal rights.

The Company does not currently consolidate any funds that are VOEs.

**Allocations of Oz Operating Group Earnings and Capital**

The Company consolidates the Oz Operating Group. Earnings of the Oz Operating Group are allocated on a pro rata basis between the Group A Units, which interests are reflected within net income (loss) attributable to noncontrolling interests, and Group B Units, which interests are reflected within net income (loss) attributable to Och-Ziff Capital Management Group LLC, in the consolidated statements of comprehensive income (loss).

Paid-in capital of the Oz Operating Group is also allocated pro rata between the Group A Units, which interests are reflected within noncontrolling interests, and Group B Units, which interests are reflected within the Company's paid-in capital, in the consolidated balance sheets.

As of December 31, 2017, Group P Units are not participating in the earnings of the Oz Operating Group, as certain service and performance conditions, as described in Note 10, have not been met as of the reporting period end.

See Note 3 for additional information regarding the Company's interest in the Oz Operating Group.

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**Noncontrolling Interests and Appropriated Retained Earnings (Deficit)**

The Group A Units represent interests in the Oz Operating Group not held by the Company, and amounts attributable to these units are presented as noncontrolling interests in the consolidated balance sheets. Prior to the adoption of ASU 2015-02, the Company consolidated certain funds in which it held a controlling financial interest and in which fund investors were not able to redeem their interests until the funds liquidated or is otherwise wound-up. Ownership interests in these consolidated funds that are not held by the Company were also presented as noncontrolling interests in the consolidated balance sheets. Profits and losses attributable to these interests are reflected within net income (loss) attributable to noncontrolling interests in the consolidated statements of comprehensive income (loss).

Additionally, the Company consolidates certain credit funds that it manages, wherein investors are able to redeem their interests after an initial lock-up period of up to three years. Amounts relating to these fund investors' interests in these funds are presented as redeemable noncontrolling interests in the consolidated balance sheets. Profits and losses attributable to these interests are presented as net income (loss) attributable to redeemable noncontrolling interests in the consolidated statements of comprehensive income (loss).

The Company also consolidated the CLOs it managed prior to adoption of ASU 2015-02. The Company elected the fair value option for the notes and loans payable of the consolidated CLOs upon the initial consolidation of each CLO. The recognition of the initial difference between the fair value of assets and liabilities of consolidated CLOs was treated as an adjustment to appropriated retained earnings (deficit). Net changes in the fair value of consolidated CLO assets and liabilities and related income and expenses were allocated to noncontrolling interests in the statements of comprehensive income (loss). These allocations are then reclassified from noncontrolling interests to appropriated retained earnings (deficit) in the consolidated balance sheets. Such amounts were reclassified, as the holders of each CLO's beneficial interests, as opposed to the Company, received the benefits or absorbed the losses of the CLO's assets.

See Note 3 for additional information regarding noncontrolling interests.

**Preferred Units**

The Company reports Preferred Units as redeemable noncontrolling interests, outside of permanent equity on the Company's consolidated balance sheet, as the redemption of the Preferred Units may be effected in a manner not solely in control of the Company. The Company recorded the proceeds from the issuance and sale net of transactions costs. As the redemption of the Preferred Units is outside of the control of the Company, the carrying value of the Preferred Units is their current full redemption value. The change in redemption value was treated as a reduction of the common equity holders' interests in the Oz Operating Group. The pro rata share of the change in redemption value that was allocable to the Registrant was treated as a reduction of net income (loss) attributable to Class A Shareholder when calculating earnings (loss) per Class A Share. See Note 9 for additional information on the Preferred Units.

**Revenue Recognition Policies**

The Company has two principal sources of revenues: management fees and incentive income. These revenues are derived from the Company's agreements with the funds. The agreements are generally automatically renewed on an annual basis unless the agreements are terminated by the general partner or directors of the respective funds. Certain investments held by employees, executive managing directors and other related parties in the funds are not subject to management fees or incentive income charges. See Note 14 for additional information regarding these waived fees.

**Management Fees**

Management fees for the Company's multi-strategy funds typically range from 0.97% to 2.50% annually of assets under management based on the net asset value of these funds. For the Company's opportunistic credit funds, management fees typically range from 0.75% to 1.75% based on the net asset value of these funds. Management fees for the Company's CLOs

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within Institutional Credit Strategies are generally range from 0.43% to 0.50% based on the par value of the collateral and cash held in the CLOs. Management fees for the Company's real estate funds typically range from 0.75% to 1.50% annually based on the amount of capital committed or invested during the investment period, and on the amount of invested capital after the investment period.

Management fees are recognized over the period during which the related services are performed. Management fees are generally calculated and paid to the Company on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. Management fees are prorated for capital inflows and redemptions during the quarter. Accordingly, changes in the Company's management fee revenues from quarter to quarter are driven by changes in the quarterly opening balances of assets under management, the relative magnitude and timing of inflows and redemptions during the respective quarter, as well as the impact of differing management fee rates charged on those inflows and redemptions.

***Incentive Income***

The Company earns incentive income based on the cumulative performance of the funds over a commitment period. Incentive income is typically equal to 20% of the realized and unrealized profits, net of management fees, attributable to each fund investor in the Company's multi-strategy funds, open-end opportunistic credit funds and certain other funds, but it excludes unrealized gains and losses attributable to investments that the Company, as investment manager, believes lack a readily ascertainable market value, are illiquid or should be held until the resolution of a special event or circumstance ("Special Investments"). For the Company's closed-end opportunistic credit funds, real estate funds and certain other funds, incentive income is typically equal to 20% of the realized profits, net of management fees, attributable to each fund investor. For CLOs, incentive income is typically 20% of the excess cash flows available to the holders of the subordinated notes. The Company's ability to earn incentive income from some of its funds may be impacted by hurdle rates as further discussed below.

Incentive income is generally recognized at the end of the applicable commitment period when the amounts are contractually payable, or "crystallized," and when no longer subject to clawback. Additionally, all of the Company's multi-strategy funds and open-end opportunistic credit funds are subject to a perpetual loss carry forward, or perpetual "high-water mark," meaning the Company will not be able to earn incentive income with respect to positive investment performance it generates for a fund investor in any year following negative investment performance until that loss is recouped, at which point a fund investor's investment surpasses the high-water mark. The Company earns incentive income on any net profits in excess of the high-water mark.

The commitment period for most of the Company's multi-strategy assets under management is for a period of one year on a calendar-year basis, and therefore it generally crystallizes incentive income annually on December 31. The Company may also recognize incentive income related to fund investor redemptions at other times during the year, as well as on assets under management subject to commitment periods that are longer than one year. The Company may also recognize incentive income for tax distributions related to these assets. Tax distributions are amounts distributed to the Company to cover tax liabilities related to incentive income that has been accrued at the fund level but will not be recognized by the Company until the end of the relevant commitment period (if at all). These tax distributions are not subject to clawback once distributed to the Company.

Approximately \$17.4 billion, or 54%, of the Company's assets under management as of December 31, 2017 were subject to initial commitment periods of three years or longer. These assets under management include assets subject to three-year commitment periods in the Oz Master Fund and other multi-strategy funds, as well as assets in the Company's opportunistic credit funds, CLOs, real estate funds and certain other funds. Incentive income related to these assets is based on the cumulative investment performance over a specified commitment period (in the case of CLOs, based on the excess cash flows available to the holders of the subordinated notes), and is not earned until it is no longer subject to repayment to the respective fund. The Company's ability to earn incentive income on these longer-term assets is also subject to hurdle rates whereby the Company does not earn any incentive income until the investment returns exceed an agreed upon benchmark. For a portion of these assets subject to hurdle rates, once the investment performance has exceeded the hurdle rate, the Company may receive a preferential "catch-up" allocation, resulting in a potential recognition to the Company of a full 20% of the net profits attributable to investors in these assets.



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***Other Revenues***

Other revenues consist primarily of interest income on investments in CLOs and cash and cash equivalents. Interest income is recognized on an effective yield basis. Additionally, prior to the sale of the Company's aircraft in the first half of 2017, revenue related to non-business use of the corporate aircraft by certain executive managing directors was also included within other revenues. Revenues earned from non-business use of the corporate aircraft were recognized on an accrual basis based on actual flight hours. See Note 14 for additional information regarding non-business use of the corporate aircraft.

**Compensation and Benefits**

Compensation and benefits is comprised of salaries, benefits, payroll taxes, and discretionary and guaranteed cash bonus expense. The Company generally recognizes compensation and benefits expenses over the related service period.

***Bonus Compensation***

On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. The Company accrues minimum annual discretionary cash bonus on a straight-line basis during the year. Prior to 2017, annual discretionary bonuses were generally determined and expensed in the fourth quarter of each year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

***Equity-Based Compensation***

Compensation expense related to equity-classified share-based payments related to RSUs and Group A Units, is based on the grant-date fair value and recognized on a straight-line basis over the requisite service period for awards with both cliff vesting and graded vesting. The Company accounts for forfeitures on share-based compensation arrangements as they occur. Additionally, the Company recognizes all income tax effects of awards within consolidated and comprehensive net income when the awards vest or are settled. For liability-classified share-based payments, the Company recognizes compensation expense over the requisite service period adjusted to the fair value as of the end of the reporting period.

Compensation expense related to equity-classified share-based payments related to Group P Units, which include both a service and a market condition, is based on the estimated fair value of the awards at the date of grant, using graded vesting, which separately considers each requisite service period for each tranche.

See Note 10 for additional information on the Company's equity-based compensation plans.

***Group D Units***

The Group D Units are not considered equity under GAAP, and therefore no equity-based compensation expense is recognized related to these units when they are granted. Distributions to holders of Group D Units are included within compensation and benefits in the consolidated statements of comprehensive income (loss). These distributions are accrued in the quarter in which the related income was earned and are paid out the following quarter at the same time distributions on the Group A Units and dividends on the Company's Class A Shares are paid.

A Group D Unit converts into a Group A Unit to the extent the Company determines that it has become economically equivalent to a Group A Unit. Upon the conversion of Group D Units into Group A Units, we recognize a one-time charge for the grant-date fair value of the vested units and begin to amortize the grant-date fair value of the unvested units over the vesting period.

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***Profit Sharing Arrangements***

The Company also has profit-sharing arrangements whereby certain employees and executive managing directors are entitled to a share of incentive income distributed by certain funds. This incentive income is typically paid to the Company and a portion paid to the participant as investments held by these funds are realized. The Company defers the recognition of any portion of this incentive income to the extent it is subject to clawback (see “—Incentive Income” above). To the extent that the payments to the employees and executive managing directors are probable and reasonably estimable, the Company accrues these payments as compensation expense for GAAP purposes, which may occur prior to the recognition of the related incentive income.

***Deferred Cash Interests (DCIs)***

DCIs are granted to certain employees and executive managing directors as a form of compensation. DCIs reflect notional fund investments made by the Company on behalf of an employee or executive managing director. DCIs generally vest over a three year period, subject to an employee’s or executive managing director’s continued service. Upon vesting, the Company pays the employee or executive managing director an amount in cash equal to the notional investment represented by the DCIs, as adjusted for notional fund performance. Except as otherwise provided in the relevant deferred cash interest plan or in an award agreement, in the event of a termination of the employee’s or executive managing director’s service, any portion of the DCIs that are unvested as of the date of termination will be forfeited. The Company recognizes the total notional investment, as adjusted for notional fund performance, over the related service period.

**Income Taxes**

Deferred income tax assets and liabilities resulting from temporary differences between the GAAP and tax bases of assets and liabilities are measured at the balance sheet date using enacted income tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The Company offsets deferred income tax assets and liabilities for presentation in its consolidated balance sheets when such assets and liabilities are within the same legal entity and related to the same taxing jurisdiction.

The realization of deferred income tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the enacted tax law in the applicable tax jurisdiction. A valuation allowance is established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether a valuation allowance should be established, as well as the amount of such allowance.

On December 22, 2017, the Tax Cuts and Jobs Act (“the TCJA”) was signed into law. The TCJA includes a broad range of tax reforms including a reduction in the corporate income tax rate to 21% from 35%, effective January 1, 2018. GAAP requires companies to recognize the income tax accounting effects of changes in tax law or rates (including retroactive changes) in the period of enactment.

Future events such as changes in tax legislation could have an impact on the provision for income taxes and the effective income tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

The Company records interest and penalties related to income taxes within income taxes in the consolidated statements of comprehensive income (loss).

**Reorganization Expenses**

Prior to the Company’s 2007 initial public offering (“IPO”), the Company completed a reorganization of its business (the “Reorganization”). As part of the Reorganization, Mr. Och’s equity interests, the other executive managing directors’ non-

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equity interests and the Ziffs' profit sharing interests were reclassified as Group A Units. The reclassification was accounted for as share-based payments. These units, which were amortized through Reorganization expenses in the consolidated statements of comprehensive income (loss), generally vested over the five-year period beginning on the date of the IPO, with a small number of units vesting through 2015.

**Cash and Cash Equivalents**

The Company considers highly-rated liquid investments that have an original maturity of three months or less from the date of purchase to be cash equivalents. Cash equivalents are recorded at amortized cost plus accrued interest. As of December 31, 2017, the majority of the Company's cash and cash equivalents were held with one major financial institution, which exposes the Company to a certain degree of credit risk concentration. The Company records cash and cash equivalents of consolidated funds within other assets of consolidated funds in the consolidated balance sheets.

**Investments**

***Investments in CLOs***

The Company elected to measure its investments in notes issued by CLOs managed by the Company at fair value through consolidated net income (loss) in order to simplify its accounting for these instruments. Changes in fair value of these investments are included within net gains on investments in funds and joint ventures in the consolidated statements of comprehensive income (loss). The Company accrues interest income on its investments in CLOs using the effective interest method, and includes this income within other revenues in the consolidated statements of comprehensive income (loss).

***Investments in Other Funds***

The Company's equity investments into funds are accounted for under the equity method of accounting, and the Company recognizes its share of earnings within net gains on investments in funds and joint ventures in the consolidated statements of comprehensive income (loss).

***Investments in United States Government Obligations***

The Company invests in United States government obligations to manage excess liquidity. These investments are carried at fair value, as the Company has elected the fair value option in order to include any gains or losses within consolidated net income (loss). These investments are recorded in the consolidated balance sheet within cash and cash equivalents for investments with an original maturity from the date of purchase of three months or less, and within investments for those longer than three months. Changes in fair value of these investments were immaterial for the years ended December 31, 2017, 2016 and 2015.

**Transfers of Financial Assets**

From time to time, the Company purchases loans in the open market and sells the loans at cost to CLOs it manages. The Company accounts for the transfer of these loans as a sale upon meeting the following requirements: (i) the transferred assets are legally isolated from the Company; (ii) holder of the notes issued by the CLO (other than the Company) must have the right to sell or pledge their notes; and (iii) the Company may not maintain effective control over the transferred loans. The Company continues to recognize acquired loans until the requirements are met. Any loans for which the requirements above have not been met are classified as held for sale and measured at the lower of cost or fair value. See Note 4 for additional information.

**Fixed Assets**

Fixed assets are recorded at cost less accumulated depreciation and amortization within other assets, net in the consolidated balance sheets. The Company evaluates fixed assets for impairment whenever events or changes in circumstances indicate that an asset's carrying value may not be fully recovered. Depreciation and amortization of fixed assets are calculated

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using the straight-line method over the following depreciable lives: 15.0 years for corporate aircraft (sold in the first half of 2017), the shorter of the related lease term or expected useful life for leasehold improvements and 3.0 years to 7.0 years for all other fixed assets. If a fixed asset is reclassified as held for sale, it is carried at the lower of existing carrying value or its estimated net selling price, and the asset is no longer depreciated.

**Goodwill**

Goodwill is included within other assets, net in the Company's consolidated balance sheets and relates to the Company's 2007 acquisition of an additional 25% interest in its domestic real estate operations from one of its former joint venture partners. The Company tests goodwill for impairment on an annual basis or more frequently if events or circumstances justify conducting an interim test.

**Policies of Consolidated Funds**

The funds are considered investment companies for GAAP purposes. Pursuant to specialized accounting guidance for investment companies and the retention of that guidance in the Company's consolidated financial statements, the investments held by the consolidated funds' are reflected in the consolidated financial statements at their estimated fair values.

***Income of Consolidated Funds***

Income of consolidated funds consists of interest income, dividend income and other miscellaneous items. Interest income is recorded on an accrual basis. The consolidated funds may place debt obligations, including bank debt and other participation interests, on non-accrual status and, when necessary, reduce current interest income by charging off any interest receivable when collection of all or a portion of such accrued interest has become doubtful. The balance of non-accrual investments as of December 31, 2017 and 2016, and the impact of such investments for the years ended December 31, 2017, 2016 and 2015, were not material. Dividend income is recorded on the ex-dividend date, net of withholding taxes, if applicable. Premiums and discounts are amortized and accreted, respectively, to income of consolidated funds in the consolidated statements of comprehensive income (loss).

***Expenses of Consolidated Funds***

Expenses of consolidated funds consist of interest expense and other miscellaneous expenses. Interest expense is recorded on an accrual basis.

***Investments of Consolidated Funds, at Fair Value***

Investments of consolidated funds, at fair value include the consolidated funds' investments in securities, investment companies and other investments. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments of the funds are determined on a specific identification basis and are included within net gains (losses) of consolidated funds in the consolidated statements of comprehensive income (loss).

The fair value of investments held by the consolidated funds is based on observable market prices when available. Such values are generally based on the last reported sales price as of the reporting date. In the absence of readily ascertainable market values, the determination of the fair value of investments held by the consolidated funds may require significant judgment or estimation. For information regarding the valuation of these assets, see Note 4.

**Recently Adopted Accounting Pronouncements**

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The requirements of ASU 2016-09 were effective for the Company beginning in the first quarter of 2017. As permitted under the new guidance, the Company has made an accounting policy election to account for forfeitures on share-based compensation arrangements as they

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occur. Prior to the adoption of ASU 2016-09, the Company was required to estimate forfeitures. The decision to no longer estimate forfeitures was not material to the financial statements. Additionally, the Company will recognize all income tax effects of awards within consolidated and comprehensive net income when the awards vest or are settled. Prior to the adoption of ASU 2016-09, excess tax benefits were recorded to paid-in capital, while tax deficiencies were recorded in consolidated and comprehensive net income to the extent in excess of previously recorded excess tax benefits. The amendments related to the recognition of excess tax benefits and tax deficiencies in the statement of comprehensive income were applied prospectively.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties that Are under Common Control*. The guidance was effective for the Company beginning in the first quarter of 2017. ASU 2016-17 amended the consolidation guidance with respect to a single decision maker's evaluation of interests held through related parties that are under common control when it is determining whether it is the primary beneficiary of a variable interest entity ("VIE"). Under the amended guidance, a reporting entity considers its indirect economic interests in a VIE held through related parties that are under common control on a proportionate basis, consistent with the way it would evaluate its indirect economic interests held through related parties that are not under common control. The adoption of ASU 2016-17 did not have a material impact on the Company's consolidated financial statements.

None of the other changes to GAAP that went into effect in the year ended December 31, 2017 has had a material effect on the Company's consolidated financial statements.

**Future Adoption of Accounting Pronouncements**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605-Revenue Recognition and most industry-specific revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company will adopt ASU 2014-09 using a modified retrospective application approach in the first quarter of 2018. The Company is in the process of implementing the new revenue guidance and has determined that it will be required to recognize incentive income earlier than as prescribed under the current guidance. Specifically, under the new guidance, the Company will recognize incentive income when such amounts are probable of not significantly reversing, which is a lower recognition threshold than under the previous guidance. The Company expects to recognize a significant amount of incentive income through shareholders equity upon adoption of the standard with the largest impact coming from certain of its closed-end funds. Finally, the ASU introduces new qualitative and quantitative disclosure requirements that require further disaggregation of revenue information. Such disclosures will be presented in the notes to the Company's consolidated financial statements upon adoption of the standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 significantly changes accounting for lease arrangements, in particular from the perspective of the lessee. The Company is not currently a lessor in any significant lease arrangements, but is a lessee in several lease arrangements that would be impacted by the ASU. The Company has determined that most of its operating leases will be reported as lease obligations, along with offsetting right to use assets on its consolidated balance sheet at their present value, and will continue to recognize associated expenses within consolidated net income (loss) in a manner similar to the existing accounting for leases (i.e., on a straight-line basis over the lease term). Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The requirements of ASU 2016-02 are effective for the Company beginning in the first quarter of 2019. See Note 15 for details related to the Company's existing operating lease obligations.

None of the other changes to GAAP that are not yet effective are expected to have a material effect on the Company's consolidated financial statements.

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**3. NONCONTROLLING INTERESTS AND OZ OPERATING GROUP OWNERSHIP**

Noncontrolling interests represent ownership interests in the Company's subsidiaries held by parties other than the Company, and primarily relate to the Group A Units held by the Company's executive managing directors and fund investors' interests in the consolidated funds. Net income (loss) attributable to the Group A Units is driven by the earnings (losses) of the Oz Operating Group. Net income attributable to fund investors' interests in consolidated funds is driven by the earnings of those funds.

The following table presents the components of the net income (loss) attributable to noncontrolling interests:

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Group A Units	\$ 130,730	\$ (195,087)	\$ 136,449
Consolidated funds	—	262	54,357
Other	900	1,068	371
	<u>\$ 131,630</u>	<u>\$ (193,757)</u>	<u>\$ 191,177</u>

The following table presents the components of the shareholders' equity attributable to noncontrolling interests:

	December 31, 2017		December 31, 2016	
	(dollars in thousands)			
Group A Units	\$ 353,791	\$ 166,521		
Consolidated funds	—	—		
Other	4,111	5,408		
	<u>\$ 357,902</u>	<u>\$ 171,929</u>		

The Preferred Units and fund investors' interests in certain consolidated funds are redeemable outside of the Company's control. These interests are classified within redeemable noncontrolling interests in the consolidated balance sheets. The following table presents the activity in redeemable noncontrolling interests:

	Year Ended December 31,						
	2017			2016			2015
	Consolidated Funds	Preferred Units	Total	Consolidated Funds	Preferred Units	Total	Consolidated Funds
	(dollars in thousands)						
Beginning balance	\$ 21,621	\$ 262,500	\$ 284,121	\$ 832,284	\$ —	\$ 832,284	\$ 545,771
Deconsolidation of funds on adoption of ASU 2015-02	—	—	—	(813,116)	—	(813,116)	—
Change in redemption value of Preferred Units	—	7,446	7,446	—	16,043	16,043	—
Preferred Units issuance, net of issuance costs	—	150,054	150,054	—	246,457	246,457	—
Capital contributions	2,329	—	2,329	3	—	3	338,437
Capital distributions	—	—	—	—	—	—	(2,320)
Comprehensive income (loss)	1,667	—	1,667	2,450	—	2,450	(49,604)
<b>Ending Balance</b>	<u>\$ 25,617</u>	<u>\$ 420,000</u>	<u>\$ 445,617</u>	<u>\$ 21,621</u>	<u>\$ 262,500</u>	<u>\$ 284,121</u>	<u>\$ 832,284</u>

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**Oz Operating Group Ownership**

The Company's equity interest in the Oz Operating Group increased to 41.5% as of December 31, 2017, from 38.3% as of December 31, 2016, (excluding Group P Units, as they are not yet participating in the economics of the Oz Operating Group). Changes in the Company's interest in the Oz Operating Group have historically been, and in the future may be, driven by the following: (i) the exchange of Group A Units and Group P Units for an equal number of Class A Shares, at which time the related Class B Shares are also canceled; (ii) the issuance of Class A Shares under the Company's Amended and Restated 2007 Equity Incentive Plan and 2013 Incentive Plan related to the settlement of RSUs; (iii) the forfeiture of Group A Units and Group P Units by a departing executive managing director; and (iv) the repurchase of Class A Shares and Group A Units. The Company's interest in the Oz Operating Group is expected to continue to increase over time as additional Class A Shares are issued upon the exchange of Group A Units and Group P Units, as well as the settlement of vested RSUs. These increases will be offset upon any conversion by an executive managing director of Group D Units, which are not considered equity for GAAP purposes, into Group A Units, at which time an equal number of Class B Shares is also issued to the executive managing director. Additionally, the Company's economic interest in the Oz Operating Group will decline when Group P Units begin to participate, as described in Note 10.

**Relinquishment of Group A Units**

Oz Corp and Oz Holding, as the general partners of the Oz Operating Partnerships (collectively, the "General Partners"), entered into a Relinquishment Agreement with Daniel S. Och and certain family trusts over which Mr. Och has investment control (the "Och Trusts") effective as of March 1, 2017 (the "Relinquishment Agreement"). Pursuant to the Relinquishment Agreement, Mr. Och and the Och Trusts agreed to cancel, in the aggregate, 30.0 million of their vested Group A Units. The Company accounted for the transaction as a repurchase of Group A Units for no consideration. A corresponding number of Class B Shares were also canceled.

The Relinquishment Agreement provides that if any of the Group D Units granted to James S. Levin on March 1, 2017 are forfeited, such forfeited units (up to an aggregate amount of 30.0 million) shall be reallocated to Mr. Och and the Och Trusts pursuant to the terms of the Limited Partnership Agreements; however, in February 2018, Mr. Och announced that he is disclaiming his right to receive any forfeited units and instead the Group D Units forfeited by James S. Levin as described above have been canceled and it is expected that Mr. Och will direct the General Partners to issue up to a corresponding number of new Group Units or RSUs in the future for strategic hires and/or other business initiatives.

**Dilution of Proceeds from Tax Receivable Agreement Waiver**

In September 2016, the Company amended the tax receivable agreement to provide that no amounts will be due or payable under the tax receivable agreement by Oz Corp, one of the Company's wholly owned intermediate holding companies, with respect to the 2015 and 2016 taxable years. During the first quarter of 2017, Oz Corp contributed to the Oz Operating Group the cash previously set aside for such payments, which resulted in a reallocation of such contribution between the Company's paid-in capital and the paid-in capital of the Group A Units (including within noncontrolling interests).

**Group A Unit Repurchase**

On October 28, 2015, the Company repurchased approximately 4.6 million vested Group A Units from former executive managing directors at a price per unit of \$5.00, for an aggregate of \$22.8 million. These units were canceled upon their repurchase, and an equal number of Class B Shares were also canceled. As a result, the Company recorded a decrease to paid-in capital and shareholders' equity attributable to non-controlling interests. The repurchase resulted in \$2.3 million of additional deferred income tax assets derived from goodwill recognized for tax purposes that is expected to be subsequently amortized and result in future taxable deductions and cash savings to the Company. This increase in deferred income tax assets was recorded as an increase to paid-in capital in connection with the repurchase.

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**4. INVESTMENTS AND FAIR VALUE DISCLOSURES**

The following table presents the components of the Company's investments as reported in the consolidated balance sheets:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
United States government obligations, at fair value <sup>(1)</sup>	\$ 12,973	\$ —
CLOs, at fair value	211,749	21,341
Other funds and joint ventures, equity method	14,252	16,639
<b>Total Investments</b>	<b>\$ 238,974</b>	<b>\$ 37,980</b>

(1) Held by the Oz Operating Group and matures on March 1, 2018 .

**Fair Value Disclosures**

Fair value represents the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (i.e., an exit price). Due to the inherent uncertainty of valuations of investments that are determined to be illiquid or do not have readily ascertainable fair values, the estimates of fair value may differ from the values ultimately realized, and those differences can be material.

GAAP prioritizes the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of assets and liabilities and the specific characteristics of the assets and liabilities. Assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively-quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Assets and liabilities measured at fair value are classified into one of the following categories:

- **Level I** – Fair value is determined using quoted prices that are available in active markets for identical assets or liabilities. The types of assets and liabilities that would generally be included in this category are certain listed equities, U.S. government obligations and certain listed derivatives.
- **Level II** – Fair value is determined using quotations received from dealers making a market for these assets or liabilities (“broker quotes”), valuations obtained from independent third-party pricing services, the use of models or other valuation methodologies based on pricing inputs that are either directly or indirectly market observable as of the measurement date. The types of assets and liabilities that would generally be included in this category are certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, less liquid equity securities, forward contracts and certain over-the-counter (“OTC”) derivatives.
- **Level III** – Fair value is determined using pricing inputs that are unobservable in the market and includes situations where there is little, if any, market activity for the asset or liability. The fair value of assets and liabilities in this category may require significant judgment or estimation in determining fair value of the assets or liabilities. The fair value of these assets and liabilities may be estimated using a combination of observed transaction prices, independent pricing services, relevant broker quotes, models or other valuation methodologies based on pricing inputs that are neither directly or indirectly market observable. The types of assets and liabilities that would generally be included in this category include real estate investments, equity and debt securities issued by private entities, limited partnerships, certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, certain OTC derivatives, residential and commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and investments in affiliated credit funds.



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In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

**Fair Value Measurements Categorized within the Fair Value Hierarchy**

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2017 :

	As of December 31, 2017			
	Level I	Level II	Level III	Total
(dollars in thousands)				
<b>Assets, at Fair Value</b>				
<i>Included within cash and cash equivalents:</i>				
United States government obligations	\$ 99,704	\$ —	\$ —	\$ 99,704
<i>Included within investments:</i>				
United States government obligations	\$ 12,973	\$ —	\$ —	\$ 12,973
CLOs <sup>(1)</sup>	\$ —	\$ —	\$ 211,749	\$ 211,749
<i>Investments of consolidated funds:</i>				
Bank debt	\$ —	\$ 24,559	\$ 18,807	\$ 43,366

(1) As of December 31, 2017, investments in CLOs had contractual principal amounts of \$189.2 million outstanding, which excludes the Company's investments in subordinated tranches of the notes, as these do not have contractual principal payments.

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2016 :

	As of December 31, 2016			
	Level I	Level II	Level III	Total
(dollars in thousands)				
<b>Assets, at Fair Value</b>				
<i>Included within cash and cash equivalents:</i>				
United States government obligations	\$ 139,974	\$ —	\$ —	\$ 139,974
<i>Included within investments:</i>				
CLOs <sup>(1)</sup>	\$ —	\$ —	\$ 21,341	\$ 21,341
<i>Investments of consolidated funds:</i>				
Bank debt	\$ —	\$ 19,534	\$ 18,127	\$ 37,661

(1) As of December 31, 2016, investment in CLO had contractual principal amounts of \$21.3 million outstanding.

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**Reconciliation of Fair Value Measurements Categorized within Level III**

The Company assumes that any transfers between Level I, Level II or Level III occur at the beginning of the reporting period presented. Gains and losses, excluding those of the consolidated funds are recorded within net gains on investments in funds and joint ventures in the consolidated statements of comprehensive income (loss), and gains and losses of the consolidated funds are recorded within net gains (losses) of consolidated funds. Amounts related to the deconsolidation of the Company's funds upon the adoption of ASU 2015-02 on January 1, 2016, and deconsolidation of the CLO in the third quarter of 2017 (as further described in Note 5 ) are included within investment sales. Amounts related to the initial consolidation of the CLO in the second quarter of 2017 are included within investment purchases.

The following table summarizes the changes in the Company's Level III investments for the year ended December 31, 2017 :

	<u>December 31, 2016</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Investment Purchases</u>	<u>Investment Sales / Settlements</u>	<u>Gains / Losses</u>	<u>December 31, 2017</u>
(dollars in thousands)							
<b>Assets, at Fair Value</b>							
<i>Included within investments:</i>							
CLOs	\$ 21,341	\$ —	\$ —	\$ 185,404	\$ (647)	\$ 5,651	\$ 211,749
<i>Investments of consolidated funds:</i>							
Bank debt	\$ 18,127	\$ 587	\$ (17,311)	\$ 89,225	\$ (73,069)	\$ 1,248	\$ 18,807

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The following table summarizes the changes in the Company's Level III investments for the year ended December 31, 2016 :

	December 31, 2015	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	December 31, 2016
(dollars in thousands)							
<b>Assets, at Fair Value</b>							
<i>Included within investments:</i>							
CLOs	\$ —	\$ —	\$ —	\$ 21,462	\$ —	\$ (121)	\$ 21,341
<i>Investments of consolidated funds:</i>							
Bank debt	\$ 1,998,423	\$ —	\$ —	\$ 80,317	\$ (2,061,719)	\$ 1,106	\$ 18,127
Real estate investments	719,957	—	—	—	(719,957)	—	—
Residential mortgage-backed securities	323,571	—	—	—	(323,571)	—	—
Collateralized debt obligations	83,759	—	—	—	(83,759)	—	—
Energy and natural resources limited partnerships	70,604	—	—	—	(70,604)	—	—
Commercial real estate debt	18,295	—	—	—	(18,295)	—	—
Asset-backed securities	23,739	—	—	—	(23,739)	—	—
Commercial mortgage-backed securities	13,803	—	—	—	(13,803)	—	—
Other investments (including derivatives, net)	1,938	—	—	—	(1,938)	—	—
	<b>\$ 3,254,089</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 80,317</b>	<b>\$ (3,317,385)</b>	<b>\$ 1,106</b>	<b>\$ 18,127</b>

Transfers out of Level III presented in the tables above resulted from the fair values of certain securities becoming market observable, with fair value determined using independent pricing services. Transfers into Level III presented in the table above resulted from the valuation of certain investments with decreased market observability, with fair values determined using broker quotes or independent pricing services. There were no transfers between Levels I and II during the periods presented above.

The table below summarizes the net change in unrealized gains and losses on the Company's Level III investments held as of the reporting date. These gains and losses are included within net gains of consolidated funds in the Company's consolidated statements of comprehensive income (loss):

	Year Ended December 31,	
	2017	2016
(dollars in thousands)		
<b>Assets, at Fair Value</b>		
<i>Included within investments:</i>		
CLOs	\$ 5,651	\$ (121)
<i>Investments of consolidated funds:</i>		
Bank debt	\$ 97	\$ 425

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**Valuation Methodologies for Fair Value Measurements Categorized within Levels II and III**

Investments in CLOs and bank debt are valued using independent pricing services and thus there are no unobservable valuation inputs used in determining their fair value to disclose.

The Company elected to measure its investments in CLOs at fair value through consolidated net income (loss) in order to simplify its accounting for these instruments. Changes in fair value of these investments are included within net gains on investments in funds and joint ventures in the consolidated statements of comprehensive income (loss). The Company accrues interest income on its investments in CLOs using the effective interest method.

As further discussed in Note 5 , the Company consolidated a CLO warehouse vehicle beginning in the second quarter of 2017, which was then deconsolidated during the third quarter of 2017. The Company elected to measure the debt obligations of the consolidated CLO at fair value through consolidated net income (loss) in order to mitigate the accounting mismatch between the carrying values of the assets and liabilities of the consolidated CLO. For the period the CLO was consolidated, changes in fair value of these assets and liabilities were included within net gains (losses) of consolidated funds in the consolidated statements of comprehensive income (loss). The Company accrued interest income and interest expense of the consolidated CLO using the effective interest method.

**Valuation Process for Fair Value Measurements Categorized within Level III**

The Company has established a Valuation Committee to provide oversight of the monthly valuation results of the investments held by the Company and the funds. The Valuation Committee has assigned the responsibility of performing price verification and related quality controls in accordance with the Valuation Policy to the Valuation Controls Group. The Valuation Controls Group performs price verification procedures on all of the investments which include, but are not limited to the following: reviewing independent pricing provided by third-party valuation vendors, reviewing and collecting broker quotes and reviewing valuation models. The Valuation Controls Group performs additional quality controls to support valuation techniques including but not limited to: back testing, stale pricing reviews, and vendor due diligence. When pricing or verification sources cannot be obtained from external sources or if external prices are deemed unreliable, additional procedures are performed by the Valuation Controls Group, which may include comparing unobservable inputs to observable inputs for similar positions, reviewing subsequent market activities, performing comparisons of actual versus projected performance indicators, and reviewing the valuation methodology and key inputs. Independent third party valuation firms may be used to corroborate internal valuations.

**Fair Value of Other Financial Instruments**

Management estimates that the carrying value of the Company's other financial instruments, including its debt obligations, approximated their fair values as of December 31, 2017 . The Senior Notes are categorized as Level II and the CLO Investments Loans (as defined in Note 8 ) are categorized as Level III within the fair value hierarchy. The fair value of the Senior Notes and the CLO Investments Loans were determined using independent pricing services.

**Assets Measured at Fair Value on a Non-Recurring Basis**

The Company recognizes loans held for sale at the lower of cost or fair value. The Company had \$29.1 million and \$8.2 million of loans held for sale as of December 31, 2017 and 2016 , respectively. As of December 31, 2017 , \$26.7 million and \$2.4 million of the loans held for sale are categorized as Level II and Level III within the fair value hierarchy, respectively. As of December 31, 2016 loans held for sale are categorized as Level II within the fair value hierarchy. The fair value for the loans was determined using independent pricing services.

As of December 31, 2016 , the Company measured its aircraft held for sale at fair value, less cost to sell, or \$56.3 million . The fair value of the aircraft was categorized as Level III within the fair value hierarchy. The fair value for the aircraft was determined using recent market sales for comparable aircraft and bids received, and the Company assessed whether recent bids

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were supportive of transactions seen in recent sales for similar aircraft. The Company sold its aircraft during the year ended December 31, 2017. See Note 6 for additional information on the aircraft sale.

**Loans Sold to CLOs Managed by the Company**

During the year ended December 31, 2017, the Company sold \$71.3 million of loans to CLOs managed by the Company. These loans were previously purchased by the Company in the open market, and were sold for cash at cost to the CLOs. The loans were accounted for as transfers of financial assets and met the criteria for derecognition under GAAP. As of December 31, 2017 and 2016, the outstanding principal amount on the loans that have been sold to the CLOs was \$51.7 million and \$17.9 million, respectively. As of December 31, 2017, there were no delinquencies or credit losses related to the loans sold.

The Company invests in senior secured and subordinated notes issued by certain CLOs to which it sold the loans discussed above. These investments represent retained interests to the Company and are in the form of a 5% vertical strip (i.e., 5% of each of the senior and subordinated tranches of notes issued by each CLO). The retained interests are reported within investments on the Company's consolidated balance sheet. During the years ended December 31, 2017 and 2016, the Company made investments of \$45.4 million and \$21.5 million, respectively, related to these retained interests. As of December 31, 2017 and 2016, the Company's investments in these retained interests had a fair value of \$70.4 million and \$21.3 million, respectively. The Company is subject to risks associated with the performance of the underlying collateral and the market yield of the assets. The Company's risk of loss from retained interest is limited to its investments in these interests. The Company receives quarterly payments of interests and principal, as applicable, on these retained interests. In the year ended December 31, 2017, the Company received \$647 thousand of interest payments related to the retained interests. The Company had not received any principal payments in 2017 and no interest or principal payments in 2016 related to the retained interests.

The Company uses independent pricing services to value its investments in the CLOs, and therefore the only key assumption is the price provided by such service. A corresponding adverse change of 10% or 20% on price would have a corresponding impact on the fair value of the Company's investments in CLOs.

**5. VARIABLE INTEREST ENTITIES**

In the ordinary course of business, the Company sponsors the formation of funds that are considered VIEs. See Note 2 for a discussion of entities that are VIEs and the evaluation of those entities for consolidation by the Company.

In the second quarter of 2017, the Company consolidated one of the CLOs it manages as a result of increasing its investment in the vehicle, which provided the Company with a controlling financial interest in the VIE. In the third quarter of 2017, the CLO emerged from warehouse and the Company's interest in the CLO was limited to a 5% vertical strip. Due to the reconsideration event, the Company deconsolidated the CLO in the third quarter of 2017. No gains or losses were recognized as a result of the deconsolidation.

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The table below presents the assets and liabilities of VIEs consolidated by the Company:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
<b>Assets</b>		
<i>Assets of consolidated funds:</i>		
Investments of consolidated funds, at fair value	\$ 43,366	\$ 37,661
Other assets of consolidated funds	13,331	17,544
<b>Total Assets</b>	<b>\$ 56,697</b>	<b>\$ 55,205</b>
<b>Liabilities</b>		
<i>Liabilities of consolidated funds:</i>		
Other liabilities of consolidated funds	11,340	15,197
<b>Total Liabilities</b>	<b>\$ 11,340</b>	<b>\$ 15,197</b>

The assets presented in the table above belong to the investors in those funds, are available for use only by the fund to which they belong, and are not available for use by the Company. The consolidated funds have no recourse to the general credit of the Company with respect to any liability.

The Company's direct involvement with funds that are VIEs and not consolidated by the Company is generally limited to providing asset management services and, in certain cases, insignificant direct investments in the VIEs. The maximum exposure to loss represents the potential loss of current investments or income and fees receivables from these entities, as well as the obligation to repay unearned revenues, primarily incentive income subject to clawback, in the event of any future fund losses. The Company has commitments to certain funds that are VIEs as discussed in Note 15. The Company does not provide, nor is it required to provide, any type of non-contractual financial or other support to its VIEs that are not consolidated.

The table below presents the net assets of VIEs in which the Company has variable interests along with the maximum risk of loss as a result of the Company's involvement with VIEs:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
Net assets of unconsolidated VIEs in which the Company has a variable interest	\$ 8,300,163	\$ 4,069,617
<i>Maximum risk of loss as a result of the Company's involvement with VIEs:</i>		
Unearned revenues	144,124	96,409
Income and fees receivable	24,953	13,074
Investments in funds	222,192	35,868
<b>Maximum Exposure to Loss</b>	<b>\$ 391,269</b>	<b>\$ 145,351</b>

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**6. OTHER ASSETS, NET**

The following table presents the components of other assets, net as reported in the consolidated balance sheets:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
<i>Fixed Assets:</i>		
Leasehold improvements	\$ 53,419	\$ 54,414
Computer hardware and software	44,190	40,093
Furniture, fixtures and equipment	8,571	8,919
Corporate aircraft held for sale	—	56,251
Accumulated depreciation and amortization	(58,671)	(49,890)
Fixed assets, net	47,509	109,787
Loans held for sale	29,110	8,204
Goodwill	22,691	22,691
Prepaid expenses	12,862	12,753
Other	4,189	16,549
<b>Total Other Assets, Net</b>	<b>\$ 116,361</b>	<b>\$ 169,984</b>

In 2017, the Company sold its corporate aircraft for \$57.6 million . As a result, the Company recognized a net gain on sale of \$1.3 million in the period. The gain is included within other revenues in the consolidated statements of comprehensive income (loss).

**7. OTHER LIABILITIES**

The following table presents the components of other liabilities as reported in the consolidated balance sheets:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
Loan trades payable	\$ 29,110	\$ 10,391
Accrued expenses	21,955	30,728
Deferred rent credit	8,283	15,046
Interest payable	2,970	2,654
Other	12,804	20,096
<b>Total Other Liabilities</b>	<b>\$ 75,122</b>	<b>\$ 78,915</b>

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**8. DEBT OBLIGATIONS**

As of December 31, 2017, the Company's outstanding indebtedness was primarily comprised of senior notes (the "Senior Notes") and secured loans to finance the purchase of the Company's investments in CLOs ("CLO Investments Loans").

The table below presents scheduled principal payments on the Company's debt obligations for each of the next five years.

	<b>Scheduled Payments</b>
	<b>(dollars in thousands)</b>
2018	\$ —
2019	\$ 400,000
2020	\$ —
2021	\$ —
2022	\$ —

**Senior Notes**

On November 20, 2014, the Company issued \$400.0 million of Senior Notes due November 20, 2019, unless earlier redeemed or repurchased. The Senior Notes were issued at a price of 99.417% of the aggregate principal amount and bear interest at a rate per annum of 4.50% payable semiannually in arrears. The Senior Notes are unsecured and unsubordinated obligations issued by a subsidiary of the Company, Och-Ziff Finance Co. LLC ("Oz Finance"), and are fully and unconditionally guaranteed, jointly and severally, on an unsecured and unsubordinated basis by OZ Management LP, OZ Advisors LP and OZ Advisors II LP (collectively, the "Senior Notes Guarantors").

The Senior Notes may be redeemed from time to time at the Company's option, in whole or in part, at a redemption price equal to the greater of 100% of the principal amount to be redeemed and a make-whole redemption price (as defined in the Senior Notes indenture), in either case, plus any accrued and unpaid interest. If a change of control repurchase event occurs, the Company will be required to offer to repurchase the Senior Notes at a price equal to 101% of the aggregate principal amount, plus any accrued and unpaid interest.

The Senior Notes do not have any financial maintenance covenants. However, the Senior Notes include certain covenants, including limitations on Oz Finance's and, as applicable, the Senior Notes Guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their respective subsidiaries or merge, consolidate or sell, transfer or lease all or substantially all assets. The Senior Notes also provide for customary events of default, bankruptcy, insolvency or reorganization that may cause the Senior Notes to become immediately due and payable, plus any accrued and unpaid interest.

**Revolving Credit Facility**

On November 20, 2014, the Company entered into a \$150.0 million, 5 -years unsecured Revolving Credit Facility, which was subsequently amended on December 29, 2015 and on June 13, 2017, the proceeds of which may be used for working capital, general corporate purposes or other liquidity needs. The facility matures on November 20, 2019. The borrower under the Revolving Credit Facility is OZ Management LP and the facility is guaranteed by OZ Advisors LP, OZ Advisors II LP and Oz Finance. The Company is able to increase the maximum amount of credit available under the facility to \$225.0 million if certain conditions are satisfied. In March 2017, the Company repaid its outstanding obligation under the Revolving Credit Facility in full, and as a result has \$150.0 million available under the facility as of December 31, 2017.



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The Company is subject to a fee of 0.10% to 0.25% per annum on undrawn commitments during the term of the Revolving Credit Facility. Outstanding borrowings will bear interest at a rate per annum of LIBOR plus 1.00% to 2.00% , or a base rate plus 0% to 1.00% . The commitment fees and the spreads over LIBOR or the base rate are based on OZ Management LP's credit rating throughout the term of the facility. As of December 31, 2017 , the current rates for borrowings would be LIBOR plus 2.00% , and the undrawn commitment fee was 0.25% .

The Revolving Credit Facility includes two financial maintenance covenants. The first covenant prohibits total fee-paying assets under management as of the last day of any fiscal quarter to be less than \$22.0 billion for two successive quarters. The second covenant prohibits the economic income leverage ratio (as defined in the Revolving Credit Facility) from exceeding: (i) 4.00 to 1.00 for each fiscal quarter ending on or prior to December 31, 2017; (ii) 3.50 to 1.00 for each fiscal quarter ending on or after March 31, 2018 but on or prior to December 31, 2018; and (iii) 3.00 to 1.00 for each fiscal quarter ending on or after March 31, 2019. As of December 31, 2017 , the Company was in compliance with the financial maintenance covenants.

The Revolving Credit Facility allows a limited right to cure an event of default resulting from noncompliance with the economic income leverage ratio test with an equity contribution made to the borrower, OZ Management LP. Such cure right may not be used more than two times in any four-quarter period or more than three times during the term of the facility.

The Revolving Credit Facility includes provisions that restrict or limit, among other things, the ability of the Oz Operating Group from:

- Incurring certain additional indebtedness or issuing certain equity interest.
- Creating liens.
- Paying dividends or making certain other payments when there is a default or event of default under the Revolving Credit Facility.
- Merging, consolidating, selling or otherwise disposing of its assets.
- Engaging in certain transactions with shareholders or affiliates.
- Engaging in a substantially different line of business.
- Amending its organizational documents in a manner materially adverse to the lenders.

The Revolving Credit Facility permits the Oz Operating Group to incur, among other things, up to \$150.0 million of indebtedness, up to an additional \$400.0 million of indebtedness for financing of investments in CLOs in order to comply with risk retention regulatory requirements, and additional indebtedness so long as, after giving effect to the incurrence of such indebtedness, it is in compliance with an economic income leverage ratio as described above and no default or event of default has occurred and is continuing. The facility also permits the Oz Operating Group to create liens to, among other things, secure indebtedness related to financing of CLO risk retention investments, as described above, as well as other indebtedness and obligations of up to \$50.0 million .

#### **Aircraft Loan**

In February 2014, the Company entered into the Aircraft Loan to finance installment payments towards the purchase of a corporate aircraft. In March 2017, the Company sold the aircraft and repaid the outstanding principal balance in the amount of \$46.4 million .

#### **CLO Investments Loans**

The Company enters into loans to finance portions of its investments in CLOs (collectively "the CLO Investments Loans"). These loans are collateralized by the investments in CLOs held by the Company. In general, the Company will make interest and principal payments on the loans at such time interest payments are received on its investments in the CLOs, and will

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make principal payments on the loans to the extent principal payments are received on its investments in the CLOs, with any remaining balance due upon maturity.

The loans are subject to customary events of default and covenants and include terms that require the Company's continued involvement with the CLOs. The CLO Investment Loans do not have any financial maintenance covenants.

The table below presents information related to CLO Investments Loans as of December 31, 2017 and 2016. Carrying values presented below are net of discounts, if any, and unamortized deferred financing costs. The maturity date for each CLO Investments Loan is the earlier of the final maturity date presented in the table below or the date at which the Company no longer holds a risk retention investment in the respective CLO.

Borrowing Date	Contractual Rate	Final Maturity Date	Carrying Value	
			December 2017	December 2016
(dollars in thousands)				
November 28, 2016	EURIBOR plus 2.23%	December 15, 2023	\$ 18,041	\$ 15,801
June 7, 2017	LIBOR plus 1.48%	November 16, 2029	17,217	—
July 21, 2017	LIBOR plus 1.43%	January 22, 2029	21,709	—
August 2, 2017	LIBOR plus 1.41%	January 21, 2030	21,686	—
August 17, 2017	LIBOR plus 1.43%	April 30, 2030	22,922	—
September 14, 2017	LIBOR plus 1.41%	April 22, 2030	25,468	—
September 14, 2017	EURIBOR plus 2.21%	September 14, 2024	19,561	—
November 21, 2017	LIBOR plus 1.34%	May 15, 2030	26,202	—
			\$ 172,806	\$ 15,801

## 9. PREFERRED UNITS

Pursuant to a securities purchase agreement, dated September 29, 2016 (the "Purchase Agreement"), certain of the Company's executive managing directors, including Daniel S. Och (the "EMD Purchasers"), agreed to purchase up to a total of 400,000 Preferred Units for an aggregate amount of up to \$400.0 million. On October 5, 2016, the Company completed a \$250.0 million issuance and sale of 250,000 Preferred Units. On January 23, 2017, the Company completed an additional \$150.0 million issuance and sale of 150,000 Preferred Units. As of December 31, 2017, 400,000 Preferred Units remained issued and outstanding.

Distributions on the Preferred Units are payable on the liquidation preference amount and on a cumulative basis at an initial distribution rate of 0% per annum until February 19, 2020 (the "Step-up Date"), after which the distribution rate will increase in stages thereafter to a maximum of 10% per annum on and after the eighth anniversary of the Step-up Date. Subject to certain exceptions, unless distributions on the Preferred Units are declared and paid in cash for the then current distribution period and all preceding periods after the initial closing, the Oz Operating Partnerships may not declare or pay distributions on or repurchase any of their equity securities that rank equal with or junior to the Preferred Units.

Following the occurrence of a change of control event, the Oz Operating Partnerships will redeem the Preferred Units at a redemption price equal to the liquidation preference plus all accumulated but unpaid distributions (collectively, the "liquidation value"). For so long as the Oz Operating Partnerships do not redeem all of the outstanding Preferred Units, the distribution rate will increase by 7% per annum, beginning on the 31 st day following such change in control. The Oz Operating Partnerships will not be required to effect such redemption until the earlier of (i) 91 days after the maturity date of the Revolving Credit Facility and (ii) the payment in full of all loans and other obligations and the termination of all commitments thereunder.

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The Oz Operating Partnerships may, at their option, redeem the Preferred Units at a price equal to: (i) 105% of the liquidation value until the day immediately prior to the Step-up Date; (ii) 103% of the liquidation value thereafter until the day immediately prior to the first anniversary of the Step-up Date; (iii) 101% of the liquidation value thereafter until the day immediately prior to the second anniversary of the Step-up Date; and (iv) thereafter at a price equal to the liquidation value. In addition, from and after March 31, 2020, if the amounts that were distributed to partners of the Oz Operating Partnerships in respect of their equity interests in the Oz Operating Partnerships (other than amounts distributed in respect of tax distributions or certain other distributions) or utilized for repurchase of units by such entities (or which were available but not used for such purposes) for the immediately preceding fiscal year were in excess of \$100 million in the aggregate, then an amount equal to 20% of such excess shall be utilized to redeem Preferred Units on a pro rata basis for an amount equal to the liquidation value.

Furthermore, if the average closing price of the Company's Class A Shares exceeds \$15.00 per share for the previous 20 trading days, the Oz Operating Partnerships have agreed to use their reasonable best efforts to redeem all of the outstanding Preferred Units as promptly as practicable. If such event occurs prior to February 19, 2020, the Company has agreed to use its reasonable best efforts to obtain consents from its lenders in order to redeem the Preferred Units as promptly as practicable.

Although the Preferred Units do not have voting rights, the consent of the holders' committee, which initially consists of Daniel S. Och as sole member, is required to effect (i) any amendment to or waiver of the terms of the Preferred Units or (ii) any amendment to the limited partnership agreements of the Oz Operating Partnerships that would have an adverse effect on any holder of the Preferred Units. Under the terms of the Preferred Units, the Oz Operating Partnerships are prohibited from issuing any equity securities (or any debt or other securities convertible into equity securities of such entity) that rank equally with, or senior to, the Preferred Units, without the prior written consent of the holders' committee.

#### **10. EQUITY-BASED COMPENSATION EXPENSES**

The Company grants equity-based compensation in the form of RSUs, Group A Units, Group P Units and Class A Shares to its executive managing directors, employees and the independent members of the Board under the terms of the 2007 Equity Incentive Plan and the 2013 Incentive Plan.

The following table presents information regarding the impact of equity-based compensation grants on the Company's consolidated statements of comprehensive income (loss):

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Expense recorded within compensation and benefits	\$ 84,169	\$ 75,217	\$ 112,639
Corresponding tax benefit	\$ 4,720	\$ 3,116	\$ 9,032

#### ***Restricted Share Units (RSUs)***

An RSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board, upon completion of the requisite service period. All of the RSUs granted to date accrue dividend equivalents equal to the dividend amounts paid on the Company's Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs that also accrue additional dividend equivalents. As a result, dividend equivalents declared on equity-classified RSUs are recorded similar to a stock dividend, resulting in (i) increases in the Company's accumulated deficit and the accumulated deficit component of noncontrolling interests on the same pro rata basis as earnings of the Oz Operating Group are allocated and (ii) increases in the Company's paid-in capital and the paid-in capital component of noncontrolling interests on the same pro rata basis. No compensation expense is recognized related to these dividend equivalents. Delivery of dividend equivalents on outstanding RSUs is contingent upon the vesting of the underlying RSUs.

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The following table presents information related to the settlement of RSUs:

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Fair value of RSUs settled in Class A Shares	\$ 13,016	\$ 12,675	\$ 42,118
Fair value of RSUs settled in cash	\$ 130	\$ —	\$ 6,074
Fair value of RSUs withheld to satisfy tax withholding obligations	\$ 7,577	\$ 7,960	\$ 15,865
Number of RSUs withheld to satisfy tax withholding obligations	2,802,689	2,228,562	2,064,106

The following table presents activity related to the Company's unvested RSUs for the year ended December 31, 2017 :

	Equity-Classified Awards	
	Unvested RSUs	Weighted-Average Grant-Date Fair Value
<b>Beginning of Year</b>	<b>11,367,733</b>	<b>\$ 7.05</b>
Granted	14,585,657	\$ 3.16
Vested	(7,975,255)	\$ 5.29
Canceled or forfeited	(3,447,533)	\$ 4.68
<b>End of Year</b>	<b>14,530,602</b>	<b>\$ 4.67</b>

The weighted-average grant-date fair value of equity-classified RSUs granted was \$3.16 , \$4.36 and \$10.33 for the years ended December 31, 2017 , 2016 and 2015 , respectively. As of December 31, 2017 , total unrecognized compensation expense related to equity-classified RSUs was approximately \$49.1 million with a weighted-average amortization period of 2.1 years.

**Group A Units**

The Company recognizes compensation expense for Group A Units equal to the market value of the Company's Class A Shares at the date of grant, less a 5% discount for transfer restrictions that remain in place after vesting.

The following table presents the activity related to unvested Group A Units granted to executive managing directors that are being amortized through compensation and benefits for the year ended December 31, 2017 :

	Unvested Group A Units	Weighted-Average Grant-Date Fair Value
<b>Beginning of Year</b>	<b>9,899,244</b>	<b>\$ 9.86</b>
Granted	172,459	\$ 2.19
Vested	(1,661,040)	\$ 9.53
<b>End of Year</b>	<b>8,410,663</b>	<b>\$ 9.77</b>

The weighted-average grant-date fair value of Group A Units granted subsequent to the IPO was \$2.19 , \$4.12 and \$11.69 for the years ended December 31, 2017 , 2016 and 2015 , respectively. As of December 31, 2017 , total unrecognized compensation expense related to these units totaled \$67.7 million with a weighted-average amortization period of 4.6 years.

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***Group P Units***

In March 2017, the Company granted 71.9 million Group P Units (“Incentive Award”), at the average fair value of \$1.25 per unit. The fair value was determined using the Monte-Carlo simulation valuation model, with the following assumptions: volatility of 35.7% , dividend rate of 10.0% , and risk-free discount rate of 2.2% . The Company used historical volatility in its estimate of the expected volatility. The requisite service period for these Incentive Awards was estimated to be 3.7 years at the time of the grant. As of December 31, 2017 , total unrecognized compensation expense related to these units totaled \$68.7 million with a weighted-average amortization period of 2.7 years. There were no additional grants, vests, forfeits or expirations of Group P Units as of December 31, 2017 .

A grant of Group P Units will conditionally vest upon the applicable executive managing directors satisfying a service condition (the “Service Condition”) and certain market performance-based targets, expressed as percentages (the “Performance Condition”) being satisfied, as follows: 20% of Units vest upon a Performance Condition of 25% being achieved (i.e., total shareholder return from the contractually determined reference price of \$3.21 ); an additional 40% (for a total of 60% ) of Units vest upon a Performance Condition of 50% being achieved; an additional 20% (for a total of 80% ) of Units vest upon a Performance Condition of 75% being achieved; and an additional 20% (for a total of 100% ) of the Units vest upon a Performance Condition of 125% being achieved. Achievement of the applicable Performance Conditions earlier than estimated can materially affect the amount of equity-based compensation expense recognized by the Company in any given period.

Executive managing directors will be entitled to receive distributions on their Group P Units only after satisfaction of the Service Condition and the Performance Condition, from which time the executive managing director will be entitled to receive the same distributions per Unit on each Group P Unit as holders of Group A Units and Group D Units.

If a holder of an Incentive Award has not satisfied both the Service Condition and the applicable Performance Condition has not been met with respect to the units comprising such Incentive Award by the sixth anniversary of the respective grant date, such units will be forfeited and canceled immediately.

Upon satisfaction of the Service Condition and the Performance Condition, Group P Units may be exchanged at the executive managing director’s discretion for Class A Shares (or the cash value thereof, as determined by the Board) provided that sufficient Appreciation (as defined in the Limited Partnership Agreements) has occurred for each Group P Unit to have become economically equivalent to a Group A Unit. Upon the exchange of a Group P Unit for a Class A Share (or the cash equivalent), the exchanging executive managing director will have a right to potential future payments owed to him or her under the tax receivable agreement.

***Limited Partnership Agreements Amendments***

Effective March 1, 2017, the Board of Directors approved amendments to the Limited Partnership Agreements of the Oz Operating Partnerships that, in addition to the events discussed above, adjust the measurement thresholds used in determining whether sufficient Appreciation has taken place for Group D Units issued prior to March 1, 2017, to have become economically equivalent to Group A Units. This amendment makes it more likely that outstanding Group D Units will convert to Group A Units.

**11. INCOME TAXES**

The TCJA includes a broad range of tax reforms including a reduction in the corporate income tax rate to 21% from 35% effective January 1, 2018. GAAP requires companies to recognize the income tax accounting effects of changes in tax law or rates (including retroactive changes) in the period of enactment. The Company recognized the tax effects of the TCJA during the three months ended December 31, 2017, and recorded \$280.8 million in deferred tax expense related solely to the impact of the TCJA. This increase in tax expense is comprised of \$190.4 million of deferred tax expense due to the remeasurement of deferred tax assets at the 21% tax rate, and \$90.4 million of additional tax expense related to the change in the tax receivable agreement liability as a result of the reduction in the corporate tax rate.

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As a result of the complexities involved in accounting for the full effect of the TCJA, the SEC permits companies to record provisional amounts in the current year. The Company considers all amounts recorded as a result of the TCJA to be provisional and subject to revision. The Company's provisional amounts, including the remeasurement of the Company's deferred income tax assets and related tax receivable agreement liability, are based on reasonable and supportable assumptions as of December 31, 2017. Any such revisions will be treated in accordance with the measurement period guidance allowing for a period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts.

The Registrant and each of the Oz Operating Group entities are partnerships for U.S. federal income tax purposes. Due to the Company's legal structure, only a portion of the income earned by the Company is subject to corporate-level income taxes in the United States and in foreign jurisdictions.

The following table presents the components of the Company's provision for income taxes:

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
<b>Current:</b>			
Federal income taxes	\$ 103	\$ 19	\$ (151)
State and local income taxes	2,172	4,885	13,241
Foreign income taxes	2,520	3,746	3,374
	<u>4,795</u>	<u>8,650</u>	<u>16,464</u>
<b>Deferred:</b>			
Federal income taxes	322,162	7,760	40,510
State and local income taxes	(9,828)	(6,131)	73,898
Foreign income taxes	430	607	1,352
	<u>312,764</u>	<u>2,236</u>	<u>115,760</u>
<b>Total Provision for Income Taxes</b>	<b><u>\$ 317,559</u></b>	<b><u>\$ 10,886</u></b>	<b><u>\$ 132,224</u></b>

The foreign income tax provision was calculated on \$21.3 million, \$(3.6) million and \$11.6 million of pre-tax income (loss) generated in foreign jurisdictions for the years ended December 31, 2017, 2016 and 2015, respectively.

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Deferred income tax assets and liabilities represent the tax effects of the temporary differences between the GAAP bases and tax bases of the Company's assets and liabilities.

The following table presents the Company's deferred income tax assets and liabilities before the impact of offsetting deferred income tax assets and liabilities within the same legal entity and tax jurisdiction:

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
<b>Deferred Income Tax Assets:</b>		
Tax goodwill	\$ 272,636	\$ 583,707
Net operating loss	76,100	86,935
Tax credit carryforwards	16,102	20,931
Investments in partnerships	20,440	11,173
Employee compensation	626	780
Other	2,145	227
	388,049	703,753
Valuation allowance	(12,028)	(7,955)
<b>Total Deferred Income Tax Assets</b>	<b>\$ 376,021</b>	<b>\$ 695,798</b>
<b>Total Deferred Income Tax Liabilities</b>	<b>\$ 1,167</b>	<b>\$ 655</b>

The majority of the Company's deferred income tax assets relate to tax goodwill in the United States that arose in connection with the Company's IPO and concurrent private Class A Share offering in 2007 (collectively, the "2007 Offerings"), as well as subsequent exchanges of Group A Units for Class A Shares. These deferred income tax assets are derived from goodwill recognized for tax purposes that are subsequently amortized and result in future taxable deductions and cash savings to the Company. The Company entered into a tax receivable agreement to pay a portion of these tax savings to the Company's executive managing directors and the Ziffs. The tax goodwill amounts presented above include the increases that these tax receivable agreement payments will have on future tax goodwill. See Note 15 for additional information regarding the tax receivable agreement.

As of December 31, 2017, the Company had federal income tax credit carryforwards of approximately \$16.1 million, the majority of which will begin to expire in 2018. As of December 31, 2017, the Company had \$269.0 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and \$146.0 million for state and \$142.4 million for local income tax purposes that will expire between 2035 and 2037.

The Company has determined that it may not realize certain foreign income tax credits within the limited carryforward period available. Accordingly, a valuation allowance for \$12.0 million and \$8.0 million as of December 31, 2017 and 2016, respectively, has been established for these items.

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The following is a reconciliation of the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	Year Ended December 31,		
	2017	2016	2015
Statutory U.S. federal income tax rate	35.00 %	35.00 %	35.00 %
Impact of federal tax reform	40.34 %	— %	— %
Income passed through to noncontrolling interests	-10.40 %	-23.10 %	-16.34 %
Nondeductible fines and penalties	— %	-12.78 %	— %
Income not subject to entity level tax	-4.54 %	-3.01 %	2.44 %
State and local income taxes due to enacted change in tax laws	— %	— %	23.14 %
Other state and local income taxes	4.42 %	0.56 %	4.66 %
Changes in tax receivable agreement liability	— %	— %	-6.94 %
Foreign income taxes	0.63 %	-0.96 %	1.24 %
Other, net	1.84 %	0.72 %	0.94 %
<b>Effective Income Tax Rate</b>	<b>67.29 %</b>	<b>-3.57 %</b>	<b>44.14 %</b>

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions, as well as foreign jurisdictions. The income tax years under examination vary by jurisdiction. In general, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years prior to 2014 ; however, certain subsidiaries are no longer subject to income tax examinations for years prior to 2012 for state and local and 2007 for foreign jurisdictions.

The Company recognizes tax benefits for amounts that are “more likely than not” to be sustained upon examination by tax authorities. For uncertain tax positions in which the benefit to be realized does not meet the “more likely than not” threshold, the Company establishes a liability, which is included within other liabilities in the consolidated balance sheets. The Company did not accrue interest or penalties related to uncertain tax positions. In 2014, the Company recorded a liability for unrecognized tax benefits of \$7.0 million . There was no change to the liability through December 31, 2017 . As of December 31, 2017 , the Company does not believe that there will be a significant change to the uncertain tax positions during the next 12 months. The amount of the Company's total unrecognized tax benefits that, if recognized, would affect its effective tax rate was \$4.5 million as of December 31, 2017 .

There are no unremitted earnings with respect to the foreign subsidiaries of the Company due to the flow through nature of these entities.



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**12. GENERAL, ADMINISTRATIVE AND OTHER**

The following table presents the components of general, administrative and other expenses as reported in the consolidated statements of comprehensive income (loss):

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Professional services	\$ 43,343	\$ 74,859	\$ 72,969
Occupancy and equipment	33,358	35,998	34,358
Information processing and communications	28,274	34,485	31,971
Recurring placement and related service fees	20,153	38,424	48,702
Insurance	7,609	15,333	16,719
Business development	6,685	13,440	15,707
Other expenses	12,649	21,828	19,565
	152,071	234,367	239,991
Settlements expense	—	412,101	—
<b>Total General, Administrative and Other</b>	<b>\$ 152,071</b>	<b>\$ 646,468</b>	<b>\$ 239,991</b>

**13. EARNINGS (LOSS) PER CLASS A SHARE**

Basic earnings (loss) per Class A Share is computed by dividing the net income (loss) attributable to Class A Shareholders by the weighted-average number of Class A Shares outstanding for the period.

For the years ended December 31, 2017, 2016 and 2015 the Company included 1,103,733, 1,144,614 and 1,016,694 RSUs respectively, that have vested but have not been settled in Class A Shares in the weighted-average Class A Shares outstanding used to calculate basic and diluted earnings (loss) per Class A Share.

The Company did not include the Group P Units in the calculations of dilutive earnings (loss) per Class A Share, as the applicable Performance Condition has not yet been met as of December 31, 2017.

The following tables present the computation of basic and diluted earnings (loss) per Class A Share:

Year Ended December 31, 2017	Net Income Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Earnings Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	\$ 18,222	186,423,793	\$ 0.10	
<i>Effect of dilutive securities:</i>				
Group A Units	—	—		272,301,466
RSUs	—	757,967		—
Diluted	\$ 18,222	187,181,760	\$ 0.10	

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Year Ended December 31, 2016	Net Loss Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Loss Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
(dollars in thousands, except per share amounts)				
Basic	\$ (130,762)	182,670,173	\$ (0.72)	
<i>Effect of dilutive securities:</i>				
Group A Units	(219,109)	297,317,095		—
RSUs	—	—		14,343,302
Diluted	\$ (349,871)	479,987,268	\$ (0.73)	

Year Ended December 31, 2015	Net Income Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Earnings Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
(dollars in thousands, except per share amounts)				
Basic	\$ 25,740	177,935,977	\$ 0.14	
<i>Effect of dilutive securities:</i>				
Group A Units	—	—		301,064,047
RSUs	—	2,957,970		—
Diluted	\$ 25,740	180,893,947	\$ 0.14	

#### 14. RELATED PARTY TRANSACTIONS

##### Due from Related Parties

Amounts due from related parties relate primarily to amounts due from the funds for expenses paid on their behalf. These amounts are reimbursed to the Company on an ongoing basis.

##### Due to Related Parties

Amounts due to related parties relate primarily to future payments owed to the Company's executive managing directors under the tax receivable agreement, as discussed further in Note 15. The Company made no payments under the tax receivable agreement in the years ended December 31, 2017 and 2016, and payment totaling \$53.5 million were made in the year ended December 31, 2015.

The Company earns substantially all of its management fees and incentive income from the funds, which are considered related parties as the Company manages the operations of and makes investment decisions for these funds.

##### Management Fees and Incentive Income Earned from Related Parties and Waived Fees

As of December 31, 2017 and 2016, respectively, approximately \$2.8 billion and \$2.7 billion, of the Company's assets under management represented investments by the Company, its executive managing directors, employees and certain other related parties in the Company's funds. As of December 31, 2017 and 2016, approximately 71% and 51%, respectively, of these affiliated assets under management were not charged management fees and were not subject to an incentive income calculation.

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The following table presents management fees and incentive income charged on investments held by related parties before the impact of eliminations related to the consolidated funds:

	Year Ended December 31,		
	2017	2016	2015
(dollars in thousands)			
<i>Fees charged on investments held by related parties:</i>			
Management fees	\$ 10,574	\$ 18,243	\$ 20,297
Incentive income	\$ 14,052	\$ 12,266	\$ 3,819

**Corporate Aircraft**

The Company's corporate aircraft were sold in the first half of 2017. Until that time, they were used primarily for business purposes. Prior to the sale of the aircraft, from time to time, certain executive managing directors used the aircraft for personal use. For the years ended December 31, 2017, 2016 and 2015 the Company charged \$360 thousand, \$744 thousand and \$1.2 million, respectively, for personal use of the aircraft by certain executive managing directors.

**15. COMMITMENTS AND CONTINGENCIES**

**Tax Receivable Agreement**

The purchase of Group A Units from the executive managing directors and the Ziffs with the proceeds from the 2007 Offerings, and subsequent taxable exchanges by them of Partner Equity Units for Class A Shares on a one-for-one basis (or, at the Company's option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the tangible and intangible assets of the Oz Operating Group that would not otherwise have been available. As a result, the Company expects that its future tax liability will be reduced. Pursuant to the tax receivable agreement entered into among the Company, the executive managing directors and the Ziffs, the Company has agreed to pay to the executive managing directors and the Ziffs 85% of the amount of tax savings, if any, actually realized by the Company.

The Company recorded its initial estimate of future payments under the tax receivable agreement as a decrease to paid-in capital and an increase in amounts due to related parties in the consolidated financial statements. Subsequent adjustments to the liability for future payments under the tax receivable agreement related to changes in estimated future tax rates or state income tax apportionment are recognized through current period earnings in the consolidated statements of comprehensive income (loss).

In connection with the departure of certain former executive managing directors since the IPO, the right to receive payments under the tax receivable agreement by those former executive managing directors was contributed to the Oz Operating Group. As a result, the Company expects to pay to the remaining executive managing directors and the Ziffs approximately 78% (from 85% at the time of the IPO) of the amount of cash savings, if any, in federal, state and local income taxes in the United States that the Company actually realizes as a result of the increases in tax basis.

The estimate of the timing and the amount of future payments under the tax receivable agreement involves several assumptions that do not account for the significant uncertainties associated with these potential payments, including an assumption that Oz Corp will have sufficient taxable income in the relevant tax years to utilize the tax benefits that would give rise to an obligation to make payments. The actual timing and amount of any actual payments under the tax receivable agreement will vary based upon these and a number of other factors. As of December 31, 2017, the estimated future payment under the tax receivable agreement was \$280.0 million, which is recorded in due to related parties on the consolidated balance sheets.

In 2017, the Company reduced its tax receivable agreement liability due to the decrease in future U.S. Federal corporate income tax rates pursuant to the TCJA. See Note 11.

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In September 2016, the Company amended the tax receivable agreement to provide that no amounts will be due or payable under the agreement with respect to the 2015 and 2016 taxable years. As a result, the Company released \$72.6 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by \$33.4 million. The net impact of \$39.2 million was recognized as an increase to shareholders' equity in 2016. As a result of finalizing the 2016 tax returns in 2017, the Company released an additional \$18.0 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by \$7.5 million. The net impact of \$10.5 million was recognized as an increase to shareholders' equity in 2017.

The table below presents the maximum amounts that would be payable under the tax receivable agreement assuming that the Company will have sufficient taxable income each year to fully realize the expected tax savings. In light of the numerous factors affecting the Company's obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table. The impact of any net operating losses is included in the "Thereafter" amount in the table below.

	<b>Potential Payments Under Tax Receivable Agreement</b>
	<b>(dollars in thousands)</b>
2018	\$ 43,211
2019	29,254
2020	28,980
2021	29,619
2022	30,871
Thereafter	118,055
<b>Total Payments</b>	<b>\$ 279,990</b>

**Lease Obligations**

The Company has non-cancelable operating leases for its headquarters in New York expiring in 2029 and various other operating leases for its offices in London, Hong Kong, Mumbai, Beijing, Shanghai, Houston and other locations, expiring on various dates through 2024. The Company recognizes expense related to its operating leases on a straight-line basis over the lease term taking into account any rent holiday periods.

The following table presents minimum operating lease payments as of December 31, 2017. Future minimum lease payments for capital leases were not material as of December 31, 2017.

	<b>Operating Leases</b>
	<b>(dollars in thousands)</b>
2018	\$ 21,241
2019	17,466
2020	20,234
2021	20,045
2022	19,989
Thereafter	116,835
<b>Total Payments</b>	<b>\$ 215,810</b>

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For the years ended December 31, 2017, 2016 and 2015, the Company recorded rent expense on a straight-line basis of \$17.8 million, \$22.5 million, and \$22.1 million, respectively, within general, administrative and other expenses in the consolidated statements of comprehensive income (loss).

**Litigation**

From time to time, the Company is involved in litigation and claims incidental to the conduct of the Company's business. The Company is also subject to extensive scrutiny by regulatory agencies globally that have, or may in the future have, regulatory authority over the Company and its business activities. This has resulted, or may in the future result, in regulatory agency investigations, litigation and subpoenas and costs related to each.

On May 5, 2014, a purported class of shareholders filed a lawsuit against the Company in the U.S. District Court for the Southern District of New York ( *Menaldi v. Och-Ziff Capital Mgmt., et al.* ). The amended complaint asserted claims under the Securities Exchange Act of 1934 on behalf of all purchasers of Company securities from February 9, 2012 to August 22, 2014. Daniel Och, Joel Frank and Michael Cohen were also named as defendants. On March 16, 2015, all defendants moved to dismiss the amended complaint. On February 17, 2016, the court entered an order granting in part the motion to dismiss filed by the Company and Messrs. Och and Frank and dismissing Mr. Cohen from the action. On March 23, 2016, the Company and Messrs. Och and Frank filed their answer to the amended complaint. On November 18, 2016, plaintiffs filed a second amended complaint asserting claims under the Securities Exchange Act of 1934 on behalf of all purchasers of Company securities from November 18, 2011 to April 11, 2016. The second amended complaint alleges, among other things, breaches of certain disclosure obligations with respect to matters that were under investigation by the SEC and the DOJ, and names the Company and Messrs. Och, Frank and Cohen as defendants. On November 23, 2016, Mr. Cohen objected to being named as a defendant in the second amended complaint on procedural grounds. On December 21, 2016, the court directed the plaintiffs to file a motion for permission to renew their claims against Mr. Cohen. Plaintiffs filed their motion on January 7, 2017. On January 11, 2017, the Company filed a motion to dismiss those portions of the second amended complaint that seek to revive dismissed claims or assert new claims against it, and Messrs. Och and Frank filed motions to dismiss as well. On September 29, 2017, the Court granted the Company's motion to dismiss in its entirety and dismissed Plaintiffs' revived claims and new claims against the Company and Messrs. Och and Frank. The Court also dismissed Mr. Cohen from the case entirely and denied Plaintiffs' request to file a further amended complaint. The Company believes the pending case is without merit and intends to defend it vigorously. The Company is unable to reasonably estimate the amount of loss or range of loss possible for this case.

In addition, in *U.S. v. Oz Africa Management GP, LLC*, Cr. No. 16-515 (NGG) (EDNY), certain former shareholders of a Canadian mining company filed a letter with the court stating they plan to seek restitution at the sentencing hearing for Oz Africa Management GP, LLC. The Company believes the threatened claim is without merit and intends to defend it vigorously.

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**Unearned Incentive Income**

The Company receives incentive income distributions from certain funds that are subject to clawback in the event of future losses in the respective fund. The Company recognizes this incentive income when it is no longer subject to clawback. These clawback contingencies will be resolved as remaining investments in the respective funds are realized, the timing of which is uncertain. The following table presents the activity in the Company's unearned incentive income liability:

	Year Ended December 31,	
	2017	2016
	(dollars in thousands)	
<b>Beginning of Year</b>	\$ 96,079	\$ —
Deconsolidation of funds on adoption of ASU 2015-02	—	81,972
Incentive income collected but subject to clawback	53,915	22,557
Incentive income recognized	(6,284)	(8,450)
<b>End of Year</b>	<b>\$ 143,710</b>	<b>\$ 96,079</b>

**Investment Commitments**

From time to time, certain funds consolidated by the Company may have commitments to fund investments. These commitments are funded through contributions from investors in those funds, including the Company if it is an investor in the relevant fund.

The Company has unfunded capital commitments of \$30.7 million to certain funds it manages. It expects to fund these commitments over the next three years. In addition, certain related parties of the Company, collectively, have unfunded capital commitments to funds managed by the Company of up to \$46.8 million. The Company has guaranteed these commitments in the event any executive managing director fails to fund any portion when called by the fund. The Company has historically not funded any of these commitments and does not expect to in the future, as these commitments are expected to be funded by the Company's executive managing directors individually.

**Other Contingencies**

The Company may purchase an asset and make an additional payment in order to resolve a potential commercial dispute. The Company has not accrued any liability in connection with the dispute and estimates that the possible loss may range from zero to \$25.0 million.

In the normal course of business, the Company enters into contracts that provide a variety of general indemnifications. Such contracts include those with certain service providers, brokers and trading counterparties. Any exposure to the Company under these arrangements could involve future claims that may be made against the Company. Currently, no such claims exist or are expected to arise and, accordingly, the Company has not accrued any liability in connection with such indemnifications.

**16. SEGMENT INFORMATION**

The Company's operating segments are the Oz Funds segment and the Company's real estate business. The Oz Funds segment, which provides asset management services to the Company's multi-strategy funds, dedicated credit funds and other alternative investment vehicles, is currently the Company's only reportable operating segment under GAAP. The Company's real estate business, which provides asset management services to its real estate funds, is included in the Other Operations, as it does not meet the threshold of a reportable operating segment under GAAP.

In addition to analyzing the Company's results on a GAAP basis, management also reviews its results on an "Economic Income" basis. Economic Income excludes the adjustments described below that are required for presentation of the Company's

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results on a GAAP basis, but that management does not consider when evaluating operating performance in any given period. Management uses Economic Income as the basis on which it evaluates the Company's financial performance and makes resource allocation and other operating decisions. Management considers it important that investors review the same operating information that it uses.

Economic Income is a measure of pre-tax operating performance that excludes the following from the Company's results on a GAAP basis:

- Income allocations to the Company's executive managing directors on their direct interests in the Oz Operating Group. Management reviews operating performance at the Oz Operating Group level, where the Company's operations are performed, prior to making any income allocations.
- Equity-based compensation expenses, depreciation and amortization expenses, changes in the tax receivable agreement liability, gains and losses on fixed assets and investments in funds, and reorganization expenses related to the IPO, as management does not consider these items to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Amounts related to the consolidated funds, including the related eliminations of management fees and incentive income, as management reviews the total amount of management fees and incentive income earned in relation to total assets under management and fund performance.

In addition, expenses related to incentive income profit-sharing arrangements are generally recognized at the same time the related incentive income revenue is recognized, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Further, deferred cash compensation is expensed in full in the year granted for Economic Income, rather than over the service period for GAAP.

Finally, management reviews Economic Income revenues by presenting management fees net of recurring placement and related service fees, rather than considering these fees an expense, and by excluding the impact of eliminations related to the consolidated funds.

Management does not regularly review assets by operating segment in assessing operating segment performance and the allocation of company resources; therefore, the Company does not present total assets by operating segment. Substantially all interest income and all interest expense related to outstanding indebtedness is allocated to the Oz Funds segment. The Company's investigation-related settlements were all allocated to the Oz Funds segment.

**Oz Funds Segment Results**

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
<i>Oz Funds Segment:</i>			
Economic Income Revenues	\$ 805,634	\$ 700,950	\$ 821,905
Economic Income	\$ 332,603	\$ (217,006)	\$ 340,157

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**Reconciliation of Oz Funds Segment Revenues to Consolidated Revenues**

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Total consolidated revenues	\$ 858,337	\$ 770,364	\$ 1,322,981
Adjustment to management fees (1)	(20,151)	(38,424)	(1,804)
Adjustment to incentive income (2)	—	—	17,449
Adjustment to other revenues (3)	(1,097)	—	—
Other Operations revenues	(27,353)	(29,228)	(27,371)
Income of consolidated funds	(4,102)	(1,762)	(489,350)
<b>Economic Income Revenues - Oz Funds Segment</b>	<b>\$ 805,634</b>	<b>\$ 700,950</b>	<b>\$ 821,905</b>

- (1) Adjustment to present management fees net of recurring placement and related service fees, as management considers these fees a reduction in management fees, not an expense. The impact of eliminations related to the consolidated funds is also removed.
- (2) Adjustment to exclude the impact of eliminations related to the consolidated funds.
- (3) Adjustment to exclude realized gains on sale of fixed assets.

**Reconciliation of Oz Funds Segment Economic Income to Net Income (Loss) Attributable to Class A Shareholders**

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
<b>Net Income (Loss) Attributable to Class A Shareholders—GAAP</b>	<b>\$ 18,222</b>	<b>\$ (130,762)</b>	<b>\$ 25,740</b>
Change in redemption value of Preferred Units	2,853	6,082	—
<b>Net Income (Loss) Attributable to Och-Ziff Capital Management Group LLC—GAAP</b>	<b>\$ 21,075</b>	<b>\$ (124,680)</b>	<b>\$ 25,740</b>
Net income (loss) attributable to Group A Units	130,730	(195,087)	136,449
Equity-based compensation, net of RSUs settled in cash	84,039	75,217	106,565
Adjustment to recognize deferred cash compensation in the period of grant	(28,893)	(1,851)	—
Income taxes	317,559	10,886	132,224
Adjustment for incentive income allocations from consolidated funds subject to clawback	—	—	(45,077)
Allocations to Group D Units	6,674	—	12,675
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	22,967	6,752	8,612
Reorganization expenses	—	—	14,064
Changes in tax receivable agreement liability	(222,859)	1,663	(55,852)
Depreciation, amortization and net gains and losses on fixed assets	10,334	19,882	11,331
Other adjustments	(3,891)	(4,357)	(1,515)
Other Operations	(5,132)	(5,431)	(5,059)
<b>Economic Income - Oz Funds Segment</b>	<b>\$ 332,603</b>	<b>\$ (217,006)</b>	<b>\$ 340,157</b>



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**17. SUBSEQUENT EVENTS**

**Dividend**

On February 16, 2018, the Company announced a cash dividend of \$0.07 per Class A Share. The dividend is payable on March 5, 2018, to holders of record as of the close of business on February 26, 2018.

**Shares and Units Transactions**

Subsequent to December 31, 2017 and through the date of this filing, the Company has had various compensation and other related transactions, resulting in the following number of units and shares outstanding:

	<b>Number Outstanding</b>
Class A Shares	190,781,536
Group A Units	261,489,478
Group P Units	42,850,000
Group D Units	35,233,213
RSUs	52,934,167
PSUs	10,000,000

See Notes 1, 2 and 10 for additional information regarding the Company's Class A Shares, Group A Units, Group D Units, Group P Units and RSUs.

Beginning in 2018, the Company began issuing PSUs. The PSUs granted to-date vest subject to continued and uninterrupted service ("PSU Service Condition") until the third anniversary of the grant date and the meeting of a performance threshold of the total shareholder return on Class A Shares of the Company ("PSU Performance Condition"). The PSU Performance Condition is defined as follows: 20% of PSUs vest if a total shareholder return of 25% is achieved; an additional 40% of PSUs vest if a total shareholder return of 50% is achieved; an additional 20% of PSUs vest if a total shareholder return of 75% is achieved; and the final 20% of PSUs vest if a total shareholder return of 125% is achieved. In each case, the PSU Performance Condition must be met for each threshold by the sixth anniversary of the grant date. If the PSU grant has not satisfied both the PSU Service Condition and the PSU Performance Condition by the sixth anniversary of the grant date, it will be forfeited and canceled immediately.

**Investments in CLOs and CLO Investments Loans**

Subsequent to December 31, 2017 and through the date of this filing, the Company made additional investments in notes of CLOs it manages of \$74.8 million, these investments were in part financed by borrowings of \$61.8 million. The loans are subject to customary events of default and covenants, and include terms that require the Company's continued involvement with the CLOs. The CLO Investments Loans do not have any financial maintenance covenants. See Note 8 for additional information regarding CLO Investments Loans.

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**SUPPLEMENTAL FINANCIAL INFORMATION**  
**QUARTERLY RESULTS—UNAUDITED**

The quarterly results presented below were prepared in accordance with GAAP and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results.

The Company generally only recognizes incentive income during the first three quarters of the year as a result of fund investor redemptions during the period or amounts earned on longer-term assets under management. Incentive income for the majority of the Company's multi-strategy assets under management is recognized during the fourth quarter each year.

Compensation and benefits generally comprise a significant portion of total expenses, with discretionary cash bonuses comprising a large portion of total compensation and benefits expense. These cash bonuses are based on total annual revenues, which are significantly influenced by relative fund performance. Prior to 2017, annual discretionary bonuses were determined and expensed in the fourth quarter each year. Beginning in the first quarter of 2017, the Company made a decision to provide a minimum annual discretionary cash bonus. As a result of this decision, the Company began to accrue the minimum annual discretionary cash bonus on a straight-line basis during the year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued in the first three quarters, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

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**QUARTERLY RESULTS—UNAUDITED**

The following table presents the Company's unaudited, summarized quarterly results and balance sheet information for the year ended December 31, 2017

	Year Ended December 31, 2017			
	First	Second	Third	Fourth
(dollars in thousands, except per share amounts)				
<b>Selected Operating Statement Data</b>				
Total revenues	\$ 139,152	\$ 148,946	\$ 131,999	\$ 438,240
Total expenses	122,235	110,456	122,061	266,450
Total other income	956	450	7,922	225,468
Income taxes	12,056	3,244	1,942	300,317
<b>Consolidated Net Income</b>	<b>5,817</b>	<b>35,696</b>	<b>15,918</b>	<b>96,941</b>
Less: Income allocated to noncontrolling interests	(9,778)	(22,142)	(9,760)	(89,950)
Less: Income allocated to redeemable noncontrolling interests	(350)	(456)	(432)	(429)
<b>Net (Loss) Income Allocated to Och-Ziff Capital Management Group LLC</b>	<b>(4,311)</b>	<b>13,098</b>	<b>5,726</b>	<b>6,562</b>
Less: Change in redemption value of Preferred Units	(2,853)	—	—	—
<b>Net (Loss) Income Attributable to Class A Shareholders</b>	<b>\$ (7,164)</b>	<b>\$ 13,098</b>	<b>\$ 5,726</b>	<b>\$ 6,562</b>
<b>Earnings Per Class A Share</b>				
Earnings per Class A Share - basic	\$ (0.04)	\$ 0.07	\$ 0.03	\$ 0.04
Earnings per Class A Share - diluted	\$ (0.04)	\$ 0.07	\$ 0.03	\$ 0.03
Weighted-average Class A Shares outstanding - basic	186,226,675	186,142,576	186,235,651	187,083,750
Weighted-average Class A Shares outstanding - diluted	186,226,675	186,142,576	186,235,651	190,115,619
<b>Selected Balance Sheet Data</b>				
Cash and cash equivalents	\$ 351,810	\$ 275,865	\$ 317,917	\$ 469,513
Assets of consolidated funds	57,310	268,504	53,490	56,697
Total assets	1,306,549	1,624,382	1,543,373	1,639,433
Debt obligations	410,612	429,202	541,016	569,379
Liabilities of consolidated funds	16,658	221,143	8,965	11,340
Total liabilities	1,148,593	1,414,760	1,305,515	1,289,745
Redeemable noncontrolling interests	441,971	444,678	445,142	445,617
Shareholders' deficit attributable to Class A Shareholders	(500,975)	(482,332)	(471,386)	(453,831)
Shareholders' equity attributable to noncontrolling interests	216,960	247,276	264,102	357,902
Total shareholders' equity	(284,015)	(235,056)	(207,284)	(95,929)

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**QUARTERLY RESULTS—UNAUDITED**

The following table presents the Company's unaudited, summarized quarterly results and balance sheet information for the year ended December 31, 2016

	Year Ended December 31, 2016			
	First	Second	Third	Fourth
(dollars in thousands, except per share amounts)				
<b>Selected Operating Statement Data</b>				
Total revenues	\$ 188,442	\$ 152,558	\$ 148,105	\$ 281,259
Total expenses	327,582	336,240	120,029	296,626
Total other income (loss)	939	1,092	13,443	(10,462)
Income taxes	18,539	10,911	9,986	(28,550)
<b>Consolidated Net (Loss) Income</b>	<b>(156,740)</b>	<b>(193,501)</b>	<b>31,533</b>	<b>2,721</b>
Less: Loss (income) attributable to noncontrolling interests	87,845	115,592	(16,570)	6,890
Less: Income attributable to redeemable noncontrolling interests	(461)	(662)	(678)	(649)
<b>Net (Loss) Income Attributable to Och-Ziff Capital Management Group LLC</b>	<b>(69,356)</b>	<b>(78,571)</b>	<b>14,285</b>	<b>8,962</b>
Less: Change in redemption value of Preferred Units	—	—	—	(6,082)
<b>Net (Loss) Income Attributable to Class A Shareholders</b>	<b>\$ (69,356)</b>	<b>\$ (78,571)</b>	<b>\$ 14,285</b>	<b>\$ 2,880</b>
<b>(Loss) Earnings Per Class A Share</b>				
(Loss) earnings per Class A Share - basic	\$ (0.38)	\$ (0.43)	\$ 0.08	\$ 0.02
(Loss) earnings per Class A Share - diluted	\$ (0.38)	\$ (0.44)	\$ 0.05	\$ 0.02
Weighted-average Class A Shares outstanding - basic	182,548,852	182,454,677	182,521,225	183,152,279
Weighted-average Class A Shares outstanding - diluted	182,548,852	479,771,696	479,838,244	183,152,279
<b>Selected Balance Sheet Data</b>				
Cash and cash equivalents	\$ 228,726	\$ 368,161	\$ 430,470	\$ 329,813
Assets of consolidated funds	36,532	37,683	39,463	55,205
Total assets	1,255,312	1,375,068	1,388,257	1,485,555
Debt obligations	442,628	562,204	561,757	577,128
Liabilities of consolidated funds	1,836	133	653	15,197
Total liabilities	1,438,983	1,731,255	1,639,589	1,495,526
Redeemable noncontrolling interests	19,629	20,292	20,973	284,121
Shareholders' deficit attributable to Class A Shareholders	(459,368)	(530,790)	(451,491)	(466,021)
Shareholders' equity attributable to noncontrolling interests	256,068	154,311	179,186	171,929
Total shareholders' equity	(203,300)	(376,479)	(272,305)	(294,092)

**EMPLOYMENT AGREEMENT**

This EMPLOYMENT AGREEMENT (this “Agreement”) is executed on January 27, 2018, by and between OZ Management LP, a Delaware limited partnership (“OZM”), and Robert Shafir (the “Executive”).

1. Employment.

(a) Acceptance of Employment; Defined Terms. OZM hereby agrees to employ the Executive, and the Executive hereby accepts such employment, in each case, to be effective as of February 5, 2018, (such date, or a later date agreed upon by the parties as the employment commencement date, the “Effective Date”) subject to the Executive commencing employment on such date, according to the terms and conditions set forth in this Agreement. The parties acknowledge that the Executive may be employed by OZM, OZ Advisors LP (“OZA”), OZ Advisors II LP (“OZAIL,” and together with OZM and OZA, the “OZ Operating Partnerships”), any of the general partners of the OZ Operating Partnerships, or any of their respective subsidiaries or affiliated entities (collectively, the “OZ Entities” or the “Company”), and such employment shall be governed by this Agreement.

(b) Title. Commencing from the Effective Date, the Executive shall serve as the Chief Executive Officer (“CEO”) of Och-Ziff Capital Management Group LLC (the “Parent”).

(c) Term. Unless terminated earlier pursuant to Section 3 of this Agreement, the term of Executive’s employment under this Agreement shall commence on the Effective Date and continue through the fourth anniversary thereof (the “Term”). Except as set forth in Section 8(j), upon expiration of the Term (or upon the termination of Executive’s employment with the Company, if earlier), this Agreement shall terminate and no longer be of any force or effect. For purposes of this Agreement, a “Term Year” means each 12-month period commencing on the Effective Date and each subsequent anniversary of the Effective Date during the Term.

(d) Reporting. The Executive shall report to, and at all times be subject to the lawful direction of, the Board of Directors of the Parent (the “Board”). The Company shall nominate the Executive to serve as a member of the Board during the Term without additional compensation, and shall serve as a member of any management committees of the Company during the Term without compensation if requested by the Board or any of the general partners of the OZ Operating Partnerships. The Executive shall also assume without compensation such other titles and roles during the Term as reasonably requested by the Board or any of the general partners of the OZ Operating Partnerships.

(e) Full Attention. During the Term, the Executive shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business affairs of the Company. The Executive shall perform his duties and responsibilities to the best of his abilities. Notwithstanding the foregoing, subject to written consent of the Board and the compliance policies, rules and regulations of the Company as in effect from time to time, the Executive shall

be permitted to (a) serve on any for-profit corporate or governmental board of directors, (b) serve on the board of, or work for, any charitable, not-for-profit or community organization, and (c) pursue his personal, financial and legal affairs; provided, in each case, that Executive shall not engage in any other business, profession, occupation or other activity, for compensation or otherwise, which would violate any provision of Section 4.

(f) Employment At-Will. The Executive's employment with the Company is an at-will relationship, meaning that either the Executive or the Company may terminate this employment relationship at any time, for any reason or no reason, with or without Cause (as defined in Section 3(h)(i)), and with or without advanced notice.

(g) Compliance with Company Policies and Applicable Law. The Executive will comply at all times with all policies, rules and regulations of the Company, as adopted from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to the Executive, including but not limited to prohibitions on discretionary trading accounts and policies regarding conflicts of interest and confidential information. The Executive will also comply with all applicable policies, procedures, rules, regulations and orders to which he is required to comply as an executive of the Company, including, without limitation, by any recognized stock exchange or other regulatory body or lawful authority.

(h) Executive Representation. Executive hereby represents and warrants to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene or conflict with or cause a default under, the terms of any employment agreement or other contract, agreement, policy, instrument, order, judgment or decree to which the Executive is a party or by which the Executive is bound. The Executive further represents and warrants that all information that he has provided to the Company about himself in response to questionnaires or otherwise is true. The Executive represents and warrants that he has not previously engaged in, nor is currently engaging in, any activity that would violate any Company policy on political contributions or conflicts of interest, determined as if he were an employee covered by each such policy, but disregarding in respect of the conflict of interest policy any investments disposed of prior to the Effective Date. The Executive hereby represents and warrants to the Company that no commission or finder's fee, or any other amount of whatever nature or kind, was indirectly or directly incurred in connection with the recruitment of the Executive.

(i) Partnership Admission. The Executive agrees that he will be admitted as a limited partner of each of the OZ Operating Partnerships within 30 calendar days of the Effective Date. In connection with such admission, the OZ Operating Partnerships will each issue one Class D Common Unit (as defined in the Limited Partnership Agreements of the OZ Operating Partnerships, as amended from time to time (the "Limited Partnership Agreements")) to the Executive and the Executive will enter into Partner Agreements (the "Partner Agreements") and the Limited Partnership Agreements with each of the OZ Operating Partnerships. The Partner Agreements will supersede and replace this Employment Agreement (except to the extent such matters are addressed in the Limited Partnership Agreements), but will include substantially similar provisions to this Employment Agreement, taking into account the Executive's change of status from employee to limited partner of the OZ Operating Partnerships. The Executive hereby

agrees to perform all acts, and to execute and deliver any documents (including the Partner Agreements and a joinder to the Exchange Agreement, the Tax Receivable Agreement and the Registration Rights Agreement (each as defined in the Limited Partnership Agreements)) that may be reasonably necessary to carry out the provisions of this Section 1(i).

2. Compensation and Benefits.

(a) Base Salary. Effective as of the Effective Date and during the Term following the Effective Date, the Executive shall receive a base salary from the Company at an annualized rate of \$2 million, payable in regular installments in accordance with the Company's standard payroll policies (the "Base Salary"). The Executive shall be eligible for such increases in Base Salary, if any, as may be determined from time to time in the sole discretion of the Board or the Compensation Committee of the Board (the "Compensation Committee"). The term "Base Salary" as used in this Agreement shall refer to the Base Salary as in effect from time to time during the Term. The Executive's Base Salary shall not be reduced after any such increase without Executive's express written consent.

(b) Annual Discretionary Bonus Compensation.

(i) *Determination of Annual Discretionary Bonus*. During the Term, the Executive shall be eligible to receive discretionary bonus compensation with respect to each fiscal year ("Fiscal Year") (pro-rated for any partial Fiscal Years during the Term) (each, an "Annual Bonus"), determined based on performance relative to performance criteria for such Fiscal Year established by the Compensation Committee and subject to approval by the Board. The amount of the Annual Bonus for any Fiscal Year shall be determined by the Compensation Committee, with the minimum bonus equal to 100% of Base Salary and a maximum bonus equal to 200% of Base Salary. The Executive must be employed by the Company on the date of payment of such Annual Bonus, and must not have resigned or provided notice of his resignation on or before such date, in order to be eligible for such Annual Bonus, except as provided in this Agreement.

(ii) *Form of Payment of Annual Discretionary Bonus*. Annual Bonuses may be paid in cash, equity, or a combination thereof (including grants under the Och-Ziff Capital Management Group LLC 2013 Incentive Plan or a successor plan (the "2013 Plan") and grants of "deferred cash interests" under the Och Ziff Deferred Cash Interest Plan for Employees or analogous plan applicable to the Executive), as determined in the discretion of the Compensation Committee; provided, however, that no less than 60% of any Annual Bonus with respect to any Fiscal Year shall be paid in cash.

(iii) *Time of Payment of Annual Discretionary Bonus*. Any Annual Bonus shall be paid in cash or settled by an award, as applicable, on or before March 15 of the year immediately following the Fiscal Year to which such Annual Bonus relates. Upon the grant of any Annual Bonus payable in equity, the Executive and the Company will enter into an award agreement (with terms and conditions consistent with this Agreement).

(iv) *Vesting of Annual Discretionary Bonus.* Unless otherwise determined by the Compensation Committee and set forth in the applicable award agreement, any portion of any Annual Bonus that is paid in a grant of restricted stock units (“RSUs”) under the 2013 Plan will vest in four equal annual installments on each of the first four anniversaries of the applicable grant date; provided, that the Executive must be employed by the Company on such vesting date (and must not have resigned or provided notice of his resignation on or before such date), except as otherwise provided in Section 3(d)(ii)(3). All or any portion of any Annual Bonus may be subject to additional vesting requirements as determined in the discretion of the Compensation Committee. Notwithstanding anything in this Section 2(b)(iv) to the contrary, no portion of any Annual Bonus paid in the form of an equity award or a “deferred cash interest” award will be subject to a service-based vesting schedule of more than four years from the applicable grant date.

(c) Annual Equity Compensation.

(i) *Annual RSU Grants.* As of the Effective Date and on or about each anniversary of the Effective Date during the Term (each such date, a “Grant Date”), the Executive shall receive an annual grant of restricted stock units (“RSUs”) under the 2013 Plan (each such grant, an “Annual RSU Grant”) equal to \$5 million in value (the “Annual RSU Award Value”), as generally provided in this Section 2(c), subject in all events to the terms and conditions of the 2013 Plan (including any limitations of the number of available shares) and related Award Agreement (as defined below).

(ii) *Determination and Delivery of Annual RSU Grants.* The Annual RSU Grant with respect to each Grant Date shall consist of an award to the Executive of a number of RSUs equal to the RSU Equivalent Amount (as defined below) (the “Annual RSUs”); provided, that the Executive must be employed by the Company on such Grant Date (and must not have resigned or provided notice of his resignation on or before such date) and that the Executive has entered into an award agreement evidencing such grant (each, an “Award Agreement”). Notwithstanding the above, if the RSU Fair Market Value applicable for an Annual RSU Grant is less than \$2.00 per share, the Board may, in its discretion, reduce the RSU Equivalent Amount to not less than 2.5 million RSUs, and shall deliver the balance of the Annual RSU Award Value with respect to such Annual RSU Grant in the form of a cash-based award (which for the avoidance of doubt, will constitute a part of the Annual RSU Grant and will be subject to the same terms and conditions as the Annual RSU Grant (including vesting and treatment upon termination of employment or change in control). For purposes of this Agreement:

(1) “RSU Equivalent Amount” shall mean the quotient of the Annual RSU Award Value divided by the RSU Fair Market Value rounded to the nearest whole number.

(2) “RSU Fair Market Value” shall mean the average of the closing price on the New York Stock Exchange of the Parent’s Class A Shares for the 10 trading days immediately prior to the Effective Date or applicable Effective Date anniversary.



(iii) *Vesting of Annual RSUs*. The Annual RSUs will vest in four equal annual installments on each of the first four anniversaries of the applicable Grant Date; provided, that the Executive must be employed by the Company on such vesting date (and must not have resigned or provided notice of his resignation on or before such date), except as otherwise provided in Section 2(d)(iii), Section 3(b)(ii)(2), Section 3(b)(iv), Section 3(c)(ii) and Section 3(d)(ii)(1).

(iv) *Treatment of Annual RSUs Upon a Change in Control*. In the event of a Change in Control (as defined below), all Annual RSUs shall be treated in accordance with Section 2(d)(iii).

(d) Sign-On RSU Grant.

(i) *Award of Sign-On RSUs*. Upon the Effective Date, the Executive shall be entitled to receive a grant of 12 million RSUs under the 2013 Plan (the “Sign-On RSUs”), as generally provided in this Section 2(d), and subject in all events to the terms and conditions of the 2013 Plan and related Award Agreement. The Sign-On RSUs shall be granted as soon as practicable following the Effective Date; provided, that the Executive has entered into an Award Agreement with respect to such grant (with terms and conditions consistent with this Agreement).

(ii) *Vesting of Sign-On RSUs*. The Sign-On RSUs will vest in four equal annual installments on each of the first four anniversaries of the Effective Date; provided, that the Executive must be employed by the Company on such vesting date (and must not have resigned or provided notice of his resignation on or before such date), except as otherwise provided in Section 2(d)(iii), Section 3(b)(ii)(1), Section 3(b)(iv), Section 3(c)(ii) and Section 3(d)(ii)(1).

(iii) *Treatment of Sign-On RSUs and Annual RSUs Upon a Change in Control; Certain Other Payments Upon a Change in Control*. In the event of a Change in Control, all unvested Sign-On RSUs and all unvested Annual RSUs (as may be adjusted in such Change in Control in accordance with the terms of the 2013 Plan and Award Agreements) shall remain outstanding and continue to vest in accordance with the terms of the applicable Award Agreements, subject to the Executive’s continued employment with the Company or successor entity thereto in a Substantially Equivalent Position (as defined below) through the applicable vesting date; provided, however, that:

(1) if the Executive is offered a Substantially Equivalent Position with the Company or a successor entity thereto in such Change in Control but does not accept such position, then all unvested Sign-On RSUs and all unvested Annual RSUs shall be forfeited as of the date of such Change in Control; and

(2) if (i) the Executive’s employment with the Company or such successor entity is terminated by the Company or such successor entity without Cause or by the Executive because his position has ceased to be a Substantially Equivalent Position, in each case, during the Change in Control Protection Period (as defined below), or (ii) if the Executive is not offered a

Substantially Equivalent Position in such Change in Control and terminates his employment within 30 days following such Change in Control, in each case, then:

(A) the next two installments of the Sign-On RSUs (or if less than two installments remain unvested as of the Termination Date, then all of the Sign-On RSUs) that would have otherwise vested if Executive had not been so terminated shall become vested on the later of (x) the date of such Change in Control and (y) the date of such termination. In addition, to the extent unvested following application of the previous sentence, a portion of an additional installment of Sign-On RSUs, pro-rated for the Term Year in which the termination occurs through the Termination Date, shall become vested as of such date. After application of the foregoing, the remainder of the unvested Sign-On RSUs, if any, will be immediately forfeited as of the Termination Date;

(B) the next two installments of any Annual RSUs (or if less than two installments remain unvested as of the Termination Date, then all of the Annual RSUs) that would have otherwise vested if Executive had not been so terminated shall become vested on the later of (x) the date of such Change in Control and (y) the date of such termination, and the remainder of the unvested Annual RSUs, if any, will be immediately forfeited as of such date; and

(C) the Executive shall receive the Severance Benefit (as defined in Section 3(b)(iii)), payable as described in Section 3(b)(iii).

For the avoidance of doubt, any payments and benefits provided under this Section 2(d)(iii) (including under Section 2(d)(iii)(C)) shall be in lieu of any payments and benefits under Section 3.

(iv) For purposes of this Agreement, “Change in Control” means the occurrence of the following: (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties and assets of the Operating Group Entities, taken as a whole, to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than to a Continuing OZ Person; or (ii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than a Continuing OZ Person, becomes (A) the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) of a majority of the voting interests in (1) Och-Ziff or (2) one or more of the Operating Group Entities comprising all or substantially all of the assets of the Operating Group Entities and (B) entitled to receive a Majority Economic Interest in connection with such transaction. For purposes of the definition of Change in Control, all capitalized terms shall have the meaning ascribed to such terms in the Limited Partnership Agreements.

(v) For purposes of this Agreement, the “Change in Control Protection Period” means the period beginning 6 months prior to a Change in Control and ending on the earlier of (x) the second anniversary of the Change in Control and (y) the expiration of the Term.

(vi) For purposes of this Agreement, “Substantially Equivalent Position” shall mean the CEO position held by the Executive prior to the occurrence of any of the following events without the express written consent of the Executive, unless such event is materially corrected by the Board within thirty (30) days following the Executive’s provision of written notice to the Board of such event, which notice must be given within thirty (30) days of the first occurrence of the relevant event: (1) prior to the occurrence of a Change in Control, the failure of the Company to nominate the Executive to the Board; (2) a material diminution in the Executive’s authority, duties, or responsibilities; or (3) a requirement that the Executive report to any person or entity other than to the Board; in each case, provided, however, with respect to clauses (2) and (3), that following the occurrence of a Change in Control in which the Executive remains the most senior executive of the Company, the Executive’s position shall not fail to be a Substantially Equivalent Position due to a change in title or reporting structure or other similar event, including without limitation by reason of the Executive ceasing to be an executive officer of a public company or ceasing to report directly to a board of directors of a public company.

(e) Sign-On PSU Grant.

(i) *Award of Sign-On PSUs*. Upon the Effective Date, the Executive shall be entitled to receive a grant of 10 million performance-based RSUs (“PSUs”) under the 2013 Plan (the “Sign-On PSUs”), as generally provided in this Section 2(e), subject in all events to the terms and conditions of the 2013 Plan and related Award Agreement. The Sign-On PSUs shall be granted as soon as practicable following the Effective Date; provided, that the Executive has entered into an Award Agreement with respect to such grant.

(ii) *Service Condition*. The “Service Condition” means that the Executive has continued to be employed by the Company through the third anniversary of the Effective Date (and must not have resigned or provided notice of his resignation on or before such date).

(iii) *Performance Condition; Vesting; Forfeiture*. Each Sign-On PSU will conditionally vest in full and be settled in accordance with Section 2(f)(i) upon (A) satisfaction of the Service Condition and (B) the Total Shareholder Return (as defined below) subsequently becoming equal to or exceeding the specified threshold applicable to such Sign-On PSU as set forth below (the “Performance Threshold,” and such condition, the “Performance Condition”); provided, that the Executive is employed by the Company on such vesting date (and must not have resigned or provided notice of his resignation on or before such date), and except as otherwise provided in Section 2(e)(vi), Section 3(b)(ii), Section 3(b)(iv), Section 3(c)(ii) and Section 3(d)(ii). “Total Shareholder Return” shall have the meaning ascribed to such term in the Limited Partnership Agreements, treating for these purposes the Sign-On PSUs as Class P Common Units and using a Reference Price equal to the average closing price on the New York Stock Exchange of the Class A Shares of Parent for the 10 trading days immediately following the public announcement of the appointment of the Executive as CEO.

(iv) *Performance Period* . If a Sign-On PSU has not satisfied both the Service Condition and the Performance Condition by the sixth anniversary of the Effective Date (such 6-year period, the “Performance Period”), such Sign-On PSU shall be forfeited automatically, except as otherwise provided in Section 2(e)(vi), Section 3(b)(ii)(3), Section 3(b)(iv), Section 3(c)(ii) and Section 3(d)(ii).

(v) *Performance Thresholds* . The Performance Threshold means the required threshold of Total Shareholder Return that must be achieved for a portion of the Sign-On PSUs to vest, which shall be expressed as a percentage, and is as follows: (i) the Performance Threshold is 25% for 20% of such Sign-On PSUs to vest; (ii) the Performance Threshold is 50% for an additional 40% of such Sign-On PSUs to vest; (iii) the Performance Threshold is 75% for an additional 20% of such Sign-On PSUs to vest; and (iv) the Performance Threshold is 125% for an additional 20% of such Sign-On PSUs to vest.

(vi) *Treatment of Sign-On PSUs Upon a Change in Control*. In the event of a Change in Control, (A) the Service Condition shall be waived (if not already satisfied) with respect to each Sign-On PSU but only to the extent that the applicable Performance Condition has been satisfied or deemed satisfied pursuant to the following Clause (B); and (B) each Sign-On PSU shall become vested to the extent that the Performance Condition has already been satisfied or is deemed satisfied based on the price per Class A Share implied by the Change in Control; provided, the Executive is employed by the Company on the date of such Change in Control (and must not have resigned or provided notice of his resignation on or before such date). The remaining unvested Sign-On PSUs, if any, will be forfeited on the date of such Change in Control.

(f) General Terms Relating to RSUs and PSUs .

(i) *Settlement of RSUs and PSUs* . Each vested Annual RSU, each vested Sign-On RSU and each vested Sign-On PSU may be settled in accordance with the terms of the 2013 Plan and the applicable Award Agreement, in the sole discretion of the Compensation Committee in its capacity as Administrator of the 2013 Plan, either by the delivery of (1) one Class A Share (as defined in the Plan) or (2) cash equal to the Fair Market Value (as defined in the Plan) of one Class A Share.

(ii) *Distribution Equivalents on RSUs*. As set forth in the applicable Award Agreements, the Executive will be credited with Distribution Equivalents (as defined in the 2013 Plan) with respect to the Annual RSUs and Sign-On RSUs, to be subject to the same terms and conditions applicable to, and to be settled on the same date as, the Annual RSUs or Sign-On RSUs, as applicable, in respect of which such distribution equivalents are awarded. Additionally, at the sole discretion of the Board, such Distribution Equivalents may be eligible to receive additional Distribution Equivalents. No Distribution Equivalents shall be payable in respect of the Sign-On PSUs.

(iii) Each Annual RSU, each Sign-On RSU and each Sign-On PSU will be subject in all cases to the terms and conditions of the 2013 Plan and applicable Award Agreement, and in the event of any conflict between the terms of this Agreement and the terms of the 2013 Plan and/or such Award Agreement, the terms of this Agreement will control.

(iv) Nothing herein shall mean or be construed to mean that (i) the Executive is a partner of any of the OZ Operating Partnerships, (ii) the Executive has any right, title, interest or claim with respect to the equity of the OZ Entities other than as expressly provided in this Agreement, or (iii) the Executive or any person claiming under or through the Executive has any right, title, interest or claim to the proceeds of (1) any sale of all or any portion of any of the OZ Entities (whether by merger, consolidation, sale of assets or otherwise), (2) any issuance of equity in any of the OZ Entities, (3) any sale of all or part of the then-existing equity of any of the OZ Entities, or (4) any other monetization or capitalization of the OZ Entities, other than as expressly provided in this Agreement.

(v) During the Term and so long as he is employed by the Company, the Executive will continue to hold at least 50% of the after-tax portion of Class A Shares delivered in respect of any equity awards (including without limitation, any Class A Shares acquired on settlement of the Annual RSUs, the Sign-On RSUs, the Sign-On PSUs and any Annual Bonuses). This restriction shall lapse on termination of employment for any reason and upon a Change in Control.

(g) Employee Benefits. During the Term, the Executive shall be eligible to participate in the Company's employee benefit plans as in effect from time to time, on the same basis as those benefits are generally made available to other similarly-situated senior executives of the Company.

(h) Business Expenses. During the Term, Executive shall be reimbursed for all reasonable expenses incurred by him in performing his duties hereunder provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company.

(i) Perquisites. During the Term, the Executive shall be entitled to receive such perquisites and fringe benefits which similarly situated senior executives of the Company are entitled to receive and such other perquisites which are suitable to the character of Executive's position with the Company and adequate for the performance of Executive's duties hereunder as determined by the Company from time to time.

### 3. Termination of Employment.

#### (a) Termination by the Company For Cause or by the Executive.

(i) *Payments on Termination*. If the Term and the Executive's employment under this Agreement are terminated by the Company for Cause or by the Executive for any reason, prior to the scheduled expiration of the Term, then Executive shall be entitled to receive:

(1) the Base Salary through the Termination Date (as defined below);

(2) reimbursement for any unreimbursed business expenses properly incurred by the Executive in accordance with Company policy prior to the Termination Date; and

(3) such employee benefits, if any, to which the Executive may be entitled under the employee benefit plans of the Company, subject to the terms and conditions of the applicable plan (the amounts described in clauses (1) through (3) being referred to as the “Accrued Rights”). The Accrued Rights shall not include any bonus payments in connection with any bonus plan, policy, practice, program or award.

(ii) *Treatment of Equity Awards*. Upon a termination of the Executive’s employment hereunder as described in Section 3(a)(i), (i) all unvested Annual RSUs, unvested Sign-On RSUs and unvested Sign-On PSUs shall be immediately forfeited without consideration upon the Termination Date, and (ii) if such termination is by the Company for Cause, all vested Annual RSUs, vested Sign-On RSUs and vested Sign-On PSUs shall also be immediately forfeited without consideration upon the Termination Date.

(iii) *Compensation Forfeiture*. Upon a termination of the Executive’s employment by the Company for Cause as described in Section 3(a)(i), the Executive shall transfer to the Company the number of Class A Shares equal to the number of Class A Shares that were acquired by Executive in respect of any equity awards (including without limitation, any Class A Shares acquired on settlement of the Annual RSUs, the Sign-On RSUs, the Sign-On PSUs and any Annual Bonuses), in each case, in the 24-month period prior to the Termination Date. Notwithstanding the foregoing sentence, (A) if such termination of the Executive’s employment is pursuant to clause (iii) of the definition of Cause, this Section 3(a)(iii) shall only apply if the relevant regulatory body or self-regulatory organization has found (or the Executive has entered into a consent decree determining) that the Executive has committed fraud and (B) if such termination of the Executive’s employment is pursuant to clause (v) of the definition of Cause, this Section 3(a)(iii) shall only apply if such violation of any agreement relating to the Company causes non-de minimis detriment to the Company (financial or otherwise).

(iv) Notwithstanding the delivery of a Notice of Termination with respect to a termination other than a termination by the Company under Section 3(a)(i), the Company may, at any time on or prior to the Termination Date, exercise its right to terminate the Term and the Executive’s employment for Cause, and, upon the proper exercise of such right, any other purported termination shall be null and void, and the terms of Section 3(a)(i) shall apply.

(v) Following such termination of Executive’s employment hereunder pursuant to this Section 3(a), Executive shall have no further rights to any compensation or any other benefits under this Agreement, except as provided in Section 2(d)(iii), to the extent applicable, or Section 3(b)(iv).

(b) Termination by the Company Without Cause.

(i) *Payments on Termination*. If the Term and the Executive’s employment under this Agreement is terminated by the Company prior to the scheduled expiration of the Term without Cause (except in circumstances described in Section 2(d)), then the Executive shall be entitled to receive: (1) the Accrued Rights; (2) the treatment of equity awards described in Section 3(b)(ii); and (3) a Severance Benefit payable as described in Section 3(b)(iii).

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(ii) *Treatment of Equity Awards.* Upon termination of Executive's employment hereunder as described in Section 3(b)(i):

(1) the next two installments of the Sign-On RSUs (or if less than two installments remain unvested as of the Termination Date, then all of the Sign-On RSUs) that would have otherwise vested if Executive had not been so terminated shall become vested as of the Termination Date. In addition, to the extent unvested following application of the previous sentence, a portion of an additional installment of Sign-On RSUs, pro-rated for the Term Year in which the termination occurs through the Termination Date, shall become vested as of the date of such termination. After application of the foregoing, the remainder of the unvested Sign-On RSUs, if any, will be immediately forfeited as of the Termination Date.

(2) the next two installments of any Annual RSUs (or if less than two installments remain unvested as of the Termination Date, then all of the Annual RSUs) that would have otherwise vested if Executive had not been so terminated shall become vested as of the Termination Date, and the remainder of the unvested Annual RSUs, if any, will be immediately forfeited as of such date; and

(3) the Service Condition with respect to the Sign-On PSUs shall be waived as of the Termination Date (if not already satisfied) and the Executive shall conditionally retain all of the Sign-On PSUs for a period of 24 months following the Termination Date; provided, that any Sign-On PSUs that have not satisfied the Performance Condition on or prior to the earlier of (x) the last day of such 24-month period and (y) the last day of the Performance Period shall be immediately forfeited as of such date.

(iii) *Severance Benefit.* The "Severance Benefit" shall be equal to the sum of:

(1) (A) if the Termination Date occurs prior to the second anniversary of the Effective Date, the lower of (x) the Base Severance Benefit (as defined below) and (y) \$18 million, and (B) if the Termination Date occurs on or after the second anniversary of the Effective Date, the lower of (x) an amount equal to the Base Severance Benefit, multiplied by a fraction, the numerator of which is the number of full months remaining in the Term, and the denominator of which is 24, and (y) \$18 million; plus

(2) an amount equal to the Annual Bonus (payable at the minimum rate as set forth in Section 2(b)(i)), pro-rated for the Fiscal Year in which the termination occurs through the Termination Date (the "Pro-Rated Termination Year Bonus"); plus

(3) an amount equal to the Annual Bonus earned for the most recently completed Fiscal Year, to the extent such Annual Bonus was not previously paid.

For purposes of this Agreement, “Base Severance Benefit” means the amount equal to the product of (x) the sum of the Base Salary plus the Annual Bonus (payable at the maximum rate as set forth in Section 2(b)(i)), multiplied by (y) 3.0.

The Company shall pay the Severance Benefit in a lump sum in cash on or prior to the sixtieth (60th) day following the Termination Date (subject to Section 3(f) and any applicable six-month delay described in Section 8(h)).

(iv) *Other Termination.* A termination of the Term and the Executive’s employment under this Agreement prior to the scheduled expiration of the Term by the Executive by reason of his position no longer being a Substantially Equivalent Position shall be treated as a termination by the Company without Cause and entitle the Executive to receive the payments and benefits set forth in this Section 3(b).

(v) The Executive agrees that the Company’s obligation to pay the Severance Benefit and to provide for the equity award treatment described in Section 3(b)(ii) is contingent and conditioned upon execution of a release as provided in Section 3(f). Failure or refusal by the Executive to execute and deliver timely (and not revoke) such release pursuant to Section 3(f) shall release the Company from its obligations to make the payments and provide the equity award treatment described herein.

(vi) Following such termination of Executive’s employment hereunder pursuant to this Section 3(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination Due to Death or Disability.

(i) *Payments on Termination.* If the Term and Executive’s employment under this Agreement are terminated due to the Executive’s death or Disability prior to the scheduled expiration of the Term, the Executive or the Executive’s estate, as applicable, will receive: (i) the Accrued Rights, and (ii) a cash payment equal to the Annual Bonus earned for the most recently completed Fiscal Year, to the extent such Annual Bonus was not previously paid.

(ii) *Treatment of Equity.* Upon termination of Executive’s employment hereunder as described in Section 3(c)(i): (i) all unvested Annual RSUs and unvested Sign-On RSUs then held by the Executive shall vest in full as of such Termination Date; and (ii) the Service Condition with respect to the Sign-On PSUs shall be waived as of the Termination Date (if not already satisfied) and the Executive shall conditionally retain all of the Sign-On PSUs for a period of 24 months following the Termination Date; provided, that any Sign-On PSUs that have not satisfied the Performance Condition on or prior to the earlier of (x) the last day of such 24-month period and (y) the last day of the Performance Period shall be immediately forfeited as of such date.



(iii) The Executive agrees that the Company's obligation to provide for the equity award treatment described in Section 3(c)(ii) contingent and conditioned upon execution of a release as provided in Section 3(f). Failure or refusal by the Executive or the Executive's estate, as applicable, to execute and deliver timely (and not revoke) such release pursuant to Section 3(f) shall release the Company from its obligations to make the payments and provide the equity award treatment described herein.

(iv) Following such termination of the Executive's employment hereunder pursuant to this Section 3(c), the Executive or the Executive's estate, as applicable, shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Expiration of the Term.

(i) *Expiration of Term* . Unless the Executive's employment is earlier terminated, the Agreement shall terminate upon the expiration of the Term and the Executive's employment with the Company beyond the expiration of the Term (if not also terminated) shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company.

(ii) *Treatment of Equity and Other Payments on Expiration of Term* . If the Company does not extend to the Executive an offer to renew this Agreement on substantially similar terms (without regard to the Sign-On RSUs and the Sign-On PSUs), and Executive terminates his employment within 30 days following the expiration of the Agreement pursuant to Section 3(d)(i):

(1) all unvested Annual RSUs and all unvested Sign-On RSUs, if any, then-held by the Executive shall vest in full as of the expiration of the Term;

(2) the Executive shall conditionally retain all of his conditionally vested Sign-On PSUs until the expiration of the Performance Period; provided, that any Sign-On PSUs that have not satisfied the Performance Condition on or prior to the last day of the Performance Period shall be immediately forfeited as of such date;

(3) all equity and deferred awards granted to the Executive in payment of any Annual Bonuses shall vest in full as of the expiration of the Term, and the Executive shall receive the Annual Bonus with respect to the most recently completed Fiscal Year to the extent not previously paid; and

(4) the Company shall pay the Executive, in a lump sum in cash on the sixtieth (60th) day following the expiration of the Term, the Pro-Rated Termination Year Bonus.

(iii) The Executive agrees that the Company's obligation to provide for the equity award treatment described in Section 3(d)(ii) is contingent and conditioned upon execution of a release as provided in Section 3(f). Failure or refusal by the Executive to execute and deliver timely (and not revoke) such release pursuant to Section 3(f) shall release the Company from its obligations to make the payments and provide the equity award treatment described herein.

(iv) Following such termination of the Agreement pursuant to this Section 3(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(e) Notice of Termination; Termination Date.

(i) For purposes of this Agreement, any purported termination of Executive's employment by the Company or by the Executive during the Term under Sections 3(a) through (c) (other than termination due to the Executive's death) shall be communicated by written "Notice of Termination" to the other party hereto, (i) the specific provision in this Agreement relied upon; (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination, which shall mean (A) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days from the date such Notice of Termination is given).

(f) Continued Compliance with Restrictive Covenants; Release of Claims. Notwithstanding anything to the contrary contained herein, the Executive agrees that any obligation of the Company to pay the Severance Benefit, Pro-Rated Termination Year Bonus or to provide for the equity award treatment described in Section 2(d)(iii), Section 2(e)(vi), Section 3(b)(ii), Section 3(b)(iv), Section 3(c)(ii) and Section 3(d)(ii) is contingent and conditioned upon both of the following:

(i) the Executive's full compliance with Section 4, as well as any agreements in the release described in clause (ii) below. Notwithstanding anything herein, if (A) the Executive breaches any of the provisions of Section 4 (or any breach of any agreements in the release described in clause (ii) below), (B) following the Termination Date the Compensation Committee becomes aware of acts or omissions by the Executive during the term of the Executive's employment with the Company which would have constituted Cause, or (C) the Executive, or anyone on the Executive's behalf, pursues any type of action or claim against the Company regarding this Agreement or any topic or claim covered by this Agreement, other than (i) to enforce rights not released or diminished by the release; (ii) in connection with any challenges to the validity of the release described in clause (ii) below under the federal Age Discrimination in Employment Act as amended by the Older Worker Benefit Protection Act, (iii) in connection with the filing of a charge or complaint with or the participation in an investigation, hearing or proceeding of a government agency, or (iv) as otherwise prohibited by law, then, in each case, the Executive shall reimburse the Company for all compensation or other amounts previously paid, allocated, accrued, delivered or provided by the Company to the

Executive pursuant to Section 3(b) or Section 3(c), as applicable, and the Company shall be entitled to discontinue the future payment, delivery, allocation, accrual or provision of the Severance Benefit or the equity award treatment pursuant to Section 2(d)(iii) Section 2(e)(vi), Section 3(b)(ii), Section 3(b)(iv), Section 3(c)(ii) or Section 3(d)(ii), as applicable, and such other compensation, except to the extent prohibited by applicable law; and

(ii) no later than sixty (60) days after the Termination Date, the Executive must execute and deliver (and not revoke) a general release releasing all claims against the Company, in the form substantially similar to the form attached as Exhibit A hereto (and all applicable revocation periods must have expired); provided, however, that in no event shall the timing of the Executive's execution (and non-revocation) of the general release, directly or indirectly, result in the Executive designating the calendar year of payment, and if a payment that is subject to execution (and non-revocation) of the general release could be made in more than one taxable year, payment shall be made in the later taxable year.

(g) Board/Committee Resignation. Upon termination of the Executive's employment for any reason, the Executive hereby agrees to immediately resign from all positions (including, without limitation, any management, officer or director position) that the Executive holds with any of the OZ Entities (or with any entity in which the Company has made any investment) as of the date of such termination. The Executive hereby agrees to execute and deliver such documentation reasonably required by the Company as may be necessary or appropriate to enable the Company (or any entity in which the Company has made an investment) to effectuate such resignation, and in any case, the Executive's execution of this Agreement shall be deemed the grant by the Executive to the officers of each OZ Entity, if applicable, of a limited power of attorney to sign in the Executive's name and on the Executive's behalf such documentation solely for the limited purposes of effectuating such resignation.

(h) Certain Definitions. For purposes of this Agreement:

(i) "Cause" shall mean that the Executive (i) has committed an act of fraud, dishonesty, misrepresentation or breach of trust; (ii) has been convicted of a felony or any offense involving moral turpitude; (iii) has been found by any regulatory body or self-regulatory organization having jurisdiction over the Company to have, or has entered into a consent decree determining that the Executive, violated any applicable regulatory requirement or a rule of a self-regulatory organization; (iv) has committed an act constituting gross negligence or willful misconduct; (v) has violated in any material respect any agreement relating to the Company; (vi) has become subject to any proceeding seeking to adjudicate the Executive bankrupt or insolvent, or seeking liquidation, reorganization, arrangement, adjustment, protection, relief or composition of the debts of the Executive under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for such Partner or for any substantial part of the property of the Executive, or the Executive has taken any action authorizing such proceeding; or (vii) has breached any of the covenants in Section 4, the breach of any of which shall be deemed to be a material breach of this Agreement.

(ii) “Disability” shall have the meaning set forth in Section 409A(a)(2)(C) of the Internal Revenue Code of 1986, as amended (the “Code”), and the Regulations thereunder.

#### 4. Restrictive Covenants.

(a) Certain Acknowledgements. The Executive acknowledges and agrees that: (i) the alternative asset management business (including, without limitation, for purposes of this paragraph, any hedge or private equity fund management business) is intensely competitive; (ii) in the course of Executive’s employment with the Company, the Executive will develop and have access to and knowledge of, confidential information (including, but not limited to, material non-public information of the Company and their clients (and for purposes of this Section 4, “Company” shall include any investment funds and accounts managed by any of the foregoing)); (iii) the direct or indirect use of any such information for the benefit of, or disclosure of any such information to, any existing or potential competitors of the Company would place the Company at a competitive disadvantage and would do damage to the Company; (iv) in the course of Executive’s employment with the Company, the Executive will develop relationships and goodwill with the Company’s Investors (as defined in the Limited Partnership Agreements) and counterparties for the benefit of and on behalf of the Company through the investment by and resources of the Company; (v) the Executive’s engagement in any of the activities prohibited by this Section 4 would constitute improper appropriation and/or use of the Company’s confidential information and/or goodwill; (vi) the Executive’s association with the Company is expected to be critical to the success of the Company; (vii) the services to be rendered, and relationships developed, by the Executive for the benefit of and on behalf of the Company are of a special and unique character; (ix) the Company conducts the alternative asset management business throughout the world; (x) the noncompetition and other restrictive covenants and agreements set forth in this Agreement are fair and reasonable; and (xi) in light of the foregoing and of the Executive’s education, skills, abilities and financial resources, the Executive acknowledges and agrees that the Executive will not assert, and it should not be considered, that enforcement of any of the covenants set forth in this Section 4 would prevent the Executive from earning a living or otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(b) Non-Competition and Non-Solicitation of Investors. During the Executive’s employment with the Company and for the 24-month period immediately following the termination of the Executive’s employment for any reason (18 months in the case of a termination of employment upon or following the expiration of the Term), the Executive shall not, without the prior written consent of the Board, directly or indirectly, either on his own behalf or on the behalf of or with others:

(i) (1) engage or otherwise participate in any manner or fashion in any business that is a Competing Business (as defined below), (2) render any services to any Competing Business or (3) acquire a financial interest in or become actively involved with any Competing Business (other than as a passive investor holding minimal percentages of the stock of public companies); or

(ii) in any manner solicit or induce any of the Company's current, former or prospective Investors to (1) terminate (or diminish in any material respect) his, her or its investments with the Company for the purpose of associating or doing business with any Competing Business, or otherwise encourage such Investors to terminate (or diminish in any respect) his, her or its investments with the Company for any other reason or (2) invest in or otherwise participate in or support any Competing Business.

For purposes of this Agreement, "Competing Business" means any entity, or distinct portion thereof, that engages in (A) the alternative asset management business (including, without limitation, any hedge or private equity fund management business) or (B) any other business in which any OZ Entity (1) is actively involved, or (2) in the twelve-month period prior to the termination of the Executive's employment for any reason, planned, developed, or undertook efforts to become actively involved and, in the case of the foregoing clause (B), in which the Executive actively participated or was materially involved or about which the Executive possesses confidential information.

(c) Non-Solicitation of Partners and Employees. During the Executive's employment with the Company and for the 24-month period immediately following the termination of the Executive's employment for any reason, the Executive will not, directly or indirectly, either on his own behalf or on the behalf of or with others, in any manner solicit any of the owners, members, partners, directors, officers or employees of any OZ Entity to terminate their relationship or employment with such OZ Entity, or hire any such person (i) who is at the time of solicitation, or was as of the date of the Executive's termination of employment, an owner, member, partner or director, officer or employee of any OZ Entity or (ii) whose employment or relationship with any such OZ Entity terminated within two years prior to the date of such Executive's termination of employment or thereafter. Additionally, the Executive may not solicit or encourage to cease to work with any OZ Entity any consultant, agent or adviser that the Executive knows or should know is under contract with the Company.

(d) Non-solicitation of Clients. During the Executive's employment with the Company and for the 24-month period immediately following the termination of the Executive's employment for any reason, the Executive will not, directly or indirectly, either on his own behalf or on the behalf of or with others, (i) in any manner solicit or induce any of the Company's current, former or prospective financing sources, capital market intermediaries, consultants, suppliers, partners or other counterparties to terminate (or diminish in any material respect) his, her or its relationship with the Company for the purpose of associating with any Competing Business, or otherwise encourage such financing sources, capital market intermediaries, consultants, suppliers, partners or other counterparties to terminate (or diminish in any respect) his, her or its relationship with the Company for any other reason; or (ii) in any manner interfere with the Company's business relationship with any Investors, financing sources, capital market intermediaries, consultants, suppliers, partners or other counterparties.

(e) Non-disparagement. During the Executive's employment with the Company and at all times following the termination of the Executive's employment for any reason, the Executive will not, directly or indirectly, make, or cause to be made, any written or oral statement, observation, or opinion disparaging the business or reputation of any OZ Entity, or any of their respective owners, partners, members, officers, directors, or employees; provided, however, that nothing contained in this Section 4(e) shall preclude the Executive from providing (i) truthful testimony in response to a valid subpoena, court order, regulatory request, or as may

be otherwise required by law, (ii) from participating or cooperating in any action, investigation or proceeding with, or (iii) or providing truthful information to, any governmental agency, legislative body, self-regulatory organization, any of the Company's legal departments, any of the Company's individual directors, any committees of the Board or the Board. Notwithstanding the foregoing, the Executive may disclose to any and all persons, without limitation of any kind, the tax treatment and any facts that may be relevant to the tax structure of the matters discussed herein, provided, however, that the Executive shall not disclose any other information that is not relevant to understanding the tax treatment and tax structure of the matters discussed herein (including the identity of any party and any information that could lead another to determine the identity of any party), or any other information to the extent that such disclosure could reasonably result in a violation of any applicable securities law. Notwithstanding the foregoing, pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company and its affiliates that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to the Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company and its affiliates for reporting a suspected violation of law, the Executive may disclose the trade secret to his or her attorney and use the trade secret information in the court proceeding, if the Executive (i) files any document containing the trade secret under seal, and (ii) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Notwithstanding the foregoing, nothing in such policies, rules and regulations of the Company, this Agreement or any other agreement between the Executive and the Company or its affiliates prohibits or restricts the Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

(f) Short Selling and Hedging Transactions. Prior to a termination of the Executive's employment and at all times thereafter, the Executive and his affiliates shall not, without the approval of the Board, directly or indirectly, (a) effect any short sale (as such term is defined in Regulation SHO under the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder) of Class A Shares of Parent or any Related Securities, or (b) enter into any swap or other transaction, other than a sale (which is not a short sale) of Class A Shares or any Related Security to the extent permitted by this Agreement, that transfers to another, in whole or in part, any of the economic risks, benefits or consequences of ownership of Class A Shares or any Related Security. The foregoing clause (b) is expressly agreed to preclude the Executive and his affiliates, prior to a termination of the Executive's employment and at all times thereafter, from engaging in any hedging or other transaction (other than a sale, which is not a short sale, of Class A Shares or any Related Security to the extent permitted by this Agreement) which is designed to or which reasonably could be expected to lead to or result in a transfer of the economic risks, benefits or consequences of ownership of Class A Shares or any Related Security, or a disposition of Class A Shares or any Related Security, even if such transfer or disposition would be made by someone other than the Executive or his affiliates or any person or entity contracting directly with the Executive or an affiliate of the Executive. For purposes of this Section 4(g), "Related Security" means any securities convertible into, exercisable or exchangeable for or repayable with Class A Shares of Parent, and shall also include "deferred cash interests" under the Och Ziff Deferred Cash Interest Plan for Employees.

(g) Return of Company Property. Upon the Executive's termination of employment for any reason, the Executive will promptly return to the Company all known equipment, data, material, books, records, documents (whether stored electronically or on computer hard drives or disks or on any other media), computer disks, credit cards, keys, I.D. cards, and other property, including, without limitation, standalone computers, fax machines, printers, telephones, and other electronic devices in the Executive's possession, custody, or control that are or were owned and/or leased by the Company in connection with the conduct of the business of the Company, and including in each case any and all information stored or included on or in the foregoing or otherwise in the Executive's possession or control that relates to Investors or OZ counterparties, Investor or OZ counterparty contact information, Investor or OZ counterparty lists or other confidential information.

5. Injunctive Relief; Liquidated Damages.

(a) *Injunctive Relief*. The Executive acknowledges and agrees that an attempted or threatened breach by him or her of Section 4 of this Agreement or of any provision of the Confidentiality Agreement with the Company entered by the Executive on or before the Effective Date (as amended from time to time, the "Confidentiality Agreement") would cause irreparable injury to the Company not compensable in money damages, and that the Company shall be entitled, in addition to the remedies set forth in Section 5(b), to obtain a temporary, preliminary and permanent injunction prohibiting any breaches of Section 4 of this Agreement or of any provision of the Confidentiality Agreement without being required to prove damages or furnish any bond or other security.

(b) *Liquidated Damages*.

(i) The Executive agrees that it would be impossible to compute the actual damages resulting from a breach of Section 4(b) or of any provision of the Confidentiality Agreement, and that the liquidated damages amount set forth in this Agreement is reasonable and do not operate as a penalty, but are a genuine pre-estimate of the anticipated loss that the Company would suffer from a breach of Section 4 or of any provision of the Confidentiality Agreement.

(ii) Without limiting the right of the Company to obtain injunctive relief for any attempted or threatened breach of Section 4 of this Agreement or of any provision of the Confidentiality Agreement, in the event the Executive breaches Section 4(b) of this Agreement, then:

(1) the Executive shall owe, as liquidated damages, to the Company, an amount equal to the cash and equity-based compensation provided to the Executive in the 24-month period prior to the Termination Date;

(2) the Executive shall transfer to the Company any Class A Shares then held by the Executive that were acquired in respect of any equity awards (including without limitation, any Class A Shares acquired on settlement of the Annual RSUs, the Sign-On RSUs, the Sign-On PSUs and any Annual Bonuses), in each case, in the 24-month period prior to the Termination Date; and

(3) the Executive shall pay to the Company immediately a lump-sum cash amount equal to the sum of: (i) the total after-tax proceeds received by the Executive in respect of any Class A Shares acquired at any time that were acquired in respect of any equity awards (including without limitation, any Class A Shares acquired on settlement of the Annual RSUs, the Sign-On RSUs, the Sign-On PSUs and any Annual Bonuses) that were subsequently transferred during the 24 month period prior to, or at any time after, the date of such breach; and (ii) all distributions received by the Executive during the 24 month period prior to, or at any time after, the date of such breach on Class A Shares acquired at any time.

(iii) Without limiting the right of the Company to obtain injunctive relief for any attempted or threatened breach of Section 4 of this Agreement or of any provision of the Confidentiality Agreement, in the event the Executive breaches Sections 4(c), (d), (e), (f) or (g) of this Agreement, then the Company shall be entitled to any other available remedies including, but not limited to, an award of money.

(c) *Remedies Cumulative* . Any remedies provided for in this Agreement shall be cumulative in nature and shall be in addition to any other remedies whatsoever (whether by operation of law, equity, contract or otherwise) which any party may otherwise have.

6. Compensation Clawback Policy . As a highly regulated, global alternative asset management firm, the Company has had a long-standing commitment to ensure that its partners, officers and employees adhere to the highest professional and personal standards. In the case of fraud, misconduct or malfeasance by any of its partners, officers or employees, including, without limitation any fraud, misconduct or malfeasance that leads to a restatement of the Company's financial results, or as required by law, the Compensation Committee would consider and likely pursue a disgorgement of prior compensation, where appropriate based on the facts and circumstances. The Compensation Committee will adopt and amend clawback policies, as it determines to be appropriate, including, without limitation, to comply with the final implementing rules regarding compensation clawbacks mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and any other applicable law. The Compensation Committee may extend and apply such clawback provisions to similarly situated levels of employees that may not be required to be covered by applicable law as it determines to be necessary or appropriate in its discretion. The Executive hereby consents to comply with all of the terms and conditions of any such compensation clawback policy adopted by the Compensation Committee which may apply to the Executive and other similarly situated employees on or after the date hereof, and also agrees to perform all further acts and execute, acknowledge and deliver any documents and to take any further action requested by the Company to give effect to the foregoing.

7. Acknowledgment . The Executive acknowledges that he has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein,



and has entered into this Agreement freely based on his own judgment. The Executive acknowledges that he has been given the opportunity to ask questions of the Company and has consulted with counsel concerning this Agreement to the extent the Executive deems necessary in order to be fully informed with respect thereto.

8. Miscellaneous.

(a) Withholding. The Company shall have the right to deduct and withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company may be required or authorized by law to deduct or withhold, whether such laws are now in effect or become effective after the date of this Agreement. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise. Any payment or vesting of cash or equity to the Executive is subject to all federal, state, and local income and payroll tax withholding that, in the opinion of the Company, is required by law. Unless the Executive satisfies any such tax withholding obligation by paying the amount in cash (including by check or wire transfer) or shares of the Parent's stock, the Company shall withhold cash and/or shares on the date of withholding sufficient to cover the withholding obligation or such other amount that will not cause adverse accounting consequences for the Company and is permitted under applicable withholding rules promulgated by the Internal Revenue Service or another governmental entity, with shares valued in the same manner as used in computing the withholding taxes.

(b) Governing Law; Jurisdiction.

(i) This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, including such laws governing contracts made and to be performed in New York, without regard to conflicts of law principles thereof; provided, however, that issues related to the 2013 Plan or any grants thereunder shall be resolved in accordance with the laws of the State of Delaware.

(ii) The Executive hereby submits to and accepts for himself or herself and in respect of his or her property, generally and unconditionally, the exclusive jurisdiction of the state and federal courts of the State of New York for any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof. The Executive further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by certified or registered mail return receipt requested or by receipted courier service to the Executive at the address for the Executive in the books and records of the Company.

(c) Amendments. Except as expressly provided herein, this Agreement cannot be amended or modified except by a writing signed by the parties hereto; provided, however, that the Board may amend this Agreement if it determines in its sole discretion that the adoption of any such amendments are necessary or desirable to comply with applicable law.

(d) Counterparties. This Agreement may be executed in one or more counterpart copies, each of which shall be deemed an original, but all of which shall constitute the same instrument.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. Except as otherwise specifically provided herein, this Agreement, including the obligations and benefits hereunder, may not be assigned to any party by the Executive.

(f) Severability. If any provision of this Agreement shall be deemed invalid or unenforceable as written, it shall be construed, to the greatest extent possible, in a manner which shall render it valid and enforceable, and any limitations on the scope or duration of any such provision necessary to make it valid and enforceable shall be deemed to be part thereof, and no invalidity or unenforceability of any provision shall affect any other portion of this Agreement unless the provision deemed to be so invalid or unenforceable is a material element of this Agreement, taken as a whole.

(g) Waiver. The failure by any party hereto to enforce at any time any provision of this Agreement, or to require at any time performance by any party hereto of any provision hereof, shall in no way be construed as a waiver of such provision, nor in any way affect the validity of this Agreement or any part hereof, or the right of any party hereto thereafter to enforce each and every such provision in accordance with its terms.

(h) Section 409A. The intent of the parties is that this Agreement and the payments and benefits under this Agreement comply with Section 409A of the Code, to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, the Executive shall not be considered to have terminated employment or service for purposes of this Agreement until the Executive would be considered to have incurred a "separation from service" within the meaning of Section 409A of the Code. Any payments described in this Agreement that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Each amount to be paid or benefit to be provided hereunder shall be construed as a separate identified payment for purposes of Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, to the extent that any amounts are payable to a "specified employee" (within the meaning of Section 409A of the Code) upon a separation from service, and such payment would result in the imposition of any individual penalty tax or late interest charges imposed under Section 409A of the Code, such amounts shall instead be paid on the first business day after the date that is six (6) months following such separation from service (or death, if earlier). To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to the Executive shall be paid to the Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in kind benefits provided to the Executive) during one year may not affect amounts reimbursable or provided in any subsequent year, and no reimbursement or in-kind benefit shall be subject to liquidation or exchange for another benefit. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment.

(i) No Further Compensation. The Executive agrees that (a) except for the compensation to be provided to the Executive pursuant to the terms of this Agreement (including as set forth in any Award Agreement related to compensation to be provided pursuant to the terms of this Agreement) and for customary expense reimbursements, the Executive will not be entitled to receive any compensation or distributions from, or have any interests in, any of the OZ Entities, (b) consistent with the restrictions set forth in Section 1(e), Section 1(g) and Section 4, and the Company's compliance policies that are generally applicable to the Executive that restrict outside investments, the Executive shall not have any interests in, or receive compensation of any type from, businesses or entities other than the OZ Entities.

(j) Survival. Notwithstanding anything to the contrary in this Agreement, Section 3 (as it relates to continuing obligations in respect of termination of employment during the Term only) and Section 4 will survive the termination or expiration of the Term and the termination of the Executive's employment.

(k) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally, mailed by certified or registered mail, return receipt requested and postage prepaid, or sent via a nationally recognized overnight courier, or sent via e-mail to the recipient. Such notices, demands and other communications shall be sent to the address indicated below (or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party):

(1) To the Company:

OZ Management LP  
9 West 57th Street, 39<sup>th</sup> Floor  
New York, New York 10019  
Attn: General Counsel

(2) To the Executive: to his last address on file in the Company records.

(l) Entire Agreement. Except to the extent specifically set forth herein, this Agreement, the Plan and the related Award Agreements constitute the complete agreement and understanding between the parties regarding the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by and between the parties, written or oral which shall automatically terminate upon the effectiveness of this Agreement.

(m) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied to this Agreement.

(n) Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Signature of Executive

/s/ Robert Shafir

Name: Robert Shafir

Address:

OZ Management LP

By: Och-Ziff Holding Corporation,  
its general partner

By: /s/ Alesia J. Haas

Name: Alesia J. Haas

Title: Chief Financial Officer

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**Exhibit A**

**Form of Release**

[attached hereto]

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## EXHIBIT A: GENERAL RELEASE

I, \_\_\_\_\_, in consideration of and subject to the terms and conditions set forth in the employment agreement between myself and OZ Management LP (“OZM”), dated [•], 2018 (the “Employment Agreement”), and for other good and valuable consideration and intending to be legally bound, do hereby release and forever discharge Och-Ziff Capital Management Group LLC and its affiliates (including, without limitation, OZM), each of their respective current, past, and future subsidiaries, parent companies, sister companies, holding companies, control persons, affiliates, any investment funds and accounts managed by any of the foregoing, and any of their past, present and future investors, employees, members, partners, directors, officers, agents, representatives, successors, and assigns (collectively, the “Och-Ziff Capital Management Group”), from any and all legally waivable actions, causes of action, covenants, contracts, claims, or any right to any monetary recovery, or any other personal relief whatsoever, which I or my heirs, executors, administrators, and assigns, or any of them, ever had, now have, or hereafter can, shall, or may have, by reason of any act or omission occurring on or before the date that I sign this General Release, including, but not limited to, with respect to my employment relationship with OZM or other associations with the Och-Ziff Capital Management Group, or the cessation thereof or separation therefrom.

I, on behalf of myself, and my heirs, executors, administrators and assigns, hereby waive, release, and forever discharge the Och-Ziff Capital Management Group from any and all legally waivable claims, grievances, injuries, controversies, agreements, covenants, contracts, promises, debts, accounts, actions, causes of action, suits, arbitrations, sums of money, wages, attorneys’ fees, costs, damages, or any right to any monetary recovery, or any other personal relief, whether known or unknown, in law or in equity, by contract, tort, law of trust, or pursuant to U.S. federal, state, local, or non-U.S. statute, regulation, ordinance, or common law, which I ever have had, now have, or may hereafter have, based upon, or arising from, any fact or set of facts, whether known or unknown to me, (i) from the beginning of time through the date upon which I execute this General Release, (ii) arising out of, or relating in any way to, my employment relationship with OZM or other associations with the Och-Ziff Capital Management Group, or the cessation thereof or resignation therefrom, or (iii) concerning any bonuses and/or any awards or grants under any incentive compensation plan or program (except as set forth in the Employment Agreement). This release includes, without limitation, all claims for attorneys’ fees and punitive or consequential damages and all claims arising under any federal, state and/or local labor, employment, and/or anti-discrimination laws, including, without limitation, the federal Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, 42 U.S.C. Section 1981, Title VII of the Civil Rights Act of 1964, and all whistleblower or anti-retaliation statutes to the fullest extent permitted by law, the Equal Pay Act, the Employee Retirement Income Security Act (“ERISA”) (including, but not limited to, claims for breach of fiduciary duty under ERISA), the Family Medical Leave Act, the Americans With Disabilities Act, and the New York State and New York City anti-discrimination laws, including all amendments thereto, and any corresponding laws in non-U.S. jurisdictions that may be applicable.

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2. Nothing in this General Release shall prohibit me from enforcing my rights, if any, under this General Release, my Employment Agreement, any other agreement I may have with OZM or any of its affiliates, or any rights that cannot be waived under applicable law.

3. I have consulted with legal counsel or knowingly and voluntarily chose not to do so. I have carefully read this General Release and I am executing knowingly, voluntarily, and with full understanding of its terms and effects. I voluntarily accept the amounts and benefits provided for in the Employment Agreement for the purpose of making full and final settlement of all claims referred to above and acknowledge that these amounts and benefits are in excess of anything to which I would otherwise be entitled. I acknowledge and agree that in executing this General Release, I am not relying, and have not relied, upon any oral or written representations or statements not set forth or referred to in this General Release.

4. I have been given forty-five (45) calendar days to consider the terms of this General Release, including Schedule 1, attached hereto, although I may execute it sooner. The parties agree that changes to this General Release, whether material or immaterial, do not restart the running of the forty-five (45) calendar day period. I will have seven (7) calendar days from the date upon which I execute this General Release to revoke my consent to its terms. Any such revocation must be in writing and must be faxed to [David Levine] at (212) 790-0065. Notice of such revocation must be received within the seven (7) calendar days referenced above. In the event of any such revocation, this General Release shall be null and void in its entirety and neither I nor OZM shall have any rights or obligations under it. Provided that I do not revoke this General Release as provided in this Section 4, this General Release shall become effective on the eighth calendar day after the date upon which I execute it.

\* \* \*

I have executed this General Release on the date set forth below.

\_\_\_\_\_ Date: \_\_\_\_\_  
[•]

**SCHEDULE 1**

**This disclosure is being provided to you pursuant to the requirements of the Older Workers Benefit Protection Act of 1990.**

- 1. The decisional unit, from which selections were made for employee layoffs as a result of a decision to right size the workforce, was all current employees of OZ Management LP employed in the following divisions or business units: [TO COME] (the “ Decisional Unit ”).
- 2. Employees in the Decisional Unit are eligible for severance in consideration for signing a General Release (the “ Agreement ”).
- 3. All employees who are eligible for severance in consideration for signing the Agreement have forty-five (45) calendar days to consider the terms of the Agreement. Once an employee signs the Agreement, such employee has seven (7) calendar days to revoke his or her consent to the Agreement.
- 4. The following is a listing, as of [DATE], of the job title and ages of all employees in the Decisional Unit, indicating which employees were selected for termination of employment and offered the opportunity to sign the Agreement.

<u>Job Title</u>	<u>Age</u>	Selected For Termination of <u>Employment</u> [Yes/No]
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## OCH-ZIFF DEFERRED CASH INTEREST PLAN FOR EMPLOYEES

The Partnerships have established the Och-Ziff Deferred Cash Interest Plan For Employees, as may be amended from time to time (the “Plan”), for the purpose of compensating and incentivizing certain key personnel for their service to the Och-Ziff Group and further aligning their interests with the interests of the shareholders of Och-Ziff Capital Management Group LLC through the use of notional investments in one or more investment funds managed or sponsored by the Partnerships or their Affiliates. The Plan is intended to be a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated individuals, and shall be interpreted and administered to the extent possible in a manner consistent with such intent.

### **Article 1. Definitions**

Any capitalized terms that are not defined herein shall have the meaning ascribed to them in the Och-Ziff Capital Management Group LLC 2013 Incentive Plan.

- 1.1 Administrator means the PMC Chairman (as defined in the Limited Partnership Agreements).
  - 1.2 Affiliate means, with respect to the Partnerships, any Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Partnerships. As used herein, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.
  - 1.3 Award means a notional U.S. dollar amount paid in cash to a Participant in accordance with the terms of this Plan.
  - 1.4 Award Agreement means the award acceptance form to be entered into by a Participant in connection with an Award.
  - 1.5 Eligible Person means any employee of any of the Partnerships or their Affiliates; provided always that the relevant employee has been selected as a Participant by the Administrator, pursuant to the Administrator’s authority in Article 6, to receive an Award.
  - 1.6 Fund Investment Account means the book-keeping entry account maintained by the Partnerships for each Participant that reflects such Participant’s Award and adjustments thereto (including gains, losses and expenses).
  - 1.7 General Partner means, collectively, Och-Ziff Holding Corporation and Och-Ziff Holding LLC and any other entity from time to time serving as general partner (or equivalent) of one of the Partnerships.
  - 1.8 Grant Date means the effective date on which the Administrator grants an Award.
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- 1.9 Limited Partnership Agreements means the limited partnership agreements of each of the Partnerships.
- 1.10 Notional Investment Date means the first day of the calendar month following the Grant Date of an Award.
- 1.11 Och-Ziff Group shall have the meaning ascribed to such term in the Limited Partnership Agreements.
- 1.12 OZ Funds shall have the meaning set forth in Section 4.3 herein.
- 1.13 Participant means an Eligible Person who has been selected by the Administrator, in his sole discretion, to participate in this Plan.
- 1.14 Partnerships means each of OZ Management LP, OZ Advisors LP, OZ Advisors II LP, and any other partnership or entity whose general partner (or equivalent) is a General Partner.
- 1.15 Termination of Employment means the Participant's termination of employment with the Partnerships and their Affiliates; provided, however that a Termination of Employment shall not include a termination of employment due to Participant becoming an Individual Limited Partner (as defined in the Limited Partnership Agreements) of any of the Partnerships.
- 1.16 Vested means a Participant has an interest in a portion of his or her Fund Investment Account with respect to an Award that is not forfeitable other than as described in Section 3.2 below.
- 1.17 Vesting Date means the date upon which all or a portion of an Award vests in accordance with this Plan and the relevant Award Agreement.

## **Article 2. Eligibility**

- 2.1 Eligibility. The Administrator may grant Awards to any Eligible Person, whether or not he or she has previously received an Award.
- 2.2 Award Agreement. To the extent not set forth in this Plan, the terms and conditions of each Award (which need not be the same for each Award or for each Participant) shall be set forth in an Award Agreement substantially in the form attached as Exhibit A hereto (which form may be changed from time to time by the Administrator in his sole discretion).

## **Article 3. Vesting and Payments**

- 3.1 Award Amount; Vesting. Except as otherwise designated by the Administrator and as set forth in an Award Agreement, an Award shall vest in three equal annual installments commencing on January 1<sup>st</sup> of the calendar year following the Grant Date and, thereafter, on the first and second anniversaries of such date. A

Participant will become Vested in amounts credited to his or her Fund Investment Account in respect of an Award in accordance with such vesting schedule, provided that, except as otherwise set forth in the applicable Award Agreement, the Participant has not experienced a Termination of Employment and has not given notice of such Termination of Employment prior to such Vesting Date.

- 3.2 Forfeiture. Except as otherwise set forth in the applicable Award Agreement, upon a Participant's Termination of Employment for any reason, or, if earlier, the Participant's provision of a notice of such Termination of Employment, the portion of the Participant's Fund Investment Account which is not Vested as of such date shall be forfeited. In addition, in the event of a Participant's Termination of Employment for Cause or any breach by the Participant of restrictive covenants applicable to the Participant, (i) the Participant's Fund Investment Account shall be forfeited in full and all allocations and payments in respect thereof that would otherwise have been received by such Participant on or after the date of such breach shall not thereafter be made and (ii) the Participant shall immediately pay to the Partnerships a lump-sum cash amount equal to the total after-tax amount received by him or her as payments in cash pursuant to Section 3.3 of this Plan during the 24-month period prior to the date of such Termination of Employment or such breach.
- 3.3 Payments in Respect of Fund Investment Accounts. Subject to the provisions of Section 8.3, a Participant shall receive a lump sum cash payment in respect of each Vested portion of his or her Fund Investment Account on a date to be determined by the General Partner and expected to be on or about the last day of the calendar month in which the applicable Vesting Date occurs; provided that such payment shall be made in all events within seventy (70) days following the applicable Vesting Date. Such payment shall be made by OZ Management LP except to the extent that the Administrator determines in his sole discretion that other Partnerships should pay some or all of the amount payable to the Participant.
- 3.4 Restrictions on Transfer. No Award shall be transferable by a Participant under any circumstances and any purported transfer shall be null and void and of no force and effect.

#### **Article 4. Investment in the Fund Investment Account**

- 4.1. Crediting of Awards to Fund Investment Accounts. A Participant's Award shall be credited to his or her Fund Investment Account on the Notional Investment Date.
- 4.2. Deemed Investment Fund Allocation. A Participant's Award shall be deemed invested on a no-fee, no-carry basis in one or more of the investment funds set forth in Section 4.3 below as determined by the Administrator in his sole discretion.
- 4.3. Investment Funds. The Administrator in his sole discretion may make Awards under this Plan in respect of notional investments in any class of interests in any of

the investment funds managed or sponsored by the Partnerships or their Affiliates from time to time (collectively, the “OZ Funds”). If the Administrator in his sole discretion determines that any OZ Fund in respect of which all or part of an Award was granted to a Participant should cease to be available under this Plan for any reason, the Administrator shall have the authority to reallocate the portion of such Participant’s Fund Investment Account that had previously been attributable to notional investments in such OZ Fund pursuant to such Award (including any notional earnings, gains, losses and expenses relating thereto) to one or more of the other OZ Funds available at such time.

- 4.4. Investment Fund Designation and Reallocations. With respect to each Award, the Administrator shall initially designate in an Award Agreement the OZ Funds (and, if applicable, the class of interests therein) to which such Award shall be allocated and the proportions of such Award that shall be allocated to each such OZ Fund. After the Grant Date of any Award, the Administrator in his sole discretion may determine to reallocate all or any of the portion of such Participant’s Fund Investment Account that is attributable to the notional investments made in any OZ Fund pursuant to such Award (including any notional earnings, gains, losses and expenses relating thereto) to one or more of the other OZ Funds available at such time.
- 4.5. Calculation of Deemed Investments. For book-keeping purposes, each portion of a Participant’s Fund Investment Account allocated to a notional investment in a class of interests in an OZ Fund shall be converted into notional interests of such fund by dividing the amount so allocated by the value of an interest of such class on the Notional Investment Date, which value shall be determined by the Administrator based on the portion of such fund’s net asset value allocated to such class of interests of such fund (if applicable, or based on any other valuation consistent with the governing documents of the relevant OZ Fund or the policies of the Och-Ziff Group) on the Notional Investment Date. Thereafter, a Participant’s notional investment in each such class of interests of such fund will be valued by the Administrator as of any Vesting Date or date of any reallocation made in accordance with Sections 4.3 or 4.4 by multiplying the number of notional interests credited to his or her Fund Investment Account in respect of such class of interests of such fund on such date by the value of an interest of such class on such date, which value shall be determined based on the fund’s net asset value (if applicable, or based on any other valuation consistent with the governing document of the relevant OZ Fund or the policies of the Och-Ziff Group) on the Vesting Date.
- 4.6. Notional Investments. This Plan provides only for “notional investments.” Therefore, earnings, gains, expenses and losses reflected by changes in the valuation of a Participant’s Fund Investment Account or the portions thereof allocated to notional investments in particular OZ Funds determined by the Administrator from time to time in accordance with Section 4.5 are hypothetical and not actual, but shall be applied to measure the value of a Participant’s Fund Investment Account and the amount of liability of OZ Management LP (or other

entity as determined by the Administrator) to make payments to, or on behalf of, the Participant.

#### **Article 5. Beneficiary Designation**

- 5.1. Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as beneficiary or beneficiaries (both principal as well as contingent) to whom payment of the Vested portion of the Participant's Fund Investment Account (if any) shall be made in the event of the Participant's death. In the event of multiple beneficiaries, such payment shall be apportioned among the beneficiaries in accordance with the applicable designation forms. A beneficiary designation may be changed by a Participant by filing such change on a form prescribed by the Administrator. The receipt of a new beneficiary designation form will cancel all previously filed beneficiary designations.
- 5.2. Failure to Designate. If a Participant fails to designate a beneficiary as provided above, or if all designated beneficiaries predecease the Participant, then all payments hereunder in respect of the Participant shall be made to the Participant's estate.

#### **Article 6. Plan Administration**

- 6.1. Administrator. The Administrator is responsible for the administration of this Plan. The Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder. Any such delegate shall have (a) the power and authority to take all necessary actions to carry out the ordinary course duties generally undertaken by the Administrator and (b) the power and authority to sign contracts, certificates and other instruments, subject in the case of each of clauses (a) and (b) to the general or specific, written or oral authorization of the Administrator.
- 6.2. Action. Action by the Administrator may be taken in accordance with procedures that the Administrator adopts from time to time and that the Legal Department of the Och-Ziff Group determines are legally permissible.
- 6.3. Powers of the Administrator. The Administrator shall administer and manage this Plan and shall have (and shall be permitted to delegate in accordance with this Plan) all powers necessary to accomplish that purpose, including (but not limited to) the following:
- (a) To exercise discretionary authority to construe, interpret, and administer this Plan;
  - (b) To exercise discretionary authority to make all decisions regarding eligibility, participation and investments, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Fund Investment Accounts;

- (c) To compute and certify to the Partnerships the amount and kinds of payments to Participants or their beneficiaries, and to determine the time and manner in which such payments are to be paid;
  - (d) To authorize all disbursements by OZ Management LP (or such other Partnerships as determined by the Administrator) pursuant to this Plan;
  - (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;
  - (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
  - (g) To authorize his delegates to delegate to other individuals or entities from time to time the performance of any of the delegates' duties or responsibilities hereunder;
  - (h) To establish or to change the OZ Funds under Article 4;
  - (i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering this Plan; and
  - (j) Notwithstanding any other provision of this Plan, the Administrator may take any action he deems appropriate in furtherance of any policy of the Och-Ziff Group respecting insider trading as may be in effect from time to time.
  - (k) The Administrator has the exclusive and discretionary authority to construe and to interpret this Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and the Administrator's decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Administrator, even if (1) such discretion is not expressly granted by the Plan provision in question, or (2) a determination is not expressly called for by the Plan provision in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under the Plan will be paid only if the Administrator decides in his discretion that the Participant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.
- 6.4. Compensation, Indemnity and Liability. The Administrator will serve without bond and without compensation for services hereunder. All expenses of this Plan and the Administrator will be paid by the Partnerships. To the extent deemed appropriate by the Administrator, any such expense may be charged against specific Participant Fund Investment Accounts, thereby reducing the obligation of the Partnerships. Neither the Administrator nor any individual acting as the

delegate of the Administrator shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Partnerships will indemnify and hold harmless each member of the Administrator and any service provider of the Partnerships (or an affiliate, if recognized as an affiliate for this purpose by the Administrator) acting as the delegate of the Administrator against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his or her service as Administrator (or his or her serving as the delegate of the Administrator), excepting only expenses and liabilities arising out of his or her own willful misconduct.

- 6.5. Taxes. If the whole or any part of any Participant's Fund Investment Account becomes liable for the payment of any estate, inheritance, income, employment, or other tax which OZ Management LP (or other entity as determined by the Administrator) may be required to pay or withhold, such entity will have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant. To the extent practicable, the Participant will be provided notice of such withholding. Prior to making any payment, OZ Management LP (or other entity as determined by the Administrator) may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

## **Article 7. Claims Procedures**

- 7.1. Claims for Benefits. If a Participant, beneficiary or other person (hereafter, "Claimant") does not receive timely payment of any benefits which he or she believes is due and payable under this Plan, he or she may make a claim for benefits to the Administrator. The claim for benefits must be in writing and addressed to the Administrator. If the claim for benefits is denied, the Administrator will notify the Claimant within 90 days after the Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits should advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.
- 7.2. Appeals of Denied Claims. Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Administrator's decision. If there are special circumstances which require an

extension of time for completing the review, the Administrator's decision may be rendered not later than 120 days after receipt of a request for appeal.

## **Article 8. Amendment and Termination**

- 8.1. Amendments. Subject to the provisions of Section 8.3, the Administrator has the right in his sole discretion to amend this Plan in whole or in part at any time and in any manner, including the terms on which payments are made, and the form and timing of payments. However, no Plan amendment shall reduce the amount credited to the Fund Investment Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Administrator. All Participants and beneficiaries shall be bound by such amendment.
- 8.2. Termination of Plan. The Partnerships expect to continue this Plan, but are not obligated to do so. Subject to the provisions of Section 8.3, the Partnerships, acting by the Administrator, reserve the right to discontinue and terminate this Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of this Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's Fund Investment Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' Fund Investment Accounts will be paid.
- 8.3. Section 409A. Payments under this Plan are intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Plan and any Award Agreement thereunder shall be interpreted in accordance with such intent. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid an accelerated or additional tax under Section 409A of the Code, the Participant shall not be considered to have terminated employment with the Partnerships for purposes of any payments under this Plan which are subject to Section 409A of the Code until the Participant has incurred a "separation from service" from the Partnerships within the meaning of Section 409A of the Code. Each amount to be paid pursuant to this Plan and the Award Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid an accelerated or additional tax under Section 409A of the Code, amounts that would otherwise be payable pursuant to this Plan and the Award Agreement during the six-month period immediately following the Participant's separation from service shall instead be paid on the first business day after the date that is six months following the Participant's separation from service (or, if earlier, the Participant's date of death). The Partnerships make no representation that any or all of the payments described in this Plan will be exempt from or comply with Section 409A of the Code and make no undertaking to



preclude Section 409A of the Code from applying to any such payment. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

## **Article 9. Miscellaneous**

- 9.1. Limitation on Participant's Rights. No individual shall have any claim to receive any Award under this Plan, and there is no obligation for uniformity of treatment of Awards under this Plan. Nothing in this Plan or any Award Agreement shall confer upon any Participant any right to continue as an employee or other service provider to the Partnerships or their Affiliates or shall interfere with or restrict the right of each Partnership or its equity holders (or of a subsidiary or its equity holders, as the case may be) to terminate such Participant's employment or service with the applicable Partnership or other entity at any time for any reason whatsoever, with or without cause. The Partnerships reserve the right to terminate the employment or service of any Participant without any liability for any claim against the Partnerships under this Plan, except for a claim for payment of deferrals as provided herein.
- 9.2. Compensation Clawback Policy. Awards shall be subject to any compensation recovery policy adopted by the Partnerships or their Affiliates from time to time, including, without limitation, Section 3.2 of this Plan, any employment agreement entered into with the Participant and policies adopted to comply with applicable law.
- 9.3. Unfunded Obligation of the Partnerships. The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Partnerships. Nothing contained in this Plan requires the Partnerships to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Partnership asset. This Plan creates only a contractual obligation on the part of the Partnerships, and the Participant has the status of a general unsecured creditor of the Partnerships with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Partnerships. No other entity guarantees or shares such obligation, and no other entity shall have any liability to the Participant or his or her beneficiary.
- 9.4. Offset. Except as otherwise set forth herein, amounts due to or in respect of Participants under this Plan shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, defense or other right which the Partnerships may have against a Participant or others.
- 9.5. Other Plans. This Plan shall not affect the right of any Eligible Person or Participant to participate in and receive benefits under and in accordance with the provisions of any other benefit plans which are now or hereafter maintained by the

Partnerships or their Affiliates, unless the terms of such other benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

- 9.6. Receipt or Release. Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Administrator and the Partnerships, and the Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.
- 9.7. Governing Law. This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of Delaware (other than its laws relating to choice of law). If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.
- 9.8. Gender, Tense and Examples. In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of this Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).
- 9.9. Successors and Assigns; Nonalienation of Benefits. This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Fund Investment Account of a Participant are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on this Plan or the Partnerships. Notwithstanding the foregoing, the Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the Fund Investment Account of a Participant. Any such payment shall be charged against and reduce the Participant’s Fund Investment Account.
- 9.10. Facility of Payment. Whenever, in the Administrator’s opinion, a Participant or beneficiary entitled to receive any payment hereunder is incapacitated in any way so as to be unable to manage his or her financial affairs, the Administrator may direct OZ Management LP (or other entity as determined by the Administrator) to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such

manner as the Administrator considers advisable. Any payment in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment to the Participant or beneficiary under this Plan.

- 9.11. Conflict. In the event of a conflict among this Plan, an Award Agreement and any employment agreement applicable to a Participant in respect of the Award granted under an Award Agreement, such employment agreement shall control except to the extent otherwise required by Section 409A of the Code.
- 9.12. Remedies. Any remedies provided for in this Plan shall be cumulative in nature and shall be in addition to any other remedies whatsoever (whether by operation of law, equity, contract or otherwise) which any party may otherwise have.
- 9.13. Effective Date. This Plan shall take effect on the date of its adoption by the General Partner on behalf of the Partnerships.

**OCH-ZIFF DEFERRED CASH INTEREST PLAN FOR EMPLOYEES  
AWARD ACCEPTANCE FORM**

[NAME]  
[ADDRESS]  
[CITY, STATE, ZIP]

The Partnerships grant to [NAME] (“you” or “Participant”), effective as of [DATE], an Award (the “Award”) as described below, subject to the Och-Ziff Deferred Cash Interest Plan For Employees, as amended from time to time (the “Plan”). Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Award Value on Grant Date:	\$
OZ Funds into which Award is invested:	[ ]% in [name of fund] [ ]% in [name of fund]

(a) Except as otherwise provided herein and/or in the Plan, the Award will become Vested on the Vesting Dates and in the amounts indicated below, provided that you have not experienced a Termination of Employment and have not given notice of such Termination of Employment. The Vested portion of the Award will be paid in a lump sum on a date to be determined by the General Partner and expected to be on or about the last day of the calendar month in which the applicable Vesting Date occurs; provided that such payment shall be made in all events within seventy (70) days following the applicable Vesting Date.

<b>Vesting Date</b>	<b>Percentage Vested</b>
[January 1, 20[ ]]	33.33%
[First anniversary of January 1, 20[ ]]	33.33%
[Second anniversary of January 1, 20[ ]]	33.34%

(b) In the event that you have a Termination of Employment (i) due to Disability or death or (ii) by the Partnerships without Cause, the Award shall become Vested on the date (or dates) the Award would have otherwise become Vested in accordance with the vesting schedule set forth above and shall be paid in accordance with paragraph (a) above.

(c) Except as otherwise provided herein and/or in the Plan, in the event that you have a Termination of Employment or have given notice of such Termination of Employment, any portion of the Award that is unvested, and any of your rights hereunder, shall be terminated, cancelled and forfeited effective immediately upon such Termination of Employment (or, if earlier, upon receipt by the Partnerships or their Affiliate of your notice of such Termination of Employment).

(d) The Award shall be subject to forfeiture in accordance with, and to the extent provided in, the Plan in the event of your Termination of Employment for Cause or breach of any restrictive covenants applicable to you.

(e) This Acceptance Form does not supersede, or otherwise amend or affect any other awards, agreements, rights or restrictions that may exist between the parties.

In the event of a conflict among this Acceptance Form, the Plan or any employment agreement with any of the Partnerships or their Affiliates that you are subject to on or after the Grant Date, such employment agreement shall control except to the extent otherwise required by Section 409A of the Code.

By executing this Acceptance Form, you indicate your acceptance of the Award set forth above and agree to be bound by the terms, conditions and provisions set forth in this Acceptance Form and the Plan, all of which are incorporated by reference herein and are an integral part of this Acceptance Form. Please sign and return this Acceptance Form to [NAME/TITLE] by [DATE]. In the event you fail to return the executed original by such date, the Partnerships reserve the right to terminate and forfeit the Award (including any rights provided for in this Acceptance Form), or to suspend or forfeit all or any vesting event(s) arising from the Award. This Acceptance Form may be executed in counterparts, which together shall constitute one and the same original.

**ACCEPTED AND AGREED TO AS OF THE GRANT DATE:**

**PARTICIPANT:**

\_\_\_\_\_  
[NAME]

OZ MANAGEMENT LP

By: Och-Ziff Holding Corporation,  
its General Partner

By: \_\_\_\_\_  
Name:  
Title:

OZ ADVISORS LP

By: Och-Ziff Holding Corporation,  
its General Partner

By: \_\_\_\_\_  
Name:  
Title:

OZ ADVISORS II LP

By: Och-Ziff Holding LLC,  
its General Partner

By: \_\_\_\_\_  
Name:  
Title:

**Subsidiaries of the Registrant\***

The following were significant subsidiaries of the Registrant as of December 31, 2017:

<b>Name</b>	<b>Jurisdiction of Incorporation or Organization</b>
Och-Ziff Holding Corporation	Delaware
Och-Ziff Holding LLC	Delaware
OZ Management LP	Delaware
OZ Management II LP	Delaware
OZ Advisors LP	Delaware
OZ Advisors II LP	Delaware
Och-Ziff Loan Management LP	Delaware
OZ CLO Management LLC	Delaware
Och-Ziff Management Europe Limited	United Kingdom
Och-Ziff Europe Loan Management Limited	United Kingdom
Och-Ziff Capital Management Hong Kong Limited	Hong Kong
Och-Ziff Finance Co. LLC	Delaware
Och-Ziff Real Estate Management LP	Delaware
Och-Ziff Real Estate Capital L.P.	Delaware
Och-Ziff Real Estate Capital II L.P.	Delaware
Och-Ziff Real Estate Capital III L.P.	Delaware
OZ Credit Opportunities Fund GP, L.P.	Delaware
OZ Credit Opportunities Overseas Fund GP, L.P.	Cayman Islands
OZSC GP, L.P.	Delaware

\* The names of additional subsidiaries have been omitted because the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-217819) pertaining to the Och-Ziff Capital Management Group LLC 2013 Incentive Plan,
2. Registration Statement (Form S-8 No. 333-188461) pertaining to the Och-Ziff Capital Management Group LLC 2013 Incentive Plan,
3. Registration Statement (Form S-8 No. 333-188459) pertaining to the Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan, and
4. Registration Statement (Form S-8 No. 333-155315) pertaining to the Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan.

of our reports dated February 23, 2018 , with respect to the consolidated financial statements of Och-Ziff Capital Management Group LLC and the effectiveness of internal control over financial reporting of Och-Ziff Capital Management Group LLC included in this Annual Report (Form 10-K) of Och-Ziff Capital Management Group LLC for the year ended December 31, 2017.

/s/ Ernst & Young LLP

New York, New York  
February 23, 2018



Certificate of Chief Executive Officer pursuant to  
Rule 13a-14(a)/Rule 15d-14(a) under the  
Securities Exchange Act of 1934.

I, Robert Shafir, certify that:

1. I have reviewed this Annual Report on Form 10-K of Och-Ziff Capital Management Group LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Robert Shafir

Name: Robert Shafir

Title: Chief Executive Officer

Certificate of Chief Financial Officer pursuant to  
Rule 13a-14(a)/Rule 15d-14(a) under the  
Securities Exchange Act of 1934.

I, Alesia J. Haas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Och-Ziff Capital Management Group LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Alesia J. Haas

Name: Alesia J. Haas

Title: Chief Financial Officer and Executive Managing Director

Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Annual Report on Form 10-K (the “Form 10-K”) for the year ended December 31, 2017, of Och-Ziff Capital Management Group LLC (the “Company”).

We, Robert Shafir and Alesia J. Haas, the Chief Executive Officer and Chief Financial Officer, respectively, of the Company certify that, to the best of our knowledge:

- i. The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- ii. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2018

/s/ Robert Shafir  
Name: Robert Shafir  
Title: Chief Executive Officer

Date: February 23, 2018

/s/ Alesia J. Haas  
Name: Alesia J. Haas  
Title: Chief Financial Officer and Executive Managing Director